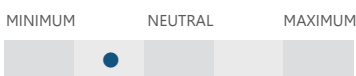


ECONOMIC FACTORS

CURRENT OUTLOOK

U.S. GDP Growth	The Bloomberg consensus economists' expectations for full-year 2020 U.S. GDP growth declined to -5.6% in late June from -1.2% in early April.
Federal Funds Rate	As of the second week of July, Fed funds futures markets project 0% probability of any rate hikes before the fourth quarter of 2021.
Inflation	Bond market expectations for average annual U.S. inflation over the next five years increased to 1.17% on June 30 from 0.53% on March 31.
Employment	Another Congressional extension of Paycheck Protection Program funding for American businesses would likely assist the labor market recovery.
Consumer Confidence	Any signs of successful economic reopenings or further labor market improvements will likely boost consumer sentiment from low levels.
Oil	Despite Saudi Arabia and Russia's agreement to cut production, elevated economic uncertainty should continue to weigh on oil prices.
Housing	Ultra-low rates and the Fed's commitment to purchase unlimited agency mortgage-backed securities should support the housing market.
International Economies	Bloomberg consensus economists' expectations project the euro zone and Japanese economies to contract in 2020 by 8.0% and 4.9%, respectively.

FIXED INCOME

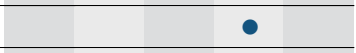


CURRENT OUTLOOK

Core Bonds



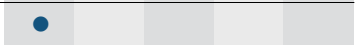
TIPS



Non-Investment Grade

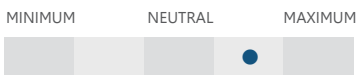


International



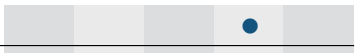
In an environment of ultra-low bond yields, we believe the total return prospects of high-grade fixed income securities relative to their equity counterparts remain weak despite the powerful equity market rally from late March through the second quarter. As such, our recommendation from late March to target modestly smaller fixed income allocations than we recommended during 2019 remains appropriate. Within our core fixed income sleeve, we believe a near-benchmark duration profile can help balance the downside risk of future surges in demand for safe haven assets related to elevated economic uncertainty with the upside risk of potential inflationary pressures driven by deficit spending and COVID-19 pandemic-related supply chain constraints. While stress in below investment-grade credit markets remains elevated compared to recent history, we believe a moderate level of exposure remains reasonable given our view that a significant amount of default risk is likely incorporated in current spreads exhibited by high yield bonds.

EQUITIES

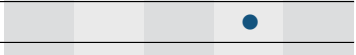


CURRENT OUTLOOK

Large Cap



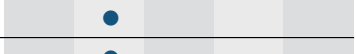
Mid Cap



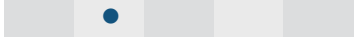
Small Cap



Developed International

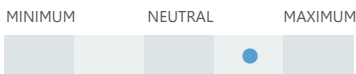


Emerging Markets



We believe the persistence of historically low government bond yields combined with the massive emergency stimulus measures taken by the U.S. Federal Reserve and Congress justifies a slightly higher allocation to equities than we recommended in 2019. While economic and market uncertainty remains elevated amid efforts to contain a resurgence of COVID-19 cases, the gap between expected future returns in equity markets and bond markets remains wide enough, in our view, to justify this stance for long-term investors. We view an overweight to U.S. large capitalization stocks as appropriate given their size, scale and diversification relative to other areas of the global equity market. While U.S. midcap stocks do not fit all of these criteria, we believe an overweight to this area of the market makes sense given particularly compelling relative valuations.

ALTERNATIVES*



CURRENT OUTLOOK

Global Real Estate



Global Infrastructure



Hedged Equity



Arbitrage



As most global equity markets entered bear market territory in March, price volatility surged to levels not seen since the depths of the 2008-2009 global financial crisis. Meanwhile, developed market bond yields have plunged to historically low levels as many investors scramble to increase their exposure to safe haven assets. We expect equity and credit market volatility to remain elevated in the second half of 2020, while government bonds are most likely more than fairly valued over long-term investment horizons. Considering this backdrop, we recommend that client portfolios include an overweight to alternative investments that have demonstrated an ability to provide enhanced portfolio diversification over full market cycles. Our diversified alternatives portfolios, as seen in the table to the left, are designed to decrease the risk profile of our five investment objective-based portfolios (CAP PRES, IWSG, BAL, GWSI, and GROWTH).

The above minimum/neutral/maximum recommendations represent MainStreet Advisors' current positions relative to our Strategic Asset Allocation ranges. Views expressed have a 6-12 month horizon and are those of the MSA Investment Committee.

*Cap Pres: Capital Preservation, IWSG: Income with some growth, Bal: Balanced, GWSI: Growth with some income

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