



Great-West Lifetime Funds



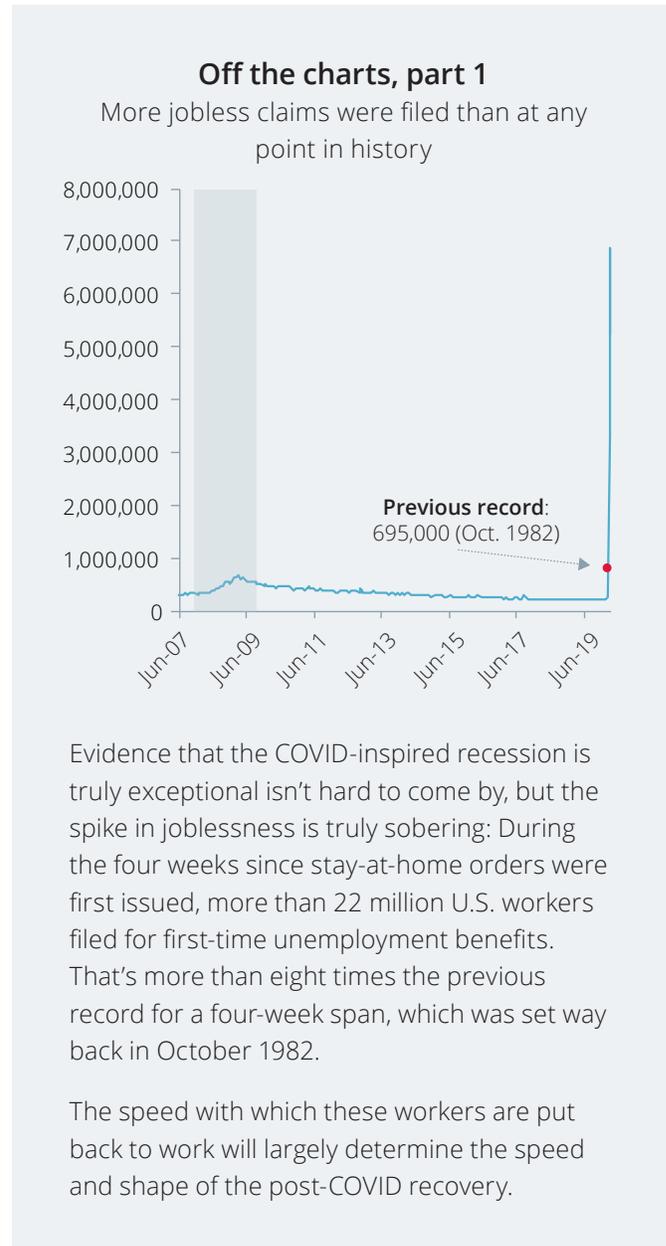
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Off the charts

Last quarter we used this space to describe a robust, 9%-plus advance in the S&P 500® Index that even then looked a little suspicious to us given advancing equity market valuations, an obvious flattening of corporate earnings and emerging signs of softness in some of the very things that had underwritten the decade-long expansion of the U.S. economy — things like consumer confidence, industrial production and the previously unassailable strength of the U.S. labor market. This nascent slowdown was accompanied by a steady drumbeat of geopolitical risks that, at the time, seemed significant: a flare-up of U.S.-Iranian military tensions and the not-quite-resolved U.S.-China trade war chief among them.

In retrospect, those risks seem almost quaint given the massive damage currently being wrought by the COVID-19 pandemic. The human toll has of course been awful: by mid-April, 130,000 people had succumbed to the disease, with 2 million cases touching populations in virtually every corner of the globe. While there are signs that infection growth rates have slowed, no one can yet predict when this horror will end.

Likewise, no one can know for sure how deep or how prolonged the global recession that COVID-19 has spawned will be. Efforts to slow the advance of the virus, while prudent and necessary from a medical standpoint, have effectively hung a “Closed for Business” sign on the worldwide economy — something that has never happened, not even during the two world wars of the last century. But however unpredictable the economic environment has become, one thing is certain — the damage to the global economy has been significant, and the reverberations will continue long after the advance of the virus has slowed.



Evidence that the COVID-inspired recession is truly exceptional isn't hard to come by, but the spike in joblessness is truly sobering: During the four weeks since stay-at-home orders were first issued, more than 22 million U.S. workers filed for first-time unemployment benefits. That's more than eight times the previous record for a four-week span, which was set way back in October 1982.

The speed with which these workers are put back to work will largely determine the speed and shape of the post-COVID recovery.

Source: U.S. Department of Labor, FRED St. Louis Federal Reserve.

Hints about how severe the damage of near-universal orders to stay at home and shelter in place can be found in any number of economic indicators, ranging from retail sales to consumer confidence to various surveys of industrial output — many of which have surged to highs (or lows) not seen in a generation. The most striking



example by far, though, is the enormous spike in the number of Americans filing for unemployment benefits. More than 21 million workers applied for benefits during the four weeks since the first and most visible stay-at-home orders went into place, obliterating previous records for jobless claims by nearly a factor of 10 (and making time-series charts of historical data for this series all but unreadable). The speed with which these employees are put back to work when the crisis finally fades will in large part determine how deep and long-lasting the COVID-19 recession ultimately proves to be.

Capital markets had a few off-the-charts moments of their own during the quarter. So-called “risk assets” (equities and high-yield bonds, for example) sold off across the board while safe havens (like government

bonds) held up quite well. In some cases, the selling followed a predictable pattern — those areas of the market deemed most likely to suffer the most amid the economic chaos sold off hardest. For example, mid- and small-cap stocks significantly underperformed larger-cap stocks out of fear that smaller firms are generally more exposed to the business cycle and would have a harder time weathering a near-total shutdown in demand — especially a shutdown of indeterminable length.

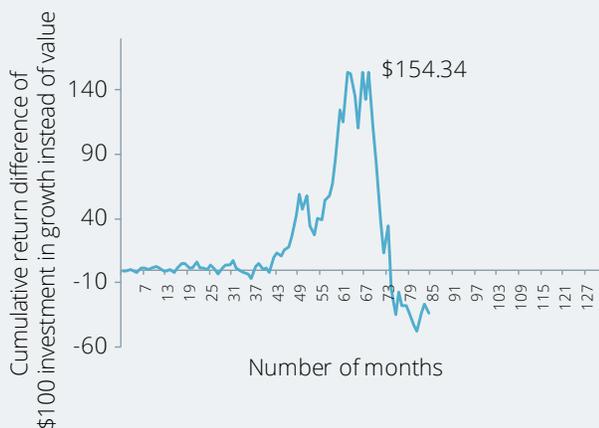
But other results were somewhat more surprising to us. Take, for example, the relative outperformance of growth equities during the first quarter, when U.S. growth stocks declined significantly less than their value-oriented peers across all capitalization ranges. That’s perhaps even more surprising when you consider the starting point

Off the charts, part 2

The dispersion between growth and value stocks has grown to historic proportions

Growth era #1: dot.com boom

January 1995 – January 2001



Growth era #2: Post-GFC recovery

June 2009 – March 2020



Everyone is familiar with the historic run that growth had versus value during the “dot.com” era of the late 1990s and early 2000s. But growth’s current dominance has now surpassed that era in terms of both duration and magnitude. At its peak, the dot.com growth era lasted 68 months and netted growth investors an advantage of \$154 over value before reversion to the mean took over.* But since the end of the Great Recession in June 2009, growth’s outperformance over value has reached \$167 over 129 months (and still counting). That makes us wonder when (and how powerful) the reckoning will be when it finally comes.

Source: Morningstar, GWI calculations. Represents the difference between investing \$100 in the Russell 1000 Growth Index minus \$100 in the Russell 1000 Value Index for the periods indicated.



for each investment style. Although valuations were rich across the board at the start of the year, growth stocks were trading at earnings multiples far in excess of their longer-term averages, while value stocks were within spitting distance of theirs.

The first quarter's dramatic sell-off had the predictable effect of compressing these valuations, leaving growth stocks much closer to historical norms in the process. But as mentioned above, value stocks fell even harder than their growthier peers, leaving price-to-earnings multiples of that segment of the market well below where they typically trade. The result? The cheapest sectors of the market got even cheaper, at least on a relative basis.

Performance of the Great-West Lifetime Funds

This discussion matters to our shareholders because, although we carefully maintain significant exposure to both growth- and value-oriented investments, our portfolios typically carry slightly more exposure to value than to growth. That, together with our strategy to invest more heavily in smaller- and mid-sized companies (and to carry slightly more exposure to non-U.S. stocks) than our average competitor, caused the Great-West Lifetime Funds to underperform their peer groups materially during the first quarter of 2020.

We've discussed these same dynamics in prior versions of this commentary. In fact, our small but strategically important bias toward value has been a consistent headwind to performance for several years running, and while it can be difficult to maintain this conviction in the face of such persistent difficulties, we continue to believe that our positioning along the growth-versus-value spectrum is appropriate for our investors. This is particularly true because the historic run in growth stocks now rivals that which was in place during the infamous "tech bubble" at the beginning of this century and has created distortions that seem unsustainable to us. One example of this would be the high degree of concentration that has emerged in large-cap growth indices like the Russell 1000 Growth Index, where the five largest names — all of which are technology stocks — account for more than a quarter of the index. By contrast, the five largest stocks in the Russell 1000 Value Index

account for only 8% of the index and represent at least three distinct industries (financials, consumer staples and technology).¹

However attractive the fundamentals of technology and other fast-growing businesses are, we believe that a properly diversified portfolio must fully reflect the entire range of economic activity in our wonderfully diverse and infinitely flexible worldwide economy. Perhaps more to the point, we believe that the historic run of outperformance enjoyed by growth will eventually end, and we will again be rewarded as relative valuations realign with historical norms.

Likewise for our tendency to slightly overweight small- and mid-capitalization stocks compared to our peers. This bias also worked against us as worries related to the COVID-19 pandemic caused investors to focus on those asset classes perceived to be less exposed to the economic damage currently being wrought by the virus. As described above, smaller companies are often thought to carry more exposure to extreme ups and downs of the business cycle, which caused them to decline more than their larger peers during the first quarter of 2020. While we generally agree with this interpretation, we again believe that proper diversification requires that we maintain a disciplined exposure to all areas of the market, not merely those that seem to temporarily present the most favorable characteristics at any given point in time. For now, that includes small- and mid-cap stocks. Furthermore, we are encouraged by the fact that the various stimulus programs put in place by U.S. officials in the wake of the COVID crisis have contemplated and attempted to address the unique risks faced by smaller enterprises, and we look forward to a robust recovery when the economy returns to a more normal footing.

In terms of what has worked well for the funds, we are encouraged that the vast majority of our underlying investment managers performed up to (or exceeded) our expectations during what proved to be an extremely volatile quarter. As we have stated in the past, we view our ability to research, hire and retain world-class investment talent as a core competency and our most crucial advantage over other strategies, and our manager selection results once again bore that out.

¹ Data: FTSE Russell, March 31, 2020, and Morningstar.



Outlook for the Great-West Lifetime Funds

The funds' recent underperformance, which has now begun to erode our medium-term results somewhat, is certainly not satisfying to us. We fundamentally believe, however, that maintaining discipline and steadfastly adhering to our long-held investment philosophy remains the best way to generate the long-term results that our investors expect and deserve, even in the face of extreme market conditions like those we faced during the first quarter of 2020.

Outlook for the Great-West Conservative Lifetime Funds

While losses such as those faced by all investors during the first quarter of 2020 are never pleasant, it's nonetheless encouraging to us that the funds' conservative stance had the desired effect, insulating

shareholders from more extreme losses suffered by more aggressive asset allocation strategies. As much as anything, this stands as a testament to the value of maintaining discipline in the face significant uncertainty.

Make no mistake, these are exceptional times. There is no template or playbook for the challenges we face as a society, and we, like everyone else, are unable to offer any special insight as to when things will return to normal. Rest assured, though, that our nation will persist, and capital markets will eventually return to a time when things like drone strikes, commodity price wars and tit-for-tat trade sanctions are once again enough to move the needle. Until then, we will continue to create the broadest, most diversified portfolios we know how to create, enlisting world-class managers to invest with along the way. In closing, thank you for your continued confidence and investment. Please stay healthy and safe.

**Morningstar ratings and rankings as of March 31, 2020**

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
					3-YEAR	5-YEAR	1-YEAR
Great-West Lifetime 2015 Instl	MXNYX	5/1/15	U.S. Fund Target-Date 2015	★★ 129	★★ 99	★★★ 74	92/129
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	U.S. Fund Target-Date 2020	★★ 233	★★ 198	N/A	189/233
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	U.S. Fund Target-Date 2025	★★ 235	★★ 199	★★★ 160	177/235
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	U.S. Fund Target-Date 2030	★★ 244	★★ 209	N/A	190/244
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	U.S. Fund Target-Date 2035	★★ 232	★★ 196	★★★ 157	186/232
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	U.S. Fund Target-Date 2040	★★ 244	★★ 209	N/A	214/244
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	U.S. Fund Target-Date 2045	★★ 232	★★ 196	★★★ 157	203/232
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	U.S. Fund Target-Date 2050	★★ 244	★★ 209	N/A	212/244
Great-West Lifetime 2055 Instl	MXZHx	5/1/15	U.S. Fund Target-Date 2055	★★ 232	★★ 194	★★★ 150	203/232
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	U.S. Fund Target-Date 2060+	N/A	N/A	N/A	N/A
Great-West Lifetime Cnsv 2015 Instl	MXMAX	5/1/15	U.S. Fund Target-Date 2015	★★★ 129	★★★ 99	★★★ 74	20/129
Great-West Lifetime Cnsv 2020 Instl	MXAFX	4/28/16	U.S. Fund Target-Date 2020	★★★ 233	★★★ 198	N/A	58/233
Great-West Lifetime Cnsv 2025 Instl	MXOZX	5/1/15	U.S. Fund Target-Date 2025	★★★★ 235	★★★★ 199	★★★★ 160	31/235
Great-West Lifetime Cnsv 2030 Instl	MXARX	4/28/16	U.S. Fund Target-Date 2030	★★★★ 244	★★★★ 209	N/A	34/244
Great-West Lifetime Cnsv 2035 Instl	MXRCX	5/1/15	U.S. Fund Target-Date 2035	★★★★ 232	★★★★ 196	★★★★ 157	17/232
Great-West Lifetime Cnsv 2040 Instl	MXBCX	4/28/16	U.S. Fund Target-Date 2040	★★★★ 244	★★★★ 209	N/A	34/244
Great-West Lifetime Cnsv 2045 Instl	MXUCX	5/1/15	U.S. Fund Target-Date 2045	★★★ 232	★★★ 196	★★★★ 157	57/232
Great-West Lifetime Cnsv 2050 Instl	MXBNX	4/28/16	U.S. Fund Target-Date 2050	★★★ 244	★★★ 209	N/A	90/244
Great-West Lifetime Cnsv 2055 Instl	MXXFX	5/1/15	U.S. Fund Target-Date 2055	★★★ 232	★★★ 194	★★★ 150	108/232
Great-West Lifetime Cnsv 2060 Instl	MXGKX	5/1/19	U.S. Fund Target-Date 2060+	N/A	N/A	N/A	N/A

1 A lower percentile ranking is more favorable (higher relative returns).



Fund performance as of March 31, 2020

FUND NAME	TICKER	INCEPTION	NET EXPENSE RATIO ² (%)	GROSS EXPENSE RATIO ² (%)	1-YEAR RETURN (%)	3-YEAR RETURN (%)	5-YEAR RETURN (%)	SINCE-INCEPTION RETURN (%)
Great-West Lifetime 2015 Instl	MXNYX	5/1/15	0.47	0.50	-3.73	2.22	2.89	2.91
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	0.53	0.55	-4.62	2.16	N/A	3.93
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	0.51	0.53	-5.82	2.10	3.01	2.98
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	0.54	0.55	-7.73	1.78	N/A	4.22
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	0.55	0.56	-9.70	1.40	2.90	2.80
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	0.56	0.57	-11.57	0.77	N/A	3.94
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	0.57	0.58	-12.63	0.53	2.49	2.34
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	0.58	0.58	-13.07	0.35	N/A	3.67
Great-West Lifetime 2055 Instl	MXZHX	5/1/15	0.58	0.59	-13.21	0.27	2.26	2.09
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	0.59	0.60	N/A	N/A	N/A	-15.45
Great-West Lifetime Cnsrv 2015 Instl	MXMAX	5/1/15	0.43	0.47	-1.19	2.44	2.81	2.83
Great-West Lifetime Cnsrv 2020 Instl	MXAFX	4/28/16	0.46	0.49	-1.91	2.50	N/A	3.72
Great-West Lifetime Cnsrv 2025 Instl	MXOZX	5/1/15	0.47	0.50	-2.72	2.43	3.00	3.00
Great-West Lifetime Cnsrv 2030 Instl	MXARX	4/28/16	0.50	0.52	-4.54	2.16	N/A	3.91
Great-West Lifetime Cnsrv 2035 Instl	MXRCX	5/1/15	0.53	0.54	-5.57	2.22	3.15	3.09
Great-West Lifetime Cnsrv 2040 Instl	MXBCX	4/28/16	0.55	0.56	-7.70	1.81	N/A	4.24
Great-West Lifetime Cnsrv 2045 Instl	MXUCX	5/1/15	0.56	0.57	-9.64	1.33	2.84	2.73
Great-West Lifetime Cnsrv 2050 Instl	MXBNX	4/28/16	0.57	0.58	-10.80	0.91	N/A	3.84
Great-West Lifetime Cnsrv 2055 Instl	MXXFX	5/1/15	0.57	0.58	-11.48	0.66	2.46	2.31
Great-West Lifetime Cnsrv 2060 Instl	MXGKX	5/1/19	0.58	0.59	N/A	N/A	N/A	-13.66

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.

² Gross expense ratios are the funds' total annual operating costs expressed as a percentage of the funds' average net assets over a given time period. They are gross of any fee waivers or expense reimbursements. Net expense ratios are the expense ratios after the application of any voluntary or contractual waivers or reimbursements and are the actual ratios that investors paid during the funds' most recent fiscal year. Expense ratios are subject to change. All contractual fee waivers for the Great-West Lifetime Funds expire on April 30, 2020. Absent waivers or reimbursements, the performance would have been lower.



Generally, the asset allocation of each target date fund will gradually become more conservative as the fund nears the target retirement date. The date in a target date fund's name is the approximate date when investors are expected to start withdrawing their money (generally assumed to be at age 65). The principal value of the fund(s) is not guaranteed at any time, including at the time of the target date and/or withdrawal.

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 average annual total returns of the funds in the category for the periods stated and do not include any sales charges or redemption fees, but do include 12b-1 fees and the reinvestment of dividends and capital gains distributions. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. Rankings for share classes without a 3-, 5- or 10-year history, as applicable, is based on extended performance. Different share classes may have different rankings.

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Asset allocation and balanced investment options and models are subject to the risks of the underlying investments, which can be a mix of stocks/stock funds and bonds/bond funds.

Asset allocation and diversification do not ensure a profit and do not protect against loss in declining markets.

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