

### Volatility Supports Option Writing

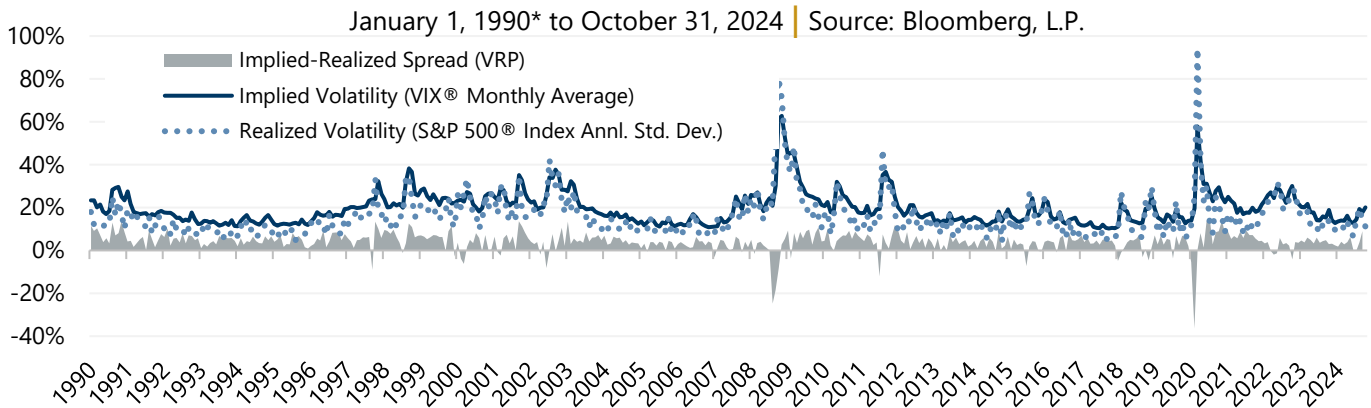
The current environment, with double-digit volatility levels and positive interest rates, has been additive to S&P 500® Index option writing strategies. These two components to option pricing have shifted significantly higher since the U.S. Federal Reserve (the Fed) began normalizing policy in 2022, after an extended period of unprecedented quantitative easing following the Global Financial Crisis. This sudden change and now uncertain path of monetary policy has resulted in higher interest rates and has been a major contributor to a more robust volatility backdrop.

*A departure by the Fed from expansive quantitative easing and economic management to more normalized and core-mandate driven policy has generated more uncertainty for the equity market.*

Realized volatility, that which has occurred, is often measured as the standard deviation of daily returns. In contrast, implied volatility is forward looking and often measured by the Cboe® Volatility Index (the VIX®). The spread between the two measures is referred to as the volatility risk premium, or VRP, and can be monetized by index option writing strategies such as those offered by Gateway.

The VRP exists due to consistently mispriced volatility in S&P 500® Index options. Implied volatility has generally been higher than realized and rightly so – the future is much less clear than the past. In fact, since January of 1990, the VRP has been positive 89% of the time with a monthly average of 4.1%. There are plenty of ongoing drivers of volatility such as divergence in global monetary policy and armed conflict, which may support a persistent shift higher in volatility compared to the prior decade. For instance, from January 2010 to December 2019, implied volatility, as measured by the VIX®, averaged 16.86. Nearly halfway through the current decade, from January 2020 to October 2024, the VIX® has averaged 21.59. The VIX® average since 1990 is 19.48.

#### S&P 500® Index Implied & Realized Volatility

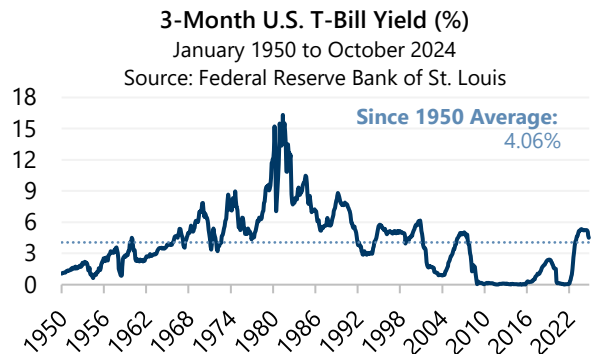


Past performance does not guarantee future results.

### Higher Rates Also Enhance Option Writing

Another current tailwind for index option writing strategies are higher short-term interest rates. With all things equal, positive interest rates can support greater cash flow generation potential. This is in stark contrast to the extended, zero-interest rate policy that was in place after the Global Financial Crisis.

Consider the yield on a 3-Month U.S. Treasury Bill (T-Bill) averaged 0.57% for the decade from January 2010 to December 2019. Since the start of the 2020's, however, the 3-Month T-Bill has averaged 2.43% - 326% higher than the prior decade.



It is unlikely that short-term rates will go back to the levels seen during post-crisis quantitative easing. Even with the Fed now shifting to easing mode, short term interest rates are only expected to get down to a range of 3.5%-4.0% towards the end of 2026, based on Federal Funds Futures contracts . The average yield for 3-Month T-bills since 1950 is 4.06%, suggesting the recent tick higher in rates is simply a reversion to the mean.

## Rate and Volatility Environment Boosts Results

The benefits of this new environment within option writing can be witnessed in the S&P 500® Index capture results for the Cboe® S&P 500 BuyWrite<sup>SM</sup> Index (the BXM<sup>SM</sup>)<sup>1</sup>, going back to 1988.

When the VIX® is above its long-term average of 19.65, the median upside capture ratio for the BXM<sup>SM</sup> climbs to 80%, well above the 64% upside capture experienced when implied volatility is below its long-term average.

Also, when interest rates are over 2% the median upside capture ratio for the BXM<sup>SM</sup> is 72%, an improvement relative to the 64% upside capture when rates are below 2%. Higher interest rates have also improved downside capture rates for the BXM<sup>SM</sup>. When rates have been over 2%, downside capture declines to 33% compared to 47% when interest rates reside below 2%.

*The BXM<sup>SM</sup> represents a covered call writing approach. The BXM<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 collected on its written index call options.*

## Getting In

The BXM<sup>SM</sup>'s passive approach utilizes a single index option contract with monthly expiration at which time the following contract is written. This leads to performance that is a function of timing and premiums collected. In contrast, Gateway takes an active approach to managing its index option writing strategies and strives to prudently adjust a diversified portfolio of index call options to maintain consistency of market exposure in response to market dynamics. An active approach also provides the opportunity to harvest the VRP at opportune times in an effort to maximize cash flow generation. Gateway offers investors a number of opportunities to access this premium and the many other benefits of index-option based investment solutions.

For example, net-of-fees, the Gateway Active Index-Option Overwrite Composite (AIOO) outpaced its benchmark, the BXM<sup>SM</sup>, over the trailing year-to-date, one, three, five, ten, fifteen, and since inception time periods as of September 30, 2024. The strategy also captured a majority of the S&P 500® Index return with less risk over the same time periods. A GIPS® Composite Report is included with this Commentary.

Performance & Risk (%)	Q3 2024	YTD 2024	1 Year	3 Year	5 Year	10 Year	15 Year	Inception Return <sup>1</sup>	Inception Risk <sup>1,2</sup>
AIOO (net)	4.01	14.45	21.25	8.85	10.37	8.63	9.52	7.72	10.34
BXM <sup>SM</sup> Index	5.54	13.55	18.31	6.39	6.59	6.25	7.14	5.51	11.53
S&P 500® Index	5.89	22.08	36.35	11.91	15.98	13.38	14.14	11.51	15.99

Past performance does not guarantee future results. Periods greater than one year are annualized. Data as of September 30, 2024. Source: Morningstar Direct<sup>SM</sup>. 1: Composite inception date is April 1, 2008. 2: Based on standard deviation of monthly returns.

### IMPORTANT INFORMATION

Past performance does not guarantee future results.

<sup>1</sup> The BXM<sup>SM</sup> 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 third 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](http://www.gia.com/insights).

# Gateway Active Index-Option Overwrite Composite Disclosure

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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 Gateway Active Index-Option Overwrite Composite (the 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 on April 1, 2008.

The Composite's net of fee performance results reflect the reinvestment of dividends and other earnings and reflect the deduction of investment advisory fees.

The effectiveness of Gateway's strategy might be reduced if the portfolio does not 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.

Past performance is no guarantee of future results. A more detailed description of Gateway's standardized fees is included in Form ADV, Part 2.

The GIPS® Composite Report for the Gateway Active Index-Option Overwrite Composite is included with this document. Additional copies are available upon request by calling 513.719.1100.

Year End	Annual Performance Results				3-Year Standard Deviation			Number of Composite Accounts	Composite Assets (millions)	Firm Assets (millions)
	Composite Gross	Composite Net	S&P 500® Index	BXM <sup>SM</sup> Index	Composite	S&P 500® Index	BXM <sup>SM</sup> Index			
9 Months Ended 12/31/2008	-19.54%	-19.72%	-30.43%	-26.10%	N/A	N/A	N/A	1	\$492	\$7,071
2009	15.15	14.78	26.46	25.91	N/A	N/A	N/A	1	502	7,188
2010	13.30	12.91	15.06	5.86	N/A	N/A	N/A	1	516	7,699
2011	6.73	6.33	2.11	5.72	11.26%	18.97%	13.66%	1	496	8,081
2012	11.46	11.02	16.00	5.20	8.54	15.30	11.56	4	717	10,517
2013	14.91	14.46	32.39	13.26	6.28	12.11	9.39	4	1,233	12,475
2014	7.64	7.26	13.69	5.64	4.37	9.10	6.07	5	2,263	12,239
2015	5.98	5.57	1.38	5.24	5.37	10.62	6.52	6	2,404	12,210
2016	9.10	8.74	11.96	7.07	5.83	10.74	6.68	4	2,627	11,601
2017	13.83	13.44	21.83	13.00	5.47	10.07	5.83	4	2,665	12,559
2018	-4.86	-5.18	-4.38	-4.77	6.79	10.95	7.48	3	2,298	11,641
2019	17.85	17.42	31.49	15.68	7.41	12.10	7.95	2	1,486	10,950
2020	9.03	8.57	18.40	-2.75	12.33	18.80	14.72	2	1,491	9,963
2021	19.04	18.52	28.71	20.47	11.44	17.41	13.93	2	1,695	11,556
2022	-10.81	-11.22	-18.11	-11.37	14.16	21.16	15.75	2	1,448	8,593
2023	19.79	19.26	26.29	11.82	11.18	17.54	10.37	2	1,723	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-Option Overwrite Composite** contains fully discretionary hedged equity accounts that hold common stock and sell index call options on at least 95% of the underlying stock value. Indexes utilized for call option activity are U.S. domestic equity indexes that include all sectors of the economy. This call activity reduces volatility and provides cash flow. The creation and inception date of the Gateway Active Index-Option Overwrite Composite was April 1, 2008.

For comparison purposes the 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 Cboe® S&P 500 BuyWrite<sup>SM</sup> Index (BXM<sup>SM</sup> Index), a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index.

Performance results are expressed in U. S. dollars. Returns are presented gross and net of actual management fees and include the reinvestment of all income. Past performance is not indicative of future results. The 3-year standard deviation is calculated using gross returns. 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 0.30% 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 December 31, 2023. A firm that claims compliance with the GIPS® standards must establish policies and procedures 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-Option Overwrite Composite has had a performance examination for the periods April 1, 2008 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.