



The Great-West Life Real Estate Fund delivered a 1.74% second quarter performance, leveraging its best-in-class portfolio of 118 institutionally owned and operated properties. Highlights from the quarter's activity are summarized below:

**Investment Activity:** In May, the Fund closed on the acquisition of 5999 Monkland Avenue in Montreal, QC. The 23-storey 165 unit multi-family asset located in the borough of Notre-Dame-de-Grace has been extensively renovated to modern specifications and represents the Fund's first foray into the Montreal residential market, providing further diversification within the market and asset class.

Management elected to take advantage of recent leasing momentum and a strong investment market in western Canada to dispose of 800 Carlton Court in Delta, BC. Net proceeds from the sale were \$12 million.

**Development Activity:** In June, after four years of extensive pre-development efforts, Vancouver Centre II (VCII) was formally approved. VCII will be a 33-storey, LEED Platinum office tower totalling 371,000 square feet, positioned directly south of

the existing Vancouver Centre complex. Located at the intersection of West Georgia Street and Seymour Street, VCII is situated along a high profile commercial corridor offering unsurpassed transit connectivity and immediate proximity to almost two million square feet of retail, service and entertainment amenities. Construction is anticipated to span 48 months with delivery scheduled for 2021.

**Leasing Activity:** At Watermark Tower in Calgary, AB, management secured a 7-year lease with a leading multinational property and casualty insurance company. In a challenging leasing market, the 24,000 square foot transaction to a non-oil and gas covenant tenant enhances both the expiry and tenant covenant profiles of the asset. Portfolio occupancy ended the quarter strong at 7.2%, led by a 73 bps gain in the residential portfolio.

**Forward Outlook:** The Bank of Canada (BOC) appears poised to raise the overnight interest rate for the first time in seven years in an effort to cool an over stimulated housing market and in response to positive signals in job and overall GDP growth. The message coming from the central bank is that, while there is to be a lag, inflation will follow. A rising interest rate environment impacts commercial real estate in a variety of ways, though it is timely to be reminded of the inherent inflationary hedging properties of the asset class. The Fund is well positioned to build off its long standing ability to generate predictable income returns for investors moving into the second half of 2017 and beyond.

**118 PROPERTIES,  
GROSS MARKET VALUE  
OF \$4.79 BILLION,  
AT JUNE 30, 2017**

Established in 1981, the Great-West Life Real Estate Fund invests in a portfolio of 118 high-quality, income-producing properties diversified by type and location, with a gross market value of over \$4.79 Billion. The Fund's objective is to provide investors with stable income returns and the opportunity for long-term capital appreciation.

**GROSS RETURN**

	Annualized at Y/E			YTD
	10 Year	5 Year	3 Year	30-Jun
Income	5.3%	4.8%	4.6%	2.4%
Capital	3.1%	4.7%	1.2%	0.4%
Total	8.5%	9.5%	5.8%	2.7%

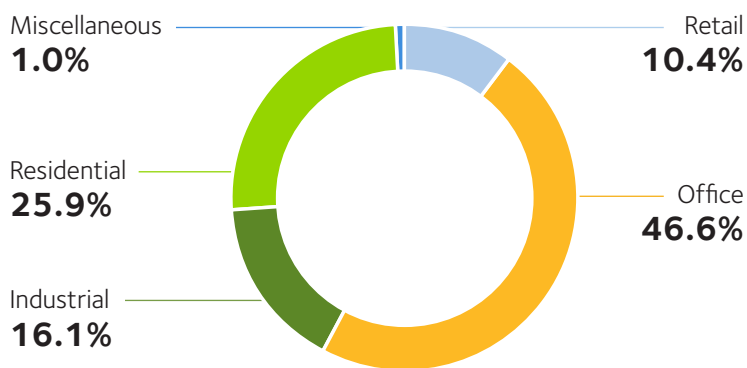
*Note: Differences due to rounding of decimals*

**FUND GROWTH** (\$ Millions)

	2012	2013	2014	2015	2016	YTD 30-Jun
Real estate	\$ 3,625	\$ 3,937	\$ 4,151	\$ 4,312	\$ 4,589	\$ 4,787
Cash	\$ 476	\$ 579	\$ 495	\$ 491	\$ 512	\$ 496
Short term assets & liabilities	\$ (44)	\$ (36)	\$ (16)	\$ (38)	\$ (52)	\$ (73)
Gross fund value	\$ 4,057	\$ 4,480	\$ 4,630	\$ 4,765	\$ 5,049	\$ 5,209
Net fund value	\$ 3,122	\$ 3,608	\$ 3,769	\$ 3,956	\$ 4,218	\$ 4,382
Debt/gross fund value	23.0%	19.5%	18.6%	17.0%	16.5%	15.9%

*Note: Differences due to rounding of decimals*

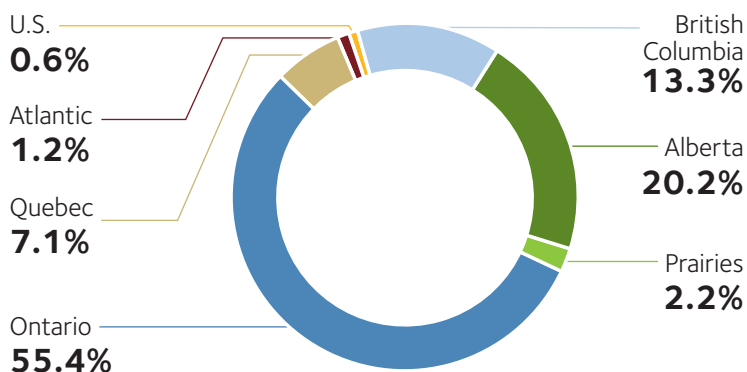
**DIVERSIFICATION BY TYPE**  
(Gross)



**VACANCY**

Retail	3.3%
Office	11.5%
Industrial	5.7%
Residential	4.7%
Miscellaneous	0.0%
<b>Total by type</b>	<b>7.2%</b>

**DIVERSIFICATION BY REGION**  
(Gross)



**VACANCY**

British Columbia	6.4%
Alberta	4.8%
Prairies	0.8%
Ontario	5.2%
Quebec	18.2%
Atlantic	13.7%
U.S.	58.1%
<b>Total by region</b>	<b>7.2%</b>