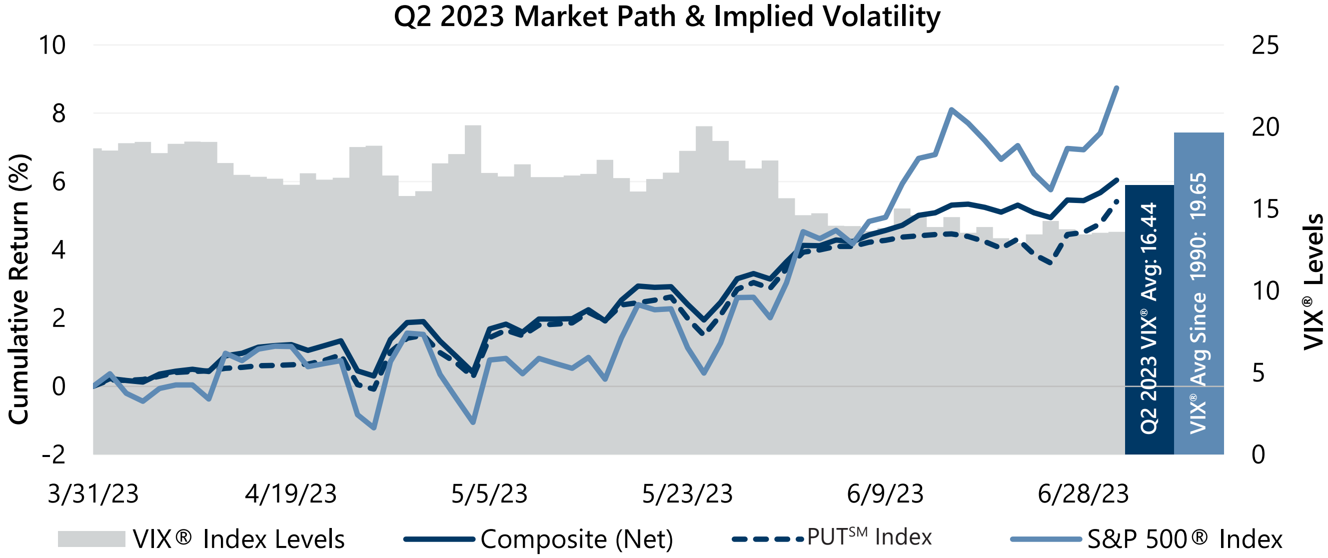
In Brief

- Gateway Active Index-PutWrite Composite (the Composite) returned 5.99%, net of fees, in the second quarter compared to the 5.41% return of the Cboe® S&P 500 PutWrite℠ Index[i] (the PUT℠) and the 8.74% return of the S&P 500® Index. The Composite had its best start to a year since its April 2015 inception with a year-to-date return of 12.38% compared to the 12.54% and 16.89% returns of the PUT℠ and the S&P 500® Index, respectively. (A GIPS® Composite Report is included with this Commentary.)
- In June, the Federal Reserve (the Fed) paused its relentless cycle of rate hikes experienced over the past year. Hopes for a continued pause, or even a cut in rates, along with resilient consumer spending, a strong-but-softening labor market, and avoidance of a debt-ceiling-driven government shutdown helped drive the equity market during the quarter.
- Away-from-zero interest rates and robust volatility levels continue to benefit Composite performance. From the start of the quarter through May 4, premiums collected from active index option writing contributed to the Composite's return of 0.40% while the S&P 500® Index declined 1.06%. During the market advance from May 4 through quarter-end, the Composite advanced 5.61% relative to the S&P 500® Index advance of 9.91%.
- The S&P 500® Index, the PUT℠ and the Composite had an annualized standard deviation of daily returns of 11.88%, 5.64% and 5.64% for the second quarter, respectively.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 16.44 in the second quarter. Average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns. The VIX® ended the first quarter at 18.70 before climbing to an intra-quarter high of 20.09 on May 4. The VIX® declined to a second quarter low of 12.91 on June 22 and closed the quarter at 13.59.
- Adjustments to the written index put option portfolio during the quarter initially focused on monetizing above-average levels of volatility. As the market advanced later in the quarter, the team was patient in making adjustments to maintain normal market exposure and enhance net cash flow potential.
- Recency bias among some investors have set expectations that once the Fed conquers inflation, there is potential to return to the low-rate environment experienced during the recent quantitative easing era. Looking back to 1954, this period of ultra-low rates seems to be more of an exception rather than the rule. Gateway's strategies are built for this normalizing rate environment that persistently benefits option writing strategies.



Sources: Morningstar Direct℠ and Bloomberg, L.P. Past performance does not guarantee future results.

Market Recap

The S&P 500® Index returned 8.74% in the second quarter of 2023 with monthly returns of 1.56%, 0.43% and 6.61% for April, May and June, respectively. There was much handwringing about the future path of the Fed policies to slow the economy and bring down inflation from record heights during the second quarter of 2023. Hopes for a pause, or *even a reversal*, in the Fed's hiking cycle drove markets higher and held volatility lower during the quarter as economic results suggested a new era of monetary policy was showing signs of progress. On May 3, the Fed signaled such hopes could materialize - after increasing the Fed funds rate by 25 basis points (bps) to a target range of 5.00% - 5.25%. Then, in June, the Fed paused. Investors seemingly picked up the signal in May, however. The S&P 500® Index began a 9.91% climb on May 4 that lasted through quarter-end.

In light of the Fed's persistent efforts in attempting to control inflation, data released in June showed a resilient but cooling U.S. economy. The third estimate of Gross Domestic Product for the first quarter of 2023 showed that the U.S. continued to grow by an annualized rate of 2.0%, above the consensus expectation of 1.4% and continuing an upward trend. The May unemployment rate of 3.7% was an increase from the prior month and worse than the consensus estimate, while the participation rate held steady at 62.6%. The May Consumer Price Index, released June 13, showed a year-over-year increase of 4.0%, slightly lower than the consensus expectation and continuing a downward trend. First quarter aggregate operating earnings were on track to climb more than 1.6% quarter-over-quarter while decreasing nearly 4.8% year-over-year. With over 99% of S&P 500® Index companies reporting, almost 80% met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 16.44 in the second quarter. 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 11.88% for the quarter. The VIX® ended the first quarter at 18.70 before climbing to a second quarter high of 20.09 on May 4. Progress on inflation, Fed decisions and the start of summer vacations contributed to the VIX® declining to a second quarter low of 12.91 on June 22. The VIX® closed the quarter at 13.59.

The PUT℠ returned 5.41% in the second quarter, lagging the S&P 500® Index by 333 bps. The PUT℠ returned 1.41%, 1.44% and 2.47% in April, May and June, respectively. The PUT℠ is a passive total return index designed to track the performance of a hypothetical portfolio that sells (writes) S&P 500® Index put options against collateralized cash reserves held in a money market account. 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 market advances and help to mitigate losses during market declines. The premiums the PUT℠ collected as a percentage of its underlying value were 1.40%, 1.53% and 1.28% in April, May and June, respectively. As the equity market advanced through the quarter, the PUT℠'s passive approach tended to result in reduced market exposure. Paired with the time premium collected from its written index put option, the PUT℠ returned -1.11%, providing 147 bps of downside mitigation during the S&P 500® Index second quarter max drawdown of -2.58% from April 30 to May 4. As the equity market rapidly advanced after May 4, the PUT℠'s rules-based approach was unable to keep pace, returning 5.12% from May 4 through quarter-end relative to the S&P 500® Index return of 9.91%.

The Bloomberg U.S. Aggregate Bond Index returned -0.84% in the second quarter as interest rates resumed their climb following a brief and shallow retreat in response to the threat of a regional banking crisis. The yield on the 10-year U.S. Treasury Note (the 10-year) ended the first quarter at 3.47% before drifting to an intra-quarter low of 3.31% in early April. The 10-year yield rose throughout the quarter to finish June at an intra-quarter high of 3.84%. The yield on the 2-year U.S. Treasury Note exceeded that of the 10-year for the entire quarter, an inversion of its typical relationship that has persisted since July 5, 2022.

Gateway Active Index-PutWrite Composite Performance

The Composite returned 5.99%, net of fees, in the second quarter, compared to the 5.41% return of the PUT℠. The Composite returned, net of fees, 1.84%, 1.25% and 2.79% in April, May and June, respectively, contributing to the best start to a year since its 2015 inception. Since the start of the year, the Composite climbed 12.38%, net of fees, compared to the 12.54% and 16.89% return of the PUT℠ and the S&P 500® Index, respectively. Robust volatility continued to support higher index option premiums and potential net cash flow during the quarter, which helped the Composite participate in the intra-quarter market advances while providing loss mitigation during periods of decline. The Composite's active and diversified approach resulted in a typical amount of market exposure, while the passive, rules-based timing of the PUT℠'s replacement of its single written index put option contract resulted in the PUT℠ having less exposure than usual during the advance.

Premiums collected from writing options provided significant downside protection during the March 31 through May 4 decline. Specifically, the Composite provided 66 bps of downside protection relative to the S&P 500® Index with a return of 0.40%, net of fees, while the PUT℠ returned 0.28%. Premiums collected on written options also supported strong participation in the market's advance from March 4 through quarter-end. The Composite returned 5.61%, net of fees, and the PUT℠ returned 5.12% during this market advance as the S&P 500® Index climbed 9.91%.

The Composite's index put option writing generated risk-reducing cash flow throughout the quarter and gains on written index put option positions contributed to downside protection during the market's shallow decline at the start of the quarter. Index put option positions positively contributed to returns throughout the quarter.

In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 5.64% compared to 11.88% and 5.64% for the S&P 500® Index and the PUT℠, respectively. The Composite exhibited a beta to the S&P 500® Index of 0.45 for the quarter.

Gateway's investment team was active in its management of the Composite's index option portfolio during the quarter. Adjustments to the written index put option portfolio initially focused on maintaining equity market exposure and enhancing cash flow potential through the monetization of robust volatility levels. During periods of market advance, the team was patient in exchanging select index put option contracts in advance of their expiration dates for ones with later expiration dates and higher strike prices to maintain a typical level of market exposure and enhance net cash flow potential.

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 between 1.5% in-the-money and 1.5% out-of-the-money, weighted-average time to expiration of 50 days and annualized premium to earn between 5.0% to 7.5%. Relative to the beginning of the quarter, this positioning represented slightly higher market exposure and lower cash flow potential.

Performance & Risk (%)	Q2 2023	YTD 2023	1 Year	3 Years	5 Years	Inception (4/1/2015)	Inception Risk[1]
The Composite (Net)	5.99	12.38	13.99	10.05	6.66	6.95	10.00
PUT℠ Index	5.41	12.54	12.08	13.63	6.33	6.99	10.47
S&P 500® Index	8.74	16.89	19.59	14.60	12.31	11.81	15.83

Periods less than one year are not annualized. Past performance does not guarantee future results. Data as of June 30, 2023. Source: Morningstar Direct℠.
1: Based on standard deviation of monthly returns since Composite inception date of April 1, 2015.

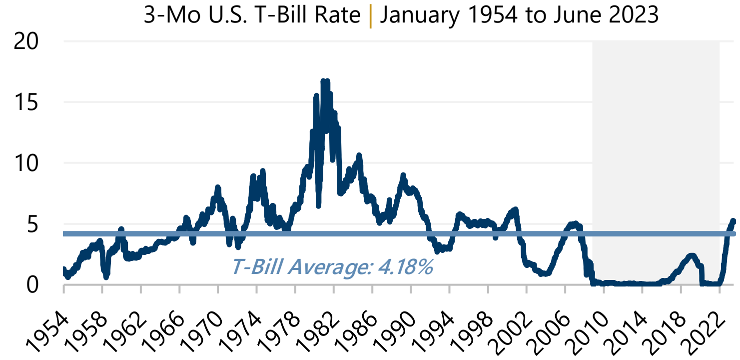
Market Perspective – For the Times, They Have Changed

Uncertainty persists around the path of the U.S. economy despite the expected summer lull. With the Fed pausing rate hikes at their June 14 meeting, investors have seemingly become more comfortable with the upward trajectory of the stock market as expectations rise for a continued pause, or cut. Year-to-date through June 30, the S&P 500® Index returned 16.89% compared to its equally weighted counterpart, the S&P 500® Equal Weight Index, which has only returned 7.03% over the same period. The path and breadth of this advance has been choppy and thin, however. At the end of June, only 28% of the constituents of the S&P 500® Index had year-to-date returns greater than that of the Index. Moreover, 38% had year-to-date returns that were negative.

Meanwhile, volatility has receded in recent weeks in light of the June Fed pause and kickoff to summer. Implied volatility, as measured by the VIX®, ended 2022 at 21.67, higher than its long-term average of 19.65. Implied volatility trended down as the market rallied and finished the second quarter at 13.59. With the VIX® futures curve on June 30 reflecting expectations of implied volatility ranging from 15 to nearly 21 into 2024, persistently elevated implied volatility may continue to be a positive contributor to option writing performance. This could potentially add several percentage points to cumulative premium over a 12-month period, compared to the average level of implied volatility for the five years prior to the pandemic.

On the interest rate front, even with a rate hike pause and data releases that support a less-hawkish path forward, investors should be wary of expecting a return to the recent period of ultra-low rates which seems more an exception rather than a rule. Figure 1 looks back to 1954 and reflects the average rate on a 3-month U.S. Treasury Bill (T-Bill) as 4.18%, compared to an average of 0.47% from October 2008 to December 2021. The 3-month T-Bill ended June 2023 at 5.17%.

Figure 1: Zero Rates Were Exceptional
3-Mo U.S. T-Bill Rate | January 1954 to June 2023

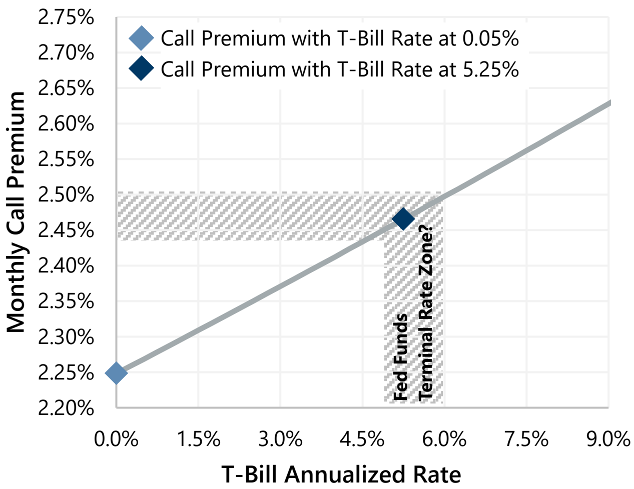


Past performance does not guarantee future results.

As Figure 2 illustrates, when the one-month T-Bill rate is at 0.25%, as it was for so long and so recently, the premium that investors receive for writing one-month at-the-money (ATM) S&P 500® Index call options was around 2.25%. That same call option today is generating nearly 2.50%, and if the Fed does not return a zero-interest rate policy, the interest rate component of option writing strategies could persistently and positively contribute to return moving forward. Additionally, interest rate risks typically associated with fixed income investments may be avoided – offering an alternative that may complement investors allocations to bonds.

Figure 2: One-Month T-Bill Rate Impact on One-Month ATM Call Premium

Standard Black-Scholes Model Assuming Constant Long-Term Average Implied Volatility and No Equity Dividends



Higher interest rates contribute positively to monthly premiums when writing one-month ATM S&P 500® Index call options.

Like a sprinter who is now running a marathon, a lot remains to be seen regarding continued market breadth expansion, monetary policy and the economy. Investment strategies that combine equity market exposure with positive net cash flow, like those managed by Gateway, may benefit if current levels of volatility and interest rates persist, or move higher, as elevated cash flow from option writing premiums are an effective source of lower risk return potential as well as downside protection.

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.

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 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 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., Federal Reserve Bank of St. Louis and Morningstar Direct℠

GATEWAY
INVESTMENT ADVISERS, LLC

Gateway Active Index-PutWrite Composite

GIPS® Composite Report

Year End	Annual Performance Results: Composite Gross	Composite Net	% of Non-Fee Paying	PUT℠ Index	S&P 500® Index	3-Year Standard Deviation: Composite	PUT℠ Index	S&P 500® Index	Number of Composite Accounts	Composite Assets (millions)	Firm Assets (millions)
9 Months Ended 12/31/2015	4.34%	4.07%	100%	5.94%	0.45%	N/A	N/A	N/A	1	$ 5	$12,210
2016	8.76	8.37	100	7.77	11.96	N/A	N/A	N/A	1	6	11,601
2017	12.15	11.75	100	10.85	21.83	N/A	N/A	N/A	1	5	12,559
2018	-5.61	-5.96	100	-5.93	-4.38	6.89%	7.50%	10.95%	1	4	11,641
2019	17.15	16.73	100	13.51	31.49	7.52	7.92	12.10	1	5	10,950
2020	8.26	7.87	100	2.13	18.40	12.29	14.03	18.80	1	5	9,963
2021	18.93	18.51	100	21.79	28.71	11.22	13.06	17.41	1	4	11,556
2022	-12.11	-12.43	100	-7.66	-18.11	13.77	14.45	21.16	1	2	8,593

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-PutWrite Composite contains fully discretionary option writing accounts that sell (write) index put options. The written put options are 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 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%. Past performance is not indicative of future results. The 3-year standard deviation is calculated using gross returns.

The investment management fee for the Composite is 0.35%. 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, 2022. A firm that claims compliance with the GIPS® standards must establish policies and procedure 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 Composite has had a performance examination for the periods April 1, 2015 through December 31, 2022. 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.