IN THIS ISSUE

MARKET REVIEW
SEPTEMBER 2021

SMB Trust Services

U.S. HOUSING BOOM LIKELY NOT A BUBBLE

The U.S. housing market has been a pillar of strength for the economy during the pandemic with existing home sales surging to the second highest level in over 50 years, trailing only the mid-2000's housing bubble. Robust housing demand has outpaced limited supply, leading to a rapid acceleration in prices of single-family homes. The S&P CoreLogic Case-Shiller Home Price Index's year-over-year growth reached a record pace of 19.1% in June. The housing boom has stirred concerns of a potential bubble and subsequent crash on the horizon. Google internet searches for "housing crash" spiked to a new high in July and were two times the number of searches during the 2007-2008 housing crisis. Yet, concerns about the booming housing market posing a risk to the economy and financial markets are likely overstated given the enhanced mortgage underwriting standards and the improved financial health of banks and households compared to the mid-2000s.

WHAT CAUSED THE HOUSING BOOM?

Strong home sales and rising housing prices have been supported by the perfect storm of record low mortgage interest rates and pandemic-related factors fueling robust demand amid tight housing supply. During the decade following the 2007-2008 Global Financial Crisis (GFC), supply of new homes was slow to recover and included the weakest 10 years of homebuilding since 1968. The financial distress and bankruptcies experienced by homebuilders following the GFC were very likely the primary drivers of underbuilding. Economists at the government-sponsored enterprise Federal Home Loan Mortgage Corporation (Freddie Mac) estimate the post-GFC decade's sluggish pace of homebuilding resulted in a shortage of 2.5 million homes in 2018. The Freddie Mac economists estimate the housing shortage worsened in 2020 to 3.8 million homes as rising demand outgrew new supply. Strengthening demand and the pre-existing home shortage led to home inventory dropping last October to its lowest level since at least 1963.

On the demand side of the equation, consumers' ability to spend on services such as entertainment, travel and leisure was severely curtailed, especially during the early stages of the pandemic. This situation, combined with an acute desire of many office workers for more space while working remotely, resulted in supercharged housing-related spending. Meanwhile, extraordinary monetary and fiscal stimulus, including reduced interest rates and stimulus checks sent to a majority of Americans, made purchasing a home more affordable for many people. The U.S. average 30-year mortgage interest rate fell to a historical low of 2.65% in January, down from 3.74% in December 2019.

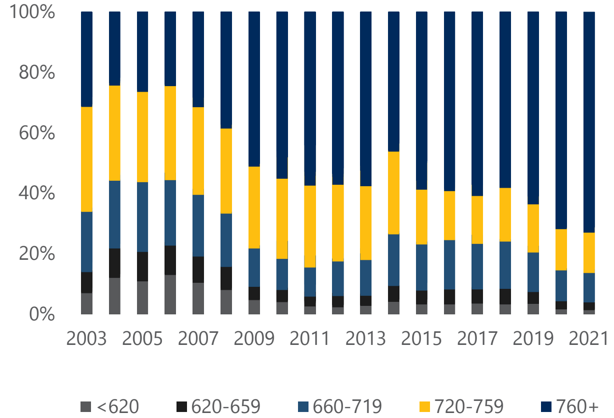
DIFFERENCES FROM 2007-2008 HOUSING CRISIS

The housing boom is less of a financial stability risk today than it was in the mid-2000's housing bubble because of higher quality mortgage underwriting standards and the improved balance sheets of households and banks. Poor quality mortgage underwriting standards, a hallmark of the mid-2000's housing bubble, were the requisite fuel for the GFC. The median FICO credit score for new mortgage originations at the peak of the mid-2000s housing bubble in the fourth quarter of 2006 was 707 compared to 786 in the second quarter of 2021. Based on the Consumer Financial Protection Bureau's definition of subprime credit (scores below 619), subprime borrowers with poor credit scores accounted for 14.46% of mortgages in the fourth quarter of 2006 compared to 1.58% in the second quarter of 2021. Reckless lending standards during the mid-2000s caused the average residential mortgage loan-to-value (LTV) leverage ratio to jump above 50%, compared to 33% today which is in line with LTV ratios seen in the 1970s and 1980s and less than the 1990s.

Household financial health is far better today than the mid-2000s. Many households have reduced their leverage since the GFC and some used their increased savings from recent stimulus checks to pay down debt. Household debt service payments, which include mortgages and consumer debt such as credit cards and auto loans, as a percent of disposable personal income fell to a historic low of 8.22% in the first quarter of 2021. This compares to the historical high of 13.22% reached in the fourth quarter of 2007 and the pre-pandemic level of 9.79% in the first quarter of 2020. Households' stronger financial health from lower debt service burdens should help mitigate any negative effects from the housing boom.

IMPROVED UNDERWRITING STANDARDS

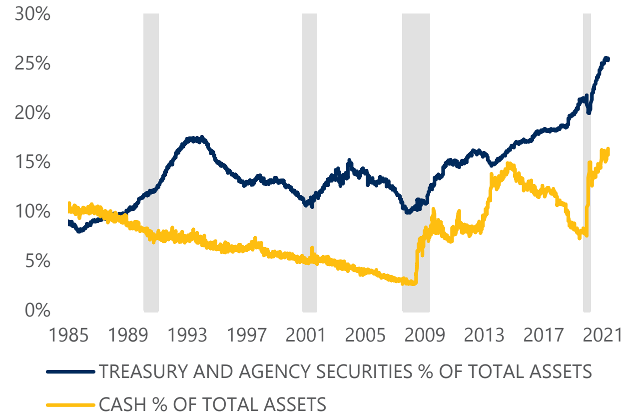
MORTGAGE ORIGINATION VOLUME BY CREDIT SCORE



Source: Federal Reserve Board of New York

BANKS' STRONGER BALANCE SHEETS

TOP 25 U.S. BANKS' LOW RISK ASSETS % OF TOTAL ASSETS



Source: Federal Reserve Bank of St. Louis.
Grey shading indicates NBER-designated recessions.

Similar to households, bank balance sheets are stronger than they were heading into the GFC. Post-GFC regulations forced so-called "systemically important" banks to increase their capital in order to improve their resiliency through creating a larger cushion to absorb losses during periods of distress. According to the Federal Reserve Bank of St. Louis, the 25 largest U.S. banks' Treasury and agency securities holdings as a percentage of their total assets have grown to 25% from 11% in 2007. Additionally, these banks' cash holdings have risen to 16% of their total assets from 3% of assets in 2007. Taken together, these relatively low-risk holdings now account for 41% of banks' assets compared to only 14% in 2007.

Some economists believed that forcing banks to increase their capital could reduce their willingness to lend. Evidence shows that stricter bank capital requirements did indeed coincide with a reduction in aggregate bank lending. The 25 largest U.S. banks' loans as a percentage of deposits was 69% in 2019, down from 107% in 2007. The ratio of loans-to-deposits plunged during the pandemic to 52% this summer as deposits rose amid soft lending demand and stimulus payments. Banks' reduced lending exposure heavily impacted their residential real estate loan business which fell to 25% of overall bank loans this year from 39% in 2007. Banks' reduced exposure to lending, particularly mortgages, has created a financial environment in which there is significantly less systemic risk related to a potential housing market crash than existed in the mid-2000s.

HOUSING OUTLOOK

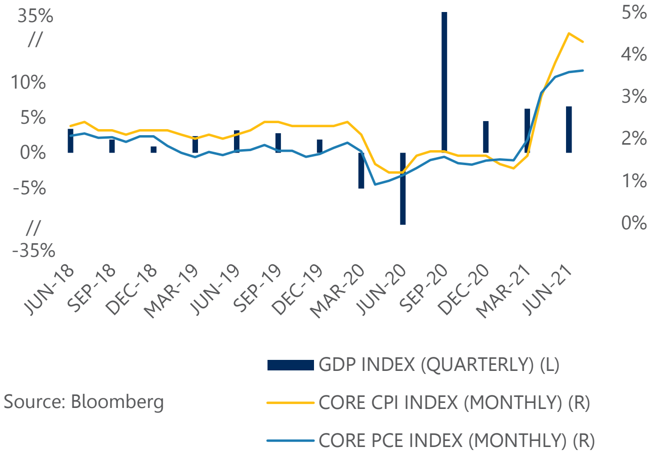
Despite the steep run up in housing prices creating affordability issues for some potential buyers, Freddie Mac economists project the pace of home sales will remain around current levels through next year. Current home sales are above pre-pandemic levels, but below the lofty heights seen in recent quarters. Expectations for steady demand and improving supply have led Freddie Mac economists to forecast housing price growth will moderate to low-teens percentage growth by year end and single-digit growth next year.

One of the main factors expected to support housing demand in the coming years is the demographic tailwind of the millennial generation entering their prime homebuying years. Millennials, individuals born between 1981 and 1996, surpassed baby boomers in 2019 to become the largest generation, with a population of 72 million. According to CoreLogic, millennials' homeownership rate has steadily increased in recent years to 48% in 2020 and is expected to rise further as the largest cohort of the millennial generation is entering the peak first-time homebuying age in their early 30s. One notable risk to the millennial demographic tailwind view is the potential for rising home prices to create an affordability roadblock. Millennials' median home purchase price of $283,000 in 2019 and 6% average down payment for first time home buyers translates to a down payment of $16,980 which may be difficult for some millennials to afford. While the wealthier portion of millennials may be able to afford a home, many millennials lack the savings for a down payment partially due to student loan debt. According to a 2019 survey by Apartment List, almost half of millennial renters who want to buy a home do not have any savings for a down payment. Some millennials' inability to afford buying a home could further increase the generational wealth gap compared to generation X and baby boomers.

ECONOMY

GDP AND CONSUMER PRICES

JUNE 2018 THROUGH JULY 2021



Source: Bloomberg

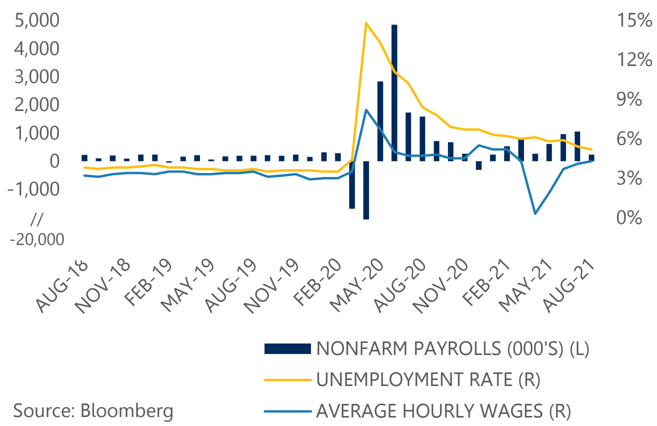
Second quarter U.S. GDP growth was revised slightly higher to an annualized pace of 6.6% from 6.5%. Despite the strong growth during the quarter, it was much slower than the 8.4% median economists' estimate compiled by Bloomberg.

Prices paid by consumers, excluding food and energy, rose 4.3% on a year-over-year basis, a slight deceleration from June's 4.5% level. Reopening-sensitive categories contributed less to inflation in July than in previous months.

The Federal Reserve's preferred inflation gauge, Core PCE, also cooled in July to 3.6%. Although the Core PCE index is above the Fed's 2% target, Fed officials are now primarily focused on achieving sustainable maximum employment.

LABOR MARKET

AUGUST 2018 THROUGH AUGUST 2021



Source: Bloomberg

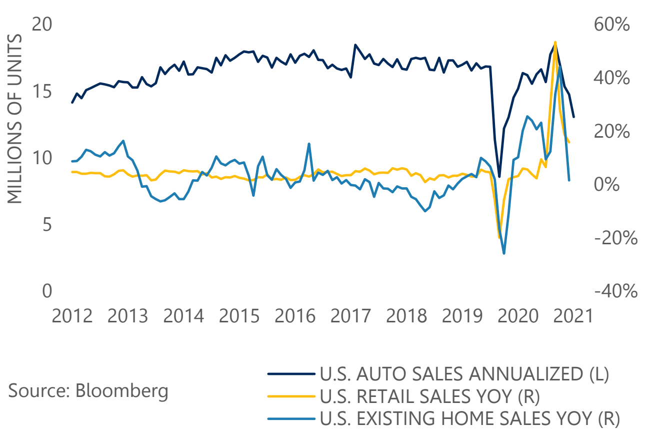
Job creation in August fell well short of expectations with the U.S. adding 235,000 jobs compared to the median economists' estimate of 733,000. August saw the fewest jobs added since January. July's job additions were revised higher to 1.053 million.

COVID-sensitive industries, including leisure and hospitality, were impacted heavily in August as the Delta variant stalled recent employment gains for those industries. The weak jobs report could influence the Fed to keep its accommodative policy for longer than currently planned.

The unemployment rate declined to 5.2% from 5.4% in July, and the participation rate was unchanged at 61.7%.

HOUSING, AUTO AND RETAIL SALES

AUGUST 2017 THROUGH AUGUST 2021



Source: Bloomberg

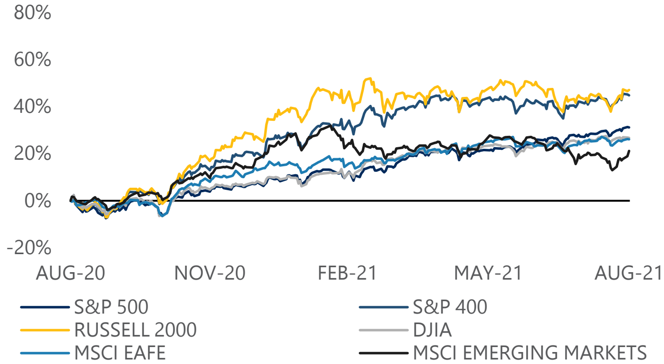
Supply chain issues, including the global semiconductor shortage, continued to constrain vehicle sales in August. U.S. vehicle sales fell for the fourth consecutive month to a seasonally adjusted annual rate of 13.1 million units.

Worries over the COVID-19 Delta variant curbed consumer spending in July, resulting in U.S. retail sales falling 1.1% from the prior month, but sales were up 15.8% over the last year.

Existing home sales growth slowed to 1.5% in July from 23.1% in June as year-over-year comparisons start to normalize from the dip in housing sales last spring and summer following the pandemic's onset. Improving housing inventory helped previously owned home sales rise on a month-over-month basis for the second straight month.

EQUITY

TRAILING 12-MONTH EQUITY RETURNS
PRICE APPRECIATION, AUGUST 2020 THROUGH AUGUST 2021

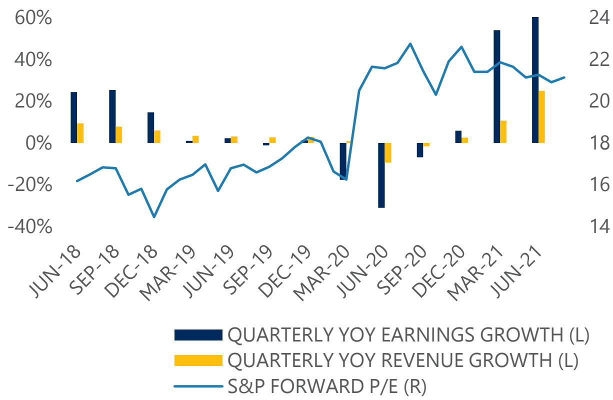


Source: Bloomberg. Past performance is no guarantee of future results.

In August, the S&P 500 delivered a positive return for the seventh consecutive month, marking its longest streak since January 2018. Equities started the month on a strong note as July's employment report suggested the labor market was gaining momentum. However, equity indexes stumbled nearly 2% lower mid-month after disappointing retail sales contributed to concerns about the slowing economic recovery. Federal Reserve Chair Jerome Powell's cautious statement regarding the Fed's asset purchase tapering helped equities rally into month end.

Continued regulatory tightening in China led to Chinese equities weighing on emerging market indexes for another month. The MSCI Emerging Market (EM) index rose 2.65% in August while the MSCI EM ex-China index gained 4.05%.

S&P 500 YOY EARNINGS & REVENUE GROWTH
BY QUARTER, JUNE 2018 THROUGH AUGUST 2021



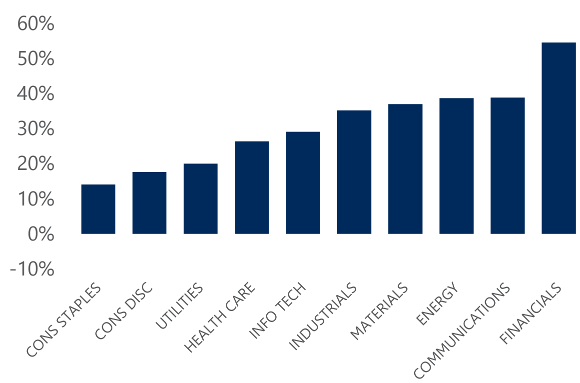
Source: Bloomberg

Second quarter earnings season is almost complete with 497 S&P 500 companies reporting results. Earnings growth of 96.01% is the highest growth rate since the previous recession recovery in 2009. Consumer discretionary, financials, industrials, and materials experienced the sharpest rebound in profits with year-over-year earnings growth above 100%.

Analysts continue to underestimate the strength of the earnings recovery. Analysts initially projected 65.85% earnings growth for the quarter. Almost 90% of companies beat analysts' expectations, well ahead of the average beat rate of 64% and the highest level on record going back to 1992.

Analysts revised their earnings expectations upward for coming quarters including 28.84% and 19.97% growth in the third and fourth quarters, respectively.

S&P 500 SECTORS 12-MONTH PRICE RETURNS
AUGUST 2020 THROUGH AUGUST 2021



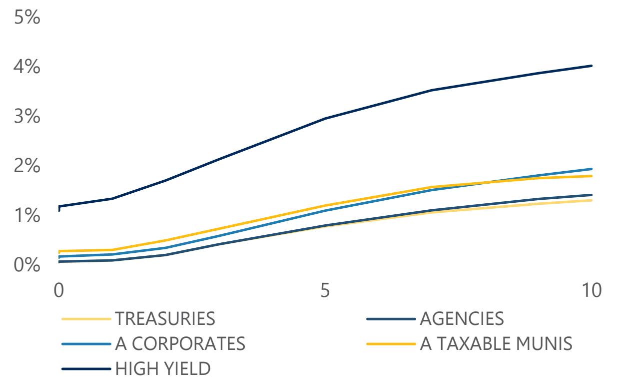
Source: Bloomberg

Low bond yields and signs of slowing economic activity amid the spreading COVID-19 Delta variant supported growth stocks' outperformance over value stocks for a third straight month. The S&P 500 Growth index gained 14.27% over the last three months compared to the S&P 500 Value index's 1.32% return. The growth-oriented technology and communications sectors were among the S&P 500's top performing sectors in August and the last three months.

The energy sector was the only S&P 500 sector with a loss in August. Energy stocks were impacted by concerns about the Delta variant's potential impact on oil demand and Hurricane Ida disrupting oil production in the Gulf of Mexico.

FIXED INCOME

CURRENT YIELD CURVES
YIELD CURVES AS OF AUGUST 2021



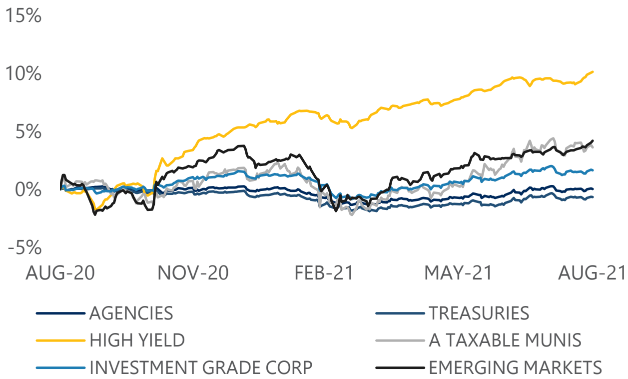
Source: Bloomberg

The U.S. Treasury yield curve steepened in August after flattening in July. The middle and long ends of the curve shifted upward while the short end remained relatively unchanged. Yields on the five-year and ten-year maturities both increased by 0.09% during the month.

Shorter dated U.S. Treasury yields out to three-year maturities remain anchored at historically low levels amid guidance from Federal Reserve officials that the central bank's policy rate will stay at the zero bound for the foreseeable future.

Single A taxable muni yields are considerably higher than single A corporate bond yields from zero to seven-year maturities despite having the same credit rating and taxability status.

12-MONTH RETURNS, TAXABLE BOND SEGMENTS
AUGUST 2020 THROUGH AUGUST 2021



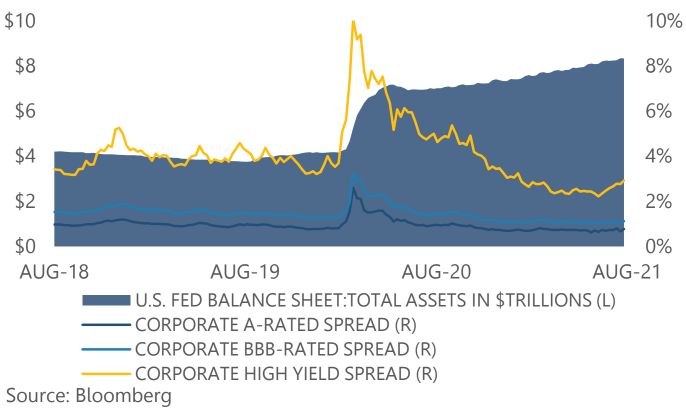
Source: Bloomberg. Past performance is no guarantee of future results.

A reduction in economic uncertainty over the last year has caused lower quality bond segments to outperform their higher quality counterparts.

Of the bond segments displayed in the accompanying chart, only the highest quality sector, U.S. Treasuries, posted a negative twelve-month return. Meanwhile, the two lowest quality sectors, high yield and emerging markets, reported healthy twelve-month returns of 10.1% and 4.2% respectively.

Domestic high yield corporate bonds significantly outperformed emerging market bonds despite having similar credit quality. Lower vaccination rates in many emerging market countries have contributed to the performance difference.

FED BALANCE SHEET EXPANSION AND CREDIT SPREADS
AUGUST 2018 THROUGH AUGUST 2021



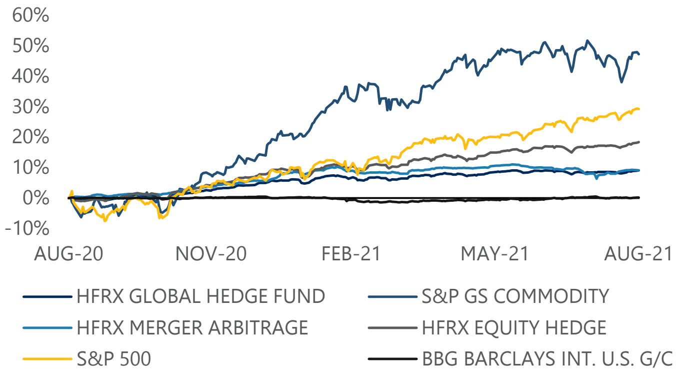
Source: Bloomberg

The Federal Reserve's balance sheet has expanded by roughly 95% during the pandemic to $8.3 trillion in August from $4.2 trillion in February 2020. The Fed communicated in its July meeting that it will continue purchasing $120 billion of U.S. Treasuries and agency mortgage-backed securities per month to support the economy.

Fed officials noted the economy has made progress toward their employment and inflation goals. Policymakers will assess the progress toward these goals in coming months to determine when to begin tapering asset purchases. The next Fed meeting is scheduled for late September.

ALTERNATIVES

ALTERNATIVES, 12-MONTH RETURNS
AUGUST 2020 THROUGH AUGUST 2021



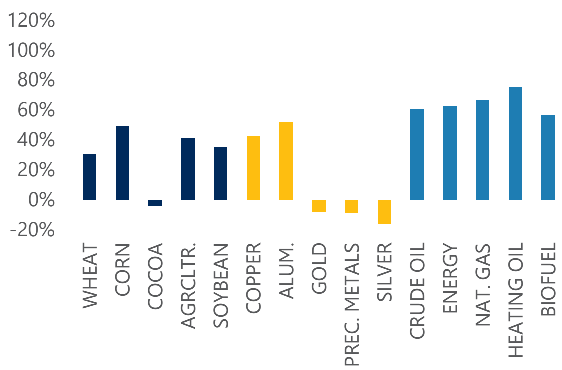
Source: Bloomberg. Past performance is no guarantee of future results.

After a red-hot first five months of 2021, the broad commodities complex returned a modest 1.6% over the three-month period from June through August compared to 8.0% for the S&P 500.

Signs of weaker economic growth driven by the COVID-19 Delta variant and recent carbon emissions curbs imposed by the Chinese government have weighed most heavily on iron ore prices.

Hedged equity and merger arbitrage strategies were among the best performing areas of the hedge fund universe in August. Absolute return, equity market neutral and Commodity Trading Advisor (CTA) managed futures strategies were among the weakest hedge fund groups during the month.

COMMODITIES, 12-MONTH SPOT RETURNS
AUGUST 2020 THROUGH AUGUST 2021



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

Shuttered Gulf Coast production and hot weather electricity demand in the U.S. have boosted natural gas prices nearly 60% over the five-month period spanning April to August.

Sugar prices climbed roughly 11% in August to a three-year high driven by reduced estimates for the size of the Brazilian cane crop amid dry conditions and above-average temperatures in the south central region of the country.

Gold prices were largely flat in August as investors tried to parse the effects on the precious metal of imminent Federal Reserve tapering, inflationary pressures, dollar strength and a Delta variant-driven resurgence in COVID-19 cases.

IMPORTANT DISCLOSURE INFORMATION

This Market Review was prepared by MainStreet Investment Advisors, LLC ("MainStreet Advisors"), an investment adviser registered with the SEC and wholly-owned subsidiary of Fifth Third Bank, National Association. Registration as an investment adviser does not imply any level of skill or training. The MainStreet Advisors' professionals may provide oral or written market commentary or advisory strategies to clients that reflect opinions that are contrary to the opinions expressed herein or the opinions expressed in research reports issued by MainStreet Advisors' Investment Committee and may make investment decisions that are inconsistent with the views expressed herein. Opinions expressed are only our current opinions or our opinions on the posting date. We and our affiliates, officers, directors, and employees may from time to time have long or short positions in, and buy or sell, the securities, if any, referred to in this report. Information and opinions herein are as of the publication date and are subject to change without notice based on market and other conditions.

The material herein was prepared from sources believed to be reliable, however, no assurances can be made. The prices shown are as of the close of business as indicated in this document. Actual results could differ materially from those described. The securities and financial instruments described in this document may not be suitable for you, and not all strategies are appropriate at all times. The specific securities identified are shown for illustrative purposes only and should not be considered a recommendation by MainStreet Advisors. It should not be assumed that investments in these securities were or will be profitable. Index performance used throughout this report is intended to illustrate historical market trends and is provided solely as representative of the general market performance for the same period of time. Indices are unmanaged, may not include the reinvestment of income or short positions, and do not incur investment management fees. An investor is unable to invest in an index. Any graph, data, or information is considered reliably sourced and for educational purposes only, but no representation is made that it is accurate or complete and should not be relied upon as such or used to predict security prices or market levels. Any suggestion of cause and effect or of the predictability of economic or investment cycles is unintentional.

There are substantial risks involved with investing in Alternative Investments. Alternative Investments represent speculative investments and involve a high degree of risk. An investor could lose all or a substantial portion of his/her investment. Investors must have the financial ability, sophistication/ experience and willingness to bear the risks of an investment in an Alternative Investment. Traditional and Efficient Portfolio Statistics include various indexes that are unmanaged and are a common measure of performance of their respective asset classes.

This Market Review/Quarterly Market Insights may contain forward-looking statements which may or may not be accurate over the long term. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. In particular, statements, express or implied, concerning future actions, conditions or events, future operating results or the ability to generate revenues, income or cash flow or to make distributions or pay dividends are forward-looking statements. Do not place undue reliance on forward-looking statements; actual results could differ materially from those described and are not guarantees of performance. They involve risks, uncertainties and assumptions. This report may include candid statements and observations regarding investment strategies, asset allocation, individual securities, and economic and market conditions; however, there is no guarantee that the statements, opinions, or forecasts will prove to be correct.

The material included herein was prepared or is distributed solely for information purposes; is not a solicitation or an offer to buy/sell any security or instrument, to participate in any trading strategy or to offer advisory services by MainStreet Advisors; is not intended to be used as a general guide to investing or as a source of any specific investment recommendations; makes no implied or express recommendations concerning the manner in which any client's account should or would be handled; and should not be relied on for accounting, tax or legal advice. Appropriate investment strategies depend upon the client's investment objectives. The portfolio risk management process and the process of building efficient portfolios includes an effort to monitor and manage risk but should not be confused with or does not imply low or no risk. This report should only be considered as a tool in any investment decision matrix and should not be used by itself to make investment decisions.

There are risks involved with investing including possible loss of principal and the value of investments and the income derived from them can fluctuate. The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Investing for short periods may make losses more likely. Future returns are not guaranteed. Past performance is not indicative of future results, which may vary. Investors are urged to consult with their financial advisors before buying or selling any securities.

NOT FDIC INSURED, NOT A DEPOSIT OR OBLIGATION OF THE BANK, NO BANK GUARANTEE, NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY.

NOT A DEPOSIT	NOT FDIC INSURED	MAY LOSE VALUE	NOT BANK GUARANTEED
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY			