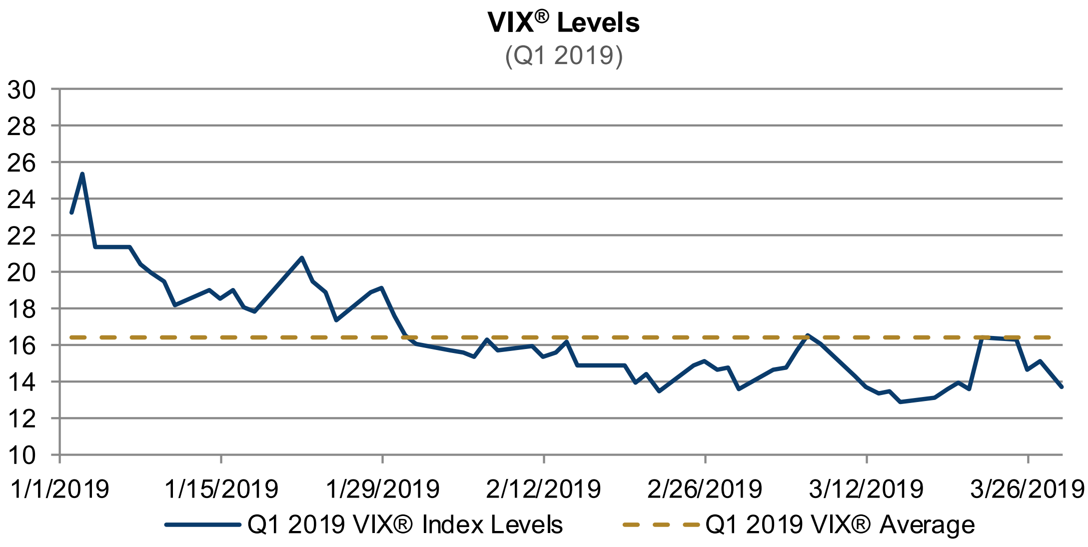
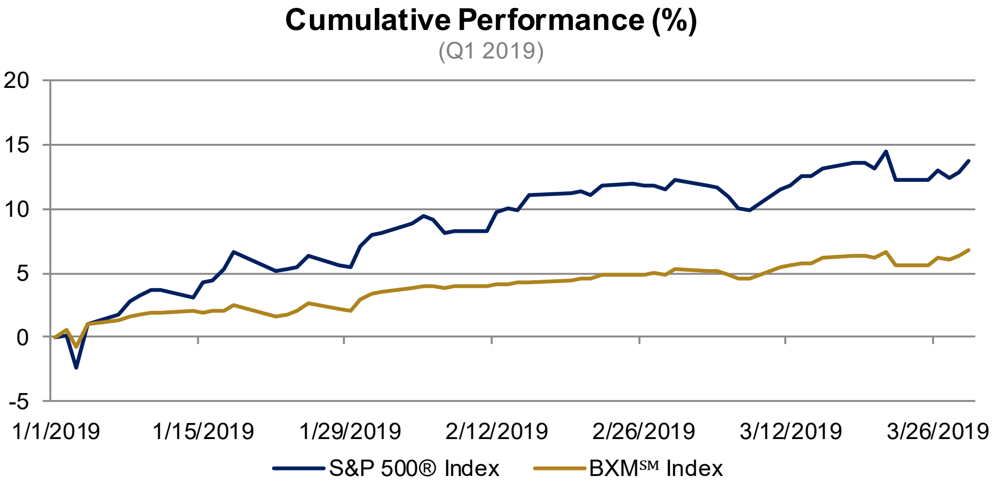
The S&P 500® Index advanced 13.65% in the first quarter of 2019, extending a rally that began after equity markets approached bear territory late in the fourth quarter of 2018 and posting its strongest quarterly return in almost ten years. The first quarter result was front-loaded with January's 8.01% return, the strongest start to a year since 1987, and the upward trend continued with returns of 3.21% and 1.94% for February and March, respectively. Though the S&P 500® Index has returned an impressive 21.22% since December 24, 2018, the equity market has yet to fully recover from the near-bear market decline suffered during the fourth quarter of 2018. Since its all-time high on September 20, 2018, the S&P 500® Index has returned -2.26%.

Throughout the quarter, many of the issues weighing on the market in late 2018 subsided. After concerns of aggressive tightening, the Federal Reserve (the Fed) showed its flexibility while softening its hawkish tone by suggesting fewer rate hikes anticipated in 2019. Additionally, the Fed announced plans in March to slow, then cease, balance sheet reductions before the close of the year. A prolonged government shutdown also seemed to produce negligible effects on an otherwise strong U.S. economy and trade tensions showed signs of easing. Gross Domestic Product growth for the fourth quarter of 2018 came in at 2.2%, in line with consensus expectations. Corporate earnings also remained relatively strong, with over 75% of companies reporting fourth quarter earnings meeting or exceeding analyst estimates and aggregate operating earnings for S&P 500® Index companies growing 21.76% year-over-year. The employment situation improved slightly throughout the quarter with the February unemployment rate declining to 3.8% and the participation rate holding at 63.2%. The February Consumer Price Index, released on March 12, showed a 1.5% year-over-year increase, in line with expectations, and below the 2% level targeted by the Fed.



Implied volatility, as measured by the Chicago Board Options Exchange (Cboe®) Volatility Index (VIX®), averaged 16.47 for the quarter. VIX® exceeded S&P 500® Index realized volatility, as measured by its annualized standard deviation of daily returns, of 13.55% for the quarter. VIX® peaked early in the quarter on January 3 at 25.45 before drifting towards its low point of 12.88 on March 15 and closed the quarter slightly higher at 13.71.

The Cboe® S&P 500 BuyWrite℠ Index (the BXM℠) had a return of 6.77% for the first quarter of 2019. On the third Friday of each month of the quarter, the BXM℠ wrote a new index call option as the option it wrote the previous month expired. The premiums the BXM℠ collected on written options have significant influence on its return potential over a period when the market advances. Premiums collected as a percentage of the BXM's℠ underlying value were 1.65%, 1.28% and 1.42% in January, February and March, respectively. With monthly returns of 3.43%, 1.43% and 1.76%, the BXM℠ underperformed the S&P 500® Index in each month of the quarter, with the largest differential occurring in January. Premiums collected by the BXM℠ did not provide enough return potential to keep pace with the above-average rate of return the equity market exhibited over the course of the quarter.



The Bloomberg Barclays U.S. Aggregate Bond Index increased 2.94% in the first quarter, its highest quarterly return since Q1 2016. The yield on the 10-year U.S. Treasury Note started the quarter at 2.69%, reaching an intra-quarter high in January of 2.79%, before drifting lower to end the quarter at 2.41%. The low point of the quarter came on March 27 with a yield of 2.37%.

IMPORTANT INFORMATION

Sources: Morningstar Direct℠, Bloomberg, L.P. **Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.**

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.

For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com/insights.