

**THE FUND MANAGER REMAINS FOCUSED ON BUILDING LIQUIDITY IN THE FUND IN ORDER TO LIFT THE TEMPORARY SUSPENSION ON WITHDRAWALS AND TRANSFERS. THE PRIMARY METHODS OF BUILDING LIQUIDITY INCLUDE OPERATIONAL CASH FLOW, PROPERTY SALES, CAPITAL SPENDING OVERSIGHT AND SELECTIVE FINANCING. AT THE SAME TIME, MANAGEMENT IS WORKING TO PRESERVE OR ENHANCE UNITHOLDER VALUE BY MAINTAINING THE QUALITY AND DIVERSIFICATION OF THE PORTFOLIO. STRATEGIES INCLUDE PROACTIVE LEASING PROGRAMS, BEST-IN-CLASS PROPERTY MANAGEMENT SERVICES AND STRATEGIC CAPITAL SPENDING.**

Although the temporary suspension remains in place, we expect the London Life Real Estate Fund will be in a position to allow London Life to process an initial payment effective December 4, 2009 for those unitholders who make a request according with the process established for that date.

The Fund continues to provide a stable, strong income return due to the high occupancy rate, strong tenants and a well-managed lease expiry schedule. However, due to ongoing economic uncertainty and persistent high unemployment at the macro economic level and some specific negative real estate market fundamentals, valuations have been negatively impacted. Concerns in the real estate market include oversupply in the downtown Calgary office market, recession related issues in the Ontario industrial market, reduced consumer spending affecting the retail sector and weakness in the suburban Vancouver office market due to many U.S. tenancies. These circumstances put downward pressure on rents, increase the amount of vacancy and sublet space and in turn negatively influence valuations. Looking to the longer-term, the overall real estate market is not in a material oversupply position, and with credit markets and the economy recovering, current vacancies should be absorbed, stabilizing rents.

## WHAT'S NEW?

Two assets were sold during the third quarter. The first was the sale of a 38,849 sf industrial asset in Edmonton, Alberta. Acquired in 1998, this disposition was part of the Fund's business plan to sell non-core Alberta assets which no longer represent the quality, size, and functionality of most assets in the portfolio. This asset was sold for \$6.7 million.

In keeping with this strategy, the Fund's second disposition was also an industrial asset in Edmonton, Alberta. Also acquired in 1998, this 38,308 sf industrial asset was sold for \$5.5 million.



BAYVIEW VILLAGE, TORONTO, ON

The Fund's net operating income from real estate for the first nine months of 2009 was \$89.0 million compared to \$79.8 million for the same period in 2008. Income growth can be attributed to proactive leasing strategies, rental rate increases for lease renewals and growth of the fund due to acquisitions in 2008. Year-to-date, the Fund's vacancy rate stands at 5.4%. The portfolio's high occupancy level has helped contribute to the Fund's growing cash flow and income return.

As at September 30, 2009 the cash balance is \$205.2 million, compared to \$79.2 million as at December 31, 2008. Year-to-date net cash proceeds from the sale of six properties was \$49.5 million.

As noted in previous quarters, Fund Management continues to monitor the effects of the recession on Canadian commercial real estate. As real estate is a lag indicator, once various economic measures improve, especially employment, real estate fundamentals should benefit.

FUND  
FACTS

LONDON LIFE REAL ESTATE FUND WAS ESTABLISHED IN 1998. THE FUND INVESTS IN 113 HIGH-QUALITY, INCOME-PRODUCING PROPERTIES DIVERSIFIED BY TYPE AND LOCATION, WITH A GROSS VALUE OF OVER \$1.74 BILLION. THE FUND'S OBJECTIVE IS TO PROVIDE INVESTORS WITH STABLE INCOME RETURNS AND THE OPPORTUNITY FOR LONG-TERM CAPITAL APPRECIATION.

## 113 properties, gross market value \$1.74 billion at September 30, 2009

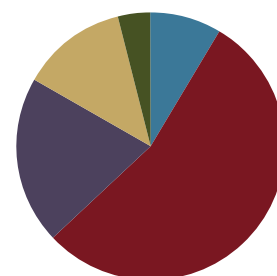
## &gt; by type

## VACANCY

	%
Retail	4.5
Office	4.5
Industrial	6.8
Residential	3.8
Total by type	5.4

DIVERSIFICATION  
(Gross)

Retail	8.4%
Office	54.6%
Industrial	20.1%
Residential	12.8%
Miscellaneous	4.1%



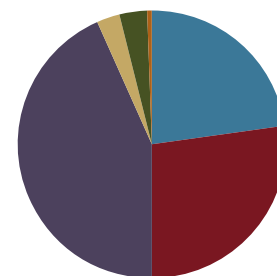
## &gt; by region

## VACANCY

	%
British Columbia	9.2
Alberta	1.7
Ontario	6.2
Quebec	0.0
Atlantic	2.2
U.S.	0.0
Total by region	5.4

DIVERSIFICATION  
(Gross)

British Columbia	22.8%
Alberta	27.0%
Ontario	43.4%
Quebec	3.0%
Atlantic	3.1%
United States	0.8%



## GROSS RETURN (BEFORE FEES)

	2004	2005	December 31			YTD
			2006	2007	2008	Sept '09
Income	7.3%	7.2%	6.6%	6.1%	5.9%	4.6%
Capital	1.2%	8.1%	11.1%	9.5%	(7.7%)	(3.2%)
Total	8.5%	15.3%	17.7%	15.6%	(1.9%)	1.5%
Total return to individuals (net of fees)*	5.4%	12.1%	14.4%	12.3%	(4.6%)	(0.7%)

## FUND GROWTH (\$ MILLIONS)

	2004	2005	December 31			YTD
			2006	2007	2008	Sept '09
Real estate	\$ 729	\$ 997	\$ 1,296	\$ 1,637	\$ 1,788	\$ 1,741
Cash	\$ 149	\$ 82	\$ 182	\$ 270	\$ 79	\$ 205
Other assets and liabilities	\$ (12)	\$ (13)	\$ (19)	\$ (20)	\$ (28)	\$ (22)
Gross fund value	\$ 867	\$ 1,066	\$ 1,459	\$ 1,887	\$ 1,840	\$ 1,923
Net fund value	\$ 639	\$ 833	\$ 1,176	\$ 1,587	\$ 1,515	\$ 1,598
Debt/gross fund value	26.3%	21.8%	19.4%	15.9%	17.7%	16.9%

\*Fees may vary by client.