

Despite overwhelming expectations of doom and gloom at the beginning of 2023, the equity market had an excellent first half of the year ([and continued its strength into July](#)). Since the end of the Great Financial Crisis (GFC) in 2009, the S&P 500® Index has only had a better first half one time - in 2019. It seems so long ago, but during the first half of 2019, the S&P 500® Index returned 18.54% compared to the 16.89% return in the first half of 2023. These two starts far exceeded the average. Since the GFC, the average S&P 500® Index return in the first six months of a year was 5.18% and was positive 80% of the time.

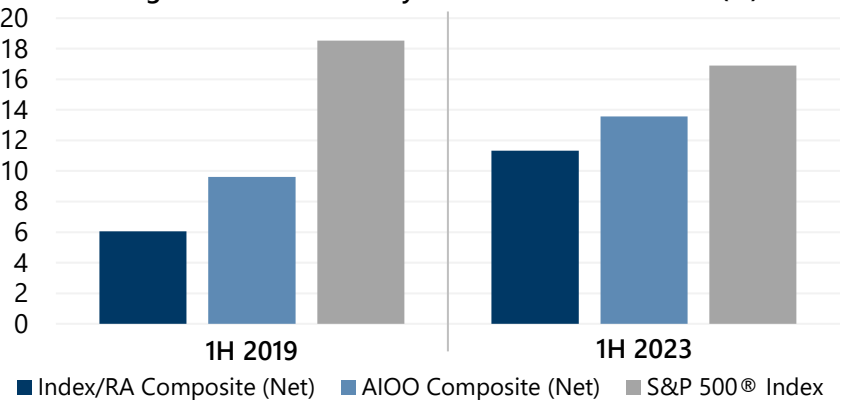
Meanwhile, 2019 and 2023 paint two very different pictures for Gateway's low-volatility, options-based strategies. Investors may recall from their undergrad education that interest rates and volatility – two components of the Black-Scholes option pricing model - play a significant role in option pricing, and thus option-based strategies. These two components were less robust in their contributions during the quantitative-easing period in which the U.S. Federal Reserve closely monitored equity and credit markets for outbursts of volatility while keeping interest rates near zero.

So, what has changed in such a short timeframe? Well, the entire world – and specifically, levels of volatility and interest rates that feed into at least two Black-Scholes components. In 2019, the Cboe® Volatility Index (the VIX®) averaged 15.39 and the average yield on a 90-day U.S. Treasury Bill (T-bill) was 2.08%. In contrast, in the first half of 2023, the VIX® averaged 18.56 and the 90-day T-bill had an average yield of 4.91%.

The benefits of higher volatility and away-from-zero interest rates can be seen in the recent returns of Gateway's options-based strategies. A shift higher has the potential to persist with an abundance of looming potential drivers of volatility and a low likelihood of returning to the low interest rates experienced during quantitative-easing post GFC, as discussed previously in [Times Have Changed](#).

Gateway's flagship Index/RA Composite (Index/RA) captured nearly 33% of the equity market advance in the first six months of 2019 with a return of 6.05%, net of fees. This contrasts with 2023 in which Index/RA returned 11.34%, net of fees, capturing over 67% of the S&P 500® Index 16.89% return. Gateway's Active Index-Option Overwrite Composite (AIOO) had a similar outcome, climbing 9.60% and 13.57%, net of fees, in the first half of 2019 and 2023, respectively. AIOO captured nearly 52% of the market advance in 2019 while capturing over 80% during 2023. (A GIPS® Composite Report is included with this Commentary.)

**Higher Rates & Volatility Benefit Relative Returns (%)**



Past performance does not guarantee future results. Periods less than one year are not annualized. Data sources: Gateway Investment Advisers, LLC and Morningstar Direct<sup>SM</sup>.

Robust Starts of the Past					
	S&P 500® Index	Return (%) Index/RA Composite (Net)	AIOO Composite (Net)	VIX® Average	Average 90-day U.S. T-Bill
1H 2011	6.02	2.66	5.19	18.04	0.09%
1H 2012	9.49	3.21	7.07	19.13	0.08%
1H 2013	13.82	3.71	6.20	14.20	0.07%
1H 2014	7.14	2.54	4.65	13.77	0.04%
1H 2017	9.34	5.14	6.59	11.56	0.74%
1H 2019	18.54	6.05	9.60	15.82	2.35%
1H 2021	15.25	7.46	11.30	20.56	0.04%
<b>Average</b>	<b>11.37</b>	<b>4.39</b>	<b>7.23</b>	<b>16.15</b>	<b>0.49%</b>
<b>1H 2023</b>	<b>16.89</b>	<b>11.34</b>	<b>13.57</b>	<b>18.56</b>	<b>4.91%</b>

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Since the GFC, there have been seven other years where the S&P® 500 Index was on pace for double-digit returns as of mid-year. During those respective years which include 2011-2014, 2017, 2019 and 2021, Index/RA had an average return of 4.39%, net of fees, versus 11.37% for the S&P 500® Index - an upside capture of nearly 39%. During these years, the VIX® averaged 16.15 and the 90-day T-bill yield averaged 0.49%. In 2023, the combination of relatively higher volatility and interest rates (that were suddenly 4% higher) contributed to a significant increase in Index/RA's upside participation.

AIOO also benefitted from the positive effects of higher volatility and significantly higher interest rates. For the seven years

referenced above, AIOO returned 7.23%, net of fees, versus 11.37% for the S&P 500® Index – for an upside capture of almost 64%. Absolutely respectable, but as the volatility and rate environment has changed in 2023, AIOO climbed 13.57%, net of fees, capturing over 80% of the S&P 500® Index 2023 return through June.

Gateway’s investment philosophy holds that the equity market is the most reliable source of long-term real returns and consistency is the key to long-term investment success. Generating cash flow through monetizing volatility, rather than seeking to forecast the rise and fall of the market, can be a lower risk means to participate in equity markets. Strategies that employ index option writing offer exposure to richly priced implied volatility and can also benefit from higher levels of interest rates, helping to offset some risks associated with rising interest rates. This combination, prevalent in today’s challenging environment, provides investors the potential to generate attractive risk-adjusted returns over the long-term.

Standard Performance							
Performance (%) as of June 30, 2023	1H 2023	1 Year	3 Year	5 Year	10 Year	Index/RA Inception <sup>1</sup>	AIOO Inception <sup>1</sup>
Index/RA Composite (Net)	11.34	12.17	6.49	4.72	4.99	6.83	-
AIOO Inception (Net)	13.57	16.56	11.35	7.63	8.08	-	7.07
S&P 500® Index	16.89	19.59	14.60	12.31	12.86	10.85	10.49

Past performance does not guarantee future results. Periods greater than one year are annualized. Data as of June 30, 2023 unless noted otherwise. Data sources: Gateway Investment Advisers, LLC and Morningstar Direct<sup>SM</sup>. 1: Index/RA Composite inception date is January 1, 1988. AIOO Composite inception date is April 1, 2008 .

#### IMPORTANT INFORMATION

Past performance does not guarantee future results. Data sources: Bloomberg, L.P., Federal Reserve Bank of St. Louis, Gateway Investment Advisers, LLC and Morningstar Direct<sup>SM</sup>. For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit [www.gia.com/insights](http://www.gia.com/insights).

Year End	Annual Performance Results				3-Year Standard Deviation			Number of Composite Accounts	Composite Dispersion	Composite Assets (millions)	Firm Assets (millions)
	Composite		S&P 500® Index	Bloomberg U.S. Aggregate Bond Index	Composite	S&P 500® Index	Bloomberg U.S. Aggregate Bond Index				
	Gross	Net									
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
2022	-11.19	-11.73	-18.11	-13.01	10.37	21.16	5.85	6	0.0	6,586	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.

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(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 0.30% 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, 2022. 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, 2022. The verification and performance examination reports are available upon request.



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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.

Year End	Annual Performance Results				3-Year Standard Deviation			Number of Composite Accounts	Composite Assets (millions)	Firm Assets (millions)
	Composite Gross	Composite Net	S&P 500® Index	BXM <sup>SM</sup> Index	Composite	S&P 500® Index	BXM <sup>SM</sup> Index			
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
2022	-10.81	-11.22	-18.11	-11.37	14.16	21.16	15.75	2	1,448	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-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<sup>SM</sup> Index (BXM<sup>SM</sup> 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 0.30% on assets in excess of \$50 million. Actual investment management fees incurred by Composite accounts may vary.

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