

MARKET RECAP

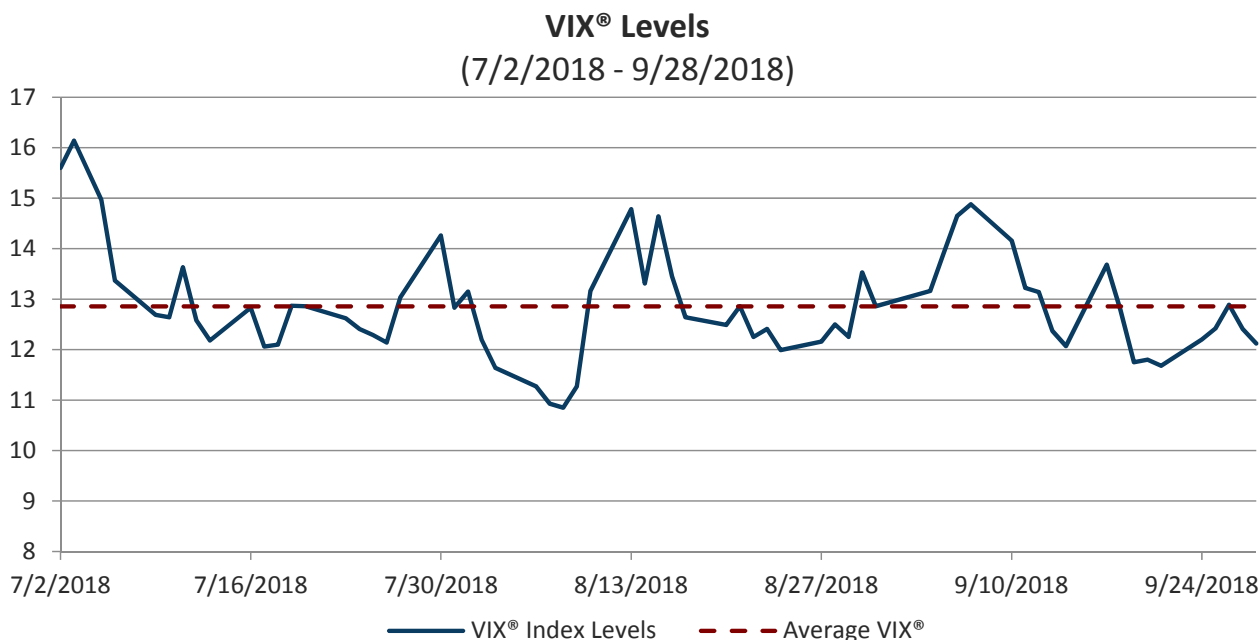
The S&P 500® Index gained 7.71% for the third quarter of 2018, bringing its year-to-date return to 10.56%. The equity market posted positive returns each month of the quarter with the S&P 500® Index delivering strong returns of 3.72% in July and 3.26% in August, before moderating to a 0.57% return in September.

Along the way to generating a new all-time high for the S&P 500® Index and its highest quarterly return in nearly five years, the equity market fought through a variety of global issues. Specifically, there were concerns about an escalating trade war with China, contentious trade negotiations with Mexico and Canada and the potential negative impact a plummeting Turkish lira could have on the health of European bank balance sheets.

The market rose higher during the third quarter as data releases suggested the continuation of an expanding U.S. economy and robust earnings growth. On September 26th, strong labor market conditions and inflation readings consistently near the Federal Reserve's (the Fed's) 2% inflation target compelled the Fed to raise the target range for the federal Composites rate by a quarter-point to 2% to 2.25%. In addition to the rate increase, the Fed also removed language from its standard post-meeting statement that had previously indicated its policy stance remained 'accommodative.'

On September 27th, the final estimate of Q2 GDP came in at an annualized rate of 4.2%, matching the second estimate. The final estimate was just shy of consensus expectations and the fastest reported growth since Q3 2014. With nearly all S&P 500® Index companies reporting second quarter results as of the end of September, aggregate quarterly operating earnings grew 6.2% during Q2 and over 21% year-over-year. In addition, more than 85% of companies reporting earnings met or beat expectations.

Implied volatility, as measured by the Chicago Board Options Exchange Volatility Index® (the VIX®), averaged 12.86 for the quarter. Implied volatility exceeded S&P 500® Index realized volatility (as measured by its annualized standard deviation of daily returns) of 7.34% for the quarter. Despite below-average implied volatility, the 5.52 point spread between implied and realized volatility was above average. The VIX® exhibited a general downtrend from the beginning of the quarter into early August with a closing high for the quarter of 16.14 set on July 3rd and a closing low for the quarter of 10.85 set on August 8th. Implied volatility fluctuated between 11 and 15 for the remainder of the period and ended the quarter at 12.12.



Datasource: Bloomberg, L.P.

EQUITY MARKETS

The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.02% for the third quarter, bringing its year-to-date return to -1.60%. Bellwether interest rates generally trended up over the course of the quarter. The yield on the 10-year U.S. Treasury Note ended the second quarter at 2.86% and declined slightly to a third quarter low of 2.81% on August 24th before rising over the remainder of the quarter, ending at 3.06%.

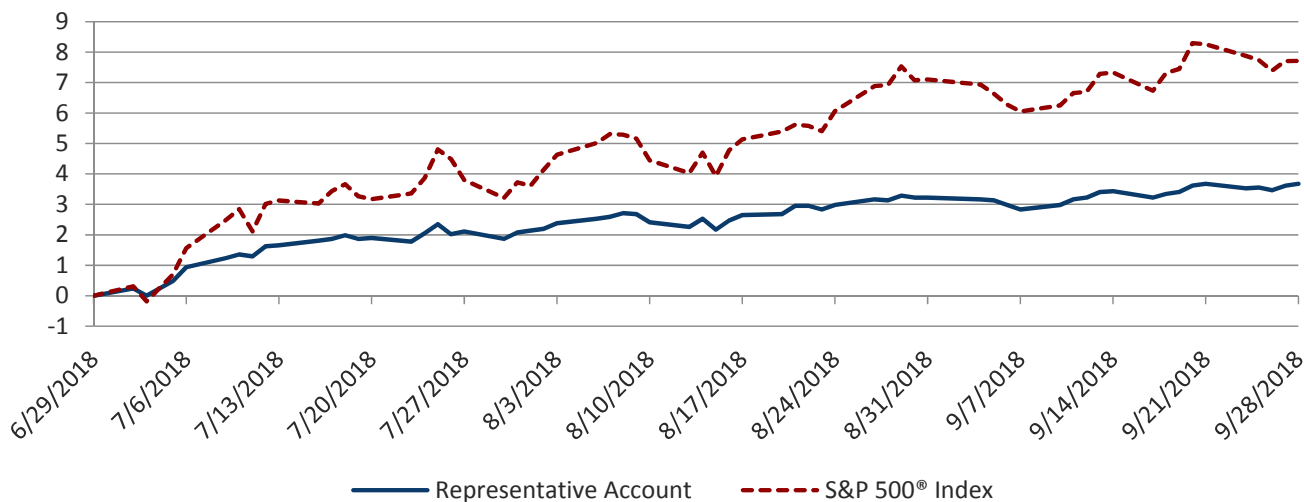
COMPOSITE PERFORMANCE

The Gateway Index/RA Composite (the Composite) returned 3.67% net of fees, for the third quarter, underperforming the S&P 500[®] Index by 404 basis points (bps) and bringing its year-to-date return to 3.64%. With monthly returns of 2.07%, 1.15% and 0.41% for July, August and September, respectively, most of the Composite’s underperformance occurred in August, although it captured nearly all of the market’s more moderate advance in September. Both the relative and absolute performance of the Composite throughout the quarter were consistent with expectations in a period when the equity market advances at an above-average rate with low volatility.

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.*

The Composite’s equity portfolio had a return of 7.69% for the quarter, a negative performance differential of 2 bps relative to the S&P 500[®] Index. The Composite’s index call option positions generated risk-reducing cash flow throughout the quarter while detracting from return in July and August, as expected during a period when the equity market advanced at an above-average rate. The index call option positions contributed positively to return during the equity market’s more moderate advance in September. 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 without significant short-term drawdowns. The Composite’s annualized standard deviation of daily returns was 2.85% as compared to 7.34% for the S&P 500[®] Index. The Composite exhibited a beta to the S&P 500[®] Index of 0.34 for the quarter.

Cumulative Performance (%)
(6/29/2018 - 9/30/2018)



Datasource: Bloomberg, L.P.

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

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

During the equity market’s rapid advance in July and August, Gateway’s index call option activity focused on maintaining a typical amount of market exposure as the market advanced. Soon-to-expire index call options were bought back and replaced by contracts with higher strike prices and later expiration dates. During September’s more modest advance, the investment team focused on keeping weighted-average time to expiration relatively extended by writing longer-dated index call options featuring more attractive implied volatility. The investment team maintained full put coverage over the course of the quarter while making adjustments to the put option portfolio to manage the cost of downside protection.

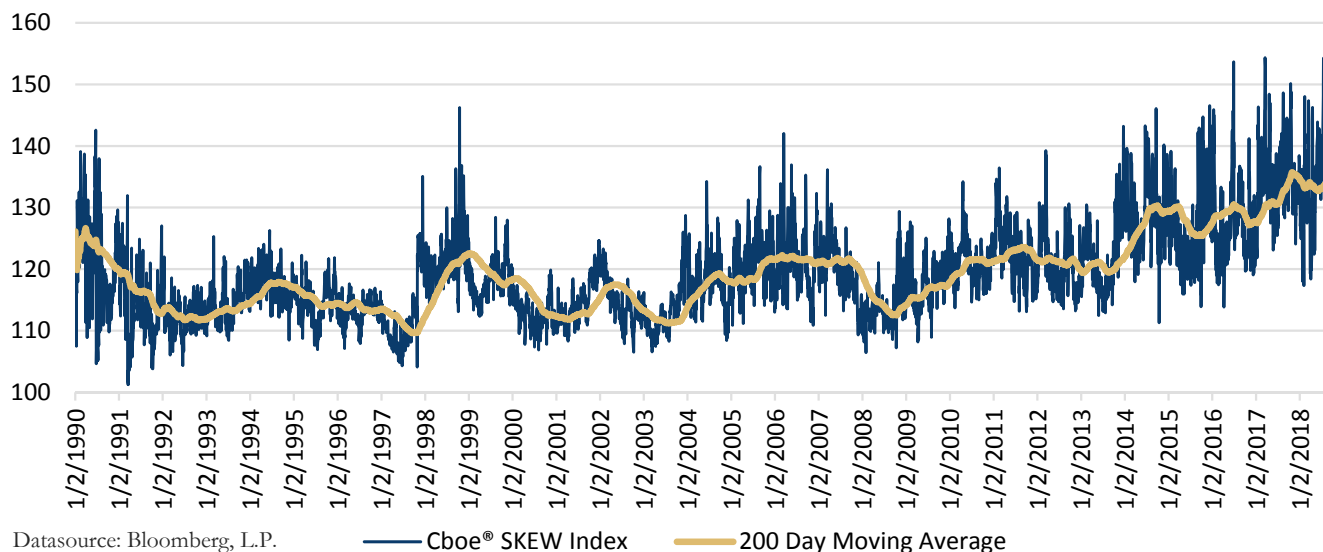
At the end of September, index call options were sold against over 95% of the equity portfolio’s value and had a weighted average strike price between 1.5% in-the-money and 1.5% out-of-the-money, 35 days to expiration and annualized premium to earn between 10% and 12.5%. Index put options covered more than 95% of the portfolio and had a weighted average strike price between 7.5% and 10% out-of-the-money, 54 days to expiration and an annualized cost of less than 2.5%. Relative to the beginning of the quarter, this positioning represented higher potential net cash flow and similar market exposure.

MARKET PERSPECTIVE

A relatively unknown and often misunderstood options market indicator got some attention for record setting levels in the third quarter. The Cboe® SKEW Index (SKEW) set a new all-time high of 159.03 on August 13th and the third quarter average of 144.74 was its highest quarterly average ever. SKEW is generally considered a measure of the *perception* of ‘tail risk,’ or downside market events that are large enough to be statistical outliers.¹ Perception is a key word because very high SKEW readings have not been shown to have any capacity to reliably predict downside events.²

It is interesting to note, as Exhibit 1 shows, that very high SKEW during the third quarter was a continuation of an upward trend in SKEW that has been in place throughout the current equity bull market.

Exhibit 1: Cboe® SKEW Index: Daily Prices and Moving Average
1/2/1990 to 9/28/2018



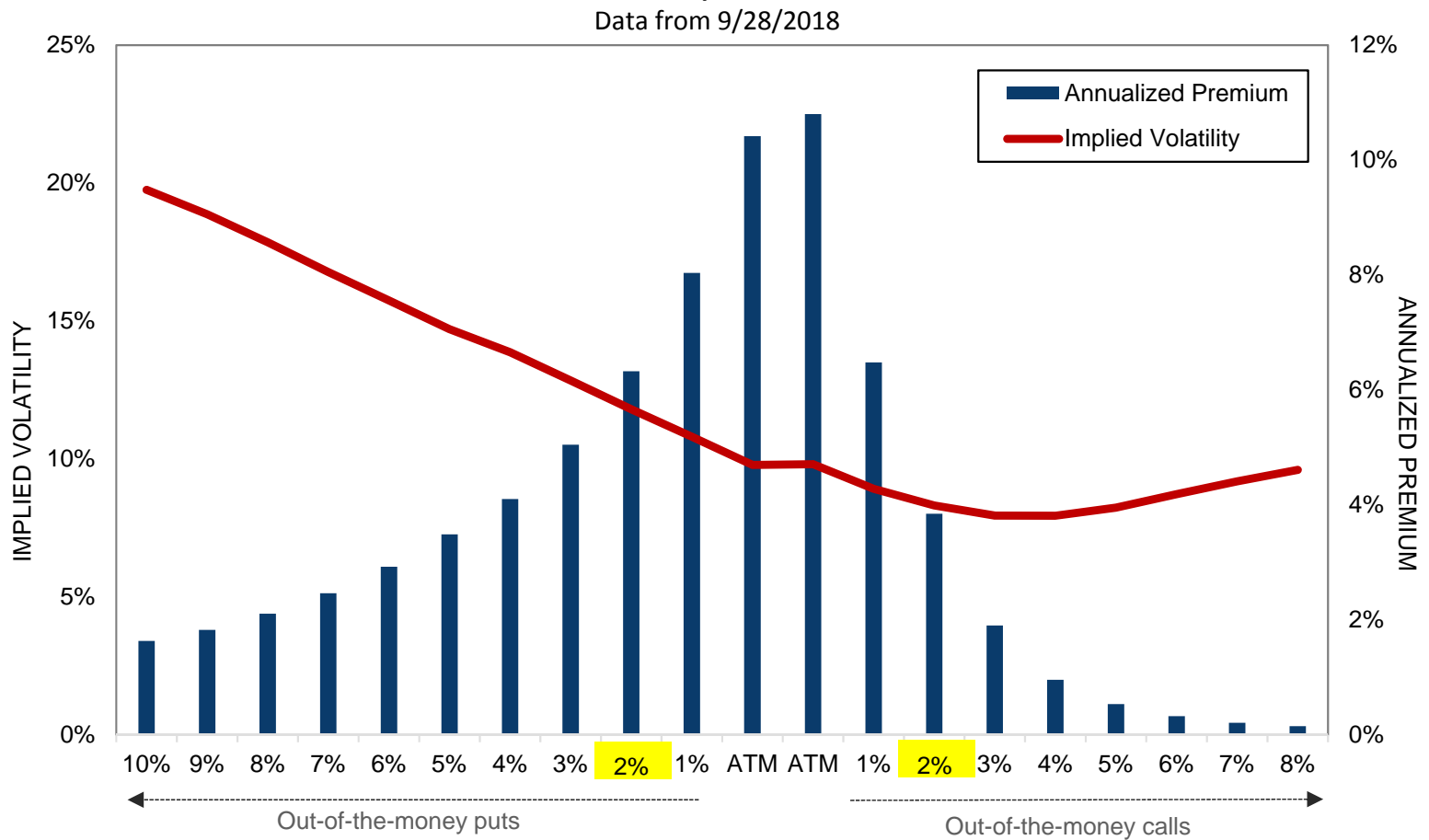
¹ The SKEW Index uses S&P 500® Index options pricing data to determine cost of protection (via an index put option) from a negative outlier return, i.e. a one-month loss of two standard deviations or more below the average monthly return of the Index, relative to the cost of upside leverage (via an index call option) to a positive outlier return. A higher SKEW reading indicates the option market has priced in a higher probability of a negative ‘tail event,’ or return that would fall in the extreme left tail of a distribution of monthly returns for the Index. For example, according to a Cboe® Frequently Asked Question document, a SKEW reading of 145 indicates more than a 14% probability of a negative two-standard-deviation event.

² The S&P 500® Index options market has a mixed record of registering high SKEW readings prior to large market losses. On 6/21/1990 SKEW reached a then-all-time-high of 142.57 and the S&P 500® Index subsequently declined over 19% from 7/16/1990 to 10/11/1990. On the other hand, SKEW set a new all-time high of 146.22 on 10/16/1998, which was weeks *after* the S&P 500® Index had a decline of over 19% from 7/17/1998 to 8/31/1998 and the market continued to rally and recover after SKEW had spiked. Conversely, SKEW was well below all-time highs prior to and throughout the August 2000 to October 2002 bear market associated with the technology bubble and was also well below all-time highs prior to and throughout the financial crisis bear market from October 2007 to March 2009.

While there may be intuitive appeal in asserting a relationship between the growing duration of the current equity bull market and index option prices reflecting an increasing probability of a significant downside event, note that such a relationship did not show itself during the technology-led bull market that came to an end in 2000. That bull market run began in 1987 and SKEW did not exhibit a persistent upward trend over the course of the 1990s. Before offering any insight into what may be driving the current trend in SKEW, let's take a closer look at what SKEW actually measures.

SKEW is an aggregate measure of the implied volatility differential between S&P 500® Index call and put options of equivalent moneyness across a matrix of strike prices and expiration dates with a weighted-average time to expiration of 30 days. Exhibit 2 illustrates what the implied volatility differential looked like at the end of the quarter across a relatively small subset of index call and put option contracts that go into the calculation of SKEW.³

Exhibit 2: S&P 500® Index Put and Call Options: Premiums and Implied Volatility Price Component



*ATM is at-the-money
Source: Bloomberg, L.P.

As Exhibit 2 shows, the 2% out-of-the-money (OTM) put option has a higher premium than the 2% OTM call option due to the higher implied volatility component (red line) of the put option's price. Higher implied volatility is also priced into the 1% OTM put relative to the 1% OTM call, and the same relationship exists for the 3% OTM options, and so on. The calculation methodology behind SKEW measures and aggregates this differential across multiple S&P 500® Index option contracts. Graphical representation of implied volatility across strike prices, i.e. the red line in Exhibit 2, is commonly referred to as the 'volatility smile,' or more accurately, the 'volatility smirk' as the put side typically rises higher than the call side. This relationship is persistent over time and part of the reason why the SKEW Index has historically always had a reading above 100.

³ For a complete explanation of calculating SKEW see *The Cboe Skew Index – SKEW*, 2010 posted at www.cboe.com

Thus, we see that SKEW is a measure of put prices *relative to* call prices. High SKEW does not necessarily mean that put option prices are high, or ‘expensive,’ on an absolute basis. Investors can better assess the cost of put options by observing put option prices directly or by observing the Cboe® Volatility Index (VIX®) since the implied volatility measured by the VIX® is typically the largest price component of shorter-term options.

Additionally, the VIX® levels over the period in which SKEW has been rising may provide some insight as to why this trend in SKEW exists. Since VIX® levels have been well below average on a persistent basis the past several years, put prices have been low relative to time periods of elevated VIX® levels. Importantly, put options purchased for relatively low premiums in low volatility periods potentially offer better protection characteristics than higher priced put options purchased in higher volatility periods. This is due to the propensity of implied volatility to increase as the market declines. As implied volatility increases it boosts put option prices, thus providing a component of the downside cushion puts provide. Lower implied volatility levels create the potential for larger increases in implied volatility when the market declines and, therefore, a bigger boost to put option prices. Because of this, investors may conclude that index put options have a better value proposition relative to other hedges in a low volatility environment than they do when volatility is persistently average or higher. Moreover, in an environment of low to rising interest rates, investors seeking downside protection may find the risk mitigation characteristics of high-quality bonds a poor value proposition given their indirect pricing relationship with equities (i.e. a decline in equity prices won’t necessarily cause a price increase in bonds) and the increased potential for bonds to generate losses should interest rates rise. In short, increased demand for put options due to relatively low prices and a substitution effect may be contributing to the upward trend in SKEW.

We believe the features of index option markets and volatility measures like SKEW and VIX® create tools that are best suited for the strategic reduction of risk and enhancement of risk-adjusted return rather than making tactical bets on market direction or changes in volatility level. Investors interested in downside protection, but wishing to avoid undesirable aspects of high-quality fixed income in a low to rising interest rate environment, may find strategies that seek to reduce risk with index options appealing.

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Standard Performance

| Average Annual Performance | | | | | | | Risk** Since Inception* |
|--|--------|---------|---------|----------|----------|-------------------------|-------------------------|
| As of September 30, 2018 | | | | | | | |
| | 1 Year | 3 Years | 5 Years | 10 Years | 20 Years | Return Since Inception* | |
| Index/RA (Net) | 5.79% | 7.37% | 5.77% | 4.11% | 4.83% | 7.24% | 6.18% |
| S&P 500 [®] Index | 17.91% | 17.31% | 13.95% | 11.97% | 7.42% | 10.79% | 13.95% |
| Bloomberg Barclays U.S. Aggregate Bond Index | -1.22% | 1.31% | 2.16% | 3.77% | 4.48% | 6.15% | 3.72% |

*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.

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® Index | Bloomberg Barclays U.S. Aggregate Bond Index | Composite | S&P 500® Index | Bloomberg Barclays U.S. Aggregate Bond Index | | | | |
| | Gross | Net | | | | | | | | | |
| 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 June 30, 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 June 30, 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.