Gateway Active Index-Option Overwrite Composite Commentary

Q1 2016

EQUITY MARKETS

The S&P 500® Index gained 1.35% for the first quarter. Losses of 4.96% and 0.13% in January and February, respectively, were followed by a 6.78% advance in March. The market gyrations over the course of the quarter were more extreme than the monthly returns suggest. The quarter began with a 10.27% loss through February 11th and ended with a 12.95% rally through March 31st. It was the first time since 1933 that the S&P 500® Index experienced a loss of greater than 10% to start a quarter and recovered to post a positive return by quarter-end. Macroeconomic concerns such as falling oil prices, slowing economic growth in China and Federal Reserve (the Fed) monetary policy were the primary drivers of the decline. Drivers of the recovery included firming oil prices and a series of monetary policy developments which included: the Bank of Japan announcing a policy of negative short-term interest rates, additional monetary stimulus from the European Central Bank and indications from the Fed that the likelihood of more than two rate increases this year had lessened.

Though nearly 70% of the 497 S&P 500® Index companies which reported earnings during the quarter exceeded analysts' estimates, aggregate earnings were estimated to decline by 8.5% year-over-year once all companies have reported. A decline in year-over-year aggregate earnings for the first quarter would be the fourth consecutive quarter of declines, something that has not happened since 2008-2009. The final estimate of fourth quarter 2015 GDP growth was revised from 0.7% to 1.0%, which exceeded analysts' consensus estimates.

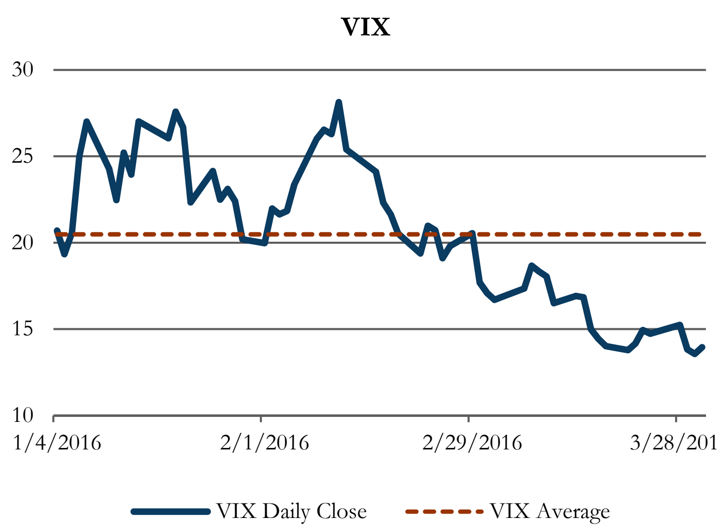
The Chicago Board Options Exchange (CBOE) S&P 500® BuyWrite Index (the BXM)[1], had a return of -0.75% for the first quarter. The BXM's underperformance relative to the S&P 500® Index for the quarter was due to the BXM's lagging performance in March, although it had outperformed by 71 basis points (bps) and 179 bps in January and February, respectively. The BXM's 1.97% return in March underperformed the S&P 500® Index by 481 bps.

[1] The CBOE S&P 500 BuyWrite Index (the BXM) is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the index includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option 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.

During the S&P 500® Index's decline through February 11th, the BXM had delivered 360 bps of downside protection but subsequently underperformed by 660 bps during the market's rally from the low through quarter-end.

On the third Friday of each month of the quarter, as the previous month's BXM index call option expired, the premiums collected when the BXM wrote its new index call option had significant influence on downside protection from equity market declines and upside participation in equity market advances provided by the BXM. Premiums collected as a percentage of the BXM's underlying value were 2.50%, 1.96% and 1.21% in January, February and March, respectively. Falling premiums were consistent with lower levels of implied volatility later in the quarter.

Implied volatility, as measured by the CBOE Volatility Index (the VIX), averaged 20.49 for the quarter, exceeding S&P 500® Index realized volatility (as measured by its annualized standard deviation of daily returns) which was 18.82%. It was the first time since the second quarter of 2012 that the VIX averaged over 20 for a quarter. The VIX rose to a closing high of 28.14 as the market bottomed on February 11th and then declined as the market recovered to end the quarter at 13.95.



Datasource: Bloomberg, L.P.

312 Walnut Street, 35th Floor
Cincinnati, Ohio 45202
513.719.1100

GATEWAY INVESTMENT ADVISERS, LLC

399 Boylston Street
Boston, Massachusetts 02116

FIXED INCOME MARKET

The Barclays U.S. Aggregate Bond Index returned 3.03% for the first quarter. The yield on the 10-year U.S. Treasury Note declined from 2.27% on December 31st to a low for the quarter of 1.66% on February 11th, its lowest level in more than a year and less than 30 bps from its all-time low registered in July of 2012. The yield rose as the equity market rallied, reaching nearly 2% before declining again after the Fed held rates steady in March. It ended the quarter at 1.77%.

GATEWAY ACTIVE INDEX-OPTION OVERWRITE COMPOSITE PERFORMANCE

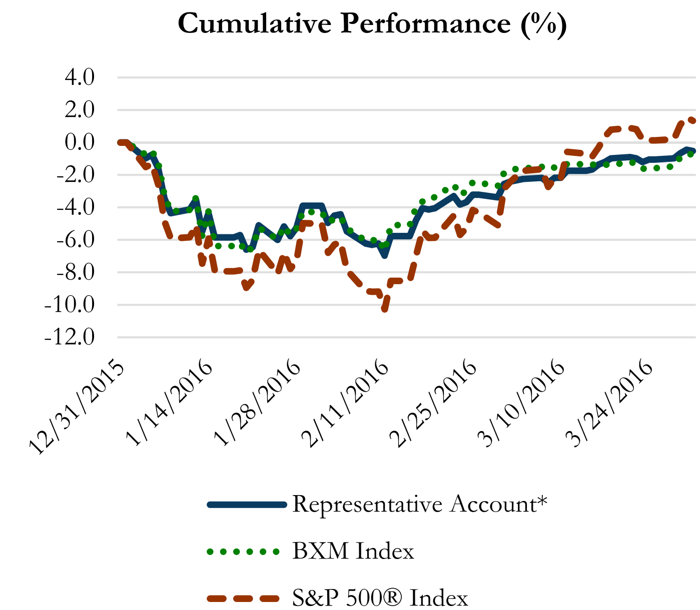
The Gateway Active Index-Option Overwrite Composite (net of fees) (the Composite) lost 0.60% for the first quarter, outperforming the BXM by 15 bps for the period. The Composite outperformed its BXM benchmark by 43 bps and 92 bps in January and March respectively, but underperformed in February with a return of 0.45% versus 1.66% for the BXM as the equity market reversed its course.

The partial period returns, portfolio performance contributions, annualized standard deviation and portfolio statistics quoted for the Composite in the following paragraphs are those measured by a representative account.*

Most of the underperformance for the Composite versus the BXM in February came as the equity market declined from the beginning of February through February 11th.The BXM's performance advantage was primarily the result of the mid-January BXM index call option being more than 3% in-the-money by the beginning of February due to the market advance that had occurred in the second half of January. Having an in-the-money index call option significantly reduced the BXM's market exposure and helped it offset more than 3 percentage points of the S&P 500® Index's decline of 5.59% from the end of January through February 11th. The weighted-average strike price of the Composite's portfolio of written index call options was lower than the BXM's written index call option, resulting in more market exposure to and greater participation in the market's decline.

*Represents supplemental information to the GIPS-compliant presentation. This representative account was selected as it is the largest account in the Composite.

The Composite's index call option portfolio contributed positively to returns in January and February, but detracted from return in March. The Composite's annualized standard deviation of daily returns for the quarter was 11.79% as compared to 12.48% for the BXM and 18.82% for the S&P 500® Index. The Composite exhibited a beta to the BXM of 0.90 for the quarter.



Datasource: Morningstar DirectSM

As the market declined over the first half of the quarter, Gateway's index call option management focused on rolling strike prices down while taking advantage of elevated levels of implied volatility to increase cashflow to the strategy, and in some cases, trading index call options well in advance of expiration. As the market swiftly advanced in late February and throughout March, the focus of index call option management decisions was to replace expiring contracts with higher strike price contracts while being patient enough to protect the portfolio from the potentially adverse effects of a market pullback.

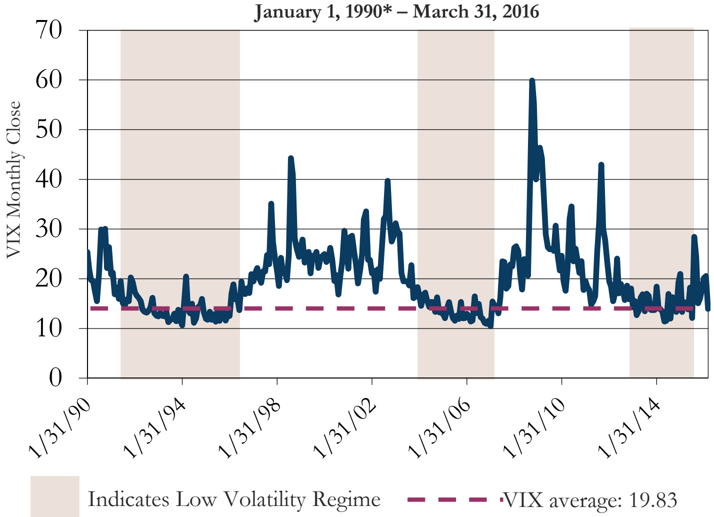
As of March 31st, the Composite's diversified equity portfolio was over 95% hedged with index call options with average strike prices between 1.5% and 2.5% in-the-money, average time to expiration of 36 days and annualized premium to earn of 7.5% to 10%. Relative to the beginning of the quarter, this positioning represented less market exposure and lower net cashflow potential.

MARKET PERSPECTIVE

Did the nearly 13% rally staged by the S&P 500® Index since February 11th bring an end to the higher volatility experienced by the equity market since August? Despite recent implied volatility readings in the low teens, history suggests we may have just experienced the first several months of an elevated volatility phase. As the chart below shows, the high and low phases of a volatility cycle can last for years, rather than for months or quarters. The extreme spike in implied volatility experienced by the market in August of 2015 may have ended a three-year phase of generally below-average volatility. That phase was preceded by a high volatility period which lasted about five years. This cycle of multi-year phases tends to repeat itself over the full history of the VIX. The cycle appears repetitive enough such that the return of increased market volatility could be described as a return to the "old normal."

VIX

January 1, 1990* – March 31, 2016



*January 1, 1990 is first date of available VIX data.
Datasource: Bloomberg, L.P.

Looking beyond historical patterns, current drivers of market volatility also make the case for its likely persistence. The August volatility spike was driven by a range of factors, including investor concerns about the impact of slowing economic growth in China, plummeting oil prices and monetary policy uncertainty. These same issues remain in the headlines today and none seem likely to be resolved in the near term.

It's not just that China's economy is cooling or that oil prices are well off the highs that weigh on investors – it's the follow-on effects of those trends. In China's case, the country's reduced demand hurts commodities exporters.

Furthermore, low oil prices signal headwinds and not just for traditional oil-producing countries. The U.S., as well as an increased portion of its economy, is tied to oil production to a much greater level than was the case the last time an oil boom went bust.

The Fed's normalization of monetary policy, and its broad plan to increase benchmark interest rates as it sees U.S. economic indicators improve, also has the potential to continue to rile markets. The effect of monetary policy on market volatility is further magnified because of uncertainty about the scale and direction of future rate changes and the potential second-order effects they might have on the economy. As of now, the timeline of the Fed's normalization of monetary policy extends to 2018, so investors should not expect the market's obsession with Fed policy to dissipate anytime soon.

Though the term "normalization" doesn't suggest it, the U.S. may have entered an experimental phase in monetary policy. December marked the first rate increase in a decade and also the first time in many years that the Fed has been out of sync with global counterparts, including the European Central Bank and Bank of Japan which have driven key interest rates into negative territory.

There is no certainty that the Fed will be able to proceed with raising rates in accordance with its estimations. As of mid-February, the Fed futures market had priced in a higher likelihood of a rate *decrease* by mid-2016 than a rate hike. With Congress questioning Chairman Yellen at that time about the effect of a potential negative interest rate policy in the U.S., a high degree of uncertainty may exist. Regardless of what the Fed does next, the U.S. economy appears to be in uncharted territory with potentially volatile market conditions a possibility in the near-term. Investors may benefit from seeking risk management tools that allow them to participate in equity market advances while offering reliable downside protection should volatility surge during significant equity market declines. Given the relationship between implied volatility and option premiums, strategies that incorporate index option selling tend to favorably fit this profile in a normal to above-normal implied volatility environment than they do in low implied volatility environments. In short, an "old normal" volatility trend potentially creates a favorable environment for strong risk-adjusted returns for the low volatility equity strategies that have an index-option selling component.

Standard Performance

Average Annual Performance					
As of March 31, 2016					
	One Year	**Three Years**	**Five Years**	**Return Since Inception***	**Risk** Since Inception***
Active Index-Option Overwrite (Net)	2.38%	6.78%	7.51%	5.38%	10.65%
BXM Index	2.72%	6.04%	6.49%	4.01%	12.38%
S&P 500® Index	1.78%	11.82%	11.58%	8.03%	16.44%

*Inception of Gateway Active Index-Option Overwrite Composite is April 1, 2008
** Standard deviation is based on monthly performance

Periods over one year are annualized.
Datasource: Morningstar Direct℠ and Gateway Investment Advisers, LLC
Past performance is no guarantee of future results.

Gateway Investment Advisers, LLC
Gateway Active Index-Option Overwrite Composite
Annual Disclosure Presentation

Year End	Annual Performance Results: Composite Gross	Composite Net	S&P 500®	BXM	Composite 3-Year Std. Dev.	S&P 500® 3-Year Std. Dev.	BXM 3-Year Std. Dev.	Number of Composite Accounts	Composite Assets (millions)	Firm Assets (millions)
9 months ended 12/31/08	-19.65%	-20.09%	-30.43%	-26.10%	N/A	N/A	N/A	1	$ 492	$7,071
2009	14.56	13.74	26.46	25.91	N/A	N/A	N/A	1	502	7,188
2010	13.03	12.22	15.06	5.86	N/A	N/A	N/A	1	516	7,699
2011	6.51	5.63	2.11	5.72	11.20%	18.97%	13.66%	1	496	8,081
2012	11.32	10.48	16.00	5.20	8.51	15.30	11.56	4	717	10,517
2013	14.84	14.10	32.39	13.26	6.25	12.11	9.39	4	1,233	12,475
2014	7.63	7.03	13.69	5.64	4.35	9.10	6.07	5	2,263	12,239
2015	5.87	5.22	1.38	5.24	5.37	10.62	6.52	6	2,404	12,210

N/A: The 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. Accounts invest in a stock portfolio that seeks to track the performance of the S&P 500® Index. The call options sold are S&P 500® Index call options. This call activity reduces volatility and provides cash flow. The Gateway Active Index-Option Overwrite Composite was created April 1, 2008. Prior to January 1, 2014, the Gateway Active Index-Option Overwrite Composite was named the Gateway Equity Premium Income Composite.

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, beginning January 1, 2014, the CBOE S&P 500 BuyWrite Index (the BXM Index), a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The BXM Index was added as a secondary index as it is viewed to be representative of the Composite strategy.

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 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, 2015.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Gateway Active Index-Option Overwrite Composite has been examined for the periods April 1, 2008 through December 31, 2015. The verification and performance examination reports are available upon request.

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. A list of composite descriptions is also available upon request.