

Retirement solutions that never stop working

Asset allocation funds

Simple yet sophisticated

Through Great-West Life you have access to two types of asset allocation fund solutions: target risk and target date asset allocation funds. Both offer plan members simple investment solutions built on sophisticated and proven investment management principles.



Asset allocation funds — *what's in it for you?*

One of the challenges many plan sponsors face is helping members who don't have the time or desire to choose and manage their investments. Asset allocation funds offer appropriate investment options that help the most hands-off members achieve their retirement and savings goals.

> BENEFITS TO YOU	> BENEFITS TO MEMBERS
<ul style="list-style-type: none">• Assists in meeting your plan governance responsibilities• Easy to implement and communicate• Excellent default option for members who don't want to manage their investments regularly• Consistent asset mix recommendations for target risk asset allocation funds based on the individual investment objectives and risk tolerance of members• Dynamic asset mix for target date asset allocation funds recognizes changes in members' risk tolerance over time• Systematically designed to give optimum results within a given level of risk• Automatically rebalanced to ensure funds remain consistent with the strategic asset mix	<ul style="list-style-type: none">• Diversification within a single fund• Easy to use and manage• Helps maximize long-term return, balanced with personal investment objectives and risk tolerance or target retirement date• Discourages emotion-based market-timing decisions• Makes tracking performance easier with only one fund



Simple

The single fund solution

Target risk and target date asset allocation funds offer the expertise of professional investment managers, the power of diversification and the simplicity of a single fund. It's an excellent investment option for members who aren't interested in creating their own portfolios or managing and monitoring their investments on a regular basis.

How asset allocation funds work

Target risk asset allocation funds are based on risk profiles determined by our *Investment personality questionnaire*. The spectrum of target risk funds includes conservative, moderate, balanced, advanced and aggressive profiles. Members fill out the *Investment personality questionnaire* to assess their investment objectives and risk tolerance, which is referred to as their *investment personality*. Next, they simply match their investment personality to the appropriate target risk asset allocation fund and direct their contributions to that fund.

Target date asset allocation funds are based on a selected retirement year, also referred to as the member's *investment time horizon*. To use target date asset allocation funds, members select their desired year for retirement and choose the target date fund that most closely matches that year. The fund shifts to become more conservative as the member nears his or her selected retirement year.

It's that simple.

Both types of asset allocation funds provide diversification within a single fund by combining investments in different asset classes, and investment styles to match either the target level of risk or the target retirement year.



Sophisticated

Target risk asset allocation funds

Although target risk asset allocation funds are simple for members to use, the work that goes into establishing these funds is systematic and sophisticated. It starts with the *Investment personality questionnaire*.

The *Investment personality questionnaire* was developed using:

- Both factual questions and questions based on the member's attitudes about investing and risk
- A scoring system placing more weight on questions about the member's investment attitude
- Multiple questions about the same topic to ensure consistency
- A process tested by an independent research firm

The *Investment personality questionnaire* determines the level of risk, characterized into five investment personalities. The process establishes the optimal expected return for each level of risk. The chart below illustrates the basis for the strategic asset mix relationships on which our target risk asset allocation funds are based.

Strategic asset mix of target risk asset allocation funds

Equities versus fixed income



The minimum-risk portfolio is made up of approximately 25 per cent equity and 75 per cent fixed income. This combination of equity and fixed income is the strategic asset mix of our Conservative profile.

At the other end of the spectrum, the maximum-risk portfolio is composed of 100 per cent equity and is the strategic asset mix of our Aggressive profile.

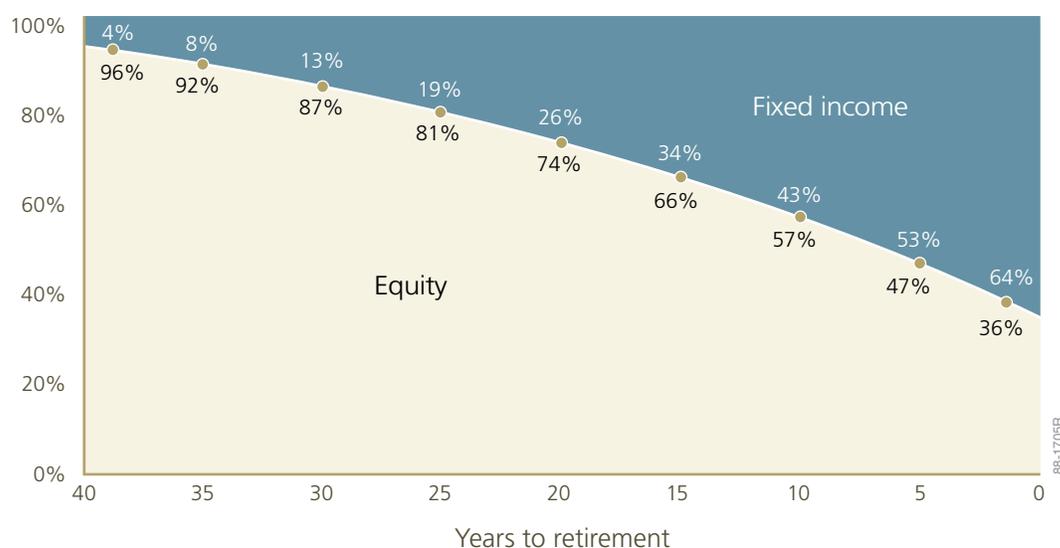
Target date asset allocation funds

While we believe that every member should complete the *Investment personality questionnaire* and review it on a regular basis, the reality is that many simply don't have the time or desire to go through the process. For these members, a target date asset allocation fund may be the answer.

Unlike target risk asset allocation funds, target date asset allocation funds are managed toward a target retirement year rather than maintaining a static asset mix. This means the asset mix in these funds is managed with an emphasis on growth in early years and gradually becomes more conservative as the member approaches his or her target retirement year.

Strategic asset mix of target date asset allocation funds

Cadence Series Funds/Continuum Target Date Funds glide path



The methodology used in the asset mix of target date asset allocation funds is called a glide path. The glide path refers to the asset mix shifts from aggressive to conservative as the targeted maturity year approaches.

Target date asset allocation funds provide a long-term savings choice for members who don't want to take the time and effort to choose and manage their investments.

Optimization

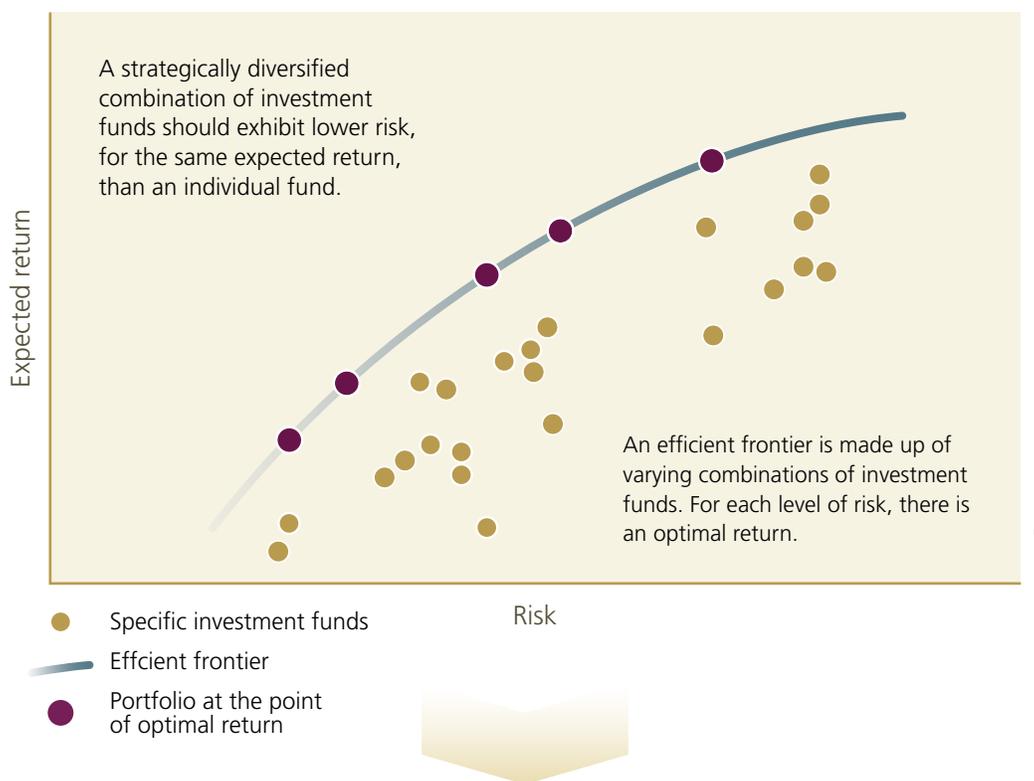
Our sophisticated optimization software analyzes combinations of investments to determine the ideal mix of investments in target risk or target date asset allocation funds. In addition, our ongoing monitoring process reviews these combinations regularly.

Our asset allocation funds are managed by Portfolio Solutions Group, a division of Great-West Life. This dedicated team of investment professionals manages these funds using sophisticated and disciplined processes that provide optimal, risk-adjusted returns.

Considerations

- Historical returns
- Standard deviation
- Correlation
- Management fees
- Currency adjustment
- Manager performance credibility
- Mean reversion

Efficient frontier



Asset allocation funds

Target risk asset allocation funds

- Profile Funds
- Portfolio Funds
- Continuum Target Risk Funds

Target date asset allocation funds

- Cadence Series Funds
- Continuum Target Date Funds
- Fidelity ClearPath™ Retirement Portfolios
- BlackRock Canadian LifePath® Index Funds

Different is better

Our asset allocation funds offer several advantages that you won't find elsewhere.

- **Greater diversification** – Investing in real estate provides an additional layer of diversification to our asset allocation funds and helps to balance out the possible risks of other asset classes.
- **A multi-investment manager approach** – By offering both retail and institutional investment managers, we give you the most choice through access to world-class money managers.
- **No money market funds** – Money markets are excluded in our asset allocation fund holdings since these are short-term investments and may not be optimal for long-term retirement planning.
- **Customization** – We realize that one size doesn't fit all. Our *Cadence Series Funds* counterweight version, a target date asset allocation fund solution, can be tailored to match a member's risk profile.

Compare target risk and target date asset allocation funds

TARGET RISK ASSET ALLOCATION FUNDS	TARGET DATE ASSET ALLOCATION FUNDS
Diversification	
Selection of investments with different asset classes, investment styles and investment managers	Selection of investments with different asset classes, investment styles and investment managers
Easy to use	
Member chooses one fund after completing the <i>Investment personality questionnaire</i>	Member chooses one fund based on their desired retirement year
Easy to manage	
One rate of return to track	One rate of return to track
Automatic rebalancing	
Regularly rebalanced to match the results of the member's investment personality	Regularly rebalanced to become more conservative as member nears desired retirement year
Asset mix	
Static – changes only when the member requests a change	Dynamic – uses the glide path method

The main difference between the two types of asset allocation funds lies in the asset mix. Target risk asset allocation funds have a static asset mix that's consistent with the fund's risk profile. They don't respond to lifestyle changes unless the member revisits the *Investment personality questionnaire* regularly and updates his or her investment choice to reflect the appropriate risk profile. The asset mix for target date asset allocation funds is dynamic because it gradually shifts to become more conservative as the member approaches his or her selected retirement year.

Our suite of target date and target risk asset allocation funds offers a simple investment solution that can address your group plan's specific needs. Including these funds in your plan provides straightforward and easy-to-communicate investment options for your members, and helps you fulfill your plan governance responsibility as a plan sponsor.

For more information about our asset allocation funds, please visit www.grsaccess.com or contact your Great-West Life client relationship manager.



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