



# Great-West Lifetime Funds



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

## Traded to Toledo:

*If markets were Major League ballplayers, they'd already have been sent packing in 2022*

You've probably seen the headlines: "Worst Start for Financial Markets in Decades," "Markets Drop in 1H22," "Sell your Kidneys Now to Avoid the Rush" and that sort of thing. (Well, OK, I made that last one up, but you get the picture.) Suffice to say, the first six months of 2022 have been extremely difficult for investors. A sudden and severe bout of inflation, dramatic tightening of monetary policy by the Federal Reserve, a significant increase in interest rates and, most recently, worries about the possibility of a pending recession are largely to blame.

Let me try and provide some context. As a matter of routine, I maintain and track a list of 25 or so different market indices designed to capture a relatively broad cross-section of publicly traded markets available to investors like you and me. It covers U.S. large-, mid- and small-cap stocks; value equity; growth equity; corporate bonds; U.S. Treasury debt; international stocks; real estate; and so on. To help understand exactly how challenging the market environment has been, I hope you'll indulge me in using a baseball metaphor: By counting which asset classes were higher during a given quarter (we'll call these "hits") and dividing that by the number of asset classes I'm tracking ("at bats"), we can calculate a batting average for any given period.

During the first six months of this year, markets have put up a measly 0.020 average — only one hit in 50 tries; this quarter, it was at its all-time worst of .000 as every single one of the underlying indices on my roster dropped. Even

the most patient coaching staff in the league would, at best, send a player with those numbers down to the minors. (Or, more likely, our slumping hitter would be selling shoes at the mall before September.)

But such a decision might prove premature. So far this century, our "investment markets batting average" across a 22-year career is a very impressive .686, suggesting that under more ordinary circumstances, the majority of asset classes we invest in are able to score more hits than strikeouts (for context, the great Jackie Robinson hit .311 during his career, while even the immortal Babe Ruth "only" managed .342.) In the grand scheme of things, I suppose it probably shouldn't surprise anyone that investment markets have surpassed even The Great Bambino over time; after all, the reason you invest your hard-earned money and place it at risk in the financial markets in the first place is to earn a return. If markets consistently failed to do that, they wouldn't be around very long; investors would simply take their money out and sit metaphorically on the sidelines, sort of the financial equivalent of a players' strike.

Fortunately, investors — to their great credit and benefit — are more patient than either the cabal of major league owners or the MLB Players Association, because past slumps have often been followed by convincing hitting streaks — and usually in relatively short order. We can only hope that history will repeat.



## Performance of the Lifetime Funds

Given the broad-based nature of declines described previously, it shouldn't be surprising that each fund in the Great-West Lifetime series finished both the second quarter and the year-to-date period with losses from an absolute return perspective. This was true up and down the risk spectrum, with even the most conservatively positioned funds in the lineup suffering declines amid the extreme market turmoil. I believe that this is at least partially a function of the fact that bonds and stocks have dropped in tandem so far this year — a rare occurrence that presents challenges for even the most carefully allocated portfolios. The very concept of portfolio diversification rests on the tendency of these two important assets classes to move in opposite directions of one another. When that relationship temporarily breaks down — as it has so far in 2022 — returns will almost certainly be negative.

However discouraging that may be, we are pleased that our funds have generally held up much better than both their benchmarks and their peers during this period of extreme market volatility. Each vintage of the Great-West Lifetime Funds has beaten both its benchmark and its competitors by a comfortable margin so far in 2022, and we believe that this strong relative performance across the entire Lifetime suite is partially a result of a reversal of asset-allocation trends that had worked against us during the manic phase of the post-COVID recovery. Most among these are the market's preference for growth over value in the equity space and our exposure to shorter-term and inflation-adjusted bonds — two areas of the fixed-income market that generally held up better than others.

Individual standouts included our position in the Great-West T. Rowe Price Mid Cap Growth Fund, which has outperformed its benchmark and the vast majority of its peer group for each of the three-month, year-to-date and 12-month periods through June 30, 2022, by taking a

relatively conservative approach to the mid-cap growth category. The fund's managers emphasize earnings growth but are unwilling to pay exorbitantly high prices for it, which differentiates it from some of its more aggressive competitors and has served the fund very well in this increasingly uncertain environment. We have seen similar success among our other growth-oriented holdings up and down the capitalization spectrum, including Great-West Large Cap Growth and Great-West Small Cap Growth funds, both of which have done a better job of protecting capital during this volatile period than their respective peer groups.

Less upbeat has been the performance of some of our value-oriented equity strategies, particularly in the mid-cap space. While it's true that value strategies have generally held up better than growth in the current environment, our two mid-cap value holdings — Great-West Mid Cap Value Fund and Great-West Ariel Mid-Cap Value Fund — have so far been unable to take full advantage of this trend.

On the fixed-income side of the ledger, our exposure to shorter-duration and inflation-protected bonds once again provided better overall insulation against an extremely difficult environment characterized by rising interest rates, high inflation and growing economic uncertainty than our other exposures in the fixed-income space. Indeed, the majority of our income-oriented strategies are navigating this challenging backdrop well and performing within expectations. One exception is the Great-West Core Bond Fund, a partnership between Goldman Sachs and Wellington that has lagged since the beginning of the year. While we are continuing to monitor both managers, we have confidence in the teams responsible for managing these assets and do not anticipate making any changes at this time.



## Outlook

Unfortunately, many of the same things that have created so much market volatility so far this year are still in place today. Inflation is still uncomfortably high and remains the central focus of the Federal Reserve, who has promised to raise interest rates until prices are brought fully under control. Meanwhile, policy tightening by the Fed has caused investors to question whether the post-COVID recovery has fully run its course and will soon give way to a recession, introducing even more uncertainty into an already fraught environment. And remember that this is all occurring against a backdrop of heightened geopolitical uncertainty of the kind the world hasn't known since the end of the Cold War in the early 1990s. Given these stresses, it wouldn't surprise me at all to see further declines in the months ahead.

But there are a few encouraging signs. For example, while inflation remains as high as we've seen in a generation, there are a few preliminary hints that the wave may be about to crest, including survey-based data suggesting that the supply chain stress responsible for generating much of the inflationary pressure in the first place is relenting and businesses are finally feeling some relief as a result. Moreover, the recent (and unusual) tendency of stocks and bonds to move in tandem seems to have faded somewhat in recent weeks, perhaps signaling a reversion to type that should allow time-tested strategies like portfolio diversification to once again prove their worth.

If that trend continues, it would undoubtedly allow some of the absolute losses suffered by asset allocation strategies such as our own to begin recovering lost ground. It might also suggest that the bear market<sup>1</sup> for stocks — if that is what the first six months of 2022 truly have been — is beginning to mature as markets move from their singular focus on higher rates to more ordinary (and perhaps more manageable) concerns, like slowing economic growth and softer corporate profitability.

If so, we may find that our “asset class batting average” as described in the opening paragraphs of this commentary might be about to improve markedly. That would be the market equivalent of Babe Ruth's great comeback, when, after slumping famously in 1922, the Babe surged back the next year, putting up the best batting average of his career and winning league MVP in 1923.

Of course, whether or not markets are capable of this kind of Babe-style comeback cannot be known with anything approaching certainty. But if history is any guide, there is room enough to hope that the odds might be in our favor.

<sup>1</sup> 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.

**Morningstar ratings and rankings as of June 30, 2022**

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

FUND NAME	TICKER	INCEPTION	CATEGORY	OVERALL	RATING/ TOTAL # OF FUNDS		RANK/ <sup>2</sup> # OF FUNDS 1-YEAR
					3-YEAR	5-YEAR	
Great-West Lifetime 2015 Instl	MXNYX	5/1/15	U.S. Fund Target-Date 2015	★★★★ 127	★★★★ 16	★★★★ 19	(28/127)
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	U.S. Fund Target-Date 2020	★★★ 169	★★★★ 32	★★★ 46	(38/169)
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	U.S. Fund Target-Date 2025	★★★ 227	★★★★ 51	★★★ 62	(57/227)
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	U.S. Fund Target-Date 2030	★★★ 228	★★★ 77	★★★ 85	(55/228)
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	U.S. Fund Target-Date 2035	★★★ 220	★★★ 87	★★★ 84	(54/220)
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	U.S. Fund Target-Date 2040	★★ 222	★★★ 103	★★ 101	(68/222)
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	U.S. Fund Target-Date 2045	★★ 220	★★ 118	★★ 108	(103/220)
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	U.S. Fund Target-Date 2050	★★ 222	★★ 124	★★ 117	(107/222)
Great-West Lifetime 2055 Instl	MXZHX	5/1/15	U.S. Fund Target-Date 2055	★★ 220	★★ 139	★★ 126	(110/220)
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	U.S. Fund Target-Date 2060+	★★ 221	★★ 133	N/A -	(114/221)

**Fund performance as of June 30, 2022**

FUND NAME	TICKER	INCEPTION	NET EXPENSE RATIO (%) <sup>3</sup>	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	-9.98	3.56	4.36	4.46
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	0.48	0.51	-10.88	3.65	4.54	5.59
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	0.50	0.52	-11.85	3.98	4.90	5.03
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	0.52	0.54	-12.83	4.29	5.29	6.71
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	0.54	0.55	-13.99	4.78	5.76	5.90
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	0.57	0.57	-14.88	5.07	5.96	7.68
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	0.57	0.57	-15.66	5.24	6.11	6.27
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	0.58	0.58	-15.96	5.18	6.07	7.86
Great-West Lifetime 2055 Instl	MXZHX	5/1/15	0.57	0.57	-16.15	5.10	5.99	6.13
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	0.59	0.59	-16.25	5.05	N/A	5.06

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.

2. 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.

3. The net expense ratio reflects contractual fee waivers or reimbursements that expire on April 30, 2023. 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](http://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](http://greatwestfunds.com). Read them carefully before investing.***

Where data obtained from Morningstar, ©2022 Morningstar, Inc. All Rights Reserved. The data: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar rating metrics. Morningstar rankings are based on total return, excluding sales charges and including fees and expenses, versus all funds in the category tracked by Morningstar. Ratings for share classes without a three-, five- or 10-year history, as applicable, is based on extended performance, not adjusted for fees and expenses. Different share classes may have different ratings. Morningstar®, Overall Morningstar Rating™, and Morningstar® Direct<sup>SM</sup> are trademarks or service marks of Morningstar, Inc.

This material represents the views of Great-West Capital Management, LLC and is subject to change without notice. Past performance is not a guarantee of future results.

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.

A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. You cannot invest directly in a benchmark index.

The S&P Mid Cap 400 and S&P Small Cap 600 indices are registered trademarks of Standard & Poor's Financial Services LLC and have been licensed for use by Great-West Life & Annuity Insurance Company. The funds are not sponsored, endorsed, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the funds.

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

**Securities underwritten by GWFS Equities, Inc., Member FINRA/SIPC, an affiliate of Great-West Funds, Inc.; Great-West Trust Company, LLC; and registered investment advisers Advised Assets Group, LLC and Great-West Capital Management, LLC, marketed under the Great-West Investments brand.** GWCM is the investment adviser to Great-West Funds, Inc.

©2022 Great-West Life & Annuity Insurance Company. All rights reserved. GEN-FBK-WF-1916850-0722 RO2308654-0722

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