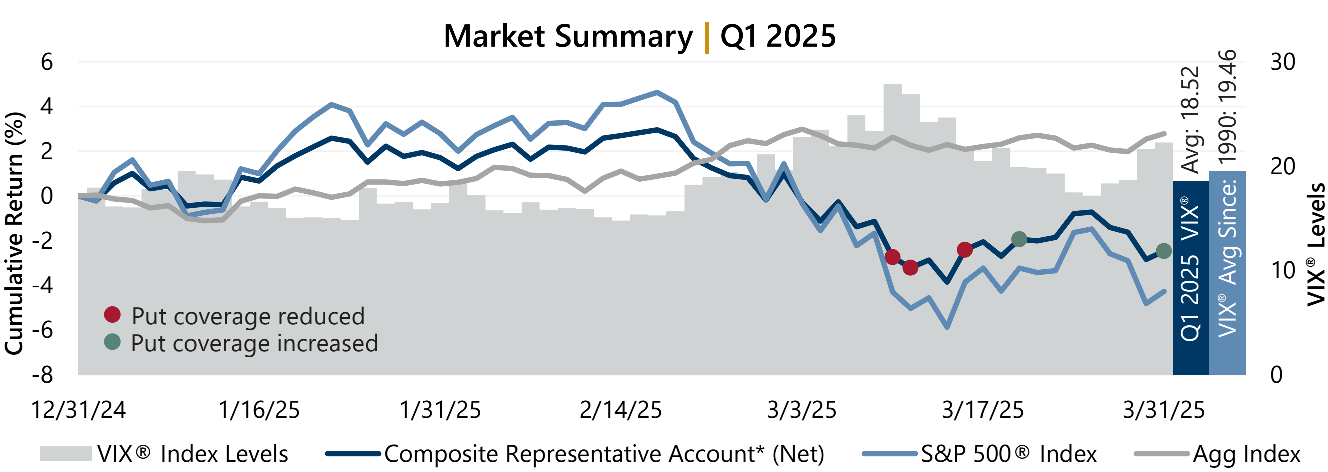
In Brief

- Gateway Index/RA Composite (the Composite) returned -2.39%, net of fees, in the first quarter, offering 188 basis points (bps) of downside protection relative to the S&P 500® Index decline of -4.27%. The Bloomberg® U.S. Aggregate Bond Index (the Agg) returned 2.78% for the quarter. A GIPS® Composite Report and disclosure is included with this Commentary.
- After climbing 4.64% from the start of the year and reaching an all-time high on February 19, the S&P 500® Index was in correction territory in March. The equity market declined -10.04% from February 19 to March 13 as uncertainty around economic growth and trade policy increased. From March 13 to quarter-end, the S&P 500® advanced 1.70%.
- The Composite* was able to capture a majority of the market's return from the start of the year to February 19 with a net return of 2.96% and offered 341 bps of downside protection with a net return of -6.63% during the equity market's drawdown from February 19 to March 13. Market dynamics helped the Composite* return 1.45% net of fees during the equity market's bounce from March 13 to quarter-end.
- The S&P 500® Index and the Composite* had an annualized standard deviation of daily returns of 16.39% and 10.72% for the quarter, respectively.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 18.52 in the first quarter. Average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns. The VIX® ended 2024 at 17.35 and reached an intra-quarter low of 14.77 on February 14 before climbing to its intra-quarter high of 27.86 on March 10. The VIX® closed the quarter at 22.28.
- During the quarter, the portfolio management team took advantage of market weakness and higher implied volatility levels. Adjustments to the index call option portfolio focused on managing weighted-average strike price and weighted-average time to expiration, aiming to monetize heightened volatility to enhance cash flow while maintaining typical market exposure and risk profile.
- Numerous adjustments were made to the index put option portfolio in an effort to monetize significantly higher volatility being priced into contracts and to preserve index put option gains in the event of a sudden and sharp market recovery, while maintaining a typical risk profile. The team closed and added multiple index put option positions, resulting in put coverage in a range of 65% to 80% at quarter-end.
- The Trump Administration has its sights on restructuring the fiscal house and, in return, volatility has been robust in 2025. While fiscal policy change makes for great headlines, investors should not forget about the lagging effects of change in monetary policy – especially given the rapid increase in interest rates beginning in 2022 followed by cuts in 2024. Since 1990, data suggests an average equity market drawdown of approximately 19.5% following an interest rate reduction with duration ranging from two weeks to twelve months.



Past performance does not guarantee future results. Sources: Morningstar Direct℠ and Bloomberg® Index Services Limited. Please see Important Information section for the full disclosure. *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 oldest account in the Composite.

Market Recap

The S&P 500® Index returned -4.27% in the first quarter of 2025, with monthly returns of 2.78%, -1.30%, and -5.63% in January, February, and March, respectively. The decline was the equity market's first quarterly decline since the third quarter of 2023. After climbing to an all-time high on February 19, the S&P 500® Index fell into correction territory in March. The S&P 500® Index climbed 4.64% from the start of the year to February 19 before declining -10.04% from February 19 to March 13 as uncertainty around the outlook for economic growth and trade policy increased. The equity market returned 1.70% from March 13 through quarter-end.

Despite increasing concerns, data released in March showed an economy that continues to grow with steady inflation and a steady labor market. The Gross Domestic Product for the fourth quarter of 2024 was better than the consensus estimates and the prior month figure. The year-over-year February Consumer Price Index released March 12 was less than consensus estimates and the prior period. The quarter-over-quarter Personal Consumption Expenditures (PCE) Price Index ticked lower than the prior period and the consensus estimates. With over 99% of S&P 500® Index companies reporting, corporate earnings are on track to be positive for the fourth quarter of 2024. Aggregate operating earnings climbed 3.2% quarter-over-quarter and 9.3% year-over-year. More than 80% of reporting companies either met or exceeded analyst estimates.

U.S. Macroeconomic Data | March Releases

	Period	Current	Estimate	Prior
U.S. Gross Domestic Product Growth	Q4 2024	2.4%	2.3%	2.3%
Unemployment Rate	February	4.1%	4.0%	4.0%
Labor Participation Rate	February	62.4%	62.6%	62.6%
Average Hourly Earnings (YoY)	February	4.0%	4.1%	4.1%
Consumer Price Index (YoY)	February	2.8%	2.9%	3.0%
Core PCE Price Index (QoQ)	Q4 2024	2.6%	2.7%	2.7%

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

Implied volatility, as measured by the VIX®, averaged 18.52 in the first 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 16.39% for the quarter. The VIX® ended 2024 at 17.35 before reaching an intra-quarter low of 14.77 on February 14. The VIX® climbed to an intra-quarter high of 27.86 on March 10 before ending the quarter at 22.28.

The Agg returned 2.78% in the first quarter of 2025. The Agg returned 0.53%, 2.20%, and 0.04% in January, February, and March, respectively. The yield on the 10-year U.S. Treasury Note (the 10-year) ended 2024 at 4.57% and reached an intra-quarter high of 4.79% on January 14 before drifting to an intra-quarter low of 4.16% on March 3. The 10-year ended the quarter at 4.21%.

Gateway Index/RA Composite Performance

The Composite returned -2.39%, net of fees, in the first quarter relative to the S&P 500® Index return of -4.27%. Net of fees, the Composite returned 1.73%, -0.67%, and -3.40% while the S&P 500® Index returned 2.78%, -1.30%, and -5.63% in January, February, and March, respectively. Supported by positive interest rates and elevated volatility, the Composite captured a majority of the market return during periods of advance while offering loss mitigation during periods of decline. The Composite captured over 62% of the equity market's advance during January before providing downside protection during February and March monthly declines.

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.

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.[i]

In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 10.72% compared to 16.39% for the S&P 500® Index. The Composite exhibited a beta to the S&P 500® Index of 0.65 for the quarter.

Gateway's investment team was active in their management of the index option portfolios. During the quarter, the investment team focused on taking advantage of equity market weakness and higher implied volatility levels by adjusting the written index call option portfolio to enhance cash flow and maintain typical market exposure. The strategy's diversified

Past performance does not guarantee future results. Data Source: Morningstar Direct℠ and Bloomberg® Index Services Limited. Please see Important Information section for the full disclosure.

and active approach helped deliver loss mitigation during market declines while supporting participation during periods of advance. Numerous adjustments were made to the index put option portfolio in an effort to monetize significantly higher volatility being priced into contracts and to preserve index put option gains in the event of a sudden and sharp market recovery, while maintaining a typical risk profile. The team closed out multiple index put option positions as the market selloff intensified - first on March 4 and again on March 10 and 11. This brought put coverage down from full to a range of 50% to 65%. As the market advanced, the team increased put coverage on March 19, resulting in coverage in a range of 65% to 80% at quarter-end.

At the end of the first 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, 48 days to expiration, and an annualized premium to earn between 5.0% and 7.5%. 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, 78 days to expiration, and an annualized cost of 2.5% to 5.0%. Relative to the beginning of the quarter, this positioning represented higher net cash flow with similar potential market exposure.

Performance & Risk (%)	Q1 2025	1 Year	3 Year	5 Year	10 Year	Inception Return[1]	Inception Risk[1,2]
The Composite (Net)	-2.39	6.99	5.67	8.76	5.60	6.93	6.71
S&P 500® Index	-4.27	8.25	9.06	18.59	12.50	11.08	14.67
Agg Index	2.78	4.88	0.52	-0.40	1.46	5.36	4.21

Past performance does not guarantee future results. Periods less than one year are not annualized. Data as of March 31, 2025. Source: Morningstar Direct℠ and Bloomberg® Index Services Limited. Please see Important Information section for the full disclosure. 1: Composite inception date is January 1, 1988. 2: Based on standard deviation of monthly returns. See disclosure and GIPS® Composite Report.

Market Perspective – Navigating Potential Inflation

Word of the Day

Stagflation, and maybe Tariff.

"The whole plan is not to have stagflation, so we don't have to deal with it." – Jerome Powell, November 2024[3]

Uncertainty around the economic impacts of the Trump Administration's tariff policy has caused concerns of a potential environment where inflation reaccelerates while growth slows. Proponents of this type of trade approach suggest tariffs can be an effective negotiating tool for balancing trade and/or a strong and underutilized source of revenue. Opponents have voiced concerns that tariffs could be inflationary and/or have a negative impact on domestic economic growth by slowing down global trade or causing the U.S Dollar to become too strong. Given such an outlook and lacking the ability to predict the future, investors may benefit from an examination of the past.

Stagnant + Inflation

Stagflation is generally understood to be an economic environment with high inflation, low or declining economic growth, and elevated or rising unemployment. Possibly the most common measure referenced when considering the economic growth component of stagflation is Gross Domestic Product (GDP), or the market value of the goods and services produced by labor and property located in the country. Real GDP is simply the same information, adjusted for inflation. For our purposes here, and to keep the measurement simplified, a stagflationary environment is one with quarterly inflation greater than *2% plus* quarterly and year-over-year Real GDP less than 2%.

Limiting data to 1988, to celebrate the launch of Gateway's Flagship Strategy, shows inflation levels were low (less than 2%) approximately 39% of the time, moderate (ranging 2-4%) during 52% of the period, and high (greater than 4%) just 9% of the time. The same data shows that Real GDP was more evenly distributed during the period – coming in low 30%, moderate 43%, and high 27% of the time.

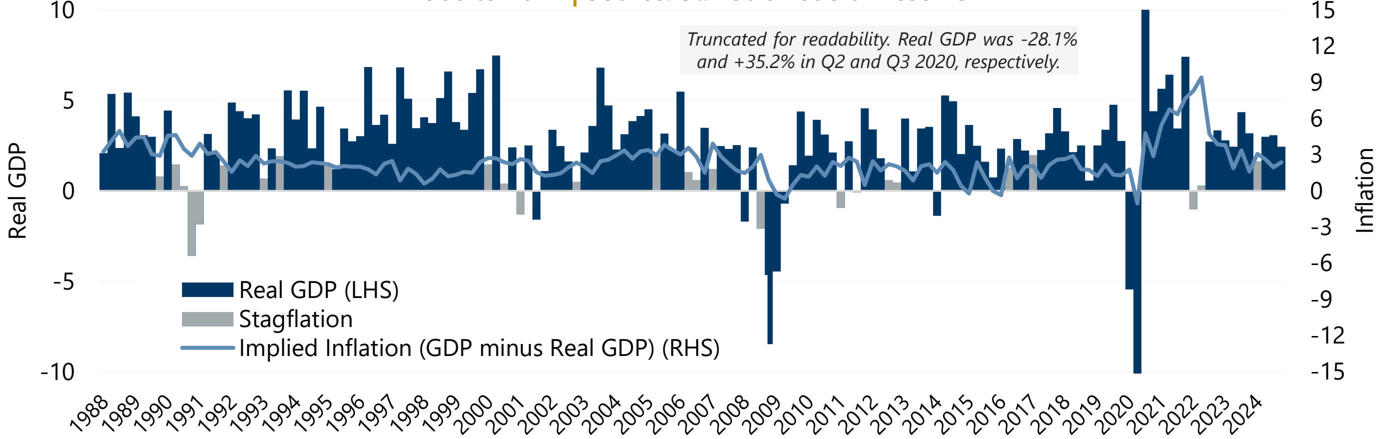
Shifting trade policy is not the only thing that can trigger stagflation however. Most recently, in 2022, as supply chains recovered from a global pandemic and war broke between Russia and Ukraine, inflationary pressures were reintroduced and global growth slowed. This backdrop resulted in actual stagflation during the first half of 2022.[4] To find the next period of more than two consecutive quarters of stagflation, investors need to travel back to the early 1990s from Q2 1990 through Q1 1991. For some investors, however, thoughts of stagflation trigger memories of the 1970s where, by the final quarter in 1982, stagflation existed in the U.S. at a peak 50% over the trailing 10-year period.

[3] Mace News. (n.d.). Transcript: Fed's Powell says 'no,' wouldn't leave if Trump asked. Retrieved April 21, 2025, from https://macenews.com/transcript-feds-powell-says-no-wouldnt-leave-if-trump-asked/

[4] World Bank. (2022, June 6). Global economic prospects: Slowing growth, risk stagflation - Expert answers [Video]. https://www.worldbank.org/en/news/video/2022/06/06/global-economic-prospects-slowing-growth-risk-stagflation-expert-answers

Quarterly Real GDP and Implied Inflation

1988 to 2024 | Source: St. Louis Federal Reserve

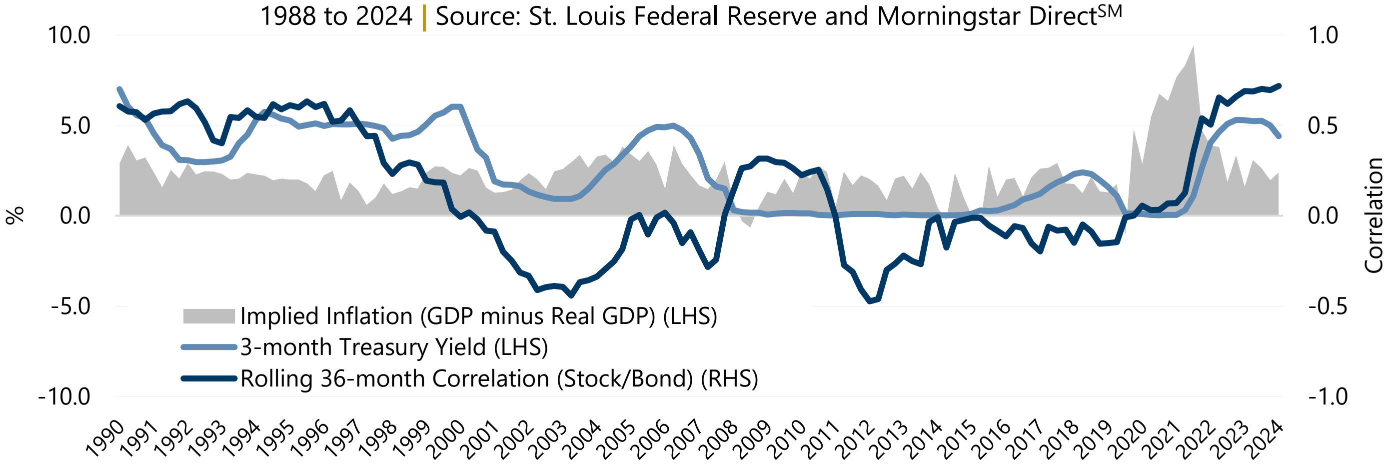


Diversification Can Help

Typically, investors look for diversification in returns between fixed income and equity allocations, but both inflation and the level of interest rates can influence correlation. Consider rolling 36-month correlation between bonds, represented by the Agg Index, and stocks, represented by the S&P 500® Index. By these measures, the two asset classes have been positively correlated over rolling three-year periods 54% of the time since 1988, and it can get more complicated during periods of stagflation.

Inflation, Interest Rates & Correlation

1988 to 2024 | Source: St. Louis Federal Reserve and Morningstar Direct℠



As inflation increases, the correlation between stocks and bonds tends to increase and diversification benefits wane. Rising inflation can also trigger tightening monetary policy, which often results in rising interest rates that have the potential to negatively impact bonds (as rates rise, bond prices decline). Inflation averaged 3.21% during periods of positive correlation, whereas inflation averaged just 2.26% during periods of negative correlation.

Impacts of Inflation Level	Low (<2%)	Moderate (2-4%)	High (>4%)
S&P 500® Index Total Return	1.34%	0.92%	0.49%
Agg Index Total Return	0.44%	0.48%	0.36%
T-Bill Yield	1.18%	3.35%	4.70%

Past performance does not guarantee future results. Source: Bloomberg® Index Services Limited. Please see Important Information section for full disclosure.

Consider interest rates over the same period. Since 1988, the rate on U.S. 3-Month Treasury Bills (T-Bills) averaged 2.94%. Interest rates averaged 4.01% during periods of positive correlation between stocks and bonds whereas the average rate was 1.54% during periods of negative correlation. The current market environment is facing robust inflation and above-average interest rates, while correlation climbed to its highest level since 1988 at the end of 2024.

Index/RA Results

Higher interest rates and volatility continue to be a tailwind for the option components of the Composite – increasing the cash flow from index call option writing while helping to reduce the cost of index put options. Since higher rates are typically associated with inflation, the Composite may be an attractive diversifier during inflationary environments.

Since 1988, in each inflationary environment – low, moderate, and high – the Composite outpaced the Agg on an average monthly basis with slightly higher risk compared to bonds. As inflation increased, the volatility of bonds increased as well. Volatility of the Agg was just 48% of the Composite's volatility during low inflation but climbed to 68% and 72% in moderate and high inflation environments.

The Composite also outpaced the S&P 500® Index during high inflationary environments with less than half the risk. During moderate inflation, the Composite captured 62% of the S&P 500® Index return with just 45% of the volatility. During low inflationary environments, which tend to coincide with lower interest rates (and lower option premiums), the Composite captured 42% of the equity market return with just 45% of the volatility.

So Now What?

Volatility remains on the horizon with ongoing global conflict, shifting geopolitics, and potential large-scale transformation to global trade – not to mention unclear monetary policy. Given the uncertainty and recent market turmoil, investors may be hesitant to increase equity exposure and unable to find the typical diversification benefits they seek in bonds. Higher interest rates and volatility are tailwinds for options-based strategies. Gateway's strategies can fill the void to help reduce portfolio risk, offer equity market loss mitigation, or increase income through cash flow generation and tax-aware investing while avoiding interest rate sensitive or illiquid investments.

Important Information

Past performance does not guarantee future results.

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

Gateway Index/RA Composite Disclosure

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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
2023	15.50	14.85	26.29	5.53	8.97	17.54	7.24	5	0.2	6,583	8,828
2024	16.16	15.48	25.02	1.25	9.31	17.4	7.83	5	0.1	6,935	9,416

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: 0.425% on the first $5 million; 0.325% on the next $5 million; 0.25% on the next $40 million; and 0.225% 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, 2024. 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, 2024. 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.