



Great-West Lifetime Funds



Thomas Nun, CFA
*Portfolio Strategist,
Great-West Investments™*

May you live in exceptional times

With only one small change, the infamous Chinese curse describes today's environment well

Historically speaking, the COVID-19 pandemic was an exceptional event that required an equally exceptional response. Lawmakers, financial authorities and society at large generally understood that responsibility and quickly took a series of dramatic steps to help ensure the human catastrophe of COVID didn't also become an economic one. So far, their efforts seem to be paying off.

But actions — certainly not forceful ones — never occur in a vacuum. The exceptional nature of the pandemic also served to create an exceptional environment for both the economy (which experienced both a record-setting decline and a record-setting rebound in the space of just six months) and capital markets (where the U.S. equity market cycled from bull to bear and back again in record time¹). And these dislocations have had consequences of their own.

Among the most interesting was the equity market's continued preference for fast-growing stocks during the initial phase of the pandemic and the immense market volatility that resulted. It's far more typical during significant market disruptions for leadership to abruptly change hands, but COVID was different: On a relative basis, investor appetite for a small handful of very large, high-growth stocks — in evidence long before COVID arrived — continued, even intensified, as the pandemic wore on. And it seems all that exceptionalism extended to style allocations as well.

But something changed during the final months of 2020. Medical science produced not just one, but at least three viable vaccine candidates; meanwhile, a globally coordinated phalanx of aggressive monetary and fiscal

stimulus ensured that even those whose finances were upended by the virus were able to remain engaged in the economy. Investors naturally began to set their sights on what came next and collectively reached the same conclusion: Powered by months of aggressive stimulus and vaccine-related optimism, the economy would surge. The place to be in the near term was therefore almost certainly in more cyclically oriented sectors of the market — the same areas that were all but ignored during the growth-at-any-price era immediately before (and during) the darkest months of the COVID pandemic. The “reflation trade” was born.

We've written about this series of events before, primarily because the stock market's on-again/off-again obsession with large-cap growth has had such an obvious impact on the relative returns of our funds. Specifically, our returns were challenged during the manic phase of the growth cycle, when owning anything other than a small handful of fast-growing glamour stocks cost you dearly in terms of relative performance. But when the cycle turned at the end of 2020, that intense headwind quickly became a tailwind of nearly equal intensity. Said differently, we suffered when growth was in vogue and thrived when it wasn't.

But what about today? As I write this, the pendulum appears to be swinging again. With vaccines in play, extending the various forms of financial and economic stimulus that sustained the economy throughout the worst of the pandemic is suddenly a lot less viable from a political standpoint than it was when COVID was so obviously a threat. Meanwhile, new variants of the virus have appeared with alarming regularity, including one —



the Delta variant — that has already caused a handful of governments worldwide to reinstitute lockdown measures and many here in the U.S. to rethink their assumptions about whether the pandemic is really starting to fade into the background. Suddenly, the “reflation trade” isn’t as compelling as it once was.

Performance of the Great-West Lifetime Funds

This swing in sentiment had implications for the performance of the Great-West Lifetime Funds by shifting investor focus back to areas of the market on which we have historically placed less emphasis: namely, higher growth equities and longer-term bonds. After a significant recovery that began last fall, these areas gave back some of their relative performance during the second quarter, causing the Lifetime Funds to underperform both their peers and their benchmark indices during the quarter.

However, our strong belief is that a single quarter is far too short a period for drawing meaningful conclusions about performance — particularly when exceptional events like those discussed above are buffeting markets and causing sentiment to swing to extremes over the short term. We are therefore heartened by the fact that longer-term performance remains intact. In fact, over the year-to-date and one-year periods, the Lifetime Funds have comfortably outperformed both their benchmarks and peers across all vintages.

Within the portfolios, individual holdings that worked against performance included the Great-West Global Bond Fund, a multi-managed strategy that paired an aggressive, go-anywhere and macro-focused sub-advisor, Franklin Templeton, with a more conservative, more tightly constrained sub-advisor, Mellon Asset Management. While Templeton’s more aggressive strategy has performed well for us in the past, its unconstrained nature can cause performance to lag at times, especially when macroeconomic trends are shifting rapidly. In recent months, we reacted by deemphasizing the Templeton strategy in favor of the more conservatively managed Mellon within the Great-West Global Bond Fund itself. More recently, however, we felt it appropriate to conduct an extensive search for a replacement manager for Templeton and ultimately hired London-based Blue Bay Asset Management. We never make these decisions lightly and added Blue Bay to our roster after a thorough review of the firm, its investment

personnel and its approach to global fixed-income investing was conducted by our investment committee. We are excited to have Blue Bay on board and are confident they will prove to be an excellent complement to the incumbent sub-advisor, Mellon.

Elsewhere, our exposure to international (ex-U.S.) real estate — which we obtain by way of exposure to Dimensional Fund Advisors’ International Real Estate strategy — also underperformed its peers. This is due at least in part to the strategy’s nature as a purely international fund, which sets it apart from many of its peers who tend to allocate significant assets to U.S.-domiciled properties. That placed the fund at a disadvantage given the recent tendency of U.S.-based real estate assets to outperform those located elsewhere around the globe. Given the role the fund is intended to play within the overall asset allocation of the Lifetime suite, we are comfortable with this exposure and in fact have given it a slightly more prominent role in recent months.

On the positive side of the ledger, many of our growth oriented equity holdings participated fully in the market’s swing back toward growth, making them standouts from an absolute return perspective. One example was Great-West International Growth Fund, a partnership between the investment teams at JPMorgan and Franklin Templeton that also beat a majority of its peer group during the quarter. We view the two subadvisors as complementary to one another, with JPMorgan’s momentum-oriented strategy providing a nice balance against Franklin’s more concentrated, fundamental style. The fund has been a superb long-term performer for us as well.

Not all successes in the equity space were growth oriented, however. Great-West Mid Cap Value Fund was a clear standout from a relative performance perspective and scored in the top quartile of its peer group during the quarter. This quantitatively oriented fund is sub-advised by Goldman Sachs and focuses on a wide range of financial and non-financial indicators to construct a mid-cap portfolio that seeks to outperform other strategies in the space by a moderate amount. This quarter’s strong performance represents something of a comeback for the strategy, which had suffered from underperformance



as a result of what the management team describes as big dislocations in how markets view the environment — some of which were a result of the pandemic and others of which were not. More recently, however, several factors emphasized within the portfolio — namely the preference for high-quality businesses and mispricing of securities — began to work in our favor. The result was a notable recovery in the strategy's performance after several periods of underperformance.

Outlook

The stunning success of vaccine-makers worldwide has given us all reason to hope the pandemic may soon finally fade into the history books, which has in turn allowed the economy to recover in a very robust fashion. That's obviously a very good thing — from a public health perspective as well as a financial and economic one.

But as often happens, extreme events sometimes catalyze other extreme events, such as the massive style rotations and shifting investor preferences discussed above. Moreover, the alarming frequency with which new variants of the disease are appearing means it's still too

early to claim victory against the virus. It also means more volatility may lie ahead as the world comes to grips with not only a potentially resurgent pathogen but some of the effects of efforts to combat its financial impacts, such as government profligacy, elevated asset prices and, more recently, the potential for higher inflation. It's our view that these things could continue to drive short-term market performance for the near future.

But as recent experience suggests, markets rarely move in a single direction for extended periods of time and instead tend to operate more like a pendulum. Dislocations just as easily turn into opportunities, and today's outperformers are just as likely to become tomorrow's underperformers (and vice versa). It's our belief that the best approach to this reality is to maintain a carefully balanced portfolio that is thoughtfully diversified across asset classes, market capitalizations and geographies. Over the long term that approach should provide the best opportunity for success, which is why we strive to provide exactly that in each of the portfolios we manage.

**Morningstar ratings and rankings as of June 30, 2021**

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

FUND NAME	TICKER	INCEPTION	CATEGORY	OVERALL	RATING/ TOTAL # OF FUNDS		RANK/ # OF FUNDS 1-YEAR
					3-YEAR	5-YEAR	
Great-West Lifetime 2015 Instl	MXNYX	5/1/15	U.S. Fund Target-Date 2015	★★★ 116	★★★ 101	★★★ 75	(29/116)
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	U.S. Fund Target-Date 2020	★★★ 167	★★★ 152	★★★ 113	(43/167)
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	U.S. Fund Target-Date 2025	★★★ 212	★★★ 194	★★★ 152	(71/212)
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	U.S. Fund Target-Date 2030	★★★ 213	★★★ 193	★★★ 153	(71/213)
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	U.S. Fund Target-Date 2035	★★★ 205	★★ 191	★★★ 149	(79/205)
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	U.S. Fund Target-Date 2040	★★★ 207	★★ 193	★★★ 153	(72/207)
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	U.S. Fund Target-Date 2045	★★★ 205	★★ 191	★★★ 149	(75/205)
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	U.S. Fund Target-Date 2050	★★★ 207	★★ 193	★★★ 153	(66/207)
Great-West Lifetime 2055 Instl	MXZHX	5/1/15	U.S. Fund Target-Date 2055	★★ 205	★★ 191	★★ 146	(70/205)
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	U.S. Fund Target-Date 2060+	N/A 200	N/A 176	N/A 109	(85/200)

Fund performance as of June 30, 2021

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 2020 Instl	MXAKX	4/28/16	0.48	0.51	29.77	8.57	N/A	8.73
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	0.50	0.52	33.90	9.24	9.66	7.65
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	0.52	0.54	39.05	9.80	N/A	10.51
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	0.55	0.56	45.61	10.59	11.57	9.02
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	0.56	0.57	50.97	11.06	N/A	12.13
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	0.57	0.58	54.54	11.36	12.51	9.72
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	0.57	0.58	55.57	11.33	N/A	12.58
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	0.59	0.60	55.94	N/A	N/A	15.52

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.

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. 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, 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.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain mutual fund prospectuses from your registered representative or by visiting greatwestfunds.com. Read them carefully before investing.

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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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