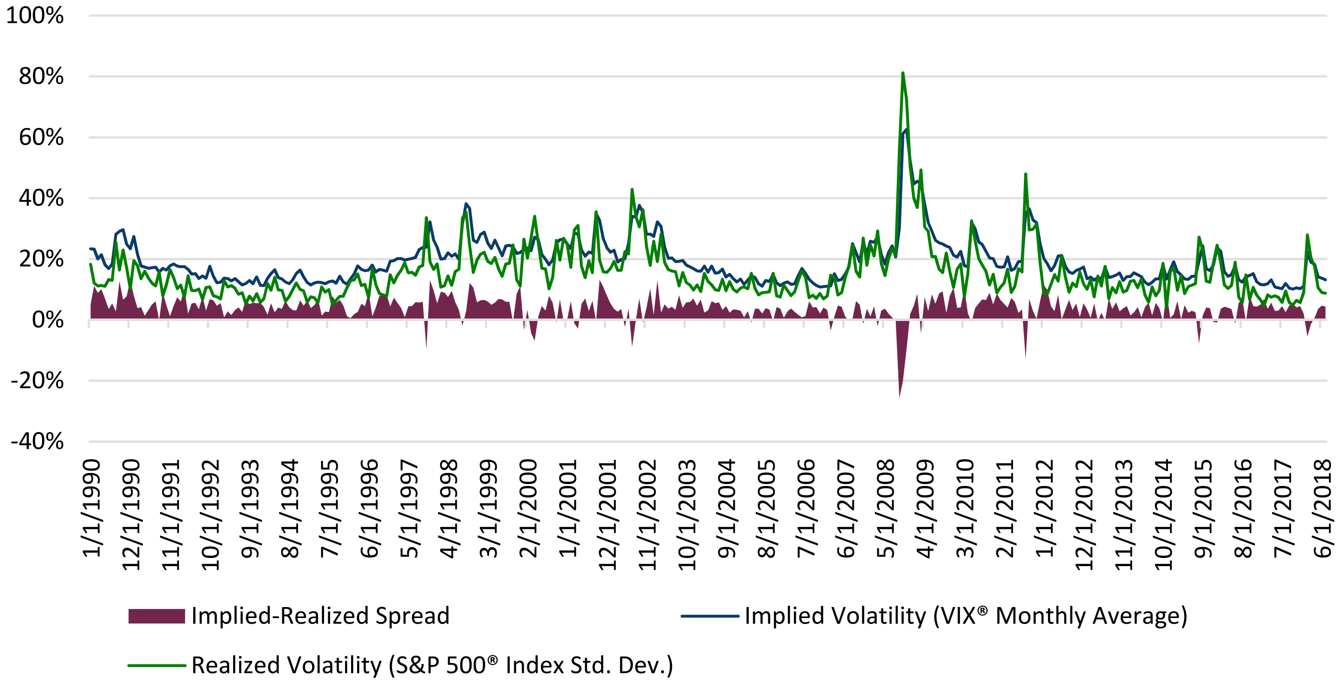
While the run of impressive growth rates for the economy and corporate profitability continued and even accelerated in Q2, the voices of those drawing attention to omens of tough times are growing in number, volume or, possibly, both. Whether it is equity market valuations, a flattening yield curve or a measure as simple as the near-record length of both the current equity bull market and the economic expansion, there is no shortage of pundits and prognosticators reminding investors that the good times don't last forever and that claims of 'it's different this time' should be ignored. Conversely, the 'perma-bulls' focused solely on potential opportunities, advising their clients to 'buy buy buy' regardless of the possibility of increasing risks, continue to have their voices heard as well.

Gateway's voice is not among those participating in the debates about how long the good times will last or which indicators most reliably foretell the direction of the market. The Gateway investment philosophy holds that consistency is the key to long-term investment success and that generating cash flow with index option selling, rather than seeking to predict fluctuations in the prices of securities, can be a lower-risk means to participate in equity markets. Gateway believes that market volatility can be converted into cash flow and risk can be managed effectively using the tools provided by the index options market.

The robust mathematical relationship between the change in price of an index and the change in price of an option on an index allows Gateway to get a clear picture of how much market exposure its strategies have at any point in time. By maintaining less than full market exposure at all times, Gateway's strategies have produced a history of delivering meaningfully less risk than the equity market, whether risk is measured by volatility or downside participation.

Beyond the reliability of risk reduction and downside protection, Gateway's index-option based approach to risk management also benefits from the "Volatility Risk Premium". Option-selling strategies like Gateway's benefit from the spread between the realized volatility the equity market experiences and the implied volatility priced into index options sold. Figure 1 shows the historical relationship between implied and realized volatility. Monthly average implied volatility exceeded realized volatility nearly 90% of the time with an average spread of almost four points.

Figure 1: Average Implied Volatility for S&P 500® Index Options vs. Realized Volatility for S&P 500® Index
January 1, 1990 - July 31, 2018



Source: Bloomberg L.P.

Strategies that sell index options have a frequent and consistent opportunity to sell an overpriced asset. Selling an asset for more than it is worth is the essence of any investment strategy that seeks to enhance risk-adjusted return, whether the strategy is a traditional long-only stock or bond strategy or a less common approach. Gateway's strategies focus on risk reduction first and then rely on this naturally occurring phenomenon to enhance risk-adjusted return.

The historically robust risk-reducing and risk-adjusted return enhancing features of the index option market help facilitate Gateway's patient and disciplined investment approach. Gateway has maintained a market agnostic approach throughout its history, relying on option cash flow to deliver participation in the market's positive returns while mitigating market losses and seeking to enhance risk-adjusted return. Combining equity market exposure with volatility-generated cash flow from index options has proven to be historically reliable relative to investment approaches with similar objectives that attempt to forecast market returns or direction. Despite the aging bull market and litany of potential downside triggers that exist today, Gateway will maintain this discipline and offer investors exposure to the long-term growth potential of equities while also offering a source of risk management in their portfolios.