



# Great-West Lifetime Funds



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

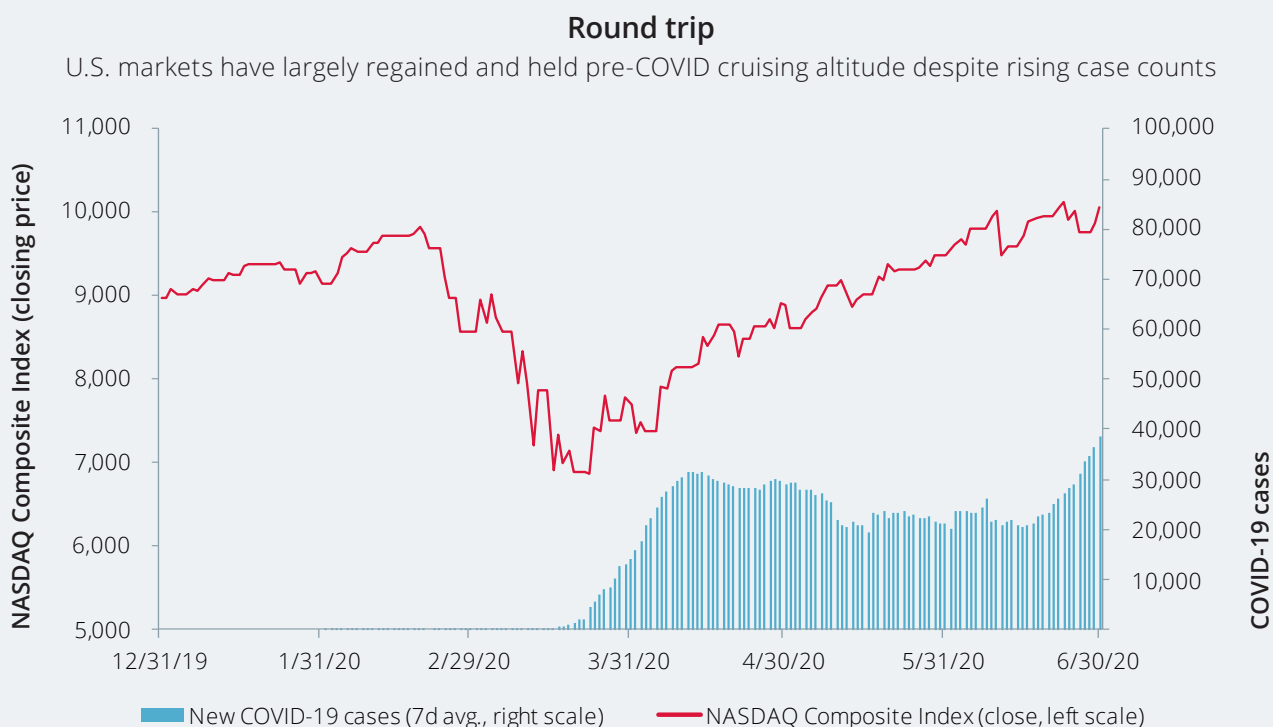
## Round trip

Travel is part of my job description (at least it used to be). But like many of you, I haven't seen the inside of an airplane since March and I don't expect to anytime soon.

For that reason, we might all need a reminder of what terms like "high altitude," "round trip" and "rough landing" actually mean. Thankfully, markets have been more than willing to oblige. As the below chart confirms, U.S. equities have made nearly a complete round trip since the arrival of COVID-19 first sent stocks into a tailspin, bottoming in late March even though the daily number of confirmed cases was still rising dramatically. Fast forward to today,

and infection rates are again accelerating after a brief and hopeful pause. This time around, though, markets seem to be taking a wait-and-see approach and, at least in the case of the tech-heavy NASDAQ Composite, are holding at an altitude a few hundred feet above where they were cruising when the turbulence first hit.

In some ways, the market's resilience is almost understandable. After all, the twin monetary and fiscal responses to the pandemic have been enormous, not just here in the U.S., but globally. Moreover, a wide range of metrics designed to measure the health of the U.S.



Source: Bloomberg, World Health Organization, GWI calculations.



economy have begun to show signs of life as state and local economies reopen (albeit in fits and starts). Evidence includes forward-looking indicators of both manufacturing and services sector activity (some of which are already back in expansionary territory) as well as consumer confidence (which, while not yet back to pre-pandemic levels, has painted a picture of a U.S. consumer that has held in almost heroically throughout the pandemic).

Somewhat less comforting, though, is the continued dominance of growth over value. Value stocks rallied during the second quarter, but growth rallied even harder. Based on data from index provider Russell, growth-oriented benchmarks in the U.S. outperformed their value counterparts by more than 10% across all capitalization ranges during the second quarter.

That gap is getting tiresome to describe, but it's also potentially telling. Some pundits will tell you that the market's preference for growth reflects a subtle but deeply held fear that the economy may not be quite out of the woods. They claim that investors buy growth when earnings growth seems likely to become increasingly scarce. Of course, the phrase "increasingly scarce growth" is not really how anyone would describe a V-shaped recovery, but it does square well with sector performance since many of the sectors one might expect to benefit from a robust and sustained economic recovery have so far lagged the market's rebound. The message markets may be sending, then, is that while near-term economic performance has been encouraging, we may not be quite ready for lift-off.

### **Performance of the Great-West Lifetime Funds**

Recent performance was acceptably strong for the Great-West Lifetime Funds, with each fund in the series outperforming both its benchmark and its peer group during the second quarter. Peer-relative performance was particularly good among the recent-vintage funds in the series, owing at least in part to very strong performances among some of the underlying fixed-income funds in which we invest. (Fixed-income investments play a larger role in the recent-vintage funds like Lifetime 2015, Lifetime 2020 and Lifetime 2025 given these funds' relatively tame risk-return profiles compared to later vintages.)

Examples of standout performance in the fixed-income sleeve of these funds included the Great-West Short Duration Bond Fund, the Great-West Multi-Sector Bond Fund and the Great-West High-Yield Bond Fund.

Many of the later-vintage funds in the series benefited from these results, too, but to a lesser extent given their heavier focus on stocks. Here, the story was instead about the value added by equity funds such as the Great-West Large Cap Growth Fund — a multi-manager portfolio co-managed by JP Morgan and Amundi Pioneer and by the Great-West International Growth Fund, a multi-managed collaboration between JP Morgan and Franklin Templeton. Performance of the later-dated Lifetime Funds is particularly gratifying given the continued underperformance of value-oriented stocks, which remains a small but consistent exposure for all Lifetime Funds but is particularly impactful there.

While there were no substantial changes to the portfolio during the period, we would like to highlight a change in the team responsible for managing the funds. At the end of April, Jonathan Kreider, CFA, and Jack Brown, CFA, stepped away from management of the Lifetime Funds to focus on their expanding duties as executive leaders of Great-West Investments™(GWI). Although they have relinquished formal responsibility for investment decisions made on behalf of the funds, both Jonathan and Jack remain intimately involved with the Lifetime Funds as GWI CEO and CIO, respectively. Moreover, the Asset Allocation Committee that has managed the Lifetime Funds for years will continue in that role and will now be led by portfolio managers Maria Mendelsberg, CFA, and Drew Corwin, CFA, both of whom have had day-to-day responsibility for managing the funds for several years. We are therefore confident that the transition will continue to be seamless in terms of investment process and philosophy.



Of course, we recognize that this quarter's relatively strong performance still isn't sufficient to completely make up all the ground lost earlier in the market downturn, but it's an encouraging start. It's especially hopeful to see a turnaround emerging even before some of the market dislocations responsible for the fund's recent underperformance have fully resolved themselves, such as the market's single-minded preference for growth over value. Moreover, longer-term performance across the range of Lifetime Funds remains very competitive. And in any case, you can rest assured that we continually revisit and re-assess how your fund is built, both from a strategic asset perspective and related to the underlying investment managers with whom we partner, to provide you with the appropriate exposures to those asset classes.

## Outlook

The COVID-19 pandemic and the near-total shutdown of the global economy that accompanied it are simply unprecedented. The virus has proven itself to be stubbornly resilient, and as I write this, it is staging a comeback that threatens to force the re-imposition of at least some of the lockdown measures that first sent the economy reeling. That has raised the possibility that the economic recession we are currently mired in could be longer and deeper than many had assumed.

At the same time, we are encouraged by signs that the economy may be beginning to heal, such as a notable recovery in financial markets, a nascent recovery in both the manufacturing and services sectors of the economy, and an apparent stabilization of U.S. labor markets. At least some degree of clarity — if not confidence — seems also to be returning to corporate boardrooms across the country.

These are positive steps, but let's be clear: There is no playbook for this, and very real risks remain. For that reason, we continue to believe that a portfolio with broad and diversified exposure to not only different asset classes but different investment styles and processes as well provides the best opportunity for investors to deal with whatever lies ahead.

## Performance of the Great-West Lifetime Conservative Funds

In a near-total reversal of last quarter's performance, the equity market's powerful rebound during the second quarter caused the Lifetime Conservative Funds to lag their respective peer groups by a wide margin. This is of course a direct result of the funds' emphasis on less risky areas of the market like bonds over more aggressive investments in stocks and is entirely consistent with the fund's strategic design as it stands today. Benchmark-relative performance remained strong, however, with each of the Lifetime Conservative funds outpacing their benchmarks by a comfortable margin (see performance table at the end of this commentary).

In general, we were satisfied with the performance of the underlying investment managers represented in the Lifetime Conservative series. In particular, we were pleased with the Great-West Short Duration Bond Fund, the Great-West Multi-Sector Bond Fund and the Great-West High-Yield Bond Fund. Sustained outperformance by the fixed-income managers in the fund has been crucial to the long-term success of Lifetime Conservative given these funds' greater emphasis on bonds compared to other options in the target date space.

On the equity side of the ledger, Great-West Large Cap Growth Fund — a multi-manager portfolio co-managed by JP Morgan and Amundi Pioneer — performed well during the quarter, as did the Great-West International Growth Fund, a multi-managed collaboration between JP Morgan and Franklin Templeton, which beat all but 15% of its representative peer group.

While there were no substantial changes to the portfolio during the period, we would like to highlight a change in the team responsible for managing the funds. At the end of April, Jonathan Kreider, CFA, and Jack Brown, CFA, stepped away from management of the Lifetime Funds to focus on their expanding duties as executive leaders of Great-West Investments™ (GWI). Although they have relinquished formal responsibility for investment decisions made on behalf of the funds, both Jonathan



and Jack remain intimately involved with the Lifetime Funds as GWI CEO and CIO, respectively. Moreover, the Asset Allocation Committee that has managed the Lifetime Funds for years will continue in that role and will now be led by portfolio managers Maria Mendelsberg, CFA, and Drew Corwin, CFA, both of whom have had day-to-day responsibility for managing the funds for several years. We are therefore confident that the transition will continue to be seamless in terms of investment process and philosophy.

In addition to management changes mentioned earlier, the Lifetime Conservative Funds will be merged into the Great-West Lifetime Funds on August 14, 2020. The investment philosophy, style, process, portfolio management teams and underlying investments are consistent between both target date series. Great-West Lifetime Funds have more consistently outperformed their respective target date peer groups historically than the Great-West Lifetime Conservative Funds, and they also carry higher allocations to equities across their glide paths.

**Morningstar ratings and rankings as of June 30, 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 1-YEAR
					3-YEAR	5-YEAR	
Great-West Lifetime 2015 Instl	MXNYX	5/1/15	US Fund Target-Date 2015	★★★ 123	★★ 98	★★★ 72	(78/123)
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	US Fund Target-Date 2020	★★★ 223	★★★ 195	N/A	(147/223)
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	US Fund Target-Date 2025	★★★ 229	★★★ 200	★★★ 159	(136/229)
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	US Fund Target-Date 2030	★★ 238	★★ 209	N/A	(157/238)
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	US Fund Target-Date 2035	★★★ 226	★★ 197	★★★ 156	(154/226)
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	US Fund Target-Date 2040	★★ 238	★★ 209	N/A	(165/238)
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	US Fund Target-Date 2045	★★★ 226	★★ 197	★★★ 156	(160/226)
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	US Fund Target-Date 2050	★★ 238	★★ 209	N/A	(179/238)
Great-West Lifetime 2055 Instl	MXZHX	5/1/15	US Fund Target-Date 2055	★★★ 226	★★ 195	★★★ 153	(180/226)
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	US Fund Target-Date 2060+	N/A	N/A	N/A	N/A
Great-West Lifetime Cnsrv 2015 Instl	MXMAX	5/1/15	US Fund Target-Date 2015	★★★ 123	★★ 98	★★★ 72	(53/123)
Great-West Lifetime Cnsrv 2020 Instl	MXAFX	4/28/16	US Fund Target-Date 2020	★★★ 223	★★★ 195	N/A	(82/223)
Great-West Lifetime Cnsrv 2025 Instl	MXOZX	5/1/15	US Fund Target-Date 2025	★★★ 229	★★★ 200	★★★ 159	(86/229)
Great-West Lifetime Cnsrv 2030 Instl	MXARX	4/28/16	US Fund Target-Date 2030	★★★ 238	★★★ 209	N/A	(132/238)
Great-West Lifetime Cnsrv 2035 Instl	MXRCX	5/1/15	US Fund Target-Date 2035	★★★★ 226	★★★ 197	★★★★ 156	(69/226)
Great-West Lifetime Cnsrv 2040 Instl	MXBCX	4/28/16	US Fund Target-Date 2040	★★★ 238	★★★ 209	N/A	(109/238)
Great-West Lifetime Cnsrv 2045 Instl	MXUCX	5/1/15	US Fund Target-Date 2045	★★★ 226	★★★ 197	★★★ 156	(125/226)
Great-West Lifetime Cnsrv 2050 Instl	MXBNX	4/28/16	US Fund Target-Date 2050	★★★ 238	★★★ 209	N/A	(128/238)
Great-West Lifetime Cnsrv 2055 Instl	MXFX	5/1/15	US Fund Target-Date 2055	★★★ 226	★★ 195	★★★ 153	(147/226)
Great-West Lifetime Cnsrv 2060 Instl	MXGX	5/1/19	US 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 June 30, 2020

FUND NAME	TICKER	INCEPTION	NET EXPENSE RATIO (%) <sup>2</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	4.04	5.06	5.36	4.90
Great-West Lifetime 2020 Instl	MXAKX	4/28/16	0.48	0.51	3.67	5.15	N/A	6.54
Great-West Lifetime 2025 Instl	MXQBX	5/1/15	0.50	0.52	3.62	5.40	5.82	5.36
Great-West Lifetime 2030 Instl	MXAYX	4/28/16	0.52	0.54	2.54	5.37	N/A	7.45
Great-West Lifetime 2035 Instl	MXTBX	5/1/15	0.55	0.56	1.95	5.44	6.26	5.78
Great-West Lifetime 2040 Instl	MXBGX	4/28/16	0.56	0.57	0.81	5.10	N/A	7.88
Great-West Lifetime 2045 Instl	MXWEX	5/1/15	0.57	0.58	0.34	5.02	6.18	5.69
Great-West Lifetime 2050 Instl	MXBSX	4/28/16	0.57	0.58	-0.04	4.87	N/A	7.84
Great-West Lifetime 2055 Instl	MXZHX	5/1/15	0.57	0.58	-0.20	4.76	5.98	5.47
Great-West Lifetime 2060 Instl	MXGUX	5/1/19	0.59	0.60	N/A	N/A	N/A	-15.45
Great-West Lifetime Cnsvr 2015 Instl	MXMAX	5/1/15	0.42	0.47	4.49	4.66	4.75	4.33
Great-West Lifetime Cnsvr 2020 Instl	MXAFX	4/28/16	0.44	0.48	4.48	4.89	N/A	5.74
Great-West Lifetime Cnsvr 2025 Instl	MXOZX	5/1/15	0.47	0.50	4.32	5.05	5.27	4.83
Great-West Lifetime Cnsvr 2030 Instl	MXARX	4/28/16	0.48	0.51	3.28	4.97	N/A	6.41
Great-West Lifetime Cnsvr 2035 Instl	MXRCX	5/1/15	0.51	0.53	3.69	5.44	5.91	5.42
Great-West Lifetime Cnsvr 2040 Instl	MXBCX	4/28/16	0.54	0.55	2.69	5.39	N/A	7.49
Great-West Lifetime Cnsvr 2045 Instl	MXUCX	5/1/15	0.55	0.56	1.72	5.25	6.14	5.65
Great-West Lifetime Cnsvr 2050 Instl	MXBNX	4/28/16	0.56	0.57	1.26	5.07	N/A	7.66
Great-West Lifetime Cnsvr 2055 Instl	MXXFX	5/1/15	0.56	0.57	0.76	4.88	5.98	5.47
Great-West Lifetime Cnsvr 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](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.

<sup>2</sup> The net expense ratio reflects contractual fee waivers or reimbursements that expire on April 30, 2021. Absent waivers or reimbursements, the performance would have been lower.



*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.*

***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.***

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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.

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