

On July 9, 2010, an initial payout from the Canada Life Real Estate Fund was made for unitholders who submitted a redemption request. The total amount of requests exceeded the cash available for distribution; therefore, payments were made as a percentage of the total amount requested. Unitholders who submitted a request received 58% of their request, less applicable fees and taxes. Unitholders who requested \$500 or less received 100% of their request, less fees and taxes. The timing of the next payout is not yet known and depends on how long it takes to build up the cash position of the Fund.

As has been widely reported, like the Canadian banking industry, Canadian commercial real estate has performed well when compared to U.S. and other international markets. However, until the employment rate improves and businesses increase capital investments, the recovery will remain subdued. The supply and demand for space is reasonably balanced in most markets and property types. This balance is providing stable rental rates and, for the most part, is placing vacancy rates at less than 10%. An exception is the downtown Calgary office market, which remains soft due to an oversupply of new space.

The Fund experienced good leasing activity in the second quarter in all regions. In Vancouver, several major retail leases were concluded; in Calgary, a number of major renewals and expansions in the Fund's downtown office buildings were completed. In Toronto, several large industrial lease deals were transacted as well as some good leasing activity in the office portfolio. Leasing activity in the Fund's development projects is also proceeding well. These include an industrial building in Edmonton (100% leased); two small suburban office buildings in Edmonton (50% leased); two suburban office buildings in Toronto (86% leased); and an apartment building in Toronto (65% leased).

Seven properties were sold in the quarter for net proceeds of \$123.1 million. These included three Alberta industrial buildings, two suburban Toronto office buildings, a parcel of land in Toronto and a suburban Vancouver office building. These sales do not materially affect the weightings of the portfolio by type or region.



FIRST CANADIAN CENTRE, CALGARY, AB

The portfolio continues to produce reliable cash flow and is expected to provide a solid net income return in 2010, consistent with recent past performance.

During the current suspension, management has upheld the fundamental investment strategies of the Fund. This includes maintaining a low portfolio loan-to-value ratio and all financings are non-recourse. All capital spending decisions are thoroughly scrutinized with the objective of adding to or preserving property value. Another important ongoing routine is the development and execution of asset business plans which include leasing, capital spending and market positioning plans. Maintaining industry-leading property management standards is another essential business practice being sustained by management. A final example is the decision to preserve the portfolio's strong multi-family weighting. This asset type has performed consistently through the difficult markets over the last two years, both in terms of cash flow production and value conservation.

The suspension on transfers and withdrawals remains in place. Lifting the suspension remains a top priority and the Fund Manager continues to work toward that goal. This will be accomplished by maintaining a well-diversified portfolio of high-quality properties while continuing to build liquidity by selling non-core assets, selective financing and cash flow from operations.

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 147 HIGH-QUALITY, INCOME-PRODUCING PROPERTIES DIVERSIFIED BY TYPE AND LOCATION, WITH A GROSS VALUE OF OVER \$3.22 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.

147 properties, gross market value \$3.22 billion at June 30, 2010

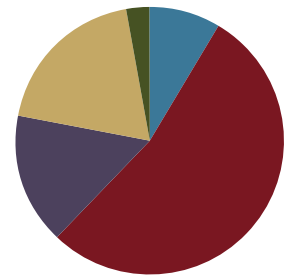
## &gt; by type

## VACANCY

|               | %   |
|---------------|-----|
| Retail        | 4.4 |
| Office        | 8.5 |
| Industrial    | 9.5 |
| Residential   | 2.8 |
| Total by type | 7.5 |

DIVERSIFICATION  
(Gross)

|                 |       |
|-----------------|-------|
| ■ Retail        | 8.5%  |
| ■ Office        | 53.6% |
| ■ Industrial    | 15.9% |
| ■ Residential   | 19.1% |
| ■ Miscellaneous | 2.9%  |



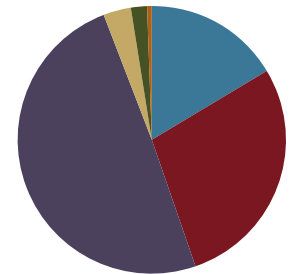
## &gt; by region

## VACANCY

|                  | %   |
|------------------|-----|
| British Columbia | 8.8 |
| Alberta          | 5.1 |
| Ontario          | 8.6 |
| Quebec           | 5.9 |
| Atlantic         | 4.7 |
| U.S.             | 0.0 |
| Total by region  | 7.5 |

DIVERSIFICATION  
(Gross)

|                    |       |
|--------------------|-------|
| ■ British Columbia | 16.2% |
| ■ Alberta          | 28.3% |
| ■ Ontario          | 49.5% |
| ■ Quebec           | 3.5%  |
| ■ Atlantic         | 1.7%  |
| ■ U.S.             | 0.8%  |



## GROSS RETURN (BEFORE FEES)

| YEAR                                       | December 31 |       |       |        |        | YTD    |
|--|-------------|-------|-------|--------|--------|--------|
|  | 2005        | 2006  | 2007  | 2008   | 2009   | 30-Jun |
| Income                                     | 7.0%        | 6.5%  | 6.0%  | 5.7%   | 6.3%   | 2.9%   |
| Capital                                    | 7.2%        | 11.6% | 9.9%  | (6.2%) | (4.7%) | (2.1%) |
| Total                                      | 14.2%       | 18.1% | 15.9% | (0.5%) | 1.6%   | 0.8%   |
| Total return to individuals (net of fees)* | 11.1%       | 14.3% | 12.2% | (3.7%) | (1.6%) | (0.9%) |

## FUND GROWTH (\$ MILLIONS)

| YEAR                            | December 31 |          |          |          |          | YTD      |
|---------------------------------|-------------|----------|----------|----------|----------|----------|
|                                 | 2005        | 2006     | 2007     | 2008     | 2009     | 30-Jun   |
| Real estate                     | \$ 1,963    | \$ 2,576 | \$ 3,321 | \$ 3,632 | \$ 3,421 | \$ 3,218 |
| Cash                            | \$ 331      | \$ 333   | \$ 560   | \$ 13    | \$ 297   | \$ 720   |
| Short term assets & liabilities | \$ (32)     | \$ (44)  | \$ (45)  | \$ (57)  | \$ (62)  | \$ (35)  |
| Gross fund value                | \$ 2,263    | \$ 2,865 | \$ 3,836 | \$ 3,588 | \$ 3,656 | \$ 3,904 |
| Net fund value                  | \$ 1,777    | \$ 2,383 | \$ 3,282 | \$ 2,985 | \$ 3,027 | \$ 3,185 |
| Debt/gross fund value           | 21.5%       | 16.8%    | 14.4%    | 16.8%    | 17.2%    | 18.4%    |

\*Fees may vary by client.