



Great-West Lifetime Funds



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Out of the frying pan (and into the fryer?)

At the beginning of 2022, it was starting to look like we had finally reached a point where COVID-19 was losing its ability to exert almost exclusive influence over policy, capital markets and the economy. Of course, the virus is still very much with us and probably will be forever. Moreover, its ability to change the trajectory of economic growth hasn't yet faded entirely away — you need only look at the latest lockdowns in China for evidence of that. But as 2022 began, markets were finally starting to feel, well, almost normal.

Yeah, that didn't last very long.

In late February, Russian troops crossed the border into Ukraine and thoroughly upset whatever calm might have been trying to reestablish itself. Initially, capital market reaction was relatively mild even though the human toll was — and continues to be — immense. While market participants themselves are human and naturally horrified by such atrocities, markets themselves are neutral and unfeeling. For that reason, geopolitical events like this often capture the market's attention for a relatively brief moment before fading back into the shadows — until the likely impacts on longer-term fundamentals become known.

At first, that seemed to be the case this time as well: To wit, on the day of the invasion, the NASDAQ Composite Index was up nearly 3.5%, making it one of the best days for U.S. stocks so far this year. But markets quickly came around to the idea that Russia's invasion of Ukraine might be almost tailor-made to diverge from the "it-may-not-matter-in-the-long-run" script, primarily because it came at a time when the global economy was only just starting to repair some of the damage done by the pandemic.

Consider the invasion's impact on inflation. Naturally, one of the most obvious economic disconnects to emerge from the pandemic was a once-in-a-generation surge in inflation, but even that dislocation was showing signs of righting itself as 2022 began. Then, when Putin's war began, that wound was suddenly opened even wider as energy and commodity prices surged in recognition of the significant portion of global trade for things like oil, metals and grains the two combatants represent. Russia's violation of its neighbor's sovereignty therefore served only to deepen the severity of our ongoing bout with inflation and will almost certainly lengthen the time it will take for the Fed and its global central banking peers to defeat it.

To be clear, those efforts to stem the tide of rising prices were already underway before the world even took note of Russia's troop build-up along Ukraine's northern and eastern frontiers. Late last fall, the Federal Reserve had finally distanced itself from the fallacy that inflation was transitory and had begun to taper its COVID-inspired purchases of Treasury and mortgage bonds in an effort to address it. The Fed was also implying — quite loudly — that it would begin raising rates soon (which, as you likely know, it ultimately did in mid-March). But Putin's invasion suddenly made the Fed's job far more difficult. Whereas before the war the Fed might have been able to normalize policy at a somewhat leisurely pace, the war in Ukraine stripped the Fed of that luxury. Investors now believe the Fed may have to raise rates six or seven more times before 2022 comes to an end, and Fed Chair pro tem Jerome Powell has done little to disabuse them of that notion.



The net result of all this was an unusually difficult environment for almost all types of investments, not just stocks. In fact, of the 25 or so asset-class segments we watch, only one — U.K. equities — managed to finish the first quarter of 2022 in the green (which, by the way, is a bit of a head-scratcher in itself...). That's somewhat unusual: Often, when one area of the market comes under pressure, another area tends to get a boost as investment capital reallocates itself not unlike the way air squishes around inside a water balloon when you squeeze it. Not so this time: Almost every area of the market came under pressure during the first quarter of 2022, and the only thing separating winners from losers was how far you fell in response to the mash-up of colliding influences.

Performance of the Great-West Lifetime Funds

It probably comes as little surprise, then, that each vintage of the Great-West Lifetime series lost ground during the quarter. While that's never a happy outcome, we can take at least some comfort from the fact that our funds held up better than their peers, with all nine funds finishing above the median fund in their respective peer groups, some by a comfortable margin. Benchmark-relative performance was more mixed, with funds in earlier vintages outperforming while those in later vintages — which typically rely on allocations to stocks to a greater degree and are held by investors with longer time horizons — lagged their respective benchmarks.

One reason for our strong peer-relative performance this quarter was the emphasis we place on value-oriented stocks within the equity portion of our portfolios. That modest but consistent tilt relative to our peers has been a costly choice for us in the recent past when value was clearly out of favor, but it worked in our favor this quarter as value stocks generally held up better than other segments of the market amid last quarter's volatility. In fact, several of our holdings in the value equity space bucked the broader trend of losses and managed to actually gain during the quarter, including Great-West Large Cap Value Fund and its mid-cap sibling, Great-West Mid-Cap Value Fund.

Success in value-oriented equities wasn't universal, however, as Great-West Small Cap Value Fund, a strategy co-managed by Loomis Sayles and Hotchkiss & Wiley, lagged. Great-West Ariel Mid Cap Value Fund also continued to struggle, capping a difficult period that has seen the fund lag a large majority of its peers as well as its benchmark for much of the last year. While recent performance has been discouraging, Ariel team members consider themselves to be Warren Buffett-style investors — slow, steady and deliberate investors that focus on durable and high-quality businesses and hold on to them for a long time. That has left the fund temporarily out of step with the current environment, which has tended to favor faster-moving and less durable franchises, even as the emphasis has shifted away from growth and back toward value. Like the team at Ariel, we are confident that this trend will ultimately reverse itself and once again reward longer-term investors like Ariel. We therefore remain confident in the strategy and have remained invested alongside the Ariel team despite the recent setback.

On the fixed-income side of the portfolio, the Great-West Inflation-Protected Securities fund was an obvious standout. The fund provides us with exposure to assets linked to inflation — an important area to have exposure given that inflation is running hotter today than at any period since the early 1980s. Like virtually all fixed-income-oriented strategies, the Great-West Inflation-Protected Securities fund was pressured by rising interest rates during the period and finished the quarter lower. As you might expect, however, inflation-linked assets held up better than so-called nominal bonds (that is, those with no direct link to inflation), and our fund was no exception. But the strategy nonetheless easily outpaced a majority of its peers during the quarter — something we view as a testament to the quality of the team managing the fund.



Outlook

With the war in Ukraine currently dominating headlines, we add our voices to those expressing anger and grief in response to the violence. From an economic perspective, the war has almost certainly lengthened the time it will take for policymakers to adequately deal with the surge in inflation the COVID pandemic had already set in motion prior to the invasion. It has also made the Federal Reserve's job of normalizing monetary policy after two years of massive, COVID-inspired accommodation considerably more difficult. By placing additional stress on prices for key commodities such as oil, natural gas, metals and grain, the Fed may now have to tighten more quickly (and deeply) than might have otherwise been necessary if it hopes to ever gain the upper hand over inflation.

That has already led to concerns that economic growth is at risk for a significant slowdown in coming quarters as the Fed and its central bank peers around the globe shift their focus more fully toward putting the inflation genie back in the bottle. While slower growth on the heels of the dramatic rebound that occurred as the worst impacts of COVID began to fade was all but inevitable, the unusually long list of pressures now facing the worldwide economy has only heightened those fears.

That uncertainty has already led to lower market returns and increased volatility as investors struggle to find a new equilibrium in the face of these new and changing economic realities. It would therefore not surprise us at all if current market volatility persists for at least a little while longer. As has long been true, though, markets and the economies they are built to reflect are durable and dynamic — as tragic and ill-timed as current events have been, markets will again find their footing. In the meantime, we will continue to manage the Great-West Lifetime Funds as we have in the past, utilizing a disciplined and well-diversified asset allocation framework and employing only talented investment managers to help meet our goals — and yours.

**Morningstar ratings and rankings as of March 31, 2022**

Rating based on risk-adjusted returns and ranking based on total return

FUND NAME	TICKER	INCEPTION	CATEGORY	OVERALL	RATING/ TOTAL # OF FUNDS 3-YEAR	5-YEAR	RANK/ ¹ # OF FUNDS 1-YEAR
Great-West Lifetime 2015 Instl	MXNYX	5/1/15	U.S. Fund Target-Date 2015	★★★ 126	★★★★ 24	★★★ 28	(31/126)
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	U.S. Fund Target-Date 2020	★★★ 174	★★★ 51	★★★ 47	(33/174)
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	U.S. Fund Target-Date 2025	★★★ 226	★★★ 77	★★★ 66	(66/226)
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	U.S. Fund Target-Date 2030	★★★ 227	★★★ 94	★★★ 88	(91/227)
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	U.S. Fund Target-Date 2035	★★★ 219	★★★ 102	★★★ 85	(121/219)
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	U.S. Fund Target-Date 2040	★★ 221	★★ 123	★★ 102	(144/221)
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	U.S. Fund Target-Date 2045	★★ 219	★★ 137	★★ 103	(154/219)
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	U.S. Fund Target-Date 2050	★★ 221	★★ 143	★★ 113	(152/221)
Great-West Lifetime 2055 Instl	MXZHX	5/1/15	U.S. Fund Target-Date 2055	★★ 219	★★ 149	★★ 117	(169/219)
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	U.S. Fund Target-Date 2060+	N/A 219	N/A -	N/A -	(178/219)

Fund performance as of March 31, 2022

FUND NAME	TICKER	INCEPTION	NET EXPENSE RATIO (%) ²	GROSS EXPENSE RATIO (%)	1-YEAR RETURN (%)	3-YEAR RETURN (%)	5-YEAR RETURN (%)	SINCE-INCEPTION RETURN (%)
Great-West Lifetime 2015 Instl	MXNYX	5/1/15	0.45	0.49	2.14	7.72	6.76	5.99
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	0.47	0.50	2.18	8.14	7.17	7.59
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	0.49	0.52	2.08	8.78	7.78	6.83
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	0.52	0.53	2.56	9.58	8.50	9.12
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	0.54	0.55	2.95	10.62	9.34	8.12
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	0.56	0.56	3.26	11.29	9.79	10.58
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	0.57	0.57	3.33	11.74	10.16	8.77
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	0.57	0.57	3.33	11.80	10.19	10.97
Great-West Lifetime 2055 Instl	MXZHX	5/1/15	0.58	0.58	3.09	11.75	10.14	8.69
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	0.58	0.58	2.93	N/A	N/A	11.04

The date in the name of the target date fund is the assumed date of retirement. The asset allocation becomes more conservative as the fund nears the target retirement date; however, the principal value of the fund is never guaranteed.

Investing involves risk, including possible loss of principal. This material is for informational purposes only and is not intended to provide investment, legal or tax advice.

Asset allocation and balanced investment options and models are subject to the risks of their underlying investments.

1 The definition of what constitutes a “bull” and “bear” market is a subject for debate, but by my math, it took about 22 days for the S&P 500® Index to slip into bear territory and around 75 for it to regain bull status. That’s almost unbelievably fast.

2 The net expense ratio reflects contractual fee waivers or reimbursements that expire on April 30, 2022, unless re approved by the adviser. Absent waivers or reimbursements, the performance would have been lower.



Performance for institutional class shares before their inception is derived from the historical performance of initial class shares, which has not been adjusted for the lower expenses; had it been, returns would have been higher.

Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or prediction of future results. For performance data current to the most recent month-end, please visit greatwestfunds.com. The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost.

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Morningstar Percentile Rankings are based on the fund's actual rank within its category, total return and the number of funds in that category. The returns assume reinvestment of dividends and/or capital gains, do not include any applicable sales charges or redemption fees, but include 12b-1 fees. Rankings for each share class will vary due to different expenses. The highest (or most favorable) percentile rank is 1, and the lowest (or least favorable) percentile rank is 100. Had sales charges or redemption fees been included, total returns would be lower.

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