Gateway Fund

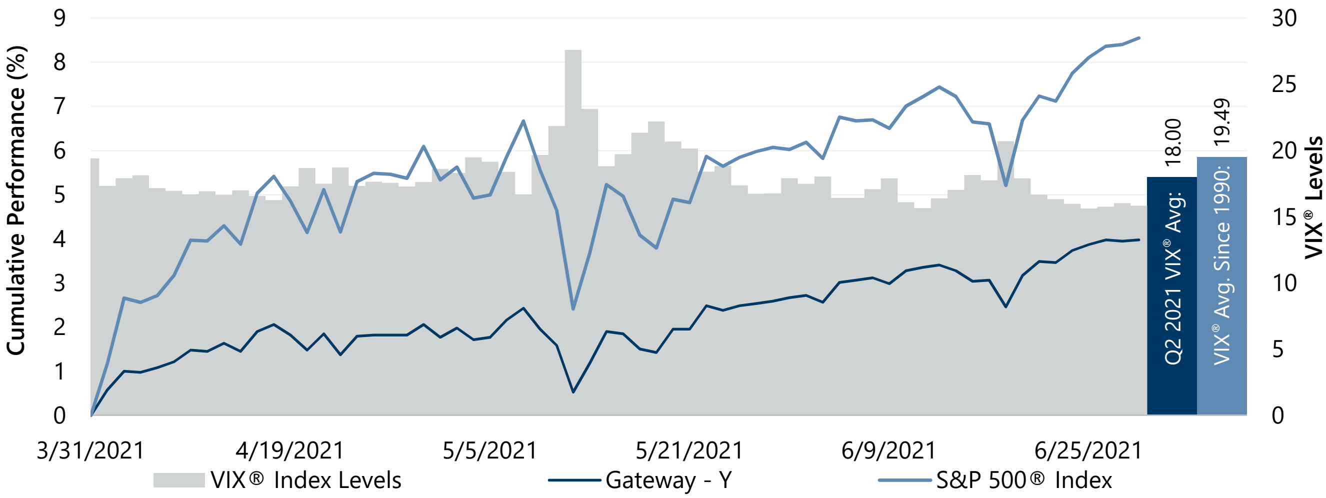
GATEWAY
INVESTMENT ADVISERS, LLC

QUARTERLY PORTFOLIO COMMENTARY

In Brief

- Gateway Fund – Y shares (the Fund) returned 3.98% in the second quarter compared to the 8.55% return of the S&P 500® Index[1] and the 1.83% return of the Bloomberg Barclays U.S. Aggregate Bond Index (the Agg)[2].
- Ongoing macroeconomic stabilization paired with additional U.S. fiscal stimulus supported the equity market's rally, which was invariably interrupted throughout the quarter. Renewed concerns regarding the outlook for inflation, ongoing labor market imbalances and the potential for rising interest rates led to brief S&P 500® Index drawdowns of 3.99% from May 7 through May 12 and 2.07% from June 14 to June 18.
- The Fund helped reduced the negative impact from the intra-month market decline, with returns of -1.86% and -0.92% during the May 7 through May 12 and June 14 through June 18 equity market drawdowns[3], respectively.
- The S&P 500® Index and the Fund had an annualized standard deviation[4] of daily returns of 11.16% and 5.06% for the quarter, respectively.
- Implied volatility[5], as measured by the Cboe® Volatility Index (the VIX®)[6], averaged 18.00 in the second quarter of 2021. Consistent with its normal relationship, average implied volatility exceeded realized volatility[7], as measured by the standard deviation of daily returns for the quarter. The VIX® began the second quarter of 2021 at 17.33, reached an intra-quarter high of 27.59 on May 12 and an intra-quarter low of 15.62 on June 25. The VIX® closed the second quarter at 15.83.
- As the equity market advanced through the quarter, Gateway's investment team made active adjustments to select written index call option positions[8] to increase cash flow and provide market exposure that is consistent with the Fund's typical profile.
- Gateway's index put option activity during the quarter focused on managing the cost of downside hedging by trading select contracts in advance of their expiration in order to maintain the Fund's typical risk profile.
- The S&P 500® Index advanced 15.25% over the first half of 2021. The historical record is a mixed bag for years in which the equity market posts a double-digit return in the first six months, which has happened 15 times in the last 40 years. On one hand, in nine of those 15 years, the S&P 500® Index also posted double-digit returns in the second half of the year. On the other hand, the average peak-to-trough[9] drawdown of the S&P 500® Index in the final six months of each of those 15 years was -9.41%.

Market Path & Implied Volatility
Q2 2021



Source: Bloomberg, L.P.

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

Market Recap

The S&P 500® Index returned 8.55% in the second quarter, bringing its year-to-date return to 15.25%. The strong quarter had a pause in the middle as monthly returns came in at 5.34%, 0.70% and 2.33% for April, May and June, respectively. The advance was supported by ongoing stabilization and improvement in macroeconomic data paired with additional fiscal stimulus in the U.S. The equity market's rally was invariably interrupted throughout the quarter by renewed concerns regarding the outlook for inflation, ongoing labor market imbalances and the potential for rising interest rates. These issues led to brief S&P 500® Index drawdowns of 3.99% from May 7 through May 12 and 2.07% from June 14 to June 18.

Macroeconomic data released throughout the quarter reflected a recovering domestic economy as the negative effects of pandemic mitigation efforts began to fade and exposed the remaining progress yet to be made. The third estimate of Gross Domestic Product for the first quarter of 2021 showed that the U.S. grew at an annualized rate of 6.4%, matching the consensus expectation. The unemployment rate declined from 6.1% in April to 5.8% in May, just below the consensus expectation, while the participation rate ticked down to 61.6%. Inflation came in much higher than expected, as the May Consumer Price Index, released on June 10, showed a 5.0% year-over-year increase which was above the consensus estimate for the second month in a row. With over 98% of companies reporting, first quarter aggregate operating earnings were on track to climb nearly 23% quarter-over-quarter while increasing 8.40% year-over-year. More than 88% of the companies that reported earnings met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 18.00 in the second quarter of 2021. Consistent with its normal relationship, average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 11.16% for the quarter. Implied volatility was generally rangebound over the period. The VIX® began the second quarter of 2021 at 17.33, reached an intra-quarter high of 27.59 on May 12 and an intra-quarter low of 15.62 on June 25. The VIX® closed the second quarter at 15.83.

The Agg returned 1.83% in the second quarter of the year as interest rates trended down from the levels witnessed in the first quarter of 2021. The yield on the 10-year U.S. Treasury Note (the 10-year) started the quarter at 1.67%, reached its intra-quarter high of 1.72% on April 2, then drifted to its intra-quarter low of 1.43% on June 10. The 10-year ended the quarter with a yield of 1.47%.

Market Perspective

Despite concerns over inflation, Federal Reserve policy, imbalances in labor and raw materials markets and COVID-19 variants, the S&P 500® Index advanced 15.25% over the first half of the year. Additionally, equity markets have been relatively calm so far in 2021. The S&P 500® Index's largest peak-to-trough decline for the first half of 2021 was only 4.13%, well below the -13.64% average annual intra-year maximum drawdown of the previous 40 years. What awaits investors in the second half of the year?

The historical record is a mixed bag for years in which the equity market posts a double-digit return in the first six months, which has happened 15 times in the last 40 years. On one hand, in nine of those 15 years, the S&P 500® Index also posted double-digit returns in the second half of the year. On the other hand, the average peak-to-trough drawdown of the S&P 500® Index in the final six months of those 15 years was -9.41%.

Given the mix of calm equity market conditions and strong returns, plus a laundry list of concerns in the background during the first six months of 2021, the adage of expecting the unexpected - including the potential for extreme outcomes at either end of the return spectrum - would seem to apply for the remainder of the year.

Other than calibrating expectations to accommodate a wide range of results, what can investors do to prepare for what lies ahead? In navigating the market's ups and downs to come, there may be benefits to re-positioning portfolios to be less reliant on fixed income.

The Agg has posted negative returns over the year-to-date and one-year periods ended June 30, 2021. If continued economic improvement helps drive the equity market higher in the second half of 2021 that may put upward pressure on interest rates, especially if recent inflation trends continue. This, of course, reduces the likelihood that fixed income returns turn positive.

Many fixed income investors are comfortable with the tradeoff between subdued returns, when conditions are positive for risk taking, in exchange for potentially positive returns when risk taking is penalized. Unfortunately, the fixed income market has not held up its end of this bargain lately. As the table shows, the Agg delivered losses during the last four equity market drawdowns - even during 2020's fastest bear market decline in history.

Fixed Income Market Performance During Recent Equity Market Drawdowns

Performance (%)	February 19 – March 23, 2020	September 2 – 23, 2020	October 13 – 30, 2020	February 12 – March 4, 2021
S&P 500® Index	-33.79%	-9.52%	-6.84%	-4.13%
Bloomberg Barclays U.S. Aggregate Bond Index	-0.94%	-0.33%	-0.50%	-1.63%

Source: Bloomberg, L.P.

While the future remains uncertain, investors can count on the equity market to remain reliably unpredictable. Given recent results in the fixed income market, investors may well wonder what they can rely on it for. In this environment, investors may benefit from increasing allocations to strategies that use index options to deliver a low-volatility equity profile. These strategies have the potential for consistent participation in equity market advances while mitigating market declines. Index option-based low volatility equity may also have the potential for better long-term returns than fixed income in a low-to-rising interest rate environment. These strategies have been the focus of Gateway's risk-first approach to long-term investing since its founding in 1977.

Gateway Fund Performance

Class Y shares of the Fund returned 3.98% in the second quarter, underperforming the S&P 500® Index by 457 basis points (bps) and bringing its year-to-date return to 7.34%. Underperformance is expected during periods when the market advances at a well-above-average rate. With monthly returns of 1.77%, 0.80% and 1.35% for April, May and June, respectively, outperformance relative to the S&P 500® Index in May did not make up for underperformance in April and June. The Fund provided equity market participation and consistent downside risk mitigation throughout the quarter. From the beginning of the quarter through May 7, the Fund returned 2.43% while the S&P 500® Index returned 6.67%. After mitigating 213 bps of downside during the market decline from May 7 through May 12, the Fund returned 3.43% from May 12 through quarter-end while the S&P 500® Index returned 5.99% over the same period.

The Fund's underlying equity portfolio returned 8.59% for the quarter, a positive performance differential of four bps relative to the S&P 500® Index. Index call option writing generated risk-reducing cash flow throughout the quarter and contributed positively to the Fund's return in May while detracting from returns in April and June. Gains from the Fund's index put option positions helped mitigate some losses during periods of market decline but detracted from the Fund's return for the quarter overall.

In achieving its low-volatility objective, the Fund's annualized standard deviation of daily returns for the quarter was 5.06%, less than half the 11.16% for the S&P 500® Index. The Fund exhibited a beta[10] to the S&P 500® Index of 0.45 for the quarter.

Gateway's investment team was active in their response to changes in market conditions and direction throughout the quarter. Early in the quarter the team focused on exchanging index call options with contracts featuring higher strike prices[11]. This was done incrementally and cautiously to maintain a typical amount of equity market exposure as the market advanced while protecting the Fund from the potentially adverse impact of a sharp reversal in market direction. Later in the quarter, the team focused on extending weighted-average time to expiration[12] to take advantage of the relatively elevated implied volatility priced into longer-dated contracts in an effort to maintain the Fund's cash flow potential and typical risk profile.

The Fund maintained full put coverage throughout the second quarter. In managing the Fund's index put option portfolio during periods when the equity market advanced, the investment team focused on managing the cost of downside hedging by trading select contracts well in advance of their expiration and replacing them with contracts featuring higher strike prices.

At the end of the quarter, index call options were sold against over 95% of the equity portfolio's value and had a weighted-average strike price[13] between 1.5% in-the-money[14] and 1.5% out-of-the-money[15], 50 days to expiration and annualized premium to earn[16] between 10.0% and 12.5%. Index put options covered more than 95% of the portfolio and had a weighted-average strike price between 10.0% and 12.5% out-of-the-money, 76 days to expiration and an annualized cost between 2.5% and 5.0%. Relative to the beginning of the quarter, this positioning represented slightly lower net cash flow potential and market exposure.

Average Annualized Total Returns % (as of 6/30/21)	3 Months	1 Year	3 Year	5 Year	10 Year
Gateway Fund Class Y*	3.98	17.98	7.04	6.98	5.62
S&P 500® Index	8.55	40.79	18.67	17.65	14.84
Bloomberg Barclays US Aggregate Bond Index	1.83	-0.33	5.34	3.03	3.39

Source: Bloomberg, L.P. & FactSet

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Total return and value will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For most recent month-end performance, visit im.natixis.com. Performance for other share classes will be greater or less than shown based on differences in fees and sales charges. *Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any.

Gross expense ratio 0.77% (Class Y share). Net expense ratio 0.70% (Class Y share). Waivers/reimbursements are contractual and are set to expire 4/30/22. Performance shown for Gateway Fund Class Y shares prior to February 15, 2008, is that of the predecessor fund. See the prospectus for more details, if any.

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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.

1 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. **2 Bloomberg Barclays 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. **3 Equity Market Drawdown** is the negative half of the standard deviation in relation to a stock's price. **4 Standard deviation** is a statistical measure that sheds light on historical volatility. **5 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. **6 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. **7 Realized Volatility** is the assessment of variation in returns for an investment product by analyzing its historical returns within a defined time period. **8 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. **9 Peak-to-trough** are patterns that are developed by the price action experienced by all securities.**10 Beta** is calculated for the three-year period and represents the risk associated with the fund relative to market risks. For example, the market has a beta of 1.00, so if a fund has a beta of 0.85, it can be expected to be 15% less volatile than the overall market. Conversely, if a fund has a beta of 1.08, it can be expected to be 8% more volatile than the overall market. **11 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.**12 Weighted-average time to expiration** is weighted average time until the expiration date of the option. **13 "In-the-money" (ITM)** is an expression that refers to an option that possesses intrinsic value. ITM thus indicates that an option has value in a strike price that is favorable in comparison to the prevailing market price of the underlying asset **14 "Out-the-money" (OTM)** is an expression used to describe an option contract that only contains extrinsic value. **15 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. **16 Annualized premium to earn** is the total amount of premium paid annually.

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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.

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