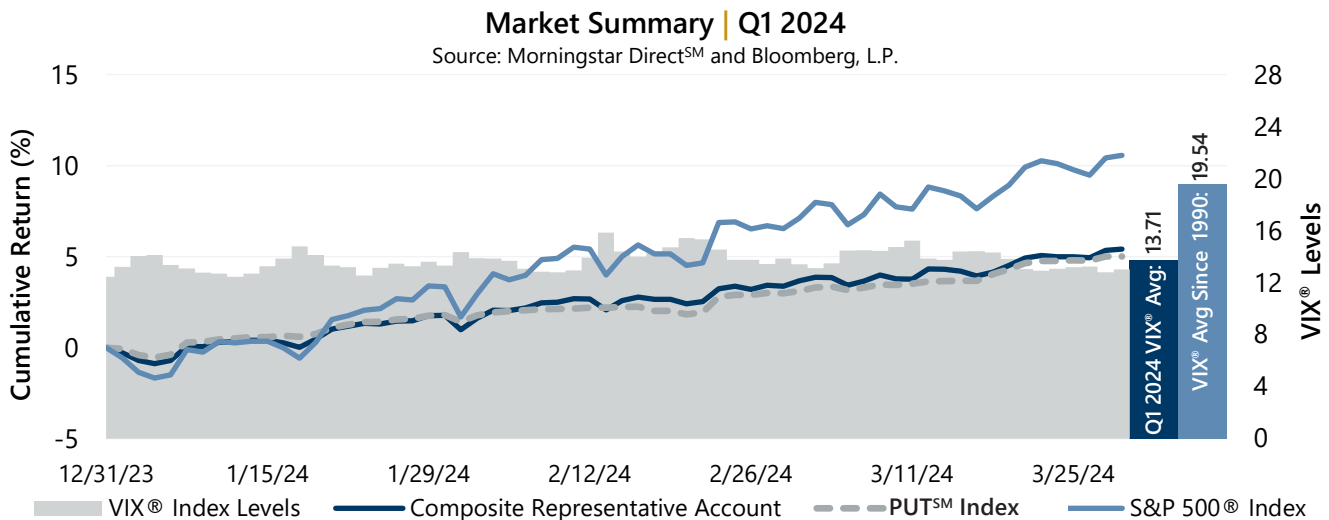


**In Brief**

- The Gateway Active Index-PutWrite Composite (the Composite) returned 5.44%, net of fees, in the first quarter compared to the 5.01% return of the Cboe® S&P 500 PutWrite<sup>SM</sup> Index<sup>i</sup> (the PUT<sup>SM</sup>) and the 10.56% return of the S&P 500® Index. A GIPS® Composite Report is included with this Commentary.
- Momentum from the market rally at year-end 2023 carried into the first quarter of 2024 with the S&P 500® Index reaching fresh all-time highs. The first quarter advance was driven by a rally in AI-related stocks and the U.S. Federal Reserve (the Fed) who had been reassuring investors of potential interest rate cuts in 2024.
- The first quarter advance was only slightly interrupted at the start of the year with an equity market decline of -1.68% from the end of 2023 through January 4. The Composite provided 80 basis points (bps) of loss mitigation, net of fees, during the brief drawdown period with a return of -0.88%. The PUT<sup>SM</sup> returned -0.54% during this period. During the market advance from January 4 to quarter-end, the Composite climbed 6.35% relative to the 12.45% climb in the S&P 500® Index and 5.58% advance of the PUT<sup>SM</sup>.
- The S&P 500® Index, the PUT<sup>SM</sup> and the Composite had an annualized standard deviation of daily returns of 10.97%, 2.97%, and 4.67% for the first quarter, respectively.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 13.71 in the first quarter and exceeded realized volatility, as measured by the standard deviation of daily returns. The VIX® ended 2023 at 12.45 before dipping to an intra-quarter low of 12.44 on January 11. The VIX® reached an intra-quarter high of 15.85 on February 13 and closed the quarter at 13.01.
- Gateway’s investment team was active in their management of the index put option portfolio during the first quarter. During the market’s persistent advance, the investment management team increased the weighted-average strike price while managing weighted-average time to expiration. These adjustments were made in an effort to enhance cash flow while maintaining typical market exposure and risk profile.
- Despite an artificial intelligence and election-year sideshow, the Fed remains at center stage. Expectations entering 2024 were for the central bank to cut interest rates in the first quarter, with continued cuts throughout the year. As of the end of March 2024, no cuts have come to fruition. In an ongoing game of expectations versus reality, where interest rates may simply settle into a range more in line with historical averages, options-based strategies are poised to continue benefitting from an uncertain future and away-from-zero interest rates.



Past performance does not guarantee future results.

## Market Recap

The equity market's 10.56% rally during the first quarter of 2024 resulted in the S&P 500® Index reaching a new all-time high. The S&P 500® returned 1.68%, 5.34%, and 3.22% in January, February, and March, respectively. After a year-to-date maximum drawdown of just -1.68% from the start of the year through January 4, the market persistently advanced during the quarter. The market was driven, in part, by enthusiasm surrounding AI-related technology and an ongoing optimism that the Fed will follow through with suggestions of multiple interest rate cuts during the remainder of 2024.

Macroeconomic data released during March showed continued resilience in the U.S. economy with stubborn inflation. The third estimate of Gross Domestic Product for the fourth quarter of 2023 showed an acceleration from the prior reading and outpaced the consensus estimate. The February Consumer Price Index released March 12 was higher than the previous reading and above consensus estimates. Corporate earnings reflected resilience, with fourth quarter aggregate operating earnings on track to climb 1.7% quarter-over-quarter and 8.4% year-over-year. With over 99% of S&P 500® Index companies reporting, nearly 79% met or exceeded analyst estimates.

### U.S. Macroeconomic Data | March Releases

	Period	Current	Estimate	Prior
U.S. Gross Domestic Product Growth	Q4 2023	3.4%	3.2%	3.2%
Unemployment Rate	February	3.9%	3.7%	3.7%
Participation Rate	February	62.5%	62.6%	62.5%
Average Hourly Earnings (YoY)	February	4.3%	4.3%	4.5%
Consumer Price Index (YoY)	February	3.2%	3.1%	3.1%

Source: Bloomberg, L.P.

Implied volatility, as measured by the VIX®, averaged 13.71 in the first quarter. Consistent with its typical relationship, average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 10.97% for the quarter. The VIX® ended December at 12.45 before drifting to an intra-quarter low of 12.44 on January 11. The VIX® reached an intra-quarter high of 15.85 on February 13 and closed the quarter at 13.01.

The PUT<sup>SM</sup> returned 5.01% in the first quarter of 2024 with returns of 1.43%, 1.65%, and 1.85% in January, February, and March, respectively, while collecting premiums of 1.06%, 0.96%, and 1.36% in each respective month. The premiums that the PUT<sup>SM</sup> collected as a percentage of its underlying value were insufficient to keep pace with the rapid advance of the S&P 500® Index. However, the remaining premium from writing its index put option contract in December offset losses during the brief market drawdown that started the year. With a return of -0.54%, the PUT<sup>SM</sup> provided 114 bps of downside loss mitigation during the equity market decline from the start of the year through January 4. From January 4 through quarter-end, the PUT<sup>SM</sup> returned 5.58% relative to the S&P 500® Index return of 12.45%.

*The PUT<sup>SM</sup> represents a cash secured index put writing approach. The PUT<sup>SM</sup> is passive and rules-based, not active, which results in potential returns that are significantly influenced by the path of the equity market and the premiums<sup>ii</sup> collected on its written index put options.*

The Bloomberg U.S. Aggregate Bond Index returned -0.78% in the first quarter, with monthly returns of -0.27%, -1.41%, and 0.92% in January, February, and March, respectively. The yield on the 10-year U.S. Treasury Note (the 10-year) ended 2023 at 3.88% from which the yield would rise to an intra-quarter high of 4.32% in late February, and again in mid-March, before closing the first quarter at 4.20%. In [a historical inversion](#) that has persisted since July 5, 2022, the yield on the 2-year U.S. Treasury Note exceeded that of the 10-year throughout the first quarter.

## Gateway Active Index-PutWrite Composite Performance

The Composite returned 5.44%, net of fees, in the first quarter, compared to the 5.01% return of the PUT<sup>SM</sup>. The Composite had its 10<sup>th</sup> best quarterly return since its April 1, 2015 inception. The Composite, net of fees, returned, 1.00%, 2.67% and 1.68% while the PUT<sup>SM</sup> returned 1.43%, 1.65%, and 1.85% in January, February, and March, respectively. The Composite's active and diversified approach resulted in a typical amount of market exposure throughout the quarter while the passive, rules-based timing of the PUT<sup>SM</sup>'s replacement of its single written index call option contract resulted in the PUT<sup>SM</sup> having variable levels of market exposure.

Positive interest rates and double-digit implied volatility levels continued to support the Composite's collection of robust index option premiums during the quarter. Index put writing generated risk-reducing cash flow throughout the quarter and index put option positions contributed positively to return in each month of the quarter. The Composite provided 80 bps of downside loss mitigation with a return -0.88% during the S&P 500® Index decline of -1.68% from the start of the year

through January 4. The PUT<sup>SM</sup> returned -0.54% during this period. From January 4 through quarter-end, the Composite climbed 6.35% compared to the 12.45% advance of the S&P 500<sup>®</sup> Index and the 5.58% return of the PUT<sup>SM</sup>.

In achieving its low-volatility objective, the Composite’s annualized standard deviation of daily returns for the quarter was 4.67% compared to 10.97% and 2.97% for the S&P 500<sup>®</sup> Index and the PUT<sup>SM</sup>, respectively. The Composite exhibited a beta to the S&P 500<sup>®</sup> Index of 0.41 for the quarter.

Gateway’s investment team was active in their management of the index option portfolio during the equity market’s advance in the first quarter. As the market climbed persistently, the team selectively adjusted the written index put option portfolio. The team increased the weighted-average strike price and managed time to expiration in an effort to enhance cash flow and maintain typical market exposure.

At the end of the quarter, the full value of the Composite’s maximum potential loss on written index put options was secured with Treasury bills and cash. The Composite’s diversified portfolio of written index put options had a weighted-average strike price ranging between 1.5% in-the-money to 1.5% out-of-the-money, weighted-average time to expiration of 33 days and annualized premium to earn between 5.0% and 7.5%. Relative to the beginning of the quarter, this positioning represented slightly lower market exposure and higher cash flow potential.

Performance & Risk (%)	Q1 2024	1 Year	3 Years	5 Years	Inception Return <sup>1</sup>	Inception Risk <sup>1,2</sup>
The Composite (Net)	5.44	16.46	6.76	8.50	7.47	9.81
PUT <sup>SM</sup> Index	5.01	12.45	8.40	8.21	7.16	10.17
S&P 500 <sup>®</sup> Index	10.56	29.88	11.49	15.05	12.99	15.72

Periods less than one year are not annualized. Data as of March 31, 2024. Source: Morningstar Direct<sup>SM</sup>. 1: Composite inception date of April 1, 2015. 2: Based on standard deviation of monthly returns.

## Market Perspective – All About The Rates

### No Promises Made

In modest fashion, the Fed often dominates headlines, and it has been no different during the recent period of transitioning monetary policy. Particularly when considering its relatively rapid pace of tightening that began March 2022, the Fed Funds Effective Rate has increased by nearly *26 times* – growing from 0.20% to 5.33%, which is a level not seen since the February 2001 level of 5.49%.

As the Fed paused a relentless cycle of interest rate hikes after acknowledging economic resilience and a reduction in out-of-control inflation in 2023, focus for investors pivoted to the possibility of interest rate cuts. Expectations around the frequency and magnitude of such a change have been in a state of flux nearly since the thought was conceived. However, the Fed continues to choose its words wisely and does not offer any promises in its guidance. Nevertheless, in March, Fed Chairman Jerome Powell suggested the possibility remained for interest rate cuts in 2024 – assuming inflation continued a sustainable decline – with one small change. The Fed now anticipates fewer cuts than previously mentioned<sup>1</sup>.

### A Moving Target

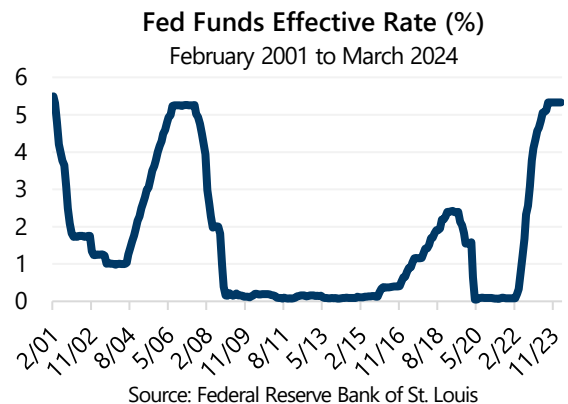
In May 2023, a regional banking crisis triggered hopes that the Fed would pause its tightening efforts and potentially reduce interest rates by the close of 2023. As explored in [Cuts Can Hurt](#), at the end of May there was an expectation, with 57% probability, that the Fed would not only pause the rate of interest rates hikes but reverse course by November 2023 with an implied Federal Funds policy rate of 4.68% by January 2024.

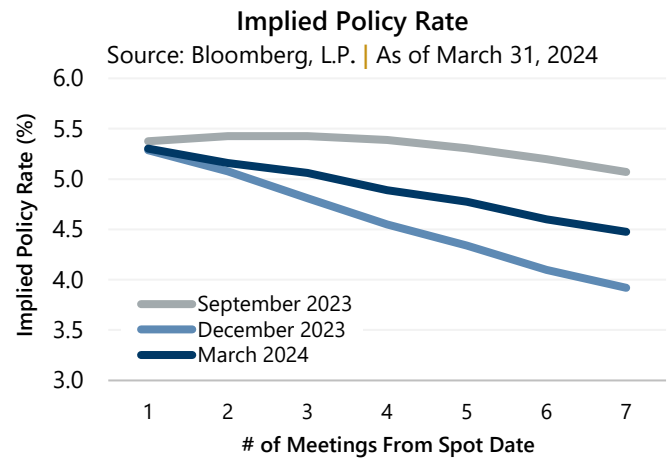
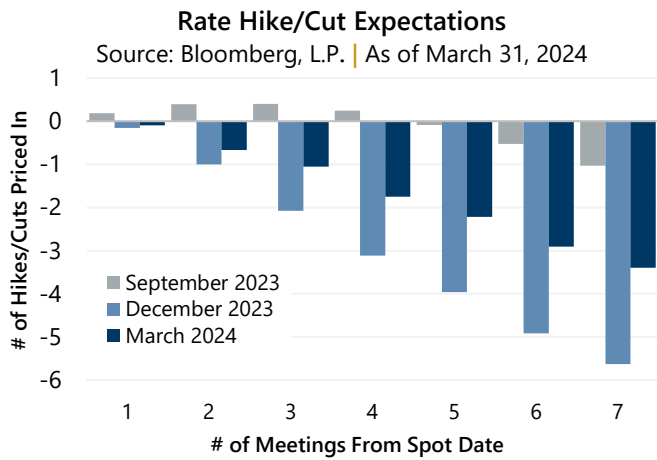
With the Fed Funds Rate still north of 5% as of the end of March 2024, those expectations failed to become reality, and with no promises made, investors remain forced to digest an evolving macroeconomic environment and selective comments from the Fed.

The charts below show how [expectations rarely match reality](#). At the end of September 2023, rate hikes were again being priced in with cuts expected during the summer of 2024. Benign inflation data released during the fall of 2023, however, once again shifted expectations for a first cut in early 2024. As the Fed continued to evade an action in the first quarter of 2024 and inflation remained robust, expectations again evolved to summer 2024 before a cut might be implemented.

1: See: <https://www.wsj.com/economy/central-banking/powell-says-fed-on-track-to-cut-rates-this-year-52e5feb3>

Past performance does not guarantee future results.





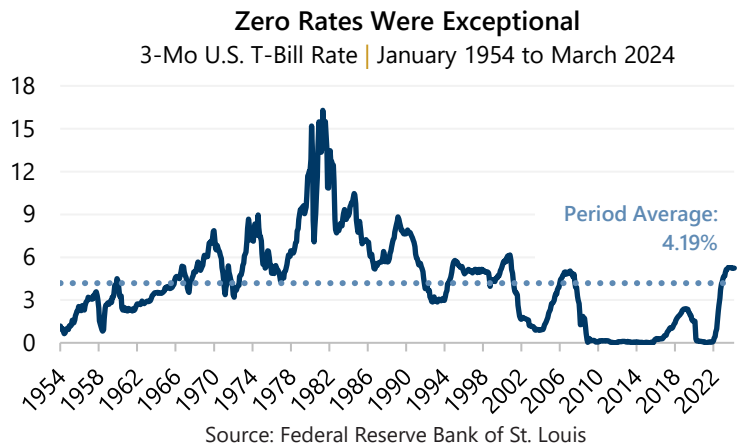
## A Glance in the Rearview

There is much uncertainty about the timing of future rate cuts and the potential market path after [such a move is nuanced, and often volatile](#). In short, regardless of the direction of monetary policy, there is a strong possibility that interest rates settle into a more normal range and away from the near-zero levels that were driven by extraordinary monetary policy easing following the Great Financial Crisis. When considering the period of January 1954 through March 2024, the average 3-Month Treasury Bill yield for this time was 4.19%. Even if current market expectations for interest rate cuts come to fruition, the Fed Funds Rate would be near 4.5% and remain above the long-term average.

Any level away from zero continues to benefit option writing strategies, particularly when writing near-the-money call options on the S&P 500® Index, similar to those used in some Gateway strategies. [For The Times, They Have Changed](#) explains that the premium received for writing a one-month at-the-money index call option was over 9% higher with rates at 5.25% versus 0.25%. Higher interest rates have also contributed to the reduction in the cost of S&P 500® Index put options and make protection less expensive for those strategies that purchase index put options for downside loss mitigation.

## Rest Easy

Gateway is not in the business of predicting Fed actions or market activity and whether the Fed begins cutting rates in 2024, continues to hold, or surprises investors with a hike, the path forward is likely to remain uncertain and volatile. However, what seems less uncertain is that interest rates are settling into a more average, to above-average range. Additionally, while macroeconomic factors continue to adjust to a new rate regime, the chances increase for unexpected and robust volatility events. Away-from-zero rates and double-digit volatility have meaningfully enhanced options-based strategies, such as those managed by Gateway since 1977, and can help investors navigate an array of market environments.



## Important Information

<sup>i</sup> The PUT<sup>SM</sup> is a passive total return index designed to track the performance of a hypothetical portfolio that sells S&P 500<sup>®</sup> Index put options against collateralized cash reserves held in a money market account. The PUT<sup>SM</sup> strategy is designed to sell a monthly sequence of S&P 500<sup>®</sup> Index puts and invest cash at one- and three-month Treasury Bill rates. The monthly sequence entails writing one-month S&P 500<sup>®</sup> Index put options 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. The number of put contracts with identical strike prices and expiration dates sold varies from month to month but is limited so that the amount held in Treasury Bills can finance the maximum possible loss from final settlement of the S&P 500<sup>®</sup> Index puts.

<sup>ii</sup> Premiums are calculated as a percentage of the written index put option's strike price. The number of put options written is limited such that the maximum potential loss of the written puts cannot exceed cash on hand. The writer of an index put option is obligated to deliver cash in an amount equal to the difference between the put contract's strike price and the value of the index at expiration. The maximum potential loss of a written index put option would occur if the value of the index, in this case the S&P 500<sup>®</sup> Index, fell to zero. Since the writer of an index put option is obligated to deliver cash in an amount equal to the difference between the put contract's strike price and the value of the index at expiration, the maximum potential loss would be equal to the strike price times the number of contracts written.

For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit [www.gia.com/insights](http://www.gia.com/insights).

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. Performance information for Gateway Active Index-PutWrite Composite (the Composite) shown in this illustration is an asset-weighted composite of a portfolio sleeve of certain discretionary accounts under Gateway's management which share the same investment objectives and hedging strategies.

The Composite contains fully discretionary option writing accounts that sell (write) index put options on the S&P 500<sup>®</sup> Index. The written put options are exchange-traded and fully cash-secured. Indexes utilized for put option activity are liquid U.S. equity indexes that include all sectors of the U.S. economy. Put writing activity provides cash flow and equity market correlation. The Composite was created on April 1, 2015. The Composite net of fee performance results reflect the reinvestment of dividends and any other earnings, and was calculated using the Composite's highest tier of the current fee schedule of 0.35%. Fees may be less or more than fees that other accounts would pay for this strategy in the future. A more detailed description of Gateway's standardized fees is included in Form ADV, Part 2.

For comparison purposes, the Composite may be measured against the following indexes:

Cboe<sup>®</sup> S&P 500 PutWrite<sup>SM</sup> Index, a passive total return index designed to track the performance of a hypothetical put-write strategy on the S&P 500<sup>®</sup> Index;

S&P 500<sup>®</sup> Index, a popular indicator of the performance of the large capitalization sector of the U.S. stock market. Performance results are expressed in U.S. dollars;

Selling index put options can reduce the risk of equity market volatility, 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 put 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.

The GIPS<sup>®</sup> Composite Report for the Gateway Active Index-PutWrite Composite is included with this document. Additional copies are available upon request by calling 513.719.1100.

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Data sources: Gateway Investment Advisers, LLC, Bloomberg, L.P., Federal Reserve Bank of St. Louis and Morningstar Direct<sup>SM</sup>

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Year End	Annual Performance Results					3-Year Standard Deviation			Number of Composite Accounts	Composite Assets (millions)	Firm Assets (millions)
	Composite Gross	Composite Net	% of Non-Fee Paying	PUT <sup>SM</sup> Index	S&P 500® Index	Composite	PUT <sup>SM</sup> Index	S&P 500® Index			
9 Months Ended 12/31/2015	4.34%	4.07%	100%	5.94%	0.45%	N/A	N/A	N/A	1	\$ 5	\$12,210
2016	8.76	8.37	100	7.77	11.96	N/A	N/A	N/A	1	6	11,601
2017	12.15	11.75	100	10.85	21.83	N/A	N/A	N/A	1	5	12,559
2018	-5.61	-5.96	100	-5.93	-4.38	6.89%	7.50%	10.95%	1	4	11,641
2019	17.15	16.73	100	13.51	31.49	7.52	7.92	12.10	1	5	10,950
2020	8.26	7.87	100	2.13	18.40	12.29	14.03	18.80	1	5	9,963
2021	18.93	18.51	100	21.79	28.71	11.22	13.06	17.41	1	4	11,556
2022	-12.11	-12.43	100	-7.66	-18.11	13.77	14.45	21.16	1	2	8,593
2023	17.53	17.12	100	14.32	26.29	10.74	9.35	17.54	1	2	8,828

N/A: The gross 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-PutWrite Composite contains fully discretionary option writing accounts that sell (write) index put options. The written put options are fully cash-secured. Indexes utilized for put option activity are U.S. domestic equity indexes that include all sectors of the economy. This put writing activity provides cash flow and equity market correlation. The creation and inception date of the Gateway Active Index-PutWrite Composite was April 1, 2015.

For comparison purposes, the Composite is measured against two indexes: the Cboe® S&P 500 PutWrite<sup>SM</sup> Index (PUT<sup>SM</sup> Index), a passive total return index designed to track the performance of a hypothetical put-write strategy on the S&P 500® Index and the S&P 500® Index, a popular indicator of the performance of the large capitalization sector of the U.S. stock market.

Performance results are expressed in U.S. dollars. Performance returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the Composite's highest tier of the current fee schedule of 0.35%. Past performance is not indicative of future results. The 3-year standard deviation is calculated using gross returns.

The investment management fee for the Composite is 0.35%. 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, 2023. A firm that claims compliance with the GIPS® standards must establish policies and procedure for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The Gateway Active Index-PutWrite Composite has had a performance examination for the periods April 1, 2015 through December 31, 2023. The verification and performance examination reports are available upon request.

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Policies for valuing investments, calculating performance and preparing GIPS® reports are available upon request. Gateway's lists of composite descriptions and broad distribution pooled funds are also available upon request.