

Factored In

In the world of investing, factors are nothing new and are often used as a tool for diversification. With factor-based approaches, however, many investors often focus on just two dominating categories: growth and value. There is continual debate as to which category is better over the long term. However, there is one factor that has worked well but gets less attention than we feel it deserves - *quality*.

Gateway has found that quality is a characteristic of durable companies with resilient business models that reflect historical profitability and strong fundamentals with the potential to outgrow the average company over time. Specifically, quality companies tend to demonstrate stable earnings and high return on equity and assets, regularly generate high levels of cash flow, and tend to have low leverage. These stocks often offer broad market participation while maintaining the potential for defense.

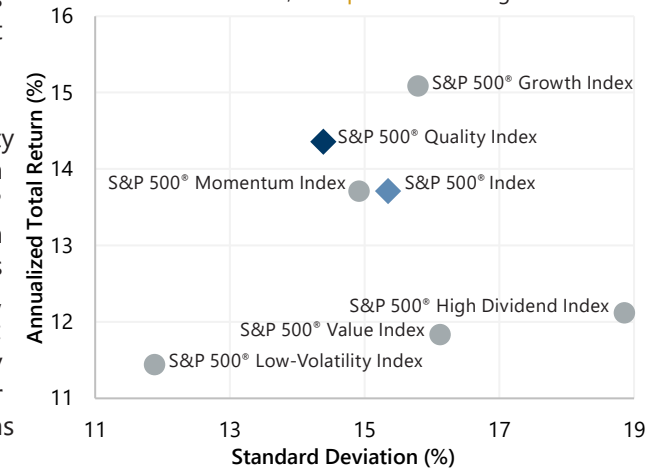
Standing Out

Quality is a concept as old as time and often applicable throughout life. With investing, however, a quality focus can help investors weather many environments – providing the potential to benefit from rising markets while also offering protection during market stress.

Quality over the long term, as reflected by the S&P 500® Quality Index, has shown the ability to provide a standout risk and return profile relative to the broad market and other factors. The S&P 500® Quality Index (the Index) is designed to track high quality stocks in the S&P 500® Index, selected based on quality score. The Index's quality score for individual stocks is calculated using return on equity, accruals ratio, and financial leverage ratio. While the past cannot predict the future, results over the past 15 years show this quality factor-based index has provided robust performance and superior risk-adjusted returns relative to the broad S&P 500® Index as well as other popular factor-based investment approaches.

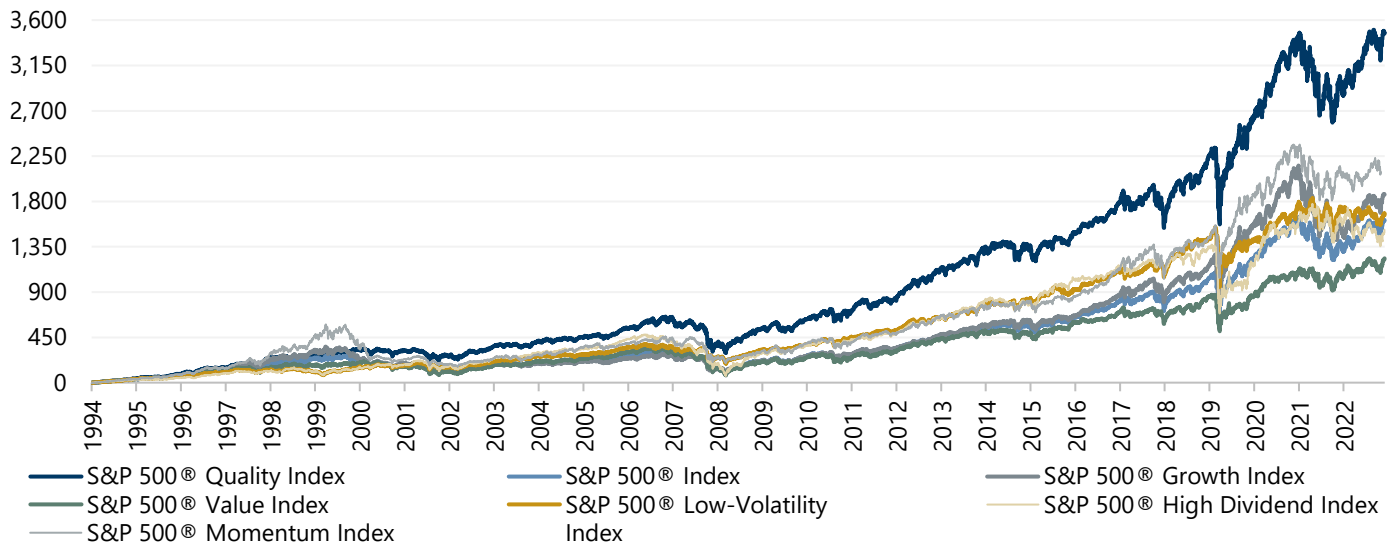
Quality Provides Standout Risk & Return Profile

15-Years Ended November 30, 2023 | Source: Morningstar DirectSM.



Better Results Over Time

Cumulative Performance (%) | January 1, 1995* to November 30, 2023



Performance (%)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	25 Years	Since January 1, 1995*
S&P 500® Quality Index	13.73	10.36	13.32	11.38	14.35	11.05	9.99	13.17
S&P 500® Index	13.84	9.76	12.51	11.82	13.71	9.73	7.61	10.33
S&P 500® Growth Index	15.82	6.74	13.32	13.24	15.09	10.52	7.70	10.86
S&P 500® Value Index	11.29	12.37	10.66	9.68	11.84	8.55	7.09	9.37
S&P 500® Low-Volatility Index	-3.29	6.06	6.64	9.09	11.44	9.32	8.62	10.48
S&P 500® High Dividend Index	-7.81	9.61	4.37	8.28	12.12	8.42	8.39	10.11
S&P 500® Momentum Index	6.81	7.86	12.42	12.28	13.71	10.46	8.09	11.63

Past performance does not guarantee future results. Periods greater than one year are annualized. Data as of November 30, 2023. Source: Morningstar DirectSM. *The inception date of the S&P 500® Quality Index is December 14, 1994. The S&P 500® Quality Index is representative of one approach to quality investing, though differs from the methodology employed in Gateway's Quality Income strategy and does not employ options.

Performance Analysis (%) Since January 1, 1995*	Alpha v S&P 500® Index	Sharpe Ratio	Sortino Ratio	Standard Deviation	S&P 500® Index Upside Capture	S&P 500® Index Downside Capture
S&P 500® Quality Index	3.43	0.78	1.21	14.29%	96.97%	80.09%
S&P 500® Index	n/a	0.57	0.83	15.34%	100.00%	100.00%
S&P 500® Growth Index	0.48	0.58	0.85	16.16%	102.23%	100.58%
S&P 500® Value Index	-0.65	0.50	0.73	15.84%	96.60%	99.96%
S&P 500® Low-Volatility Index	3.21	0.71	1.06	11.86%	69.13%	50.91%
S&P 500® High Dividend Index	1.29	0.51	0.74	17.26%	86.93%	80.92%
S&P 500® Momentum Index	1.90	0.60	0.89	16.91%	101.10%	94.72%

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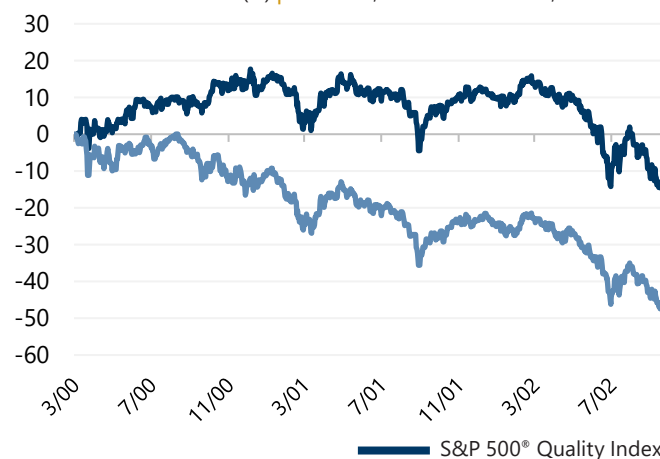
Making a Difference

Global markets have experienced significant changes, creating persistent uncertainty on a number of fronts. In such an environment, it is increasingly important to take a holistic view of business health. Focusing on durable businesses with fortress-like balance sheets that can withstand full economic cycles, rather than focusing exclusively on valuation or yield, can add a meaningful layer of protection through times of uncertainty or market stress. For example, consider the period after the Tech Bubble from early 2000 to 2002 or during the Great Financial Crisis from 2007 to 2009. During these periods, as shown below, high-quality companies often performed better and provided a source of defense relative to the broad S&P

500® Index and ranked well among other factors.

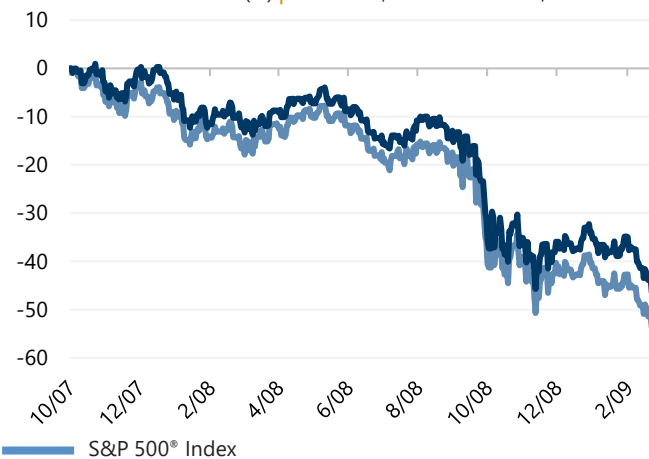
Post Tech Bubble

Cumulative Performance (%) | March 23, 2000 to October 9, 2002



Protection During the Great Financial Crisis

Cumulative Performance (%) | October 9, 2007 to March 9, 2009



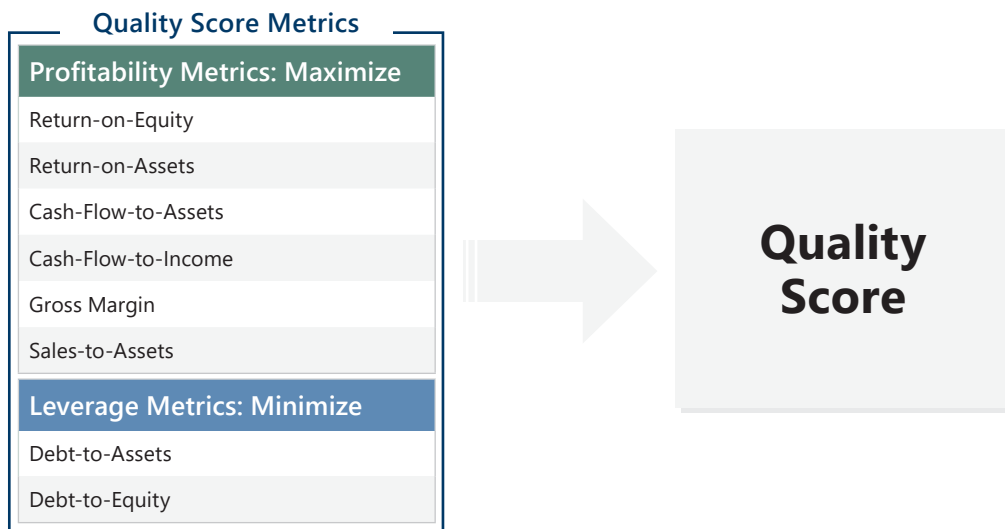
Cumulative Performance (%)	March 24, 2000 to October 9, 2002	October 9, 2002 to March 9, 2009
S&P 500® Quality Index	-14.52	-47.30
S&P 500® Index	-47.38	-55.25
S&P 500® Growth Index	-55.72	-49.04
S&P 500® Value Index	-38.06	-61.26
S&P 500® Low-Volatility Index	20.75	-39.61
S&P 500® High Dividend Index	11.60	-70.13
S&P 500® Momentum Index	-58.48	-46.70

Past performance does not guarantee future results. Source: Morningstar DirectSM.

Keeping Score

Gateway's investment team spent significant time researching a multitude of factors and found that by emphasizing quality within an equity portfolio, investors have the potential to harness the benefits of healthy firms and balance long-term growth with defense. With an expertise in quantitatively driven equity portfolio management, the investment team identified key metrics that indicate strong, quality companies. The team developed a distinct and disciplined equity investment process aiming to increase a portfolio's overall Quality Score that is driven by a focus on key fundamental variables.

The process results in a highly diversified portfolio emphasizing companies with established track records of profitability and strong fundamentals while eliminating companies that are highly levered with poor balance sheets. With discretion, the team enhances the Quality Score of an equity portfolio by identifying opportunities to maximize profitability metrics and minimize leverage metrics. For Gateway's [Quality Income](#) strategy, this results in an equity portfolio emphasizing the highest quality names from the S&P 500® Index and relative overweightings to historically high-quality sectors.



Go for Quality

In an uncertain world that is constantly changing, the durability offered by the quality factor is increasingly important for investors. The resilience of high-quality companies has shown the potential to outgrow average companies over time, offering broad market participation or potential outperformance and may provide defense during market turmoil. As the factor debate continues between the cyclical and performance of value, growth, and other factors, investors may want to consider the strong, time-tested alternative – *quality*.

IMPORTANT INFORMATION

All investing involves risk, including the risk of loss of principal. Diversification does not guarantee a profit or protect against a loss.

This material is provided for informational purposes only and should not be construed as investment advice.

Standard deviation is a statistical measure that sheds light on historical volatility.

Sharpe ratio is a measure of risk-adjusted return calculated by dividing an investment's excess return over a riskless asset by its standard deviation of returns. The higher the Sharpe ratio, the better the historical risk-adjusted performance.

Market Capture Ratio is a measure of a manager's performance in up and down markets relative to the market itself.

Sortino ratio is a risk-adjusted return measure focused on the downside risk of an investment.

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of systematic market risk. A positive alpha indicates outperformance, and negative alpha indicates underperformance.

The S&P 500® Growth Index is a benchmark that tracks the performance of large-cap growth stocks in the US. It's made up of the S&P 500® Index stocks that show the strongest growth potential.

The S&P 500® Index is a widely recognized measure of U.S. stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market.

The S&P 500® Value Index measures the performance of the large-capitalization value sector in the US equity market. It is a subset of the S&P 500® Index and consists of those stocks in the S&P 500® Index exhibiting the strongest value characteristics.

The S&P 500® High Dividend Index serves as a benchmark for income seeking equity investors. The index is designed to measure the performance of 80 high yield companies within the S&P 500® and is equally weighted to best represent the performance of this group, regardless of size.

The S&P 500® Low Volatility Index measures the performance of the 100 least volatile stocks in the S&P 500® based on their historical volatility.

The S&P 500® Momentum Index is designed to measure the performance of securities in the S&P 500® universe that have shown persistence in their relative performance.

Past performance does not guarantee future results. Data source: Morningstar DirectSM. For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com/insights.