

MARKET RECAP

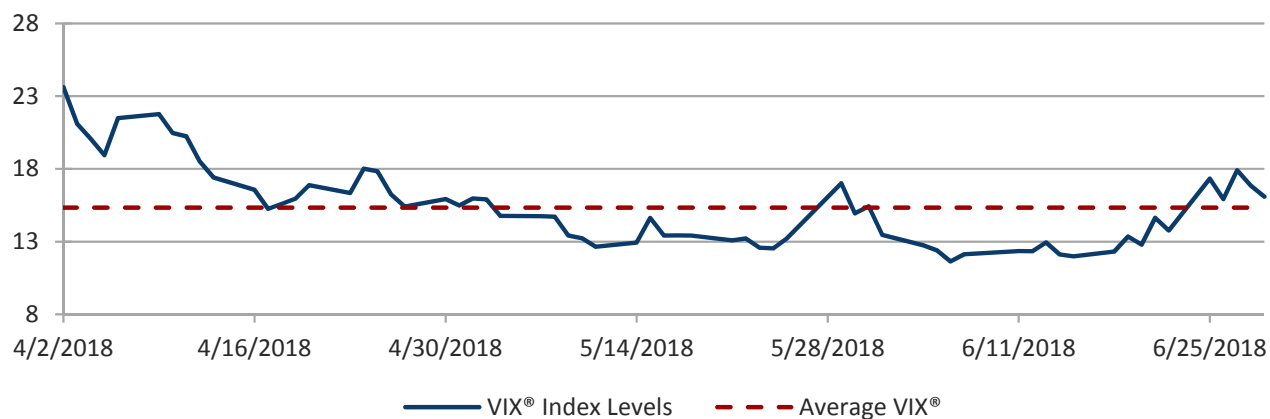
The S&P 500® Index gained 3.43% for the second quarter of 2018, bringing its year-to-date return to 2.65%. The equity market posted positive returns each month of the quarter with the S&P 500® Index returning 0.38%, 2.41% and 0.62% for April, May and June, respectively. Though monthly returns were positive, concerns about inflation and U.S. trade policy generated brief periods of market weakness over the course of the quarter. From April 18th through May 3rd, the S&P 500® Index dropped 2.87% as investors processed higher inflation measures and comments by the Federal Reserve Open Markets Committee (the Fed) on its possible future monetary policy response. From June 12th through June 30th, the S&P 500® Index declined 2.38% amidst an uptick in volatility and escalating tariff announcements among the U.S., China, the European Union and others. Despite the positive return for the quarter, the equity market remained below its all-time high set on January. From January 26th through the end of June, the S&P 500® Index returned -4.56%.

Data releases during the second quarter suggested the market backdrop of an expanding economy and robust earnings growth remained intact. While the recent trend of relatively elevated inflation measures also continued, price and wage data and Fed statements indicated inflation was not an immediate threat. On May 2nd, the Fed announced no change to policy rates while acknowledging that inflation measures had moved close to its 2% target. As expected, on June 13th, the Fed raised the target range for the federal funds rate a quarter point from 1.75% to 2% while noting that future changes in the target range will be consistent with sustained expansion of economic activity, strong labor markets and inflation near its 2% target.

On June 28th, the final estimate of Q1 GDP growth came in at 2.0%, which was lower than the 2.2% second estimate and below consensus expectations. First quarter corporate earnings reports were the strongest in several years. With nearly all S&P 500® Index companies reporting first quarter results, aggregate quarterly operating earnings were up over 6% versus Q4 2017, the highest quarterly earnings growth rate since Q3 2010. Year-over-year earnings growth was 19%, the highest rate since Q3 2011. In addition, nearly 83% of reporting companies met or beat consensus earnings expectations for the first quarter.

Implied volatility, as measured by the Chicago Board Options Exchange Volatility Index® (the VIX®), averaged 15.34 for the quarter. After six consecutive quarters with average implied volatility below 15, the VIX® has now averaged above 15 for two consecutive quarters. Implied volatility exceeded S&P 500® Index realized volatility (as measured by its annualized standard deviation of daily returns) of 12.71% for the quarter. The VIX® exhibited a general downtrend from the beginning of the quarter into early June with a closing high for the quarter of 23.62 set on April 2nd (the first business day of the quarter) and a closing low for the quarter of 11.64 set on June 6th. Implied volatility trended up over the remainder of June and ended the quarter at 16.09.

VIX® Levels
(4/2/2018 - 6/29/2018)



Datasource: Bloomberg, L.P.

EQUITY MARKETS

The Bloomberg Barclays U.S. Aggregate Bond Index returned -0.16% for the second quarter, bringing its year-to-date return to -1.62%. Bellwether interest rates generally trended up over the course of the quarter. The yield on the 10-year U.S. Treasury Note (the 10-year) ended the first quarter at 2.74% and climbed to a second quarter high of 3.11% on May 17th, its highest level since July 2011. The yield on the 10-year declined over the remainder of the quarter, ending at 2.86%.

COMPOSITE PERFORMANCE

The Gateway Index/RA Composite (the Composite) returned 2.53%, net of fee, for the second quarter, underperforming the S&P 500[®] Index by 90 basis points (bps). With monthly returns of 0.73%, 1.55% and 0.23% for April, May and June, respectively, outperformance in April was not enough to overcome lagging performance in May and June.

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

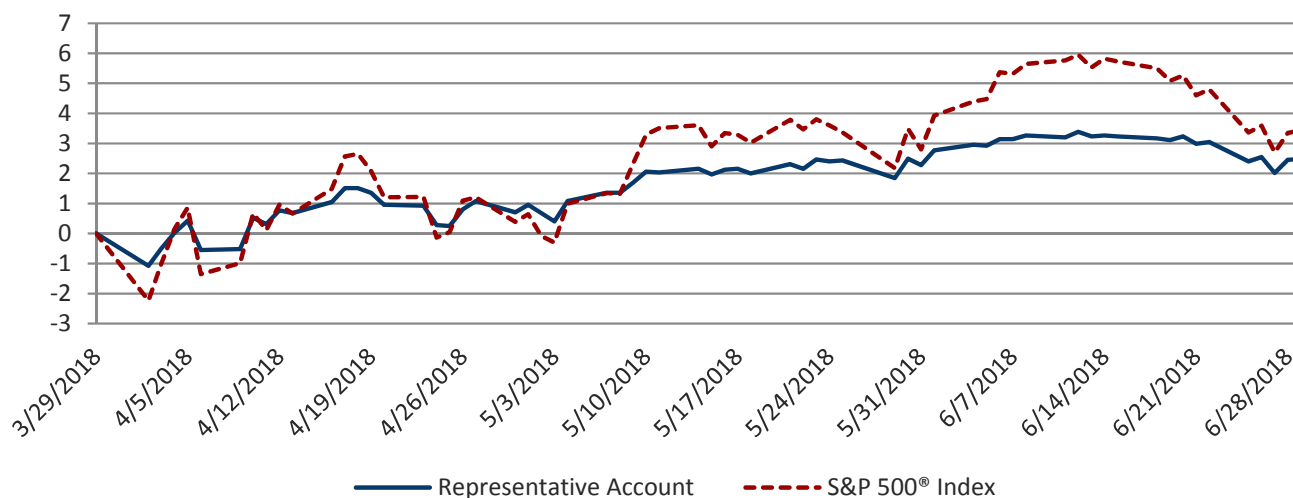
Most of the Composite's underperformance relative to the S&P 500[®] Index came in May when the Index advanced 2.41%, its highest monthly return of the quarter. Both the relative and absolute performance of the Composite throughout the quarter were consistent with expectations in a period of equity market advance with low volatility.

The Composite had a year-to-date return of -0.11%, net of fees, despite incurring less than half the loss of the market during the S&P 500[®] Index's -10.10% correction from January 26th to February 8th and capturing more than half of the return of the S&P 500[®] Index from February 8th through June 30th. Specifically, the Composite posted a loss of -4.54% during the market correction and, during the equity market's partial recovery, posted a return of 3.25% while the S&P 500[®] Index had a return of 6.17%. Thus, the Composite's return differential relative to the S&P 500[®] Index on a year-to-date basis was primarily due to the Composite generating a return of 1.34% from the beginning of the year through January 26th, underperforming the S&P 500[®] Index's strong advance of 7.55% over the same period. The Composite's return from January 26th through June 30th was -1.44%, less than half the loss of the S&P 500[®] Index over the same period.

The Composite's equity portfolio had a return of 3.79% for the quarter, a positive performance differential of 36 bps relative to the S&P 500[®] Index. The Composite's index call option positions generated risk-reducing cash flow throughout the quarter while contributing positively to return in April and detracting from return in May and June. Index put option positions detracted from the Composite's return in each month of the quarter, as expected during a period when the equity market advanced. The Composite's annualized standard deviation of daily returns was 6.10% as compared to 12.71% for the S&P 500[®] Index. The Composite exhibited a beta to the S&P 500[®] Index of 0.47 for the quarter.

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

Cumulative Performance (%)
(3/29/2018 - 6/29/2018)



Datasource: Bloomberg, L.P.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

In managing the Composite’s portfolio of written index call options, Gateway’s investment team took advantage of relatively elevated volatility levels in early April, early May and late May to add cash flow potential to the Composite by buying back soon-to-expire index call options and writing new contracts with later expiration dates. The Composite began April with put coverage in the range of 80% to 95% and, by mid-April, the equity market’s advance had brought implied volatility levels down, resulting in more reasonably priced puts and creating the opportunity to restore the Composite to full put coverage. The investment team maintained full put coverage over the remainder of the quarter while making trades to manage the cost of downside protection.

At the end of June, index call options were sold against over 95% of the portfolio’s value and had a weighted average strike price between 1.5% in-the-money and 1.5% out-of-the-money, 30 days to expiration and annualized premium to earn between 7.5% and 10%. Index put options covered more than 95% of the portfolio and had a weighted average strike price between 7.5% and 10% out-of-the-money, 57 days to expiration and an annualized cost between 2.5% and 5%. Relative to the beginning of the quarter, this positioning represented less potential net cash flow and similar market exposure. The change in cash flow potential was primarily due to the declining implied volatility over the course of the quarter.

MARKET PERSPECTIVE

The current U.S. economic expansion officially began in June of 2009 and is now the second longest on record. Similarly, the equity market is in its second-longest post-WWII bull run, extending more than nine years. As the economic and equity market expansions stretch toward record territory, investors face many uncertainties. Some of these uncertainties are run-of-the-mill and experienced investors are accustomed to them. However, there are new uncertainties that may create significant challenges for both business operators and investors over time. Traditional investment allocations may not address the risks associated with these new types of uncertainty and investors may need to modify their allocation approaches.

Currently, high equity market valuations create uncertainty. But high valuations are not new. In fact, the 10-year cyclically adjusted price-to-earnings ratio on the S&P 500® Index has been above its long-term average for most of the last 20 years.

Some economic indicators have shown signs of deterioration. The Global Manufacturing Purchasing Managers Index has trended down over the course of 2018 after trending upward since early 2016. But it is still above the threshold of 50, typically associated with economic expansion—and the uncertainty caused by fluctuating economic indicators is a constant in both expansions and contractions. Nothing new there.

Significant troubles in foreign markets is another kind of uncertainty that investors have learned to deal with, whether it be Latin American market trouble in the early Nineties, Asian market troubles in the late Nineties, or the European debt crisis more recently. Several emerging economies' stock markets fell into bear market territory during the most recent quarter, including China's. It remains to be seen how emerging market woes will affect U.S. investors. Twenty-five years ago, when globalization was a new phenomenon, the uncertainty over whether credit, currency and other challenges faced by emerging economies would impact more developed markets was a new kind of uncertainty, but today this kind of uncertainty is commonplace.

These types of run-of-the-mill uncertainties are tied together by the fact that they are not new and they are not the types of occurrences that should cause investors who have a sound long-term plan to alter their course. Over the long-term, markets will have ups and downs and investors should be prepared to stick to their plan through even steep or extended equity market losses. However, are there new sources of uncertainty that should give long-term investors pause? Yes—inflation, changes in trade policy, and the connection between the two, create risks that most investors today may not have had to manage before.

Certain aspects of trade actions taken by the Trump administration and the ongoing machinations of Brexit are purely political. The intensity of the current political environment, both at home and abroad, feels new to a lot of people, and some aspects of it certainly are—a U.S. President has never used social media the way President Trump has, for example. However, analysis suggests that political tension alone typically doesn't create the kind of uncertainty that expresses itself in the capital markets. Even full-blown political crises like Watergate, Iran-Contra during the Reagan administration and the Clinton-Lewinsky affair did not appear to spur a measurable increase in equity market volatility or downside risk. Moreover, the 1960s, a time period many point to as more politically contentious than the current environment, was the lowest volatility decade in post-WWII history, even lower than the 1990s, the only decade that did not witness a bear market.

Though pure political tension tends to not have much impact on the equity market, the way the political process shapes actual policy outcomes certainly has an impact on the business operating environment, as well as investors' resultant gains and losses. Recent examples include financial crisis legislation like the Troubled Asset Relief Program (TARP), major initiatives like the Affordable Care Act, the tax cuts passed in 2017, and more mundane ongoing squabbles such as periodic Congressional votes to raise the U.S. debt ceiling.

In fact, actual policy outcomes stemming from the developing trade policies of the Trump administration are currently having an impact on the market. Specifically, the proposal and implementation of tariffs on several items with multiple trading partners was a key driver of market fluctuations throughout the second quarter of 2018. President Trump campaigned on a promise to renegotiate or terminate trade deals he perceived as unfair to American workers. This campaign pledge included NAFTA, a trade deal negotiated in the 1980s and early 1990s by the Regan and Bush administrations and signed into law by President Bill Clinton in 1993. NAFTA is seen by many as a landmark multi-lateral trade deal that ushered in an era of increasing economic integration and globalization.

After decades of increasing integration, the current direction of U.S. trade policy and events like Brexit could spur a long-term reversal of the globalization phenomenon—the specific effects of which could create new and difficult uncertainties. Because there are multiple examples of new markets opening up to companies, investors have decades of information to help model the potential impact of similar future events. Such models do not remove uncertainty, but they can help manage it. Since there is no precedent for a period of widespread economic dis-integration, investors may lack the tools to model it and manage the associated uncertainty.

Inflation is another potential source of uncertainty to which investors may be unaccustomed. For nearly 40 years, the U.S. has had several dis-inflationary periods (periods of declining rates of inflation) that have resulted in very low inflation and contributed to downward trending intermediate- and long-term interest rates since the early 1980s. Inflation has been on the uptick recently, finally rising above the Fed's 2% target. Moreover, tight labor markets and large accumulations of both public and private debt—key ingredients for a potential sustained inflationary environment—are present. If there is in fact a retrenchment in globalization, another source of inflationary pressure could be added to the list.

While the merits of globalization can be debated, one aspect of its impact is clear: it lowered prices, particularly on manufactured goods. Globalization and free trade lowered prices in many ways. Developed market producers gained access to low-cost labor. Global markets allowed producers in a wide range of industries to achieve cost-lowering economies of scale that were unavailable in their home markets. Global integration facilitated global supply chains and efficient sourcing of low cost providers. Actively decreasing global economic integration could risk undoing these price-lowering phenomena, thus adding to inflationary pressure.

Uncertainty has always presented risks for investors, but risks associated with trade policy and inflation are changing the landscape of uncertainty and investors may have to adapt. In particular, the downside risks of the equity market may have increased and the potential for inflation and rising interest rates makes investment grade bonds possibly a less effective tool for managing those risks. Low volatility strategies that combine equity exposure with cash flow from index option writing may limit equity risk while offering investors the possibility of greater participation in equity market returns over the long-term than traditional portfolios of stocks combined with high-quality bonds.

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Standard Performance

Average Annual Performance							Risk** Since Inception*
As of June 30, 2018							
	1 Year	3 Years	5 Years	10 Years	20 Years	Return Since Inception*	
Index/RA (Net)	4.66%	5.26%	5.27%	3.62%	4.52%	7.18%	6.20%
S&P 500 [®] Index	14.37%	11.93%	13.42%	10.17%	6.46%	10.61%	14.00%
Bloomberg Barclays U.S. Aggregate Bond Index	-0.40%	1.72%	2.27%	3.72%	4.70%	6.20%	3.73%

*Inception of Gateway Index/RA Composite is January 1, 1988

** Standard deviation is based on monthly performance

Periods over one year are annualized.

Datasource: Morningstar DirectSM and Gateway Investment Advisers, LLC

Past performance is no guarantee of future results. For important disclosures, please refer to page 6.

Disclosure

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 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 Gateway Index/RA Composite net of fee performance results reflect the reinvestment of dividends and other earnings, and reflect the deduction of investment advisory and 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.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. A more detailed description of Gateway's standardized fees is included in Form ADV, Part 2.

The Annual Disclosure Presentation for the Gateway Index/RA Composite is included with this document. Additional copies are available upon request by calling 513.719.1100.

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Data Source: Gateway Investment Advisers, LLC and Morningstar DirectSM

GATEWAY INVESTMENT ADVISERS, LLC
GATEWAY INDEX/RA COMPOSITE
ANNUAL DISCLOSURE PRESENTATION

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®	Bloomberg Barclays U.S. Aggregate Bond Index	Composite	S&P 500®	Bloomberg				
	Gross	Net	Index	Index		Index	Aggregate Bond Index				
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

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.

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 Gateway Index/RA Composite was created 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 Barclays 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). Prior to April 2008, the Lehman Brothers U. S. Intermediate Government/Credit Bond Index was utilized for comparison. The bond index change was made as the Bloomberg Barclays U. S. Aggregate Bond Index is widely viewed as more broadly representative of the fixed income markets and was considered to be more in line with the historical volatility associated with the Composite's investment strategy.

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 for the accounts in the Composite the entire year. 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 0.45% 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 March 31, 2018.

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 Index/RA Composite has been examined for the periods January 1, 1993 through March 31, 2018. 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.