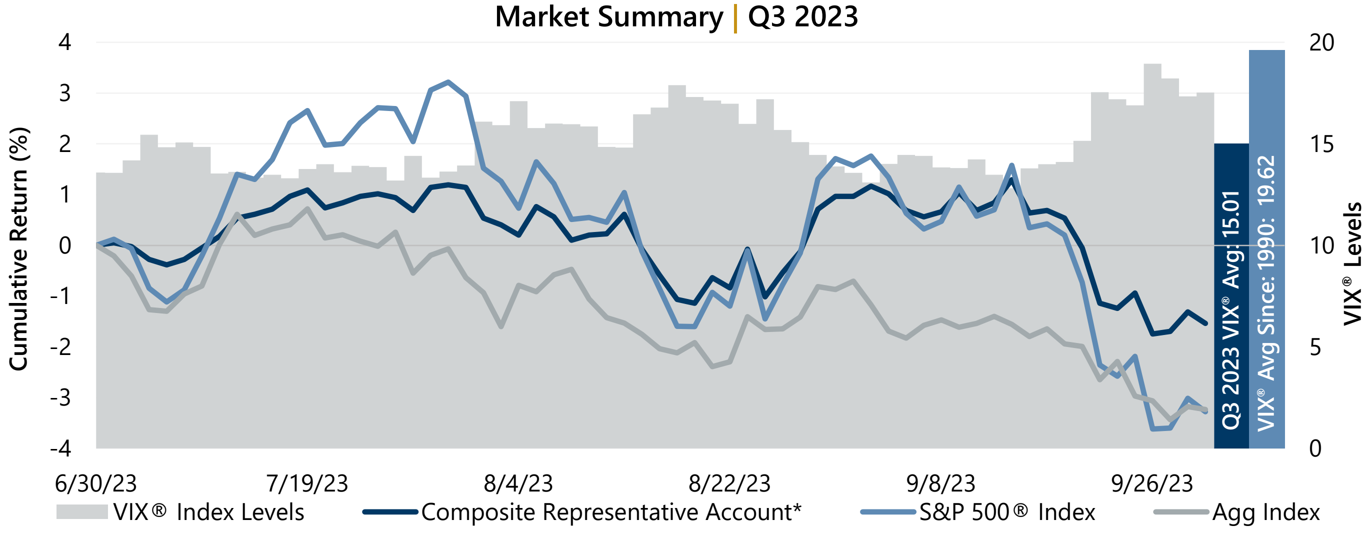
In Brief

- Gateway Index/RA Composite (the Composite) returned -1.45%, net of fees, in the third quarter compared to the -3.27% return of the S&P 500® Index and the -3.23% return of the Bloomberg U.S. Aggregate Bond Index (the Agg). From the start of 2023 through September 30, the Composite has returned 9.73% relative to the S&P 500® Index and Agg returns of 13.07% and -1.21%, respectively. (A GIPS® Composite Report is included with this Commentary).
- After July's advance, the realization of higher-for-longer interest rates seemed to settle in with investors and the S&P 500® Index returned -6.28% from July 31 through September 30. The Composite* provided 358 basis points (bps) of downside protection during the decline with a return of -2.70%.
- The S&P 500® Index and the Composite* had an annualized standard deviation of daily returns of 10.81% and 6.22% for the quarter, respectively.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 15.01 in the third quarter. Average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns. The VIX® ended the second quarter at 13.59 before drifting to an intra-quarter low of 12.82 on September 14. The VIX® climbed to a third quarter high of 18.94 on September 26 and closed the quarter at 17.52.
- The investment team was patient but opportunistic in its management of the written index call option portfolio. The team incrementally decreased the weighted-average strike price while taking advantage of increases in implied volatility to enhance cash flow potential and maintain typical market exposure.
- The team was active in managing the portfolio of index put options during the quarter. Earlier in the quarter, before implied volatility increased, the investment team made adjustments to maintain consistent market exposure and extended weighted-average time to expiration while managing the cost of downside protection.
- As implied volatility reached its 2023 low in September, many market observers contemplated strategies that had potential to benefit from a trend reversal and higher levels of volatility. Unlike shorting volatility through VIX® futures or the like, which could leave investors exposed to significant losses, options-based strategies that sell volatility are cash-flow positive and could benefit any time that volatility rises.



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

Market Recap

The S&P 500® Index returned -3.27% in the third quarter of 2023 with monthly returns of 3.21%, -1.59% and -4.77% for July, August and September, respectively. The S&P 500® Index has climbed 13.07% since the start of 2023. An equity market rally in July, a surprise downgrade of U.S. credit by Fitch Ratings and regional bank downgrades, combined with concerns about economic growth in China, drove the S&P 500® Index to return -4.66% from the end of July through August 18. The market rebounded partially, with a 3.41% return from August 18 through September 1. However, as the yield curve continued its shift higher and interest rates maintained new-found heights, the phrase "higher for longer" increasingly settled into investor expectations – and the equity market declined -4.94% from September 1 through quarter-end. The effects of such a rapid rise of interest rates may take time to unfold but seem to be fostering a sense of caution and uncertainty heading into the final quarter of the year.

U.S. Macroeconomic Data | September Releases

	Period	Current	Estimate	Prior
U.S. Gross Domestic Product Growth	Q2 2023	1.7%	2.0%	2.0%
Unemployment Rate	August	3.8%	3.5%	3.5%
Pariticipation Rate	August	62.8%	62.6%	62.6%
Average Hourly Earnings (YoY)	August	4.3%	4.3%	4.4%
Consumer Price Index (YoY)	August	3.7%	3.6%	3.2%

Past performance does not guarantee future results. Source: Bloomberg, L.P.

Despite a persistent war on inflation, rising energy costs contributed to an unwelcome increase in inflation during the quarter while the labor market and macroeconomic backdrop showed signs of softening. The final estimate of Gross Domestic Product for the second quarter of 2023 showed that the U.S. continued to grow by an annualized rate of 1.70%, continuing a downward trend. The August unemployment rate of 3.8% was an increase from the prior month and worse than the consensus estimate, while the participation rate finally ticked up. The August Consumer Price Index, released September 13, showed a year-over-year increase of 3.70%, higher than expectations and the prior month. On the corporate earnings front, second quarter aggregate operating earnings were on track to climb nearly 4.0% quarter-over-quarter, just over 1.5% year-over-year. With almost 99% of S&P 500® Index companies reporting, over 82% met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 15.01 in the third 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 10.81% for the quarter. The VIX® ended the second quarter at 13.59 before settling to a 2023 low of 12.82 on September 14. As the equity market softened, the VIX® climbed to an intra-quarter high of 18.94 on September 26 before closing the quarter at 17.52.

The Agg returned -3.23% in the third quarter as interest rates continued their ascent. The Agg has had a rough go in 2023, concluding a five-month losing streak in September with a year-to-date return of -1.21%. The yield on the 10-year U.S. Treasury Note (the 10-year) ended the second quarter at 3.84% before reaching an intra-quarter low of 3.75% in July. The 10-year yield then rose to reach an intra-quarter high of 4.61% on September 27 before closing September at 4.57%. 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 Index/RA Composite Performance

The Composite returned -1.45%, net of fees, in the third quarter compared to the -3.27% return of the S&P 500® Index. From the start of 2023 through quarter-end, the Composite returned 9.73%, net of fees, relative to the S&P 500® Index return of 13.07%. The Composite returned 1.23%, -0.20% and -2.45%, net of fees, in July, August and September, respectively.

The portfolio performance, contributions, annualized standard deviation and portfolio statistics quoted for the Composite in the following paragraphs are those measured by the net-of-fee returns of a representative account (the Account)[i].

The Account has provided strong equity market participation and downside loss mitigation as it continued to benefit from an environment of higher interest rates and robust volatility. After a strong July, the realization of higher-for-longer interest rates seemed to settle-in and the S&P 500® Index returned -6.28% from July 31 through September 30. The Account provided 358 bps of downside protection during this decline with a return of -2.70%.

The Account's index call option writing generated risk-reducing cash flow throughout the quarter and gains on written index call option positions positively contributed to returns during the quarter. Gains on purchased index put options also contributed positively to return and provided a source of downside protection during the equity market's periods of decline.

In achieving its low-volatility objective, the Account's annualized standard deviation of daily returns for the quarter was 6.22%, compared to 10.81% for the S&P 500® Index. The Account exhibited a beta to the S&P 500® Index of 0.56 for the quarter.

Gateway's investment team was patient but opportunistic in its management of the Account's index option portfolios during the quarter. Adjustments to the written index call option portfolio focused on incrementally decreasing the weighted-average strike price while taking advantage of increases in implied volatility to enhance cash flow potential and maintain typical market exposure. The team was active in making adjustments to the index put portfolio during the quarter, as well. As the market declined and volatility increased, the team made active adjustments to extend weighted-average time to expiration to manage the cost of downside protection and maintain the Account's typical risk profile.

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, 34 days to expiration and annualized premium to earn between 5.0% and 7.5%. Index put options covered more than 95% of the portfolio and had a weighted-average strike price between 5.0% and 7.5% out-of-the-money, 96 days to expiration and an annualized cost between 5.0% and 7.5%. Relative to the end of the second quarter, this positioning represented lower net cash flow potential and slightly higher market exposure.

Performance & Risk (%)	Q3 2023	YTD 2023	1 Year	3 Year	5 Year	10 Year	Inception (1/1/1988)	Inception Risk[1]
The Composite (Net)	-1.45	9.73	14.96	4.83	3.66	4.71	6.74	6.69
S&P 500® Index	-3.27	13.07	21.62	10.15	9.92	11.91	10.66	14.73
Agg Index	-3.23	-1.21	0.64	-5.21	0.10	1.13	5.28	4.07

Past performance does not guarantee future results. Periods greater than one year are annualized. Data as of September 30, 2023. 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 – Don't Get Caught with Your Shorts Down

Shorting vs Selling Volatility – What's the Difference?

So far in 2023 there has been an abundance of headlines driving persistent uncertainty. Risks abound in light of rapid interest rate increases, high inflation, shifts in fiscal and monetary policy, geopolitical tensions and ongoing conflict abroad. Despite the appearance of chaos, implied volatility, as measured by the VIX®, has averaged 17.37 year-to-date – far beyond levels experienced during quantitative easing but below the since 1990 inception average of 19.62.

Shorting volatility makes a directional bet on volatility with the risk of unlimited potential loss.

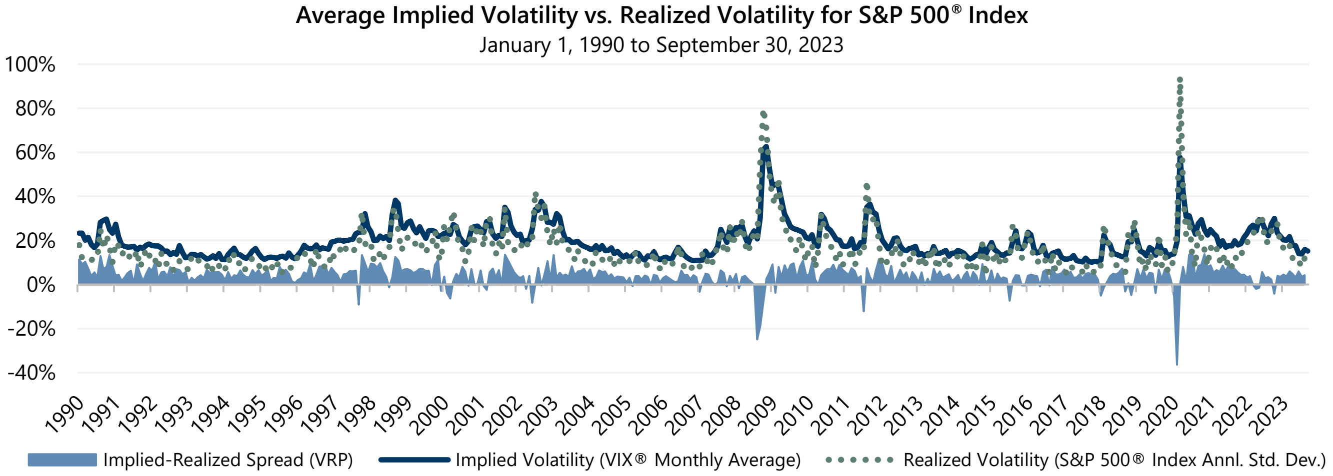
Selling volatility with options-based approaches generates risk-reducing income, eliminates leverage and limits potential loss.

During the summer, as volatility receded and the economy remained resilient amidst the Federal Reserve's (the Fed) inflation-taming efforts, a number of investors set expectations that volatility would quickly recede after any bout and began betting against short-term futures tied to the VIX®. *Shorting volatility* is making a directional bet that volatility will remain relatively compressed while exposing investors to unlimited losses and assumes unforeseen events will have a muted impact on volatility. This was a popular strategy in the low-volatility quantitative easing era, during which the Fed managed markets with the utmost caution and implied volatility was routinely very depressed, compared to historical levels.

How to Benefit from Volatility

Some investors may remember how short-volatility strategies turned out after implied volatility suddenly spiked (and did not quickly recede) in early 2018. Spoiler alert: it did not end well. Rather than betting on the direction of volatility and an uncertain future, investors may prefer to contemplate a less-risky approach. Options-based strategies that *sell volatility* may allow investors to capture the difference between realized and implied volatility, or the Volatility Risk Premium (VRP), while generating cash flow. In addition, this type of strategy can be an uncorrelated approach to most other investment strategies and provides diversification to an investment portfolio.

Higher levels of implied volatility can enhance the potential returns of such a strategy and data suggests that the spread exists in a variety of market conditions, including during periods of lower volatility (and higher rates). Although implied volatility can expand during an equity market advance, it is generally when markets decline that it expands the most. Shorting volatility has the potential to compound losses when markets are down. In contrast, active options-based strategies can take advantage of tumultuous markets. In the case of an equity market decline, premiums collected from writing options can increase. Those premiums can then be used to purchase the underlying basket at lower market prices, enabling the potential to further benefit once the market recovers and asset prices rise.



Time for Experience

Understanding these concepts is crucial to the success of investors considering shorting versus selling volatility. As discussed in *Times Have Changed*, the investing backdrop has been significantly altered over the past year. Interest rates have surged at a breakneck pace, volatility has shifted higher and out of its muted quantitative-easing era range and investors may be weary of expecting a return to an environment of low rates and low volatility. Tested, active options-based approaches have the potential to benefit from these trends while helping reduce risk and enhance portfolio outcomes.

Since 1977, Gateway's investment approach has focused on stability, risk-adjusted performance and long-term growth. Our index options-based strategies have steady track records, consistent risk profiles and are poised to continue benefitting from the current market environment that includes interest rates away from zero, a robust volatility risk premium, and implied volatility persistently in the double-digits.

Important Information

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

Past performance does not guarantee 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℠

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
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.

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.