

CANADIAN REAL ESTATE MARKETS, FOR THE MOST PART, CONTINUE TO EXHIBIT POSITIVE FUNDAMENTALS. WESTERN CANADIAN MARKETS HAVE COOLED RELATIVE TO 2007, BUT REMAIN STRONG, WHILE EASTERN CANADIAN MARKETS HAVE BEEN SURPRISINGLY RESILIENT WITH HIGH OCCUPANCY LEVELS, STRONG RENTS AND MODESTLY INCREASING VALUES FOR HIGH-QUALITY ASSETS.

MARKET UPDATE

Considering the worrisome backdrop of inflation concerns spurred by rapidly rising oil prices, the still high Canadian dollar and the ongoing credit crisis, Canadian real estate markets, for the most part, continue to exhibit positive fundamentals. Western Canadian markets have cooled relative to 2007, but remain strong, while Eastern Canadian markets have been surprisingly resilient with high occupancy levels, strong rents and modestly increasing values for high-quality assets. These positive fundamentals can be attributed, in part, to supply/demand balance in most markets. Industry observers will continue to monitor the new supply of office space coming on stream over the next few years in downtown Calgary and Toronto. Also, more recently, there has been additional suburban office development activity, although these are usually smaller projects which, on their own, will not lead to an imbalance in the space markets.

Overall, appraised values continue to show solid appreciation as a result of good leasing activity and modest rental gains. On the downside, rising construction costs and some larger industrial vacancies have put some downward pressure on returns. Fund return performance will continue to provide investors with strong results and low volatility, especially in comparison to today's volatile equity markets.

WHAT'S NEW

Acquisition activity in the second quarter was highlighted by the addition of two shopping centres. A 70% interest in a Wal-Mart anchored property in Quebec City was acquired for \$14.7 million. This acquisition achieves two portfolio objectives: an increased weighting in Quebec and adding to the Fund's retail weighting. Other national tenants in this



KING'S CROSS, SURREY, BC

174, 271 sf property include Mark's Work Wearhouse, Marie Claire, Bank of Nova Scotia and Reitman's. The average lease term is over twelve years, providing secure, long-term cash flow to the Fund. The asset is extremely well located in Quebec City, within the main retail node in the community of Beauport, and has tremendous exposure to major arterial roadways. In addition, by virtue of its relatively recent, high-quality construction, the property will require minimal capital upgrades in the foreseeable future.

As well, a 70% interest in a 144, 923 sf unenclosed neighbourhood shopping centre located in Surrey, B.C. was purchased for \$27.1 million. The property has a strong tenant roster including Office Depot, Petcetera, Mark's Work Wearhouse, BC Liquor and includes 31,274 sf of government offices, all of which will provide secure, long-term cash flow to the Fund. The property is very well located within Surrey and forms part of one of the main retail hubs in the area. The property is 99% leased with an average remaining lease term of more than four years. The average rents are below market, creating an opportunity to increase the rental revenue in the future. The centre has been substantially renovated, re-tenanted and well maintained, which will reduce the need for material capital expenditures going forward.

As reported previously, in order to reduce the Fund's weighting in Alberta, several of the Fund's non-core assets are for sale. In the second quarter, sales included a 100% interest in a suburban Calgary office park for \$48.3 million, a 100% interest in a Calgary industrial property for \$10.2 million and a 70% interest in a suburban Edmonton office building for \$17.9 million.

LOOKING AHEAD

Going forward, Fund management will be carefully monitoring the Ontario market which is under considerable negative pressure, particularly in the manufacturing sector. The Fund's weighting in the Ontario industrial sector is only

about 9% with no material exposure to the auto sector, as most properties are warehouse, logistic or distribution facilities. Acquisition priorities by city are Vancouver, Montreal, Ottawa and Downtown Toronto. By type, preferences include new format or grocery anchored shopping centres and modern industrial properties. Alternate possibilities include multi-family and retail assets in secondary markets. The Fund will continue to execute several development projects, pay off maturing mortgages to reduce current high cash balances and conduct research into other asset types. Two major office acquisitions, which will add about \$268 million in value to the Fund, are currently in due diligence.

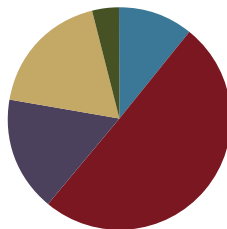
FUND FACTS

LAUNCHED IN 2005, CANADA LIFE REAL ESTATE FUND INVESTS IN GREAT-WEST LIFE REAL ESTATE FUND, WHICH WAS ESTABLISHED IN 1981 AND IS CANADA'S LARGEST SEGREGATED REAL ESTATE FUND. THE FUND INVESTS IN A PORTFOLIO OF 173 HIGH-QUALITY, INCOME-PRODUCING PROPERTIES DIVERSIFIED BY TYPE AND LOCATION, WITH A GROSS VALUE OF OVER \$3.54 BILLION. THE FUND'S OBJECTIVE IS TO PROVIDE INVESTORS WITH STABLE INCOME RETURNS AND THE OPPORTUNITY FOR LONG-TERM CAPITAL APPRECIATION.

173 properties at gross market value of \$3.54 billion at June 30, 2008

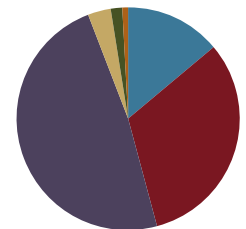
> by type

VACANCY	%	DIVERSIFICATION (Gross)	
Retail	2.2	Retail	10.7%
Office	5.1	Office	50.4%
Industrial	8.0	Industrial	16.6%
Residential	3.0	Residential	18.4%
Total by type	5.4	Miscellaneous	3.9%



> by region

VACANCY	%	DIVERSIFICATION (Gross)	
British Columbia	2.5	British Columbia	13.7%
Alberta	3.1	Alberta	31.9%
Ontario	5.9	Ontario	48.5%
Quebec	14.2	Quebec	3.4%
Atlantic	4.6	Atlantic	1.4%
U.S.	0.0	U.S.	1.1%
Total by region	5.4		



GROSS RETURN (BEFORE FEES)

	December 31					
	2003	2004	2005	2006	2007	June 30 2008
Income	7.3%	7.1%	7.0%	6.5%	6.0%	2.7%
Capital	(0.3%)	1.0%	7.2%	11.6%	9.9%	2.7%
Total	7.0%	8.1%	14.2%	18.1%	15.9%	5.4%
Total return to individuals (net of fees)*	4.0%	5.2%	11.1%	14.3%	12.2%	

FUND GROWTH (\$ MILLIONS)

	December 31					
	2003	2004	2005	2006	2007	June 30 2008
Real estate	\$ 1,626	\$ 1,670	\$ 1,963	\$ 2,576	\$ 3,321	\$ 3,541
Cash & other	\$ 167	\$ 204	\$ 299	\$ 289	\$ 515	\$ 771
Gross fund value	\$ 1,793	\$ 1,874	\$ 2,263	\$ 2,865	\$ 3,836	\$ 4,312
Net fund value	\$ 1,289	\$ 1,380	\$ 1,777	\$ 2,383	\$ 3,282	\$ 3,689
Debt/gross fund value	28.1%	26.3%	21.5%	16.8%	14.4%	14.4%

*Fees may vary by client.