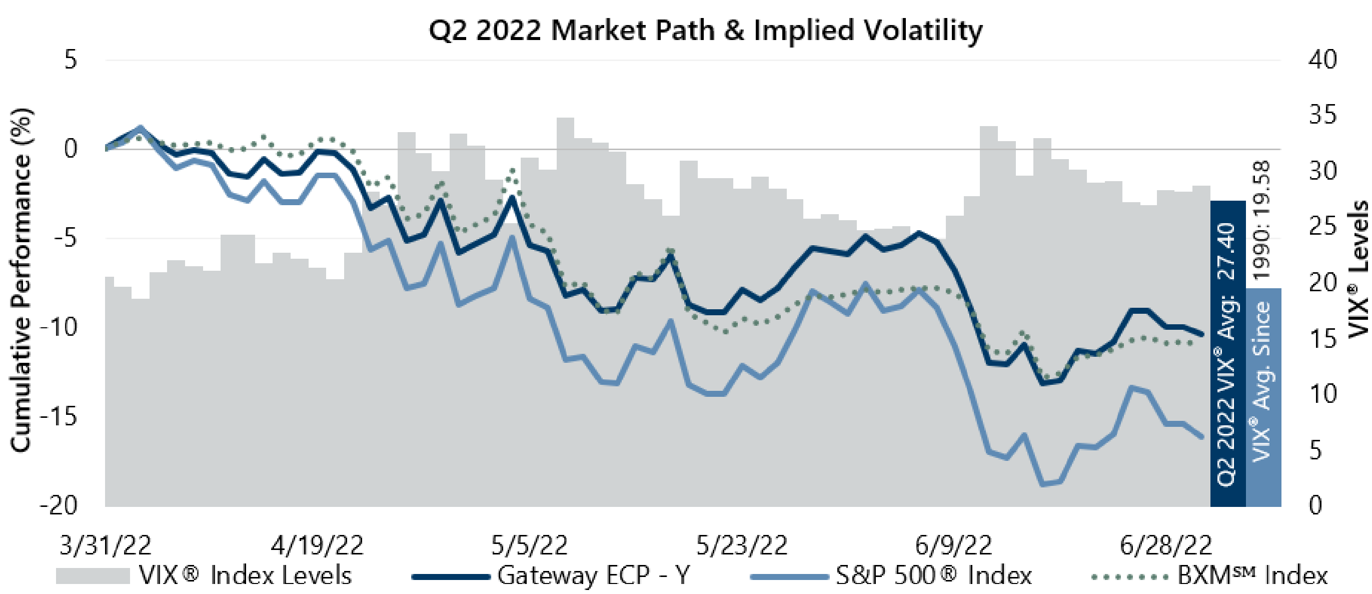
# Gateway Equity Call Premium Fund

GATEWAY INVESTMENT ADVISERS, LLC

QUARTERLY PORTFOLIO COMMENTARY

## In Brief

- Gateway Equity Call Premium Fund – Y shares (ECP) returned -10.40% in the second quarter compared to the -10.92% and -16.10% return of the Cboe® S&P 500 BuyWrite℠ Index[i] (the BXM℠) and the S&P 500® Index, respectively.
- Record-high inflation persisted, accelerating the Federal Reserve's monetary tightening schedule while souring investor sentiment, resulting in a 19.69% decline for the S&P 500® Index from April 4 to June 16, officially entering a bear market. From its 2022 peak on January 3 through its new year-to-date low on June 16, the S&P 500® Index declined 22.99%. During the second quarter drawdown, ECP provided 636 basis points (bps) of loss mitigation relative to the S&P 500® Index with a return of -16.63%. ECP provided 562 bps of loss mitigation during the S&P 500® Index's year-to-date maximum drawdown with a return of -14.07%.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 27.40 in the second quarter of 2022. In a reversal of its normal relationship, average implied volatility was lower than realized volatility, as measured by the standard deviation of daily returns for the quarter. The VIX® opened the quarter at 19.63 before reaching its intra-quarter low of 18.57 on April 4. The VIX® climbed to an intra-quarter high of 34.75 on May 9, then closed the quarter at 28.71.
- The S&P 500® Index, the BXM℠ and ECP had an annualized standard deviation of daily returns of 28.32%, 20.77% and 21.28% for the quarter, respectively.
- As the equity market declined throughout the quarter, adjustments to the written index call option portfolio focused on lowering the weighted-average strike price to maintain market exposure that is consistent with the ECP's typical profile while taking advantage of elevated implied volatility to enhance cash flow potential.
- "When the VIX® is high, it's time to buy. When the VIX® is low, look out below." After the S&P 500® Index's worst first six months of a year in more than five decades, the VIX® is well above average and investors may be increasingly fearful. Should investors be taking their cues from snappy adages? Gateway believes strategies combining equity market exposure with cash flow from selling index options can help investors stay focused on the long term by softening the impact of market direction over the short term.




Past performance is no guarantee of future results. Source: Bloomberg, L.P.

## Market Recap

The S&P 500® Index returned -16.10% for the second quarter of 2022, bringing its year-to-date return to -19.96%. There were few silver linings during the quarter as the S&P 500® Index posted monthly returns of -8.72%, 0.18% and -8.25% in April, May and June, respectively. Record-high inflation persisted, accelerating the Federal Reserve's monetary tightening schedule and souring investor sentiment, resulting in a 19.69% decline for the S&P 500® Index from April 4 to June 16, at which point the market officially entered a bear market. From its 2022 peak on January 3 through its new year-to-date low on June 16, the S&P 500® Index declined 22.99%.

US macroeconomic data released in June reflected a difficult macroeconomic environment. The third estimate of Gross Domestic Product for the first quarter of 2022 showed that the US contracted by an annualized rate of 1.6%, slightly worse than the consensus expectation of a 1.4% contraction for the quarter. The unemployment rate was slightly higher than the consensus estimate, holding steady at 3.6% from April to May, while the participation rate ticked up to 62.3%. The May Consumer Price Index, released June 10, continued its record-breaking streak with a year-over-year increase of 8.6%, which was its highest reading for 2022 and above the consensus expectation. First quarter aggregate operating earnings were on track to climb just 0.9% quarter-over-quarter while increasing nearly 40% year-over-year. With over 99% of companies reporting, nearly 80% met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 27.40 in the second quarter of 2022. With half of the days in the second quarter featuring S&P 500® Index moves of 1% or greater, including a 4.02% plunge on May 18 and a 3.06% rally on June 24, realized volatility reached 28.32% for the quarter – as measured by the standard deviation of daily returns for the S&P 500® Index – the highest reading since the second quarter of 2020. The implied volatility response to the large daily moves was relatively muted, resulting in second quarter realized volatility exceeding implied volatility for the first time since the first quarter of 2020. The VIX® opened the quarter at 19.63, near its intra-month low of 18.57 on June 4, then climbed to an intra-quarter high of 34.75 on May 9. The VIX® ended the quarter at 28.71.

The Agg returned -4.69% in the second quarter, its second consecutive quarterly decline, bringing its year-to-date return to -10.35%. The yield on the 10-year US Treasury Note (the 10-year) started the quarter at its intra-quarter low of 2.38% then rose to an intra-quarter high of 3.47% on June 14, at which time the yield curve was slightly inverted. The 10-year ended the quarter with a yield of 3.01%.

### Gateway Equity Call Premium Fund Performance

Class Y shares of ECP returned -10.40% in the second quarter, outperforming the BXM℠ by 52 bps, bringing its year-to-date return to -13.53% relative to the BXM℠ year-to-date return of -10.19%. With monthly returns of -5.80%, 0.07% and -4.94% in April, May and June, respectively, outperformance in May more than compensated for underperformance in April and June. Most of ECP's outperformance versus the BXM℠ came during the brief equity market advance during the end of May. ECP's active and diversified approach resulted in a typical amount of market exposure over the course of the market advance while the rules-based timing of the BXM℠'s replacement of its single written index call contract resulted in the BXM℠ having less exposure to the market than usual. Specifically, ECP returned 3.71% from May 19 through May 31 relative to the 1.59% return of the BXM℠.

ECP's underlying equity portfolio returned -15.79% in the second quarter, a positive performance differential of 31 bps relative to the S&P 500® Index. Index call option writing contributed positively to performance throughout the quarter, providing risk-reducing cash flow and generating gains during each month of the quarter. In achieving its low-volatility objective, ECP's annualized standard deviation of daily returns for the quarter was 21.28% compared to 28.32% and 20.77% for the S&P 500® Index and the BXM℠, respectively. ECP exhibited a beta to the S&P 500® Index of 0.74 for the quarter.

As the equity market declined throughout the quarter, adjustments to the written index call option portfolio focused on lowering the weighted-average strike price to maintain market exposure that is consistent with ECP's typical profile while taking advantage of elevated implied volatility to enhance cash flow potential. As the market advanced during the end of the quarter, the investment team was patient in adjusting index call option contracts. Select contracts were traded in advance of their expiration dates and exchanged for ones with higher strike prices and later expiration dates. These adjustments and above-average premiums allowed for attractive participation in the market's advance at quarter-end.

At the end of the quarter, ECP's index call options were sold against over 95% of the equity portfolio's value with a weighted average strike price greater than 2.5% out-of-the-money, 26 days to expiration and annualized premium to earn between 15.0% and 20.0%. Relative to the beginning of the quarter, this positioning represented greater net cash flow potential and higher market exposure.

| Performance (%) | Q2 2022 | YTD 2022 | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Gateway Equity Call Premium Fund – Class Y | -10.40 | -13.53 | -7.30 | 6.11 | 5.56 |
| BXM℠ Index | -10.92 | -10.19 | -2.62 | 3.35 | 4.09 |
| S&P 500® Index | -16.10 | -19.96 | -10.62 | 10.60 | 11.31 |

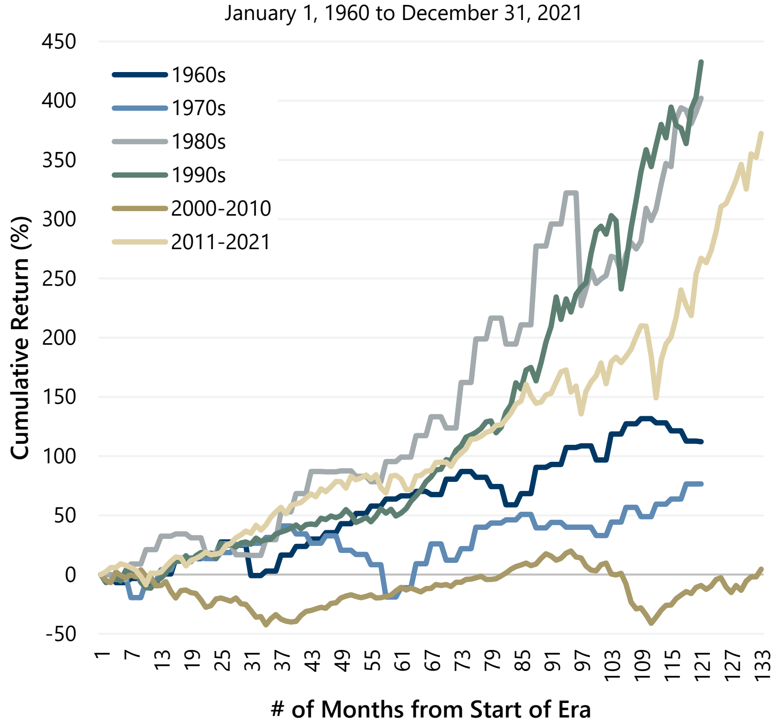
All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.
Data as of June 30, 2022.
Source: Morningstar Direct℠.
Past performance is not indicative of future results. It is not possible to invest in an index.

## Market Perspective – A New Era?

Wall Street has no shortage of adages and catch phrases. When the equity market hits the skids, old saws such as "be fearful when others are greedy and be greedy when others are fearful" encourage investors to be contrarian and seek opportunity where others find misfortune. There is an analogous saying associated with the VIX® that appeals to those who prefer cliches that rhyme: "When the VIX® is high, it's time to buy. When the VIX® is low, look out below." While these sayings are catchy and contain a modicum of insight on how some experienced investors tend to navigate the markets, they fall short of being effective signals for precisely when to buy and sell stocks.

For example, from mid-2012 through 2017 the VIX® was persistently low, rarely rising above its long-term average. Not only were equity market returns well above average over this period, but the S&P 500® Index only had one drawdown that exceeded 10% – a 12.04% loss that lasted less than five weeks in the summer of 2015. Conversely, the VIX® was persistently above average from the late 1990s into the early 2000s, a period that witnessed a S&P 500® Index drawdown of over 47% from September 2000 into October 2002. Additionally, if above-average market returns or above-average market valuations are signs that investors are "greedy," those heeding the adage coined by Warren Buffett would have spent almost the entire decade of the 2010s too fearful to enter the equity market and missing out on well-above-average returns.

**Figure 1: S&P 500® Index Cumulative Return by Era**
January 1, 1960 to December 31, 2021




All eras begin on January 1 of the first year in the period and end on December 31 of the last year in each period. Source: Morningstar Direct℠.

After the worst first six months of a year in more than five decades, many investors are fearful, and the VIX® is well above average. Should investors be taking their cues from snappy sayings? Long-term investors who want to avoid the anxiety of being "all in" or "all out" may benefit from low volatility equity strategies that combine equity market exposure with cash flow from selling index options. Such strategies can help investors stay focused on the long term by softening the impact of market direction over the short term.

While market pullbacks and volatility spikes in recent years have proven to be opportunities to buy into an equity market that would soon resume its rapid advance, Figure 1 illustrates that the market has had extended eras when downside volatility was not a harbinger of immediate upside opportunity. What can long-term investors do to prepare for the possibility that the next era is different from the last several years?

As the table in Figure 2 shows, investors with strategic allocations to stocks and bonds have earned similar returns to the equity market in each era, but with lower risk. In eras since the 1990s, option writing indexes such as the Cboe® S&P 500 BuyWrite Index (the BXM℠) and the Cboe® S&P 500 PutWrite Index (the PUT℠) delivered similar returns to a balanced allocation while also exhibiting lower risk than the equity market. Also note that stocks and bonds have both had extended eras of very low returns, with bonds generating an annualized return of just 1.45% in the 1960s and stocks producing less than 1% annualized return from 2000 through 2010. A worst-case scenario for balanced allocation investors would be such low returns from both asset classes simultaneously for an extended period of time.

Figure 2: Return and Risk by Era

| | 1960s | | 1970s | | 1980s | | 1990s | | 2000-2010 | | 2011-2021 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Return (%) | Risk (%) | Return (%) | Risk (%) | Return (%) | Risk (%) | Return (%) | Risk (%) | Return (%) | Risk (%) | Return (%) | Risk (%) |
| Stocks | 7.81 | 13.54 | 5.85 | 18.57 | 17.51 | 18.15 | 18.21 | 13.43 | **0.41** | 16.41 | 15.16 | 13.34 |
| Bonds | **1.45** | 5.87 | 5.52 | 8.25 | 12.61 | 14.19 | 8.79 | 8.18 | 7.91 | 11.46 | 6.03 | 10.19 |
| Balanced Allocation | 5.51 | 8.64 | 6.25 | 11.59 | 16.22 | 12.92 | 14.73 | 9.76 | 4.10 | 9.93 | 11.95 | 7.41 |
| BXM℠ Index | | | | | | | 15.94 | 8.65 | 2.89 | 12.20 | 7.37 | 9.94 |
| PUT℠ Index | | | | | | | 16.44 | 7.36 | 5.16 | 12.24 | 7.93 | 9.51 |

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

Past performance is not indicative of future results. It is not possible to invest in an index.
Note: Stocks reflect data for the S&P 500® Index. Bonds reflect data for the Ibbotson Long-Term U.S. Government Bond Index. The Balanced Allocation is a blend of 60% Stocks and 40% Bonds rebalanced monthly. All eras begin on January 1 of the first year in the period and end on December 31 of the last year in each period.

Index option-based low volatility equity strategies provide a unique opportunity for investors. The equity market exposure of such strategies can be beneficial when equity market returns are positive, while cash flow from index option selling can mitigate losses when equity market returns are negative. Importantly, the cash flow potential from such strategies tends to increase as equity market volatility rises. Furthermore, rising interest rates do not have a negative impact on cash flow generated by selling index options.

This combination of characteristics makes index option-based low volatility equity strategies a potentially valuable component of diversified portfolios in a wide range of long-term scenarios. If the current bear market is followed by a resumption of above-average equity market returns, in a pattern similar to recent years, index option-based low volatility equity strategies may generate lower returns than the equity market but offer better return potential than bonds, especially if interest rates remain at current levels or rise.

If equity market returns are moderate or flat for an extended period of time, index option writing cash flow is a source of return potential that can help keep pace with or potentially exceed equity market returns. In this scenario, option writing cash flow offers long-term return potential that is attractive relative to bonds if the long-term interest rate trend is rising, flat or declining back toward historic lows.

Finally, if the equity bear market becomes prolonged, index option-based low-volatility equity strategies offer meaningful loss mitigation potential from index option writing cash flows. Mitigating losses preserve capital, potentially allowing for more of the portfolio to participate in the equity market's eventual recovery. In this scenario, bonds may be a better source of capital preservation as the equity market declines but also represent a ballast in the portfolio that potentially has limited participation in the equity market's eventual recovery.

Are inflation and rising interest rates ushering in a new investment era? Or will the market resiliency of recent years continue? It may be too early to make that call. Strategies that combine equity market exposure with cash flow from index options that reduces risk while providing an additional source of potential return may have appeal for diversified, long-term investors who are uncertain about what lies ahead for the asset classes they are exposed to. For nearly 45 years, Gateway has provided access to the unique potential of option strategies, helping investors navigate the ups and downs of both the equity and bond markets.

## Important Information

**Risks: Equity** securities are volatile and can decline significantly in response to broad market and economic conditions. **Options** may be used for hedging purposes, but also entail risks related to liquidity, market conditions and credit that may increase volatility. The value of the fund's positions in options may fluctuate in response to changes in the value of the underlying asset. Selling call options may limit returns in a rising market.

### Definitions

**S&P 500® Index** is a widely recognized measure of US stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity and industry group representation, among other factors. You may not invest directly in an index. **Bloomberg US Aggregate Bond Index** is an unmanaged index that covers the US-dollar-denominated, investment grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, government-related, corporate, mortgage-backed securities, asset-backed securities, and collateralized mortgage-backed securities sectors. **Equity Market Drawdown** is the negative half of the standard deviation in relation to a stock's price. **Standard deviation** is a statistical measure that sheds light on historical volatility. **Implied Volatility** is a metric that captures the market's view of the likelihood of changes in a given security's price. Investors can use it to project future moves and supply and demand, and often employ it to price options contracts. **CBOE Volatility Index (VIX)** is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 index (SPX). It is derived from the prices of SPX index options with near-term expiration dates, it generates a 30-day forward projection of volatility. Volatility, or how fast prices change, is often seen as a way to gauge market sentiment, and in particular the degree of fear among market participants. VIX is an index designed to track market volatility as an independent entity. The Market Volatility Index is calculated based on option activity and is used as an indicator of investor sentiment, with high values implying pessimism and low values implying optimism. **Realized Volatility** is the assessment of variation in returns for an investment product by analyzing its historical returns within a defined time period. **Index option** (European-style expiration, cash settled and exchange-traded): an option contract on an index (e.g., S&P 500) in which the buyer (owner) pays a cash premium up front to the seller (writer) of the option. If at expiration, the option contract is in-the-money, the seller pays the owner cash in the amount of the difference between the option strike price and the current value of the index; otherwise, the option expires worthless for the buyer and the seller keeps the full premium received up front. The writer of an option is paid a cash premium for taking on the risk associated with the option obligation to pay if the option expires in-the-money. Listed index options contracts can be closed or traded prior to expiration date, but not exercised. **Weighted-average strike price** is an option type where the strike price depends on the average price of the underlying asset over a specified period of time. **Weighted-average time to expiration** is weighted average time until the expiration date of the option. **Peak-to-trough** are patterns that are developed by the price action experienced by all securities. **Strike price** is the set price at which a derivative contract can be bought or sold when it is exercised. For call options, the strike price is where the security can be bought by the option holder; for put options, the strike price is the price at which the security can be sold. **Annualized premium to earn** is the total amount of premium paid annually.

The views and opinions expressed may change based on market and other conditions. • This material is provided for informational purposes only and should not be construed as investment advice. • There can be no assurance that developments will transpire as forecasted. Actual results may vary. • No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.s

**You may not invest directly in an index.**

***Before investing, consider the fund's investment objectives, risk, charges, and expenses. Visit im.natixis.com or call 800-862-4863 for a prospectus or a summary prospectus containing this and other information. Read it carefully.***



Natixis Distribution, LLC is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers. • Natixis Distribution, LLC is located at 888 Boylston Street, Suite 800, Boston, MA 02199. • 800-862-4863 • im.natixis.com • Member FINRA | SIPC

---

[i] The BXM℠ 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 Friday of the standard index-option expiration cycle and holding that position until the next expiration.

1256074.31.1
Exp. 10/31/22
GAECP03-0622