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# QDIA Validation

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**Great-West Capital  
Management, LLC**

**Great-West Lifetime  
Asset Allocation Funds**

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April, 2014

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**DALBAR, Inc.**  
Audit & Due Diligence Division

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## QDIA Validation - Status as of April, 2014

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DALBAR APPROVED

VALIDATED for QDIA

DALBAR has evaluated the *Great-West Lifetime Asset Allocation Funds* offered by *Great-West Capital Management, LLC (Manager)* to determine if it complies with the requirements to be used as a Qualified Default Investment Alternative (QDIA) as defined by the Employee Retirement Income Security Act of 1974, as amended [ERISA] Section 404(c)(5) and associated regulations.

*Great-West Lifetime Asset Allocation Funds* are referred to as the Investment and are registered investment companies that are reported to be in compliance with all applicable regulations.



## The Investment

The *Great-West Lifetime Asset Allocation Funds (Investment)*, were examined in relation to requirements for use as a Qualified Default Investment Alternative under ERISA Section 404(c)(5). The *Investment* consists of three tracks:

- I      **Conservative**
- II     **Moderate**
- III    **Aggressive**

## → Validation Grid

The following table summarizes the ways in which the *Great-West Lifetime Asset Allocation Funds* qualify as a QDIA.

In each case the *Investment* being validated may be applicable as the only one used (stand-alone) or may be used in conjunction with other investments (sleeve) in a model portfolio managed by an investment adviser that qualifies under ERISA section 3(38). The QDIA validation determines which QDIA alternative(s) apply and whether the *Investment* may be used stand-alone and/or as a sleeve in a portfolio.

<i>GREAT-WEST LIFETIME ASSET ALLOCATION FUNDS</i>			
	QDIA Alternative	Stand Alone	Sleeve of portfolio
1	Age Based	Yes	Yes
2	Risk Based	No	No
3	Managed Account	No	Yes
4	Short Term	N/A	N/A
5	Grandfathered	N/A	N/A

## Noteworthy Observations

- The *Great West Lifetime Allocation Funds* correct the most glaring deficiency of target date funds. That deficiency is the false assumption that all investors of the same age have similar ambitions, concerns and preferences and that there is a gradual migration from high risk to low risk over time. These assumptions have led to a single alternative for each age cohort.

The *Great West Lifetime Allocation Funds* present three alternative paths that recognize the differences in individual risk tolerances at every age that are a result of personal differences.

➔ **Conclusion.** The three distinct paths of the *Great West Lifetime Allocation Funds* overcome the primary deficiency of target date funds and permits:

- Adapting investments to the individual situations
- Changing the default when an individual's situation changes.

- The three series of the *Great West Lifetime Allocation Funds* (Conservative, Moderate and Aggressive) have performed precisely as expected. In the volatile markets of 2011 the Conservative series did the best at preserving capital. In the strong equity market of 2013, the Aggressive series took greatest advantage of the appreciation. The results are evidence of the skill and capability of *Great West Capital Management* to execute a sound asset allocation strategy.

➔ **Conclusion.** The *Great West Lifetime Allocation Funds* have shown that their respective investment strategies stand up in varying markets and are ideal when used together in retirement plans that have participants with diverse risk tolerances.

- The selection of underlying investments for the *Great West Lifetime Allocation Funds* demonstrates an unparalleled level of success. The underlying investments outperformed peers in 92% of measurements made. Working with high quality investments is fundamental to every asset allocation strategy and this success is solid evidence of skill and beyond the possibility of random luck.

➔ **Conclusion.** The demonstrated skill at selecting underlying investments for the *Great West Lifetime Allocation Funds* makes their use a prudent choice.

- The expenses of the *Great West Lifetime Allocation Funds* and the underlying investments are lower than market rates. In 100% of cases, the expenses of *Great West Lifetime Allocation Funds* are lower than corresponding peers. Expenses for underlying funds are below their peers in 97% of cases.

➔ **Conclusion.** The growing concern about fees and expenses paid by plan participants can be alleviated with the *Great West Lifetime Allocation Funds*.

## Introduction

This report contains DALBAR's independent analysis of the *Great-West Lifetime Asset Allocation Funds* and *Great-West Capital Management, LLC* and is intended to supplement the duty of fiduciaries to prudently select investments for use as a Qualified Default Investment Alternative. Since this is a supplement, the content of this report is intended as a guideline and is not a substitute for the evaluation required by regulations.

As an independent expert, DALBAR has no affiliation with the *Great-West Lifetime Asset Allocation Funds* or *Great-West Capital Management, LLC* and has the training, experience and proficiency to conduct this analysis. DALBAR has a 30-year history recognized by industry and government as an independent third-party expert in the business of providing evaluations, ratings and due diligence. DALBAR certifications are recognized as marks of excellence in adviser services, communications, electronic and telephone services. DALBAR is the only ratings firm with an SEC no-action letter exempting certain of its evaluations from the testimonial rule.

This analysis consists of five separate evaluations that are designed to validate if the *Great-West Lifetime Asset Allocation Funds* and *Great-West Capital Management, LLC* meet the requirements of ERISA section 404(c)(5) and related regulations. These evaluations are:

- **Age Based Asset Allocation Analysis:** A comparison of equity mix (glide path) in comparable investments.
- **Up, Down & Reliability Analysis:** Illustrates the effectiveness of the asset allocation process, including the selection and management of the underlying investments used.
- **Applicability as QDIA Alternative:** A determination of which class or classes of QDIA are appropriate uses of the *Great-West Lifetime Asset Allocation Funds*.
- **Qualification Analysis:** An evaluation of the qualifications of *Great-West Capital Management, LLC* to meet the regulatory requirements for a QDIA manager.
- **Reasonableness as an Investment:** An assessment of whether *Great-West Lifetime Asset Allocation Funds* meets the DALBAR standard of reasonableness.

For more information concerning this report, please contact DALBAR at:



**Attn: Audit & Due Diligence**

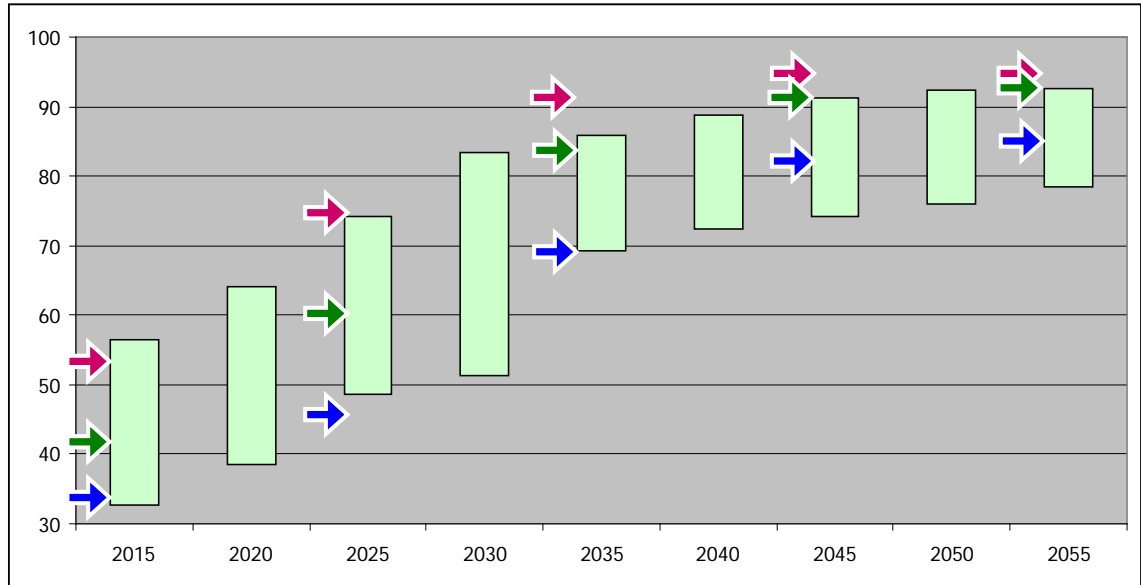
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## Age Based Asset Allocation Analysis

While the allocation of equity and fixed income assets in age based funds and computer models vary widely, a study of age based (target date) funds across the mutual fund industry was used to compute norms for these allocations. The chart below shows these norms. The marker (→) on the chart illustrates the equity allocation of the *Great-West Lifetime Asset Allocation Funds*

**Norms for Equity Allocations Across Target Date Funds**



Equity Allocation Ranges and Norms of Target Date Funds									
	2015	2020	2025	2030	2035	2040	2045	2050	2055
Highest	62.20	70.06	78.77	83.31	89.18	91.71	92.73	93.84	96.90
Norm -Hi	56.58	64.10	74.31	83.31	85.80	88.88	91.30	92.46	92.49
Norm -Low	32.69	38.60	48.59	51.29	69.27	72.39	74.26	75.90	78.49
Lowest	13.18	33.32	41.72	51.29	58.30	65.80	71.70	73.84	75.55
Equity Allocation for the <i>Investment</i>									
Aggressive →	52.46		74.09		91.79		94.81		94.99
Moderate →	43.00		60.29		82.65		91.03		92.01
Conservative →	33.18		46.13		67.70		82.04		84.87



## Up, Down & Reliability Analysis

Prudent asset allocation consists of deciding how much of a capital base will be subject to the risk of loss, in pursuit of appreciation. Results of asset allocation are not merely the investment return after a period of time but more importantly the program must preserve capital to the extent that investors expect.

The desired outcome of the asset allocation is an increased benefit to the employee in the form of increased retirement funds and the avoidance of undue risk.

Unlike cumulative return measures, the *Up, Down & Reliability Analysis* used for this report does not combine periods of investment gains and losses, but examines each separately. There are two reasons for the separation. The first is that investors have very different responses to a failure to make profits than the response to incurring losses. Only by separating periods of gains from periods of losses can the two effects be measured.

The second reason for separation is that asset allocators use different mechanisms for capital preservation from those used for potential appreciation. Only by examining the performance in each condition (Up and Down markets) can the effectiveness of each be judged.

The *Up, Down & Reliability Analysis* isolates the performance that occurred during periods when each of four different market conditions existed:

- Rising
- Falling
- Turbulent
- Recent

These market conditions provide the powerful measure of reliability. Reliability reflects the extent to which the allocator consistently maintains its relative standing among peers. Reliability is derived from the standard deviation of an allocator's relative performance across the selected periods.

The performance of the allocator being evaluated is compared to a peer group consisting of other allocators that describe comparable age based objectives of capital preservation and potential appreciation.

The *Up, Down & Reliability Analysis* shows the strength or weakness under these varying conditions so that poor performance under one set of conditions is not disguised by extraordinarily strong performance in another. Furthermore, the performance is supported by the measure of Reliability:

**Reliability:** Inverse of standard deviation of relative performance over tested periods.

The no-load shares are chosen for this analysis since this class is most widely available in age based funds. Additionally, the distortions in returns due to a varying mix of distribution and other fees are avoided.

## Periods Tested

The periods selected for this analysis are those most representative of the required market conditions in recent history. The periods consist of:

**Up Market (2009):** The average total return for all age based funds in the share class compared to the *Investment* for the most recent significant up year (2009).

**Down Market (2008):** Same as Up Market but for the most recent severe down year (2008)

**Volatile Market (2011):** Same as Up Market but for the most volatile year in recent history (2011)

**Recent Market (2013):** Same as Up Market but for the most recent full calendar year (2013)

## *Great-West Lifetime Asset Allocation Funds* Performance Findings

The *Great West Lifetime Allocation Funds* have demonstrated consistency with the stated goals and emphasis of each series (Conservative, Moderate and Aggressive) during the two stressful periods evaluated. The conservative series protected investors' capital during the market turbulence of 2011. The aggressive series produced considerably higher returns than their peers in 2013.

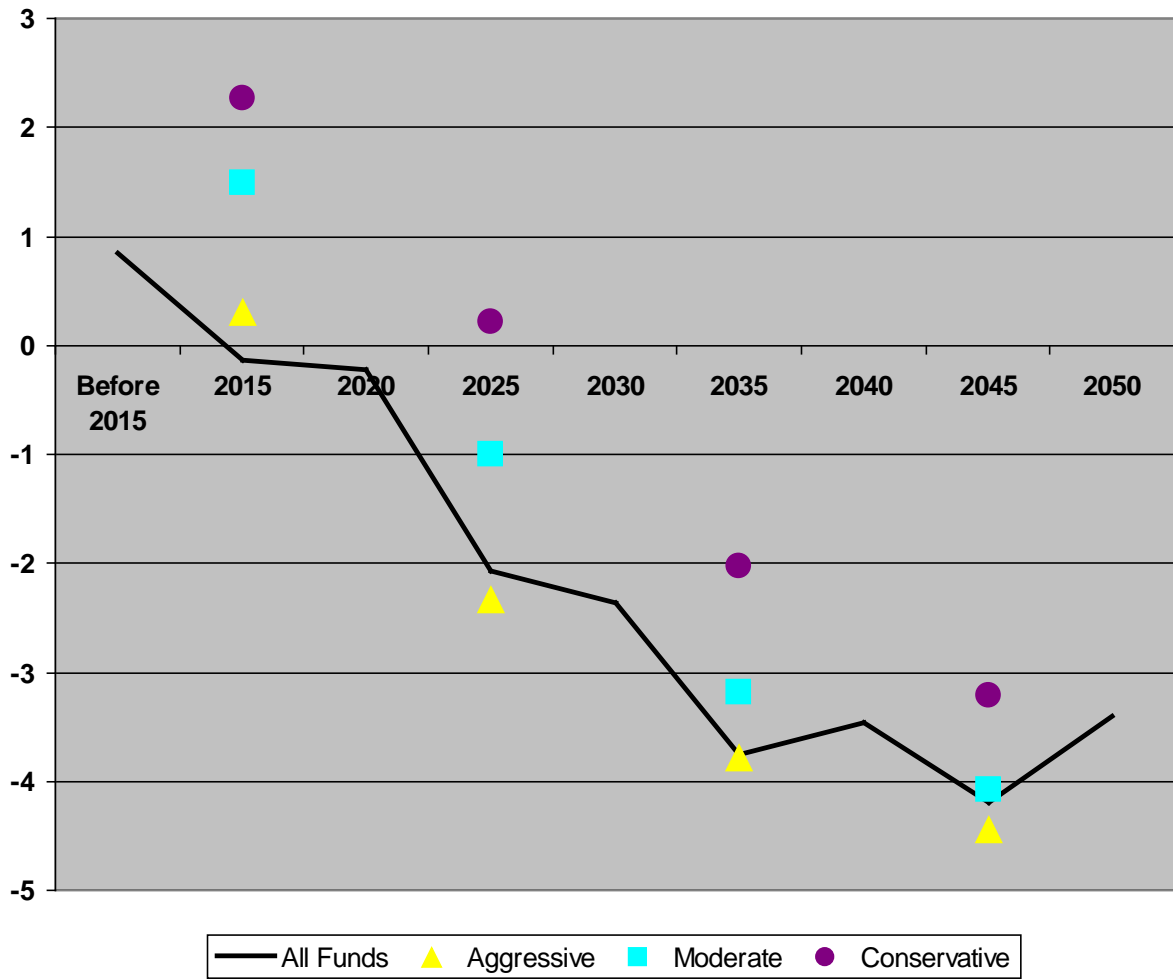
## Up, Down & Reliability Charts

The following charts show the annual returns for up/down/volatile/recent periods and the reliability of returns for no-load retail class shares:

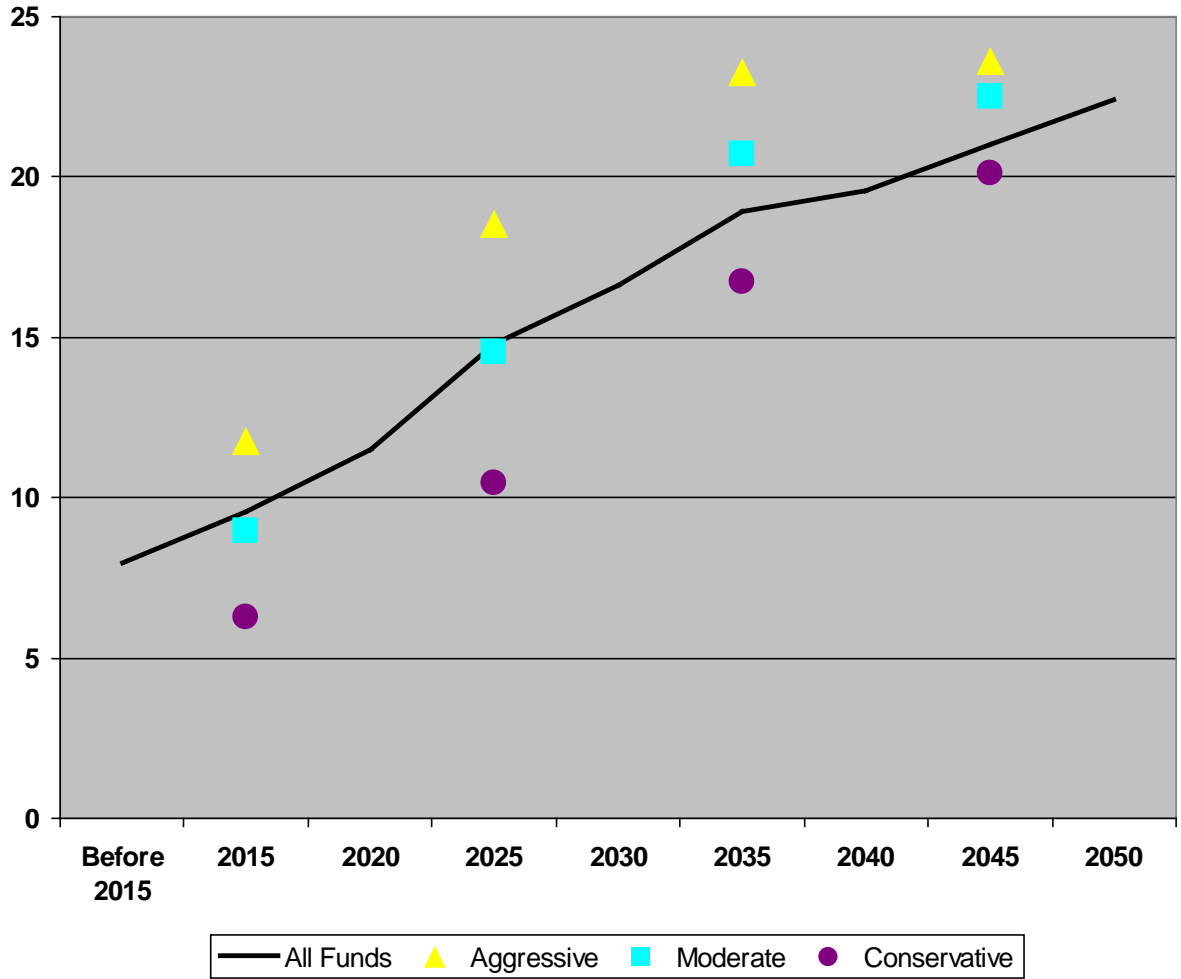
- **Up Market (2009)**  
Omitted—Investment did not exist for entire calendar year
- **Down Market (2008)**  
Omitted –Investment did not exist for entire calendar year
- **Turbulent Market (2011)**
- **Recent Market (2013)**
- **Reliability**  
Omitted –Investment did not exist for all calendar years

Turbulent Market (2011)

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Recent Market (2013)




### Applicability as QDIA Alternative

There are five types of investments that are named as possible QDIA alternatives. In each case the *Investment* being validated may be applicable as the only one used (stand alone) or may be used in conjunction with other investments (sleeve). The alternatives are:


1. Age Based
2. Risk Based (Omitted: Not suitable for this *Investment*)
3. Managed Account
4. Short Term (Omitted: Not suitable for this *Investment*)
5. Grandfathered (Omitted: Not suitable for this *Investment*)

The Applicability phase of the QDIA validation examines the *Investment* to determine which alternatives apply and whether it may be used stand-alone and/or as a sleeve.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
<b>1. Age Based - An investment fund product or model portfolio:</b>			
a) ...that applies generally accepted investment theories,	Yes	Yes	The investment approach used is consistent with well established principles and theories. There are three risk profile options (aggressive, moderate and conservative) for each available year designated in the name of the <i>Great-West Lifetime Asset Allocation Fund</i> ("Transition Year"). Depending on its risk profile and proximity to the Transition Year, each Fund employs a different combination of investments among different Underlying Funds in order to emphasize growth, income and/or preservation of capital. <i>Great-West Capital Management</i> periodically reviews asset class allocations and monitors the mix of Underlying Funds, and will make changes either to the asset class allocations, the mix of Underlying Funds, or the Underlying Funds when appropriate.
b) ...that is diversified so as to minimize the risk of large losses,	Yes	Yes	The <i>Investment</i> uses a variety of diversified Underlying Funds in multiple asset classes.
c) ...that is designed to provide varying degrees of long-term appreciation and capital preservation	Yes	Yes	As the Transition Year approaches, the <i>Investment</i> shifts its underlying allocations with the intent of becoming more conservative.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
d) ...through a mix of equity and fixed income exposures	Yes	Yes	<i>Investment</i> contains both equities and fixed income.
e) ...based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy.	Yes	Yes	In addition to Transition Year, the selection can also be based on matching the risk profile of the participant to the investment option for that year.
f) Such products and portfolios change their asset allocations and associated risk levels over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age.	Yes	Yes	As the Transition Year approaches, the <i>Investment</i> shifts its underlying allocations with the intent of becoming more conservative.
 <b>SUMMARY:</b> The <i>Great-West Lifetime Asset Allocation Funds</i> qualify to be used as an AGE-BASED QDIA and may be used as part of a qualified model portfolio in conjunction with other investments.			

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
<b>3. Managed Account - An investment management service:</b>			
a) ... with respect to which a fiduciary that is either, I. an investment manager, within the meaning of section 3(38) of ERISA; II. a trustee of the plan that meets the requirements of section 3(38)(A), (B) and (C) of ERISA; or III. the plan sponsor who is a named fiduciary, within the meaning of section 402(a)(2) of ERISA,	No	Yes	The <i>Investment</i> is not appropriate by itself as a managed account but may be included in a managed account by a qualified QDIA manager of the plan.
b) ...applying generally accepted investment theories,	Yes	Yes	The investment approach used is consistent with well established principles and theories. There are three risk profile options (aggressive, moderate and conservative) for each available year designated in the name of the <i>Great-West Lifetime Asset Allocation Fund</i> ("Transition Year"). Depending on its risk profile and proximity to the Transition Year, each Fund employs a different combination of investments among different Underlying Funds in order to emphasize growth, income and/or preservation of capital. <i>Great-West Capital Management</i> periodically reviews asset class allocations and monitors the mix of Underlying Funds, and will make changes either to the asset class allocations, the mix of Underlying Funds, or the Underlying Funds when appropriate.
c) ...allocates the assets of a participant's individual account	No	Yes	The <i>Investment</i> is not appropriate by itself as a managed account but may be included in a managed account by a qualified QDIA manager of the plan.
d) ...to achieve varying degrees of long-term appreciation and capital preservation,	Yes	Yes	As the Transition Year approaches, the <i>Investment</i> shifts its underlying allocations with the intent of becoming more conservative.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
e) ...through a mix of equity and fixed income exposures,	N/A	Yes	<i>Investment</i> contains both equities and fixed income in addition to commodities.
f) ...offered through investment alternatives available under the plan,	N/A	Yes	The <i>Investment</i> is appropriate for inclusion in the plan and thus be made available to a qualified QDIA manager of the plan.
g) ...based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy.	Yes	Yes	In addition to Transition Year, the selection can also be based on matching the risk profile of the participant to the investment option for that year.
h) Such portfolios are diversified so as to minimize the risk of large losses and	Yes	Yes	The <i>Investment</i> uses a variety of diversified Underlying Funds in multiple asset classes.
i) ...change their asset allocations and associated risk levels for an individual account over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age.	Yes	Yes	As the Transition Year approaches, the <i>Investment</i> shifts its underlying allocations with the intent of becoming more conservative.
 <b>SUMMARY:</b> The <i>Great-West Lifetime Asset Allocation Funds</i> do NOT qualify to be used in a MANAGED-ACCOUNT QDIA by themselves but may be used as part of a qualified model portfolio in conjunction with other investments.			



## Qualification Analysis

No violations of self-dealing prohibitions were found and the *Great-West Lifetime Asset Allocation Funds* were found to meet the QDIA requirements for the alternatives shown in the Validation Grid section of this report. The analysis included the following findings:

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
<b>1. Self-dealing Prohibitions - A fiduciary with respect to a plan:</b>			
a) ... shall not deal with the assets of the plan in his own interest or for his own account,	Does <i>Manager</i> have discretion to vary its compensation based on changing holdings within the <i>Investment</i> ?	Pass	<i>Manager</i> receives a flat 12 bps management fee from each of the underlying funds. This compensation does not change based on the selection of underlying funds. Indirectly, the <i>Manager's</i> compensation will vary based on the selection of individual proprietary underlying funds. The average expenses of the <i>Manager's</i> proprietary finds is 87 bps, which is 19% lower than the average of all other underlying managers. This creates a 19% advantage for participants when the <i>Manager's</i> proprietary funds are used.
b) ...in his individual or in any other capacity act in any transaction involving the plan on behalf of a party (or represent a party) whose interests are adverse to the interests of the plan or the interests of its participants or beneficiaries, or	Does <i>Manager</i> have interests that are adverse to those of participants?	Pass	<i>Manager's</i> interests are not adverse to participants' by virtue of the fact that <i>Manager's</i> compensation increases with growth in asset value in participants' accounts and decreases if assets decline.

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
c) ...receive any consideration for his own personal account from any party dealing with such plan in connection with a transaction involving the assets of the plan.	Does <u>Manager</u> receive compensation from another party for managing the <u>Investment</u> ?	Pass	The <u>Manager</u> reports that there is no additional compensation.
<b>2. Conditions for QDIA Fiduciary Relief</b>			
a) Consider investment fees and expenses in choosing a QDIA	Do expenses for this <u>Investment</u> fall within the normal range of other investments of this type?	Pass	Actual Expenses for all 15 funds of the <i>Great-West Lifetime Asset Allocation Funds</i> are below respective benchmarks. See Appendix D -Performance Analysis for details.
b) Material is provided to participant relating to his/her QDIA.	Is <u>Investment</u> material appropriate for plan participants?	Pass	Material contains description that can be extracted to be appropriate for participants with only minimal investment knowledge.
c) Notice must be written in a manner calculated to be understood by the average plan participant.	Is the information provided for inclusion in the required notice understandable to an average participant? <u>Note: Plan fiduciary must determine that the entire notice can be understood.</u>	Pass	Under most circumstances, the average plan participant will be able to understand the information extracted from the materials.

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
<b>3. QDIA Requirements</b>			
a) QDIA shall not permit employer securities except as investments within regulated investment companies or as employer match.	Does <u>Investment</u> permit use of employer securities outside of the QDIA exceptions?	Pass	<u>Investments</u> are registered investment companies and qualify under the exemption applicable to employer securities.
b) QDIA may not impose financial penalties or restrict the ability of a participant to transfer.	Are there restrictions or fees to transfer out of <u>Investment</u> which are prohibited under QDIA regulations?	Pass	No restrictions, except that <u>Manager</u> reserves the right to use restrictions in the event that market timing is discovered.
c) QDIA is either managed by an investment manager, as defined in section 3(38) of ERISA, or plan trustee, or plan sponsor who is a named fiduciary or is a registered investment company or a stable value fund under State or federal regulation.	Does the <u>Manager</u> meet the criteria appropriate for the type of QDIA being validated?	Pass	<u>Investments</u> are registered investment companies.

## Reasonableness as an Investment

QDIA regulations require that investments be reasonable, which DALBAR has further defined as falling within a normal range of comparable investments. The Reasonableness Analysis presented reflects this standard.

Plan fiduciaries are responsible for reviewing current investment information and making the determination that the *Great-West Lifetime Asset Allocation Funds* is a reasonable investment for the plan. Plan fiduciaries, including plan sponsors, are encouraged to seek independent expert advice in making the selection and monitoring of investments.

In order to assist in the determination DALBAR provides the following observations based on information available at the time of this evaluation.

C. REASONABLENESS INVESTMENT ANALYSIS	
DALBAR INVESTMENT CRITERIA	OBSERVATIONS
<b>1. Minimum track record</b>	
The average history for each underlying asset class investment strategy should be at least three years.	The history of underlying asset classes is well over three years. The <i>Investment</i> has a history of four years.
<b>2. Stability of the organization</b>	
The average tenure of the portfolio management team for each underlying asset class investment strategy should be at least two years.	Tenure of management of each underlying asset class investment strategy exceeds the threshold.
<b>3. Assets in the product</b>	
The average underlying asset class investment strategy should have at least \$75 million under management (can include assets in other funds with the same strategy).	The assets under management of the <i>Investment</i> and each underlying asset class exceed the threshold.
<b>4. Holdings consistent with style</b>	
a) The allocation to equities is evaluated against the peer group – highest allocation to least - the screening threshold being set at the bottom quartile;	The equity allocations of the <i>Great-West Lifetime Asset Allocation Funds</i> are aligned with the respective risk profile options. (See Age-Based Asset Allocation analysis presented earlier in this report.)
b) The allocation to fixed income is evaluated against the peer group – highest allocation to least - the screening threshold being set at the bottom quartile.	The fixed income allocations of the <i>Great-West Lifetime Asset Allocation Funds</i> are aligned with the respective risk profile options.

C. REASONABLENESS INVESTMENT ANALYSIS																					
DALBAR INVESTMENT CRITERIA	OBSERVATIONS																				
<b>5. Correlation to style or peer group</b>																					
The number of asset classes that make up the QDIA are evaluated against the peer group - most asset classes to least - the screening threshold being set at the peer group median.	The underlying assets of <i>Great-West Lifetime Asset Allocation Funds</i> are primarily highly diversified mutual funds, covering a large variety of asset classes.																				
<b>6. Expense ratios/fees</b>																					
a) The wrapper expense is evaluated against the peer group – cheapest to most expensive - the screening threshold being set at the bottom quartile.	Total management fee for the <i>Great-West Lifetime Asset Allocation Funds</i> is 12 bps which is within the normal range for the peer group.																				
b) The average expense ratio of each underlying asset class investment strategy is evaluated against the peer group - cheapest to most expensive - the screening threshold being set at the bottom quartile.	Of 34 underlying investments 1 has expenses that are above its respective peer group.																				
<b>7. Performance relative to assumed risk</b>																					
This analysis evaluates historical performance within the context of overall risk. It examines the number of positive and negative annual returns, the average of the positive and negative annual returns, and the best and worst annual returns, for a minimum of three years (max: 10 years).	Over the four calendar years ended 12/31/13, the <i>Investment</i> had the following percentage returns: <table border="1"> <thead> <tr> <th></th> <th>I</th> <th>II</th> <th>III</th> </tr> </thead> <tbody> <tr> <td>Positive years</td> <td>+13.02</td> <td>+15.08</td> <td>+16.11</td> </tr> <tr> <td>Negative years</td> <td>-3.00</td> <td>-3.20</td> <td>-3.84</td> </tr> <tr> <td>Best year</td> <td>+16.10</td> <td>+18.42</td> <td>+20.33</td> </tr> <tr> <td>Worst year</td> <td>-3.00</td> <td>-3.20</td> <td>-3.84</td> </tr> </tbody> </table>		I	II	III	Positive years	+13.02	+15.08	+16.11	Negative years	-3.00	-3.20	-3.84	Best year	+16.10	+18.42	+20.33	Worst year	-3.00	-3.20	-3.84
	I	II	III																		
Positive years	+13.02	+15.08	+16.11																		
Negative years	-3.00	-3.20	-3.84																		
Best year	+16.10	+18.42	+20.33																		
Worst year	-3.00	-3.20	-3.84																		
<b>8. Performance relative to a peer group</b>																					
The average 1-, 3-, and 5-year performance of each asset class investment strategy is evaluated against the peer group's median.	Underlying investments outperformed peer groups in 92% of cases for the combined 1, 3, 5 and 10 year periods.																				

## Appendices

- A. Asset Allocators
- B. Portfolio Managers –Underlying Investments
- C. Risk/Return Analysis
  - 1. Investment
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- D. Performance Analysis
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  - 2. Underlying Investments
- E. Expense Analysis

## A. Asset Allocators

INVESTMENT	ALLOCATOR	TOTAL YEARS EXPERIENCE	YEARS WITH FUND
<i>Great-West Lifetime Asset Allocation Funds</i>	S. Mark Corbett, Senior Vice President of Great-West Capital Management	27	5

## B. Portfolio Managers –Underlying Investments

UNDERLYING INVESTMENT	PORTFOLIO MANAGER	YEARS WITH FUND
Allianz NFJ Small Cap Value A	Benno J. Fischer	22
	Paul A. Magnuson	18
	Morley D. Campbell	5
	John R. Mowrey	New
American Century Infl-Adj Bond Inv	Robert V. Gahagan	12
	Brian Howell	9
	James E. Platz	6
Cohen & Steers International Realty A	Joseph M. Harvey	8
	Gerios Rovers	8
	Luke Sullivan	5
	Rogier Quirijns	1
	Jon Cheigh	1
	William Leung	1
Great-West American Century Growth Init	E. A. LeGard	2
	Gregory J. Woodhams	2
Great-West Ariel Mid Cap Value Init	John W. Rogers, Jr.	14
	Timothy R. Fidler	2
Great-West Bond Index Init (Idx)	Catherine S. Tocher	10
	Thone Gdovin	New
	Sam Moyn	New
Great-West Federated Bond Init	Robert J. Ostrowski	10
	Mark E. Durbiano	8
	Christopher J. Smith	7
	Ihab L. Salib	New
Great-West Goldman Sachs Mid Cap Value	Ronald Hua	2
	Len Ioffe	2
Great-West International Index Init (Idx)	Richard A. Brown	3
	Thomas J. Durante	3
	Karen Q. Wong	3
Great-West Loomis Sayles Bond Init	Daniel J. Fuss	19
	Matthew J. Eagan	New



UNDERLYING INVESTMENT	PORTFOLIO MANAGER	YEARS WITH FUND
	Elaine M. Stokes	New
Great-West Loomis Sayles Small Cap Value Init	Joseph R. Gatz	13
	Jeffrey Schwartz	1
Great-West MFS International Growth Init	Marcus L. Smith	10
	Daniel Ling	4
Great-West MFS International Value Init	Benjamin Stone	4
	Barnaby Wiener	4
Great-West Multi-Manager Large Cap Growth Init	Andrew Acheson	New
	Paul Cloonan	New
	Giri Devulapally	New
	Christopher Mark Jones	New
Great-West Putnam Equity Income Init	Darren A. Jaroch	1
	Walter Scully	1
Great-West Putnam High Yield Bond Init	Paul D. Scanlon	4
	Norman P. Boucher	4
	Robert L. Salvin	4
Great-West Real Estate Index Init	Louis Bottari	1
	James B. Francis	1
	Peter Matthew	
	Patrick Waddell	
Great-West S&P 500® Index Init (Idx)	Richard A. Brown	4
	Thomas J. Durante	4
	Karen Q. Wong	4
Great-West S&P Mid Cap 400® Index Init (Idx)	Richard A. Brown	3
	Thomas J. Durante	3
	Karen Q. Wong	3
Great-West S&P Small Cap 600® Index Init (Idx)	Richard A. Brown	4
	Thomas J. Durante	4
	Karen Q. Wong	4
Great-West Short Duration Bond Init	Catherine S. Tocher	10
	Thone Gdovin	New

UNDERLYING INVESTMENT	PORTFOLIO MANAGER	YEARS WITH FUND
	Sam Moyn	New
Great-West T. Rowe Price Equity Inc Init	Brian C. Rogers	19
Great-West T. Rowe Price Mid Cap Growth Init	Brian W.H. Berghuis	16
Great-West Templeton Global Bond Init	Michael Hasenstab	8
	Canyon Chan	2
Harbor International Inv	Howard Appleby	5
	Jean-Francois Ducrest	5
	James LaTorre	5
	Edward E. Wendell, Jr.	5
Invesco Developing Markets R5	Borge Endresen	10
	Shuxin (Steve) Cao	10
	Mark Jason	5
Invesco Global Real Estate R5	Joe Rodriguez, Jr.	8
	Mark D. Blackburn	8
	Ping-Ying Wang	7
	Paul S. Curbo	6
	James Cowen	5
	Darin Turner	3
Invesco International Growth R5	Clas G. Olsson	16
	Jason T. Holzer	14
	Shuxin (Steve) Cao	10
	Matthew W. Dennis	10
Invesco Small Cap Discovery A LW	Matthew Hart	13
	Justin A. Speer	5
Janus Triton S	Jonathan D. Coleman	New
Metropolitan West High Yield Bond M	Stephen M. Kane	11
	Laird R. Landmann	11
	Jamie S. Farnham	11
	Giovanni A. Nucci	9
Nuveen Real Estate Secs I	John G. Wenker	14
	Jay L. Rosenberg	8
	Scott C. Sedlak	3
Oppenheimer Developing Markets A LW	Justin Leverenz	6

UNDERLYING INVESTMENT	PORTFOLIO MANAGER	YEARS WITH FUND
Oppenheimer International Bond A LW	Arthur P. Steinmetz	9
	Sara J. Zervos	4
PIMCO Real Return Admin	Mihir Worah	6
T. Rowe Price Real Estate Adv	David M. Lee	16
Third Avenue Real Estate Value Instl	Michael Winer	15
	Jason Wolf	3
	Ryan Dobratz	1
Wells Fargo Advantage Common Stock A LW	Ann M. Miletti	12
	Thomas D. Wooden	1

## C. Risk/Return Analysis

### 1. Investment

→ Risk/Returns Analysis at 12/31/2013

	INVESTMENT	NO. OF YEARS	UP YEARS	DOWN YEARS	AVG. % UP	AVG. % DOWN	BEST YEAR %	WORST YEAR %
<i>Great-West Lifetime Asset Allocation Funds</i>								
	<i>2015</i>							
	<i>Portfolio I -T</i>	4	4		7.49		10.76	
	<i>Portfolio II -T</i>	4	4		8.49		11.91	
	<i>Portfolio III -T</i>	4	4		9.40		13.00	
	<i>2025</i>							
	<i>Portfolio I -T</i>	4	4		8.87		12.54	
	<i>Portfolio II -T</i>	4	3	1	13.89	-1.00	14.54	-1.00
	<i>Portfolio III -T</i>	4	3	1	15.98	-2.34	18.52	-2.34
	<i>2035</i>							
	<i>Portfolio I -T</i>	4	3	1	15.08	-2.03	16.73	-2.03
	<i>Portfolio II -T</i>	4	3	1	17.05	-3.18	20.74	-3.18
	<i>Portfolio III -T</i>	4	3	1	18.30	-3.79	23.24	-3.79
	<i>2045</i>							
	<i>Portfolio I -T</i>	4	3	1	16.73	-3.21	20.12	-3.21
	<i>Portfolio II -T</i>	4	3	1	17.97	-4.08	22.53	-4.08
	<i>Portfolio III -T</i>	4	3	1	18.53	-4.44	23.61	-4.44
	<i>2055</i>							
	<i>Portfolio I -T</i>	4	3	1	16.93	-3.76	20.36	-3.76
	<i>Portfolio II -T</i>	4	3	1	17.97	-4.52	22.40	-4.52
	<i>Portfolio III -T</i>	4	3	1	18.36	-4.80	23.26	-4.80
	<b>Summary</b>							
	<b>Portfolio I</b>	4	85%	15%	13.02	(3.00)	16.10	(3.00)
	<b>Portfolio II</b>	4	80%	20%	15.08	(3.20)	18.42	(3.20)
	<b>Portfolio III</b>	4	80%	20%	16.11	(3.84)	20.33	(3.84)

## 2. Underlying Investments

→ Risk/Returns Analysis at 12/31/2014

	UNDERLYING INVESTMENT	No. YEARS	UP YEARS	DOWN YEARS	AVG. % UP YEARS	AVG. % DOWN YEARS	BEST YEAR %	WORST YEAR %
	AllianzGI NFJ Small-Cap Value A LW	10	9	1	16.77	-26.45	31.55	-26.45
	American Century Infl-Adj Bond Inv	10	8	2	7.14	-5.07	13.00	-9.12
	Cohen & Steers International Realty A	7	4	3	21.95	-23.05	35.48	-47.43
	Great-West American Century Growth Init	1	1		29.40		29.40	
	Great-West Ariel Mid Cap Value Init	10	7	3	25.32	-16.15	62.95	-40.36
	Great-West Bond Index Init	10	9	1	5.12	-2.51	7.20	-2.51
	Great-West Federated Bond Init	10	9	1	5.57	-2.20	13.07	-2.20
	Great-West Goldman Sachs MidCap Val Init	4	4		18.13		33.66	
	Great-West International Index Init	1	1		21.13		21.13	
	Great-West Loomis Sayles Bond Init	10	9	1	12.63	-21.76	38.46	-21.76
	Great-West Loomis Sayles Sm Cp Val Init	10	8	2	19.01	-17.33	34.87	-32.64
	Great-West MFS International Growth Init	10	8	2	18.91	-22.92	31.91	-35.49
	Great-West MFS International Value Init	10	8	2	20.47	-27.81	35.84	-53.75
	Great-West Multi-Manager LgCpGr Init	10	8	2	21.96	-27.27	46.98	-45.11
	Great-West Putnam Equity Income Init	1	1		31.65		31.65	
	Great-West Putnam High Yield Bond Init	10	9	1	12.47	-32.35	51.21	-32.35
	Great-West Real Estate Index Initial	1	1		0.58		0.58	

	<b>UNDERLYING INVESTMENT</b>	<b>No. YEARS</b>	<b>UP YEARS</b>	<b>DOWN YEARS</b>	<b>AVG. % UP YEARS</b>	<b>AVG. % DOWN YEARS</b>	<b>BEST YEAR %</b>	<b>WORST YEAR %</b>
	Great-West S&P 500® Index Init	10	9	1	13.70	-37.50	31.63	-37.50
	Great-West S&P Mid Cap 400® Index Init	1	1		32.72		32.72	
	Great-West S&P SmallCap 600® Index Init	10	8	2	18.85	-16.09	40.60	-31.35
	Great-West Short Duration Bond Init	10	10		4.17		10.02	
	Great-West T. Rowe Price Equity Inc Init	10	8	2	16.12	-18.54	30.01	-36.21
	Great-West T. Rowe Price Mid Cap Gr Init	10	8	2	22.29	-21.03	44.86	-40.36
	Great-West Templeton Global Bond Init	10	9	1	8.81	-1.63	14.85	-1.63
	Harbor International Investor	10	8	2	22.22	-27.15	38.04	-42.86
	Invesco Developing Markets R5	10	7	3	37.48	-22.06	84.39	-52.35
	Invesco Global Real Estate R5	8	5	3	24.35	-18.76	41.37	-44.68
	Invesco International Growth R5	10	8	2	21.11	-23.55	35.53	-40.48
	Invesco Small Cap Discovery A	10	8	2	20.53	-19.58	37.27	-35.78
	Janus Triton S	8	7	1	24.44	-40.68	49.60	-40.68
	Metropolitan West High Yield Bond M	10	9	1	12.67	-21.59	54.69	-21.59
	Nuveen Real Estate Securities A	10	8	2	21.74	-25.19	39.13	-34.96
	Oppenheimer Developing Markets A	10	8	2	33.90	-33.06	81.73	-48.03
	Oppenheimer International Bond A	10	7	3	10.40	-1.71	15.56	-4.16
	PIMCO Real Return Admin	10	8	2	8.64	-7.97	18.67	-9.27
	T. Rowe Price Real Estate Adv	8	6	2	20.84	-29.04	36.32	-39.15

UNDERLYING INVESTMENT	No. YEARS	UP YEARS	DOWN YEARS	AVG. % UP YEARS	AVG. % DOWN YEARS	BEST YEAR %	WORST YEAR %
Third Avenue Real Estate Value Instl	10	7	3	25.97	-21.79	38.67	-44.70
Wells Fargo Advantage Common Stock A	10	8	2	20.11	-18.71	41.44	-34.94
<b>Summary</b>		<b>82%</b>	<b>18%</b>	<b>18.66</b>	<b>-20.34</b>	<b>35.16</b>	<b>-31.93</b>

## D. Performance Analysis

### 1. Investment

#### → Annualized Returns vs. Peer Group at 12/31/2013

This comparison presents only one share class since other classes are derivative and peer group comparisons would therefore be repetitive and provide no additional insights other than that they exist.

Note: Items in **BOLD** indicate at or better than average peer group results.

Great-West Lifetime Asset Allocation Funds	1 Year	3 Year	5 Year	10 Year	Expense
Peer Group					
2015 I –Class T	6.28	6.38			<b>0.83</b>
2015 II –Class T	8.97	<b>7.37</b>			<b>0.86</b>
2015 III –Class T	<b>11.76</b>	<b>8.20</b>			<b>0.85</b>
Target Year 2015 -No-Load	9.64	6.71	10.99	4.86	0.99
2025 I –Class T	10.48	7.61			<b>0.89</b>
2025 II –Class T	14.54	<b>8.91</b>			<b>0.92</b>
2025 III –Class T	<b>18.52</b>	<b>10.04</b>			<b>0.92</b>
Target Year 2025 No-Load	15.08	8.86	13.50	5.71	1.03
2035 I –Class T	16.73	9.47			<b>0.95</b>
2035 II –Class T	<b>20.74</b>	<b>10.63</b>			<b>0.97</b>
2035 III –Class T	<b>23.24</b>	<b>11.37</b>			<b>0.95</b>
Target Year 2035 No-Load	19.50	10.06	14.86	5.82	1.06
2045 I –Class T	20.12	10.39			<b>0.98</b>
2045 II –Class T	<b>22.53</b>	<b>11.01</b>			<b>0.99</b>
2045 III –Class T	<b>23.61</b>	<b>11.32</b>			<b>0.96</b>
Target Year 2045 No-Load	21.67	10.72	15.45	N/A	1.08
2055 I –Class T	20.36	10.31			<b>0.99</b>
2055 II –Class T	22.40	10.86			<b>1.00</b>
2055 III –Class T	<b>23.26</b>	<b>11.08</b>			<b>0.98</b>
Target Year 2055 No-Load	22.85	11.02	14.10	N/A	1.06



## 2. Underlying Investments

### → Annualized Returns vs. Peer Group at 12/31/2014

Note: Items in **BOLD** indicate at or better than average peer group results.

Underlying Investment	1 Year	3 Year	5 Year	10 Year	Expense
	Peer Group				
Invesco Developing Markets R5	(2.85)	1.25	18.45	13.60	1.03
Oppenheimer Developing Markets A	2.12	0.36	18.46	14.33	1.30
Diversified Emerging Mkts	(0.02)	(1.73)	14.65	10.52	1.70
Great-West International Index Init	21.13	-	-	-	0.70
Harbor International Investor	16.40	7.47	13.84	9.49	1.11
Foreign Large Blend	19.41	6.71	12.37	6.74	1.40
Great-West MFS International Growth Init	18.21	9.10	13.55	8.56	1.20
Invesco International Growth R5	19.10	8.73	14.47	9.76	0.98
Foreign Large Growth	18.05	7.41	13.89	7.14	1.47
Great-West MFS International Value Init	27.99	13.75	16.18	6.96	1.15
Foreign Large Value	20.43	6.99	11.38	6.66	1.43
Cohen & Steers International Realty A	(0.37)	3.58	11.31	-	1.35
Invesco Global Real Estate R5	2.97	7.31	13.82	-	0.90
Global Real Estate	2.31	6.06	13.99	7.12	1.46
Great-West Putnam High Yield Bond Init	7.67	8.18	16.85	6.20	1.10
Metropolitan West High Yield Bond M	6.84	6.98	16.63	7.87	0.79
High Yield Bond	6.88	8.10	16.19	7.34	1.08
American Century Infl-Adj Bond Inv	(9.12)	3.09	5.03	4.50	0.47
Inflation-Protected Bond	(7.38)	2.60	4.74	4.28	0.82
Great-West Bond Index Init	(2.51)	2.78	4.19	4.32	0.50
Great-West Federated Bond Init	(2.20)	3.17	5.82	4.73	0.70
Intermediate-Term Bond	(1.22)	3.73	6.37	4.34	0.92
Great-West S&P 500® Index Init	31.63	15.52	17.29	6.77	0.60
Large Blend	31.44	14.49	17.06	7.02	1.23

Underlying Investment	1 Year	3 Year	5 Year	10 Year	Expense
Peer Group					
Great-West American Century Growth Init	29.40	-	-	-	<b>1.00</b>
Great-West Multi-Manager LgCpGr Init	28.93	11.90	17.48	<b>8.82</b>	<b>1.00</b>
Large Growth	33.94	14.78	19.12	7.67	1.24
Great-West Putnam Equity Income Init	<b>31.65</b>	-	-	-	<b>1.10</b>
Great-West T. Rowe Price Equity Inc Init	30.01	<b>14.74</b>	<b>16.83</b>	<b>7.41</b>	<b>0.82</b>
Large Value	31.23	14.50	16.14	7.19	1.17
Great-West Ariel Mid Cap Value Init	<b>47.55</b>	<b>18.22</b>	<b>26.33</b>	<b>9.37</b>	<b>1.10</b>
Great-West S&P Mid Cap 400® Index Init	32.72	-	-	-	<b>0.60</b>
Mid-Cap Blend	33.98	14.09	20.02	8.37	1.42
Great-West T. Rowe Price Mid Cap Gr Init	<b>36.36</b>	<b>15.08</b>	<b>23.00</b>	<b>10.94</b>	<b>1.03</b>
Wells Fargo Advantage Common Stock A	21.87	12.03	19.97	<b>9.67</b>	<b>1.28</b>
Mid-Cap Growth	35.39	14.45	21.23	9.17	1.39
Great-West Goldman Sachs MidCap Val Init	33.66	<b>15.92</b>	19.79	-	<b>1.25</b>
Mid-Cap Value	35.28	14.64	20.48	8.99	1.33
Great-West Loomis Sayles Bond Init	<b>8.05</b>	<b>9.40</b>	<b>15.37</b>	<b>8.26</b>	<b>0.90</b>
Multisector Bond	1.98	5.58	11.58	6.31	1.17
Great-West Real Estate Index Initial	0.58	-	-	-	<b>0.70</b>
Nuveen Real Estate Securities I	<b>1.32</b>	<b>8.98</b>	<b>17.15</b>	<b>10.02</b>	<b>1.03</b>
Real Estate	1.25	8.46	16.13	7.52	1.35
Great-West Short Duration Bond Init	<b>1.39</b>	<b>2.96</b>	<b>5.18</b>	<b>4.13</b>	<b>0.60</b>
Short-Term Bond	0.57	2.10	4.14	2.97	0.88
Great-West Loomis Sayles Sm Cp Val Init	34.87	15.27	19.41	<b>9.95</b>	<b>1.08</b>
Great-West S&P SmallCap 600® Index Init	<b>40.60</b>	<b>17.78</b>	<b>20.74</b>	<b>10.07</b>	<b>0.60</b>
Small Blend	37.67	15.33	20.45	9.00	1.40

Underlying Investment	1 Year	3 Year	5 Year	10 Year	Expense
Peer Group					
Invesco Small Cap Discovery A	29.72	13.54	16.36	<b>9.92</b>	<b>1.33</b>
Janus Triton S	35.93	<b>17.37</b>	<b>25.94</b>	-	<b>1.18</b>
Small Growth	41.72	16.61	22.63	9.40	1.43
AllianzGI NFJ Small-Cap Value A	24.32	11.88	16.74	<b>10.54</b>	<b>1.17</b>
Small Value	36.72	14.48	20.12	9.58	1.40
Great-West Templeton Global Bond Init	<b>0.56</b>	<b>4.32</b>	<b>7.63</b>	<b>7.58</b>	<b>1.30</b>
World Bond	(2.42)	2.99	6.28	4.88	1.06

## E. Expense Analysis

➔ *Expenses by Class at 12/31/2013*

<i>Great-West Lifetime Asset Allocation Funds</i>	Class T	Class T1	Class L
<b><i>I -Conservative</i></b>			
<i>2015</i>	0.83	0.93	
<i>2025</i>	0.89	0.99	
<i>2035</i>	0.95	1.05	
<i>2045</i>	0.98	1.08	
<i>2055</i>	0.99	1.09	
<b><i>II -Moderate</i></b>			
<i>2015</i>	0.86	0.96	1.11
<i>2025</i>	0.92	1.02	1.17
<i>2035</i>	0.97	1.07	1.22
<i>2045</i>	0.99	1.09	1.24
<i>2055</i>	1.00	1.10	1.25
<b><i>I -Aggressive</i></b>			
<i>2015</i>	0.85	0.95	
<i>2025</i>	0.92	1.02	
<i>2035</i>	0.95	1.05	
<i>2045</i>	0.96	1.06	
<i>2055</i>	0.98	1.08	



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