

# Canada Life Real Estate Fund

**ALTHOUGH THE CURRENT SUSPENSION ON WITHDRAWALS AND TRANSFERS IS STILL IN PLACE, WE EXPECT THE CANADA LIFE FUND WILL BE IN A POSITION TO ALLOW CANADA LIFE TO PROCESS AN INITIAL PROPORTIONAL PAYMENT IN MID-2010 FOR UNITHOLDERS WHO MAKE A REQUEST, ACCORDING TO THE PROCESS IN PLACE AT THAT TIME.**

The Fund Manager continues to manage the portfolio of strong, diversified properties and is balancing this responsibility with the need to rebuild cash in the short term. With improving debt and equity markets, purchase and sale activity of commercial real estate assets has increased. Investors are preferring properties with strong tenancies and little near-term leasing risk. This coupled with an economy that's still recovering and a high unemployment rate is resulting in lower prices for commercial real estate. Most markets in the country are experiencing a disciplined new supply of commercial real estate bringing improved leasing activity and stabilizing rental rates, although both remain lower than one year ago. Two exceptions to this improving picture are the downtown office markets of Calgary and Toronto, where significant new supply is putting downward pressure on rental rates.

During the first quarter, the Fund sold its interest in four properties. These properties included a 50% interest in a Richmond, BC, industrial park; a 70% interest in a shopping centre in Langley, BC; a 50% share of a parcel of land in Mississauga, ON; and a 50% interest in a small retail centre, in Richmond, BC. The net cash proceeds from these transactions was \$34.2 million. At quarter end, the Fund's cash balance was \$425.8 million or 13.7% of the Fund's equity. The Fund's income return for the quarter was 1.44%, which tracks well to plan and confirms the Fund's stable cash flow from strong tenancies in a portfolio that's well diversified by type and region. The capital return for the quarter was -0.84% for a total gross return (before fees) of 0.60%. The vacancy rate at quarter end was 7.6% compared to 6.8% at December 31, 2009. The loan-to-value ratio of the portfolio remains conservative at 16.7%.

The Fund's recently constructed 106,000 square foot office building in Mississauga, ON, is 97% leased, as of quarter end. This asset, in which the Fund owns a 50% interest, features leading energy-efficient systems and environmentally friendly design features. Well located, this property is close to major thoroughfares and amenities as well as accessible by public transit. The property's strong tenants will provide the Fund with secure, stable cash flow.



33 YONGE STREET, TORONTO, ON

With no new development projects planned and as projects like this one are completed, the Fund's cash flow will increase more through operations.

Other leasing activity in the quarter:

- A five-year, 12,000 square foot transaction with a national retailer in a Vancouver-area shopping centre in which the Fund has a 70% interest.
- A 12-year, 56,000 square foot lease in a downtown Toronto office building, 50% owned by the Fund.
- An expansion of an existing tenant in a downtown Calgary office tower from 14,000 to 56,000 square feet for an additional 3.5 years of lease term to December 2017. The Fund owns 75% of this asset.

These lease transactions, along with others, continue to support property values and produce strong cash flow for the Fund.

Improved leasing activity in many commercial markets and stable performance in the multi-family sector were the main contributors to the Fund's solid income performance. Declining values in Calgary office properties were the main negative influence on capital returns. As the economy continues to recover and employment levels increase, real estate fundamentals, although lagging, should also improve.

FUND  
FACTS

LAUNCHED IN 2005, THE CANADA LIFE REAL ESTATE FUND INVESTS IN THE GREAT-WEST LIFE REAL ESTATE FUND, WHICH WAS ESTABLISHED IN 1981 AND IS CANADA'S LARGEST REAL ESTATE SEGREGATED FUND. THAT FUND INVESTS IN A PORTFOLIO OF 155 HIGH-QUALITY, INCOME-PRODUCING PROPERTIES DIVERSIFIED BY TYPE AND LOCATION, WITH A GROSS VALUE OF OVER \$3.37 BILLION. ITS OBJECTIVE IS TO PROVIDE INVESTORS WITH STABLE INCOME RETURNS AND THE OPPORTUNITY FOR LONG-TERM CAPITAL APPRECIATION. INFORMATION IN THIS REPORT REFLECTS THE UNDERLYING GREAT-WEST LIFE REAL ESTATE FUND.

## 155 properties, gross market value \$3.37 billion at March 31, 2010

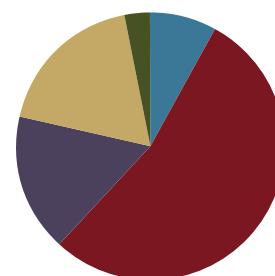
## &gt; by type

## VACANCY

	%
Retail	5.6
Office	8.2
Industrial	9.6
Residential	3.0
Total by type	7.6

DIVERSIFICATION  
(Gross)

Retail	7.9%
Office	54.0%
Industrial	16.7%
Residential	18.3%
Miscellaneous	3.1%



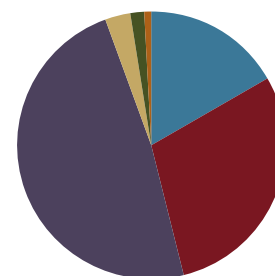
## &gt; by region

## VACANCY

	%
British Columbia	11.3
Alberta	5.4
Ontario	8.1
Quebec	5.9
Atlantic	3.5
U.S.	0.0
Total by region	7.6

DIVERSIFICATION  
(Gross)

British Columbia	16.5%
Alberta	29.6%
Ontario	48.1%
Quebec	3.3%
Atlantic	1.6%
U.S.	0.9%



## GROSS RETURN (BEFORE FEES)

	December 31					YTD
	2005	2006	2007	2008	2009	Mar '10
Income	7.0%	6.5%	6.0%	5.7%	6.3%	1.4%
Capital	7.2%	11.6%	9.9%	(6.2%)	(4.7%)	(0.8%)
Total	14.2%	18.1%	15.9%	(0.5%)	1.6%	0.6%
Total return to individuals (net of fees)*	11.1%	14.3%	12.2%	(3.7%)	(1.6%)	(0.2%)

## FUND GROWTH (\$ MILLIONS)

	December 31					YTD
	2005	2006	2007	2008	2009	Mar '10
Real estate	\$ 1,963	\$ 2,576	\$ 3,321	\$ 3,632	\$ 3,421	\$ 3,366
Cash	\$ 331	\$ 333	\$ 560	\$ 13	\$ 297	\$ 426
Total assets	\$ 2,311	\$ 2,936	\$ 3,911	\$ 3,671	\$ 3,740	\$ 3,822
Net fund value	\$ 1,777	\$ 2,383	\$ 3,282	\$ 2,985	\$ 3,027	\$ 3,109
Loan to value ratio	21.5%	16.8%	14.4%	16.8%	17.2%	16.7%

\*Fees may vary by client.