CANADIAN REAL ESTATE INVESTMENT FUND No.1

2014 ANNUAL REPORT

The Canadian Real Estate Investment Fund No. 1 is one of Canada's largest, open-ended real estate funds. The Fund's core objective is to provide secure, growing cash flow; a hedge against inflation; low volatility; diversification and the potential for capital appreciation.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Any statements in this report concerning future financial performance of the Fund are subject to, among other things, risks, uncertainties and assumptions about the Fund, economic factors and real estate markets generally. They are not guarantees of future performance, and actual events and results may differ materially from those expressed or implied by forward-looking statements included in this report.

PORTFOLIO MANAGER'S REPORT

After more than 30 years with GWL Realty Advisors, the last 12 as Portfolio Manager of the Canadian Real Estate Investment Fund No. 1, I am retiring at the end of 2014. It has been a challenging and rewarding experience watching Fund real estate assets grow from $260.1 million in 1985 to $4.2 billion in 2014.

Steven Marino is assuming the role of Portfolio Manager. He has nineteen years of real estate experience, fourteen with GWL Realty Advisors. For the past ten years, Steven has led the Eastern Canada investment team, executing property acquisitions and dispositions on behalf of the Fund, helping to directly shape both the portfolio and its investment strategy. Prior to that, Steven worked with the commercial asset management team with responsibility for assets in Toronto and Ottawa.

For 2014, the total Fund gross return was 7.4%. The income return of 4.8%, which included both property and cash returns, was in line with recent past performance and is reflective of a well performing portfolio. The 2014 capital return was 3.1%. This property value increase reverted closer to the Fund's long-term average relative to the three previous years of material capital appreciation. The five and ten year annualized gross returns are 11.8% and 10.7% respectively.

In the first quarter, the Fund acquired a shopping centre in Quebec City with a strong roster of national tenants. This property is directly adjacent to another Fund owned shopping centre, providing a dominant presence in a strategic retail node. In Q4, the Fund was able to successfully close on a forward purchase basis of two large distribution facilities leased to Home Depot for a 20 year term. The projects are scheduled for completion in 2015. These acquisitions will provide the Fund with strong, stable cash flow. Also during the year, two non-core assets were sold; an industrial building in Ottawa and a suburban office complex in Calgary.

Development activity continued to be an important value-add component of the Fund's business plan. Construction and leasing of two industrial projects in Edmonton was completed and delivered on time and on budget. The development team also completed construction of the fourth building in a suburban office complex in Toronto. Development projects not only enhance diversification and provide excellent cash flow, but also provide the potential for risk-adjusted premiums for the portfolio.

Fund management continued its commitment to sustainability initiatives. From 2007 to 2013, the Fund's apartment, office and industrial components reduced greenhouse gas emissions by 28.3%. In this same period, the apartment and office portfolio reduced energy use by 11.1% and waste to landfill by 26.8%.

All eligible buildings in the portfolio are pursuing Leadership in Energy and Environmental Design (LEED) and/or Building Owners and Managers Association, Building Environmental Standards (BOMA BESt) certifications. These initiatives will reduce costs and make the buildings more competitive, thereby enhancing tenant retention and attracting new tenants.

The 2014 real estate market witnessed the addition of material new office supply within Canada's major central business districts. This supply contributed to softening rents, additional sublet space on the market and in general put upward pressure on near term vacancy rates. Notwithstanding this challenging environment, the asset management teams across the country had a very successful year, both in terms of new leasing activity and maintaining a high tenant retention level. The Fund's year-end vacancy rate was a very respectable 7.7%.

As the Fund moves into 2015, it faces other microeconomic and macroeconomic challenges, including unemployment, volatility in Canadian commodity markets and weak GDP performance. Notwithstanding these challenges, Canada, in general, is performing well compared to other developed nations and the Fund, in particular, is well positioned to continue its record of solid performance. The portfolio has excellent diversification by type and region, with institutional quality assets, strong covenant tenants and a well managed lease expiry profile. Management will stay the course with respect to focusing on central business district office towers and well located multi-residential buildings across Canada's major cities. Management will execute property business plans with a focus on increasing cash flow and maintaining high occupancy levels. A disciplined approach to acquisitions that meet Management's criteria will remain a strategy imperative. Similarly, non-core assets will be selectively sold, with proceeds being redeployed into new acquisitions and/or development projects.

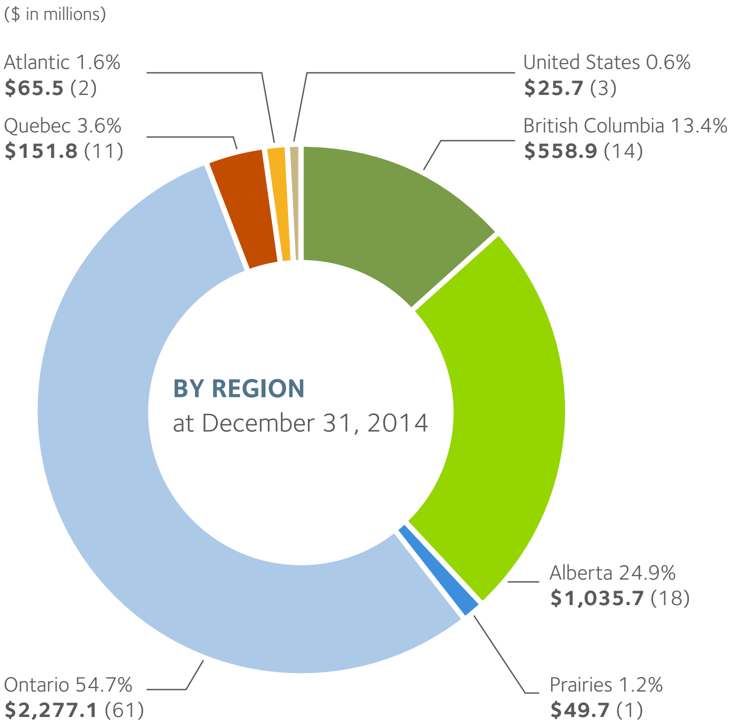
D. Rose

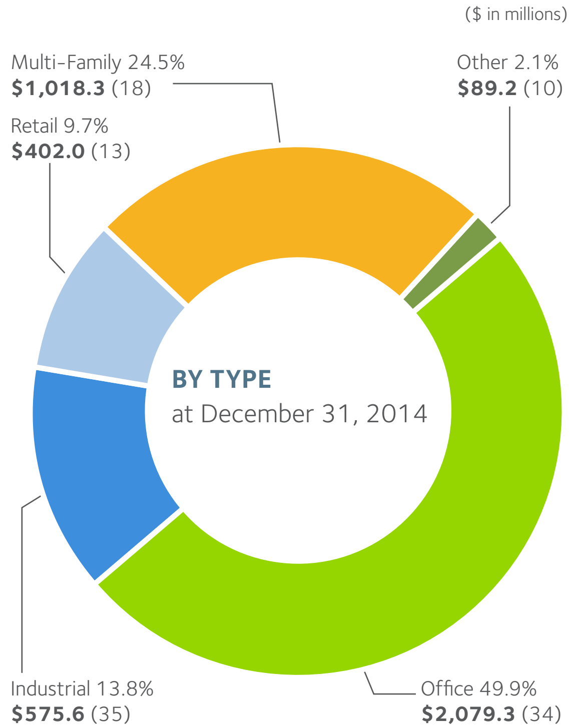
David N. Rose
Vice President,
Portfolio Management

Steve Marino
Senior Vice President,
Portfolio Management

December 31, 2014

PORTFOLIO DIVERSIFICATION





Total gross market value: $4.16 billion Total number of properties: 110

- The Fund's heavier weighting in office and multi-family assets, relative to the IPD benchmark, contributed to a strong performance in 2014.
- Capital appreciation of the multi-family assets pushed their weighting to 24.5% in 2014 from 23.4% a year earlier.
- With the addition of a retail centre in Quebec, the portfolio weighting for retail and Quebec increased by 60 basis points year-on-year.

OFFICE PROPERTIES

The Fund's office portfolio consists of 34 buildings distributed across seven Canadian CMAs, predominantly in downtown Toronto and Calgary. The portfolio is composed of 20 CBD office towers and 14 suburban office buildings. At the end of 2014, the CBD office holdings were valued at $1,724.7 million, while suburban offices totaled $354.6 million, or about 41.4% and 8.5% of the Fund, respectively.

RETAIL PROPERTIES

The Fund's retail portfolio consists of open format retail centres anchored by supermarkets, pharmacies or national tenants, providing stable cash flows from a residential catchment area. The Fund owns 13 retail properties, accounting for 9.7% of the gross portfolio market value, and is looking to increase its allocation to retail.

MULTI-FAMILY PROPERTIES

The Fund's multi-family residential portfolio is made up of 18 core properties, of which 11 are in the Greater Toronto Area. The remainder are in Ottawa, Edmonton, Calgary and Vancouver. The Fund will look to grow its residential portfolio with new generation product located in transit-oriented nodes in major markets in 2015.

INDUSTRIAL PROPERTIES

The Fund's industrial portfolio includes 35 single and multi-tenant assets primarily in the Greater Toronto Area, along with investments in established industrial nodes in Montreal and Edmonton. The Fund will be looking to add high quality, newer generation industrial buildings across the country in 2015, along with completing its mid-bay industrial project in Edmonton.

PORTFOLIO & TENANT DIVERSIFICATION

PORTFOLIO DIVERSIFICATION – CORE PROPERTIES at December 31, 2014

CBD Office ($ in millions)

	# of Properties	Value	% of Real Estate
Vancouver	2	$ 120.1	2.9%
Calgary	5	$ 642.1	15.4%
Edmonton	2	$ 60.4	1.4%
Toronto	6	$ 562.0	13.5%
Ottawa	3	$ 274.7	6.6%
Halifax	2	$ 65.5	1.6%
Total	**20**	**$ 1,724.7**	**41.4%**

Multi-Family ($ in millions)

	# of Properties	Value	% of Real Estate
Vancouver	1	$ 21.9	0.5%
Calgary	1	$ 50.4	1.2%
Edmonton	2	$ 73.3	1.8%
Toronto*			
Central	7	$ 637.6	15.3%
West	4	$ 153.1	3.7%
Ottawa	3	$ 82.0	2.0%
Total	**18**	**$ 1,018.3**	**24.5%**

*Several are multiple building complexes

200 KENT, OTTAWA, ON

65 HIGH PARK AVE, TORONTO, ON

PORTFOLIO & TENANT DIVERSIFICATION

TOP FIVE TENANTS BY BASE REVENUE at December 31, 2014

Office

Tenant	Annual Base Rent at Ownership	% of Total Fund Revenue
Government (Federal & Provincial)	$ 17,294,943	7.9%
Conoco Phillips Canada	$ 7,096,552	3.2%
Invesco Canada Ltd.	$ 3,075,730	1.4%
Ritchie Brothers Auctioneers	$ 2,806,800	1.3%
Saipem Canada Inc.	$ 2,461,699	1.1%
Total	**$ 32,735,725**	**14.9%**

- The diversity of the Fund's office tenant base is highlighted as the top five office tenants accounted for 14.9% of the Fund's revenue and 9.6% of the Fund area.
- The federal and provincial government comprised 7.9% of the Fund's revenue, 15.4% of the Fund's office area and 5.5% of the total Fund area. The nature of long-term leases and diversification of rental revenue across eight office buildings in six different cities protects the Fund's exposure to the government tenancy.

Industrial

Tenant	Annual Base Rent at Ownership	% of Total Fund Revenue
Ministry of Defence	$ 2,145,000	1.0%
Kodiak Group Holdings Inc.	$ 1,015,000	0.5%
Dover Corporation (Canada) Ltd.	$ 876,343	0.4%
The Proctor & Gamble Company	$ 626,201	0.3%
Smiths Detection Montreal Inc.	$ 572,894	0.3%
Total	**$ 5,235,438**	**2.4%**

- The top five industrial tenancies account for only 2.4% of the Fund's total revenue and 3.7% of the Fund's area.
- The Fund's tenant diversity is emphasized by the fact that the largest industrial tenant contributed only 1.0% of the Fund revenue and less than 1.0% of the total area.

Retail

Tenant	Annual Base Rent at Ownership	% of Total Fund Revenue
Walmart Canada Corporation	$ 3,835,560	1.7%
Home Depot of Canada Inc.	$ 968,995	0.4%
Cineplex Galaxy General Partner	$ 760,529	0.3%
Best Buy Canada Ltd.	$ 499,975	0.2%
Michaels of Canada, ULC	$ 493,211	0.2%
Total	**$ 6,558,270**	**3.0%**

- The top five retail tenancies account for 3.0% of the Fund's total revenue and 35.0% of the Fund's retail area.
- The Fund's largest retail tenant, Walmart, has locations in three retail properties across Canada and makes up 1.7% of the Fund's revenue and 22.2% of the Fund's retail area. Walmart is a prominent retailer with a strong operating history.

PORTFOLIO & TENANT DIVERSIFICATION

TOP FIVE TENANTS BY OCCUPIED AREA at December 31, 2014

Office (Total 5,910,110 Sq. Ft.)

Tenant	Occupied Area at Ownership (Sq. Ft.)	% of Total Office Area	% of Total Fund Area
Government (Federal & Provincial)	901,639	15.4%	5.5%
Conoco Phillips Canada	246,907	4.2%	1.5%
Invesco Canada Ltd.	175,756	3.0%	1.1%
MDA Systems Ltd.	127,112	2.2%	0.8%
The Bank of Nova Scotia	119,158	2.0%	0.7%
Total	**1,570,572**	**26.8%**	**9.6%**

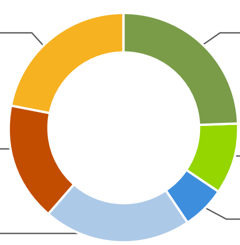
Industrial (Total 5,385,625 Sq. Ft.)

Tenant	Occupied Area at Ownership (Sq. Ft.)	% of Total Industrial Area	% of Total Fund Area
The Proctor & Gamble Company	142,318	2.7%	0.9%
Kodiak Group holdings Inc.	140,000	2.7%	0.9%
Ministry of Defence	135,000	2.6%	0.8%
Mastermind LP	95,763	1.8%	0.6%
Dover Corporation (Canada) Ltd.	87,198	1.7%	0.5%
Total	**600,280**	**11.5%**	**3.7%**

Retail (Total 1,342,895 Sq. Ft.)

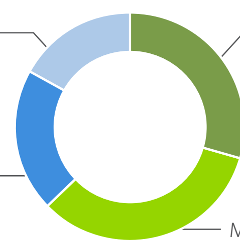
Tenant	Occupied Area at Ownership (Sq. Ft.)	% of Total Retail Area	% of Total Fund Area
Walmart Canada Corporation	326,309	22.2%	2.0%
Home Depot of Canada Inc.	69,214	4.7%	0.4%
Cineplex Galaxy General Partner	52,450	3.6%	0.3%
Michaels of Canada, ULC	32,619	2.2%	0.2%
Best Buy Canada Ltd.	32,130	2.2%	0.2%
Total	**512,722**	**35.0%**	**3.2%**

OFFICE TENANT NAICS[1] DIVERSIFICATION BY OCCUPIED AREA



- The Fund's office properties are tenanted by a wide variety of firms, including government, financial (banks, accounting), professional (law firms, consultants) and technical services firms, which collectively occupy close to 60% of the total Fund office area.

INDUSTRIAL TENANT NAICS[1] DIVERSIFICATION BY OCCUPIED AREA



- The Fund's industrial properties are 70% occupied by major transportation, warehousing, wholesale trade and manufacturing firms. Although tenants listed under manufacturing account for 33.3% of the occupied industrial area, much of that is used as warehouse space.

Note: Numbers may add up to more than 100% due to rounding.

[1]North American Industry Classification System (NAICS) is an industry classification system developed by the statistical agencies of Canada, Mexico and the United States. It is designed to provide common definitions of the industrial structure of the three countries and a common statistical framework to facilitate the analysis of the three economies.

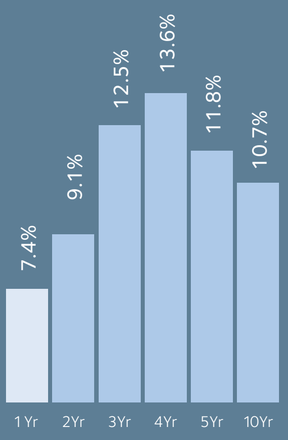
2014 PERFORMANCE & ACTIVITY

RETURNS

The Canadian Real Estate Investment Fund No. 1 continued to produce stable returns in 2014. The Fund's net operating income increased slightly to $204.9 million as 2013 acquisitions contributed for the full year. This was somewhat offset by the Fund's disposition of non-core assets in Ottawa and Calgary, which lowered budgeted NOI. Strong demand for Canadian real estate continued to benefit the Fund as cap rates compressed further, particularly in the residential sector. In 2014, the Fund had a gross total return of 7.4%, of which 4.8% was income return and 2.6% was capital growth.

24 YORK ST, OTTAWA, ON

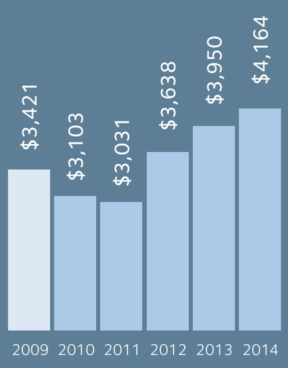
GROSS ANNUALIZED RETURNS (%)



- The gross total return, before fees, of 7.4% is allocated between 4.8% income return and 3.1% capital return at the property level and a loss of 0.5% for marking mortgages to market.
- The Fund's 2014 performance was within the range of expectations for stable returns from property in Canada, which is generally between 6% and 8% annually.

GROSS MARKET VALUE OF REAL ESTATE ASSETS

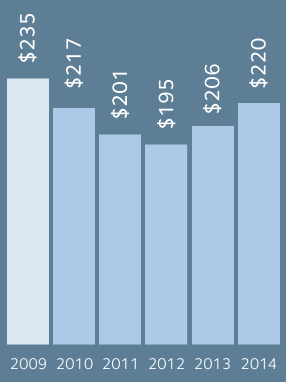
($ millions)



- The Fund's gross market value of real estate hit a new record in 2014. All asset classes saw appreciation in 2014, bringing the total value of real estate to $4.2 billion.
- The Fund completed two acquisitions in 2014, totaling $140.9 million. There were three dispositions that combined for $41.4 million.
- The multi-family assets provided the majority of the Fund's capital appreciation, increasing by 13.2%. By comparison, the retail and office sectors saw modest gains at 1.1% and 0.9% respectively.
- By region, Ontario assets, on average, saw the most appreciation with 5.7% over the year, followed by 2.0% achieved by the British Columbia portfolio.

ANNUAL REAL ESTATE NET OPERATING INCOME*

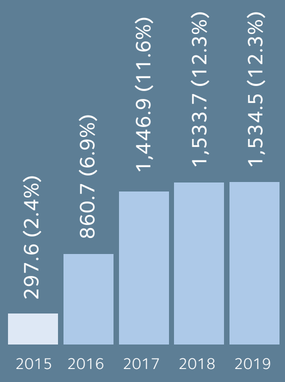
($ millions)



- Net operating income (NOI)*, (excludes amortization), rose to $220.2 million up from $206.2 million in 2013, an increase of 6.8%. Including deductions of amortization, the Fund's NOI came in at $204.9 million, up from $193.9 million in 2013.
- The Fund's industrial acquisitions in late 2013 along with the completion of a suburban office development in Mississauga helped increase NOI in Ontario by 9.1% year-on-year.
- In 2014, holdings in Ontario, Quebec, Alberta and British Columbia saw NOI surpass budget by 6% or more.

COMMERCIAL LEASE EXPIRY PROFILE

(Sq Ft in 000s) Total $12,738 sq ft



- Total portfolio of $12.7 million square feet
- Lease expiry profile is well diversified with no single year representing more than 12.3% rollover.
- 24% of the portfolio expires more than 10 years out.
- Portfolio's weighted average lease term (WALT) of 5.5 years.

2014 PERFORMANCE & ATTRIBUTION

2014 PERFORMANCE BY ASSET CLASS

By Type	Return (%)
Retail	6.9%
Office	6.5%
Industrial	5.8%
Multi-Family	18.5%
Other	7.3%

The multi-family sector had the strongest performance in 2014 of all asset classes in the Fund with a total return of 18.5%. The sector benefited from residential assets in the GTA that delivered double digit capital appreciation. Conversely, the industrial sector had the lowest total return due to higher than expected vacancy at year-end.

2014 PERFORMANCE BY REGION

By Region	Return (%)
British Columbia	7.0%
Alberta	5.7%
Prairies	6.4%
Ontario	11.3%
Quebec	3.8%
Atlantic	5.4%
United States	13.0%

Ontario, on the basis of impressive residential and office returns, led the Fund's total return in Canada. The Fund's small weighting in Texas saw strong gains partially due to a weakening Canadian dollar. The laggard in the Fund this year was Quebec, delivering a 3.8% total return.

2014 ATTRIBUTION BY ASSET CLASS

By Type	% Income Attribution	% Capital Attribution	% Total Attribution	% of Net Market Value	Attribution Factor
Retail	10.2%	3.0%	7.4%	9.4%	0.79
Office	54.9%	14.1%	39.2%	51.8%	0.74
Industrial	16.9%	2.4%	11.4%	16.5%	0.67
Multi-Family	18.9%	75.4%	40.7%	20.1%	2.13
Other	(0.9%)	5.0%	1.4%	2.2%	0.84
Total*	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**1.00**

As mentioned above, the impressive residential return in 2014 had an outsized impact on the portfolio's total return. Despite making up 20.1% of the Fund's net market value, residential produced 40.7% of the portfolio's total return. This calculates to an attribution factor of over 2.0, meaning it provided over twice as much of the total return than it's weighting in the portfolio.

2014 ATTRIBUTION BY REGION

By Region	% Income Attribution	% Capital Attribution	% Total Attribution	% of Net Market Value	Attribution Factor
British Columbia	12.0%	7.9%	10.4%	12.8%	0.81
Alberta	26.5%	3.7%	17.7%	26.9%	0.65
Prairies	1.5%	0.6%	1.1%	1.5%	0.74
Ontario	53.0%	88.0%	66.4%	51.8%	1.30
Quebec	3.2%	(0.2%)	1.9%	4.3%	0.44
Atlantic	2.2%	(0.3%)	1.3%	2.0%	0.62
United States	1.6%	0.4%	1.1%	0.7%	1.50
Total*	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**1.00**

Ontario's weighting of 51.8% of net market value contributed 66.4% of the portfolio's total return in 2014, for an attribution factor of 1.3. Conversely, Alberta's 26.9% weighting provided only 17.7% of the Fund's return as the lower oil price slowed the pace of capital appreciation in the region.

*Totals may add to less/more than 100% due to rounding

2014 PERFORMANCE & ACTIVITY

2014 PORTFOLIO VACANCY

	Net Rentable Area at Ownership (Sq. Ft.)	Vacant Area at Dec. 31/14 (Sq. Ft.)	Vacant % at Dec. 31/14 (Sq. Ft.)	Vacant % at Dec. 31/13 (Sq. Ft.)
Retail	1,466,742	33,024	2.3%	3.4%
Office	5,855,916	433,802	7.4%	8.1%
Industrial	5,218,825	691,135	13.2%	9.5%
Multi-Family	3,538,581	91,590	2.6%	3.0%
Miscellaneous	196,811	-	0.0%	0.0%
Total	**16,276,875**	**1,249,551**	**7.7%**	**7.1%**
British Columbia	1,945,020	253,468	13.0%	16.0%
Alberta	2,727,619	142,792	5.2%	5.7%
Prairies	168,684	-	0.0%	0.0%
Ontario	9,877,753	592,946	6.0%	5.4%
Quebec	1,099,648	218,380	19.9%	12.0%
Atlantic	231,637	41,965	18.1%	9.9%
United States	226,514	-	0.0%	0.0%
Total	**16,276,875**	**1,249,551**	**7.7%**	**7.1%**

The vacancy rate increased marginally year-over-year, from 7.1% to 7.7%. The largest contributor to this increase was the industrial section, which rose materially from 9.5% to 13.2%. As is often the case, a couple of large vacancies materially impacted the overall vacancy level. Leasing teams are focused on readily addressing these exposures. The other asset class vacancies have all been reduced year-over-year, which speaks to the proactive work carried out by the asset management and leasing teams.

Asset Type	2014 Absorption (Sq. Ft.)	2014 Y/E Occupancy (%)
Retail	12,217	97.8%
Office	39,523	92.6%
Industrial	(207,629)	86.8%
Multi-Family	13,820	97.4%
Miscellaneous	30,727	-
Total	**(111,342)**	**92.3%**
British Columbia	58,992	87.0%
Alberta	6,934	94.8%
Prairies	-	100.0%
Ontario	(58,902)	94.0%
Quebec	(99,280)	80.1%
Atlantic	(19,086)	81.9%
United States	-	100.0%
Total	**(111,342)**	**92.3%**

2014 PERFORMANCE & ACTIVITY

LEASING

CRESTWOOD CORPORATE CENTRE, RICHMOND, BC

GULF CANADA SQUARE, CALGARY, AB

COOLEDGE LIGHTING

CRESTWOOD CORPORATE CENTRE, RICHMOND, BC

The Richmond market witnessed increased activity in the latter part of 2014, with several transactions being completed. The technology and digital media industries are key demand drivers in this area. GWL Realty Advisors was able to attract a tenant to occupy 32,000 square feet of vacant space at Crestwood Corporate Centre – Cooledge Lighting, new to the Richmond sub-market, and relocating from Burnaby. The leasing and property management teams worked closely with the tenant to create a space solution that gave this tenant optimal placement and layout for its departments, including options for adjacent expansion. In bringing a tenant of this size to Crestwood Corporate Centre, Fund management was able to reduce vacancy by 4.3%. The lease term begins in 2015 and runs through to 2023, providing predictable cash flow to the Fund.

BAKER HUGHES

GULF CANADA SQUARE, CALGARY, AB

Baker Hughes is one of North America's largest oilfield services companies, equipping the oil and gas industry with products and services. Based in Houston, Texas, Baker Hughes' Calgary headquarters was located in Gulf Canada Square with a lease expiring at the end of 2015. With the large quantity of office supply being added to Calgary's Central Business District, as well as the recent uncertainty in the Calgary market related to oil pricing volatility, the Fund Manager recognized the importance of proactively liaising with the tenant to negotiate an early renewal. The successful renewal of this lease retains a strong covenant tenant at Gulf Canada Square for a further five years, and affords the Fund strong, predictable cash flow.

2014 PERFORMANCE & ACTIVITY

LEASING

5160 YONGE STREET, TORONTO, ON


FIRST CANADIAN CENTRE, CALGARY, ON

MINISTER OF INFRASTRUCTURE
5160 YONGE STREET, TORONTO, ON

The Central North Toronto market has become a very popular area for mixed use office inventory, with vacancy rates decreasing from Q3 to Q4 and absorption staying positive despite 210,000 square feet of new space coming online in the area. With the added competition for large covenant tenants, Fund management was able to secure a lease renewal with the Minister of Infrastructure for the Government of Ontario that will extend their term at 5160 Yonge Street for five years on 130,125 square feet of space (33% of the building). With this transaction, Fund management was able to maintain 96% occupancy in the building while retaining a strong covenant tenant, thus sustaining the risk profile of the property.

BMO FINANCIAL GROUP
FIRST CANADIAN CENTRE, CALGARY, AB

The downtown Calgary office market did not finish 2014 on a particularly high note, according to Colliers Canada. With more than 4 million square feet of office space scheduled to be added to the downtown Calgary market over the next four years, and the uncertainty of the oil industry, the Fund Manager's leasing focus has been on negotiating early renewals with select existing tenants. Seeking to mitigate the risk of higher vacancy and downtime in the near future, the Calgary leasing team was able to secure the renewal of BMO Financial Group's lease for an additional five years. The covenant tenant will continue to occupy a 50,491 square foot space in the building. This transaction assists in reducing leasing risk while sustaining future income returns.

2014 PERFORMANCE & ACTIVITY

ACQUISITIONS AND DISPOSITIONS

In January, the Fund closed on a 182,557 square foot retail centre in Quebec City's borough of Beauport for $33.3 million. This acquisition helped the Fund increase its weighting in two areas that have been relatively difficult to fill for the past several years: retail and the province of Quebec. The retail centre was built in 2000, with a renovation in 2007, and is anchored by a Cineplex theatre complex. The centre is immediately adjacent to another Fund owned asset, Faubourg Beauport, allowing for leasing synergies and economies of scale in the management of the two properties. Furthermore, the centre has good access to Autoroute Felix-Leclerc and Highway 40.

In December, the Fund closed on a forward purchase of a 100% freehold interest in Home Depot of Canada's future Western Canadian distribution centres. The two modern, large-bay distribution buildings will total over 1 million square feet and are leased on a long-term 20-year lease. This development will be integral to Home Depot's Canadian distribution network. This transaction will see multiple instalments paid during the course of construction, totaling $108.2 million, with completion scheduled for March 2016.

DEVELOPMENT

The Fund uses new development as a component of the overall strategy of generating stable, risk-adjusted returns with the emphasis on control for timing, quality, specifications and leasing risks.

With the completion of the South Central Business Park Phase II development in Edmonton, and with only a small extension planned for 2015, the Fund has started the development of mid-bay industrial product at Prospect Business Park in northwest Edmonton. The multi-tenant project, named 51st Avenue MidBay Phase I, totals 78,044 square feet over three units. The project is 100% committed, with two completed lease deals totaling 70,544 square feet and one remaining unconditional deal for 7,500 square feet. The $13.3 million development was completed on December 1, 2014, and was delivered below budget. The Edmonton industrial market remains tight at 1.4% vacant (3.8% availability according to CBRE).

In Ontario, the Fund completed the development of 7025 Langer Drive, a 64,749 square foot suburban office building in Mississauga in August 2014. The building is currently 47.1% leased across five tenants. The project, started in September 2013, is forecasted to be below its $20.9 million budget upon leasing stabilization.

MEGA CENTRE BEAUPORT, BEAUPORT, QC

FAUBOURG BEAPORT, BEAUPORT, QC

HOME DEPOT SITE, CALGARY, AB

2014 PERFORMANCE & ACTIVITY

In the City of Toronto, the Fund has begun the predevelopment process for two 25-storey residential buildings on land currently owned at Grenadier Square near High Park. The proposed buildings will include a five-storey podium that will have ground floor townhouses. The two existing underground garages will be connected, to create a common garage shared by four buildings. Upon completion, the development will add 538 new units to the site for a total number of 1,197 units.

SIGNIFICANT CAPITAL PROJECTS

The Fund deployed $46.1 million on capital projects, excluding developments, in 2014. This amount, at 1.1% of year-end gross market value, is below the full-year budgeted capital expenditure of $54.7 million.

At Watermark Tower, a 27-storey Class 'A' office building in Calgary, a refurbishment of the Plus 15 retail space began in the autumn of 2014. The project will modernize the common area on the Plus 15 level (unchanged since 1982), which connects to other downtown Calgary office buildings. The retail section upgrade is deferential in nature as it will enable the property to retain its competitiveness in the central business district. Upon completion, there will be a new tenant mix, an increase in usable space by 3,300 square feet and an improved aesthetic of the common area. In addition, the area will be reconfigured to facilitate a future Plus 15 connection to a new 700,000-square foot office development. The budgeted cost of the project is $2.1 million.

At 4 King Street West, a 20-storey Class 'A' office building in Toronto, an elevator modernization project got underway in the summer of 2014. The modernization of the elevators will take place over three years, with an expected completion date of December 2016 at a total cost of $1.9 million. The project will replace six passenger cabs and one loading dock shuttle freight elevator with more energy efficient models. The elevator modernization will tie in with planned renovations of the main lobby, and will assist with tenant retention at this Toronto CBD Fund asset

FINANCING

In 2014, 16 loans with an outstanding balance of $120.9 million, or 14.3% of the total portfolio's outstanding debt, matured. With lending terms remaining favourable, five loans were refinanced totalling $99.7 million. In light of the Fund's higher than historical average cash balance, Fund management took the opportunity to pay down $60.7 million of maturing loans. Across the entire portfolio the weighted average interest rate declined marginally year-over-year from 4.6% to 4.3% and the loan-to-value ratio decreased from 19.5% to 18.6%, well within the investment policy maximum of 35.0%. Fund policy dictates that mortgages are marked to market. While this practice adds some volatility to the Fund's return, it allows the Fund's returns to accurately reflect the inherent value of committed financing. Over the long term, as the mortgages mature, the mark-to-market nets to zero.

SUSTAINABLE APPROACH

Fund management continued its commitment of pursuing sustainability objectives in 2014, focusing on reductions in energy and water use, waste production, and greenhouse gas (GHG) emissions. Monitoring asset performance through analysis of high-integrity data is central to Fund management's approach to sustainability. Throughout 2014, all assets were tracked against key performance indicators, then compared to industry best practices, regional averages, and internal benchmarks, all of which are used to inform business planning objectives, while demonstrating Fund management's commitment to responsible property management practices.

Fund management saw an opportunity to apply these strategies when it launched the Water Conservation and Benchmarking Program for its office portfolio in 2014. Across Canada, water rates have risen steadily over the past five years, above the rate of inflation, and water scarcity is becoming of regional importance. These risk factors led to the establishment of five-year water reduction targets and action plans for each office asset (2014-2018). Collectively, the Fund's office assets are targeting a 9.6% reduction in water use over the next five years. This reduction is estimated to save a total of 72 million litres of water, or 28 Olympic-size swimming pools, and avoid approximately $141,000 in annual tenant utility costs. This builds on the water reduction of 8.4% across the portfolio.

SUSTAINABLE RESULTS

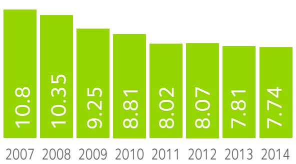
Since 2007, Fund management's sustainability strategies have led to positive sustainability outcomes. Operational improvements and capital upgrades have been identified by Fund management to achieve more efficient and stable assets that limit emissions, utility use, and waste. This performance is exemplified by various portfolio activities.

The Fund's multi-family portfolio continued its proactive improvements to onsite waste management. The Grenadier Square apartment buildings adjacent to High Park, in Toronto, are notable examples. From 2013 to 2014, the monthly waste cost per residential unit decreased by over 40% and annual waste diversion increased from 30% to over 50%. These results were achieved through the implementation of new recycling programs (e.g., e-waste recycling, clothing bins), resident engagement and awareness programs, the use of a detailed waste management tracking system, and the creation of convenient access points for residents.

2014 PERFORMANCE & ACTIVITY

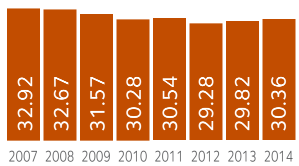
GHG Emissions Intensity

tCO_2e/1000 sqft



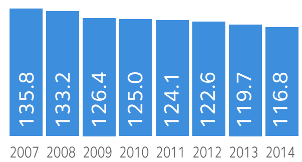
Energy Intensity

ekWh/sqft



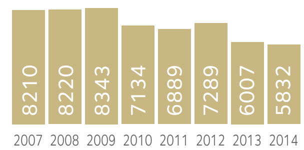
Water Intensity

M^3/sqft



Landfill Waste

Tonnes



Vivere, the Fund's 10-storey, condo-style apartment complex, built in 2010 in Toronto's vibrant Yonge and Eglinton neighborhood, successfully completed energy efficiency retrofits in 2014. By installing variable speed drives on pumps and variable frequency drives on air handling systems, the building avoided approximately 50,000 kWh in annual electricity use, over 4.5 tonnes in GHG emissions (tCO_2e), and approximately $4,500 per year in tenant utility costs. The property management team also successfully obtained over $5,000 in government incentives for the project.

Overall, between the years 2007 and 2014, the Fund has shown significant sustainability performance improvements, reducing greenhouse gas (GHG) emissions by 25.5%, or 22,746 tCO_2e. This is the equivalent of taking 4,789 cars off the road for one year or planting approximately 583,231 tree seedlings and growing them for 10 years. Similarly, the Fund experienced reductions to its total energy consumption (7.8%), water consumption (13.9%) and waste production (31.7%) between 2007 and 2014.

SUSTAINABLE BUILDINGS

Beyond operational and management practices, green certifications offer additional value to the Fund reinforcing environmental, operational, and sustainable best practices, helping to lower environmental impacts and utility costs, and enhancing occupant health and comfort.

As at December 31, 2014, the Fund held 61 BOMA BESt certifications, constituting 73% of the 83 eligible properties. These include Level 4 certifications for Robson Court in Vancouver and Gulf Canada Square in Calgary, a high distinction held by only 3% of the BOMA BESt certified properties in Canada. Additionally, the 141 unit, multi-family Vivere building in Toronto won the 2014 BOMA BESt Earth Award for having the highest certification score (84%) in its category. Thirteen other Fund properties are currently in pursuit of BOMA BESt and are expected to achieve certifications in 2015. BOMA BESt is a standard set by the Building Owners and Managers Association (BOMA) and addresses six areas of building performance: energy, water, waste reduction, emissions, indoor environment and environmental management system.

In 2014, four Fund assets achieved Leadership in Energy and Environmental Design (LEED®) Gold certifications under the Canada Green Building Council's rating system, Existing Buildings: Operations and Maintenance (EB:OM).

To obtain LEED® certification a building must achieve certain thresholds for five areas of human and environmental health, which include: water and energy efficiency; sustainable site development; materials selection; and indoor environmental quality.

Each building that certified in 2014 had unique sustainability components that helped achieve its certification. For example, 269 Laurier Avenue in Ottawa achieved an Energy Star score of 96; making it more efficient than 95 percent of Canadian commercial office buildings of similar size and use within the Energy Star® database.

255 Albert Street in Ottawa achieved an 81% reduction in conventional commuting trips with a number of tenants choosing to commute to work by carpooling, walking, and cycling.

Built in 1982, 33 Yonge Street is a 13-storey, 571,000 square foot Class 'A' office tower in the heart of downtown Toronto, with a good track record in sustainability. The building's waste diversion program annually diverts 76% of waste away from landfills and towards recycling or reuse.

Purdy's Wharf, a three-building, 694,000 square foot complex in Halifax became the first LEED® Gold EB:OM building certified in Atlantic Canada. The innovative design of the building utilizes a seawater cooling system. In addition to being a clean, renewable source of energy, the seawater system eliminates evaporative water losses that normally occur in cooling systems with towers. Additionally, the landscaping consists solely of vegetation that can be entirely sustained from natural rainfall, requiring no additional irrigation.

These newly achieved certifications increased the Fund's total to nine LEED® certified buildings, covering assets in excess of $870 million.

The breadth of green certifications in the Fund's portfolio demonstrates Fund management's commitment to a strong, diversified portfolio where all assets are operated and maintained to high performance standards.

2015 PORTFOLIO BUSINESS PLAN

9500 GLENLYON PARKWAY, BURNABY, BC

ACQUISITIONS AND DISPOSITIONS

In 2015, the Fund will continue to seek acquisition opportunities that align with its investment strategy of acquiring quality real estate holdings. Key investment criteria include location and accessibility; tenant covenant and expiry profile; building quality improvements together with the need for future capital investment; building design and efficiency, and ultimately, projected return profile.

The Fund's portfolio strategy also mandates effecting diversification, both by asset class and geography, across four primary asset classes: office, multi-family, industrial and retail. The allocation mix is strategic in providing exposure to the higher return but more volatile sectors of office and retail, while complementing it with the stability and predictability of return of the multi-family and industrial sectors. Geographically, the Fund limits its principal exposure to Canada's major urban centres, thereby maximizing liquidity.

Fund management will continue to selectively divest of assets that have been identified as non-core or are deemed opportunistic by virtue of the successful execution of business plans. The proceeds of these dispositions are to be redeployed into higher quality, strategic acquisitions or developments that will improve the overall portfolio.

The acquisition and disposition activities of the Fund are approved by the Investment Committee of GWL Realty Advisors and the Board of Directors of The Great-West Life Assurance Company, providing additional oversight and governance.

LEASING

Leasing is paramount to delivering stable and growing cashflow, the Fund's core objective. The Fund closed 2014 with an occupancy level of 92.3%, marking the fifteenth consecutive year this century that it has surpassed the 90% threshold. This level of occupancy is a testament to the success of the leasing, asset and property management teams' executing property specific business plans to maintain high tenant retention rates and attract new tenants. The teams leverage their collective knowledge and experience to devise business plans that articulate asset positioning and leasing strategies within the context of assessing broader market conditions. As is generally the case with most large portfolios, a handful of assets account for a disproportionate amount of vacancy, namely Purdy's Wharf (18%), Crestwood (20%) and 4600 Poirier (100%). These assets are identified as near term leasing priorities.

Fund management actively manages its overall expiry profile to mitigate the potential exposure related to having excessive space expiring in any particular year. Over the course of the next five years, the Fund's largest annual exposure is 12.3% and more than 24% of the portfolio expiring more than ten years out. By managing this exposure, the Fund is able to diversify the related risk and generate stable cash flow.

2015 PORTFOLIO BUSINESS PLAN

7070 MISSISSAUGA ROAD, MISSISSAUGA, ON

DEVELOPMENT

Although the Fund is by definition a core, income-producing portfolio, it has greatly benefited from selective development. Today, properties developed by the Fund Manager, GWL Realty Advisors, represent 8% of the value of the Fund. Development allows management to select the location, control the design and quality of finishes, manage the timing of delivery relative to market conditions, and generate attractive risk-adjusted returns. Moreover, development allows the Fund to adjust its portfolio weightings by type and region, enhancing portfolio diversification while minimizing future capital spending. Similar to the Fund's acquisition program, it employs disciplined investment criteria, including pre-leasing commitments, to evaluate project desirability. The Fund's recent development successes at South Central Business Park and Prospect Business Park in Edmonton and Crossroads Corporate Centre in Mississauga confirm its adherence to these policies.

As land investment generates limited income return, the Fund tends to focus its efforts on securing opportunities that can be converted into income producing property near term, thereby minimizing return dilution. In this vein, the Fund gives priority to those sites already under its control that have development potential through further intensification, as the cost of obtaining the incremental density is economically attractive. The Fund owns an interest in four such projects; notably a multi-family project in Toronto, for which it is awaiting an Ontario Municipal Board planning decision specific to two towers; an office building in Calgary for which zoning is in place for 600,000 square feet; an office building in Vancouver and a shopping centre in Montreal, both of which have rezoning work underway. While larger scale development projects such as these have material lead times, subject to appropriate market conditions, they can materially enhance the overall quality, diversification and cash flow of the Fund.

CAPITAL INVESTMENT

Real estate is a capital intensive asset class that requires significant ongoing investment. These investments are integral to maintaining real estate's physical integrity, preserving and creating value and contributing to long-term cash flow generation. The Fund's 2015 capital plan is the aggregate of the portfolio's 110, property-specific capital programs, as identified in each of the respective business plans. The plan is comprised of both mandatory and discretionary initiatives. Mandatory initiatives address building components that are approaching the end of their useful life and need replacement, like boilers or chillers, or those in need of major rehabilitation, such as parking garages. Discretionary initiatives are those that Fund management elects to pursue on the basis of their potentially accretive or defensive nature, such as lobby renovations and apartment suite upgrades. Within the commercial asset classes, capital is deemed either recoverable or non-recoverable from its building occupants, while in the multi-family asset class, all capital is deemed non-recoverable due to the gross lease environment.

2015 PORTFOLIO BUSINESS PLAN

PURDY'S WHARF, HALIFAX, NS

The Fund's 2015 capital plan includes significant outlays related to the completion of lobby renovations and elevator modernization at 4 King Street West in Toronto, as well as food court renovations at Fifth and Fifth and Watermark Tower in Calgary. Other major capital plans across the portfolio include mechanical system replacements, balcony restorations, underground garage rehabilitation and elevator modernizations. These investments are aimed at enhancing the quality of the respective properties to both maintain and increase their competitiveness in the long term, especially in the face of significant new office inventory being introduced in select markets.

CASH MANAGEMENT AND FINANCING

The Fund closed 2014 with a $495 million cash position, representing 13.1% of its equity. While this balance is above the Fund's longer term average of 10%, the capital-intensive and lumpy nature of real estate is such that adequate capital is required to fund new acquisition opportunities, for building improvements and leasing capital, and to meet potential investor rebalancing requests. The Fund's cash position is a product of organic cash growth, as well the Fund's continued ability to generate strong investor interest. While larger cash balances afford the Fund the opportunity to pursue more dynamic investment opportunities, Fund management actively monitors and weighs the interim dilution to returns.

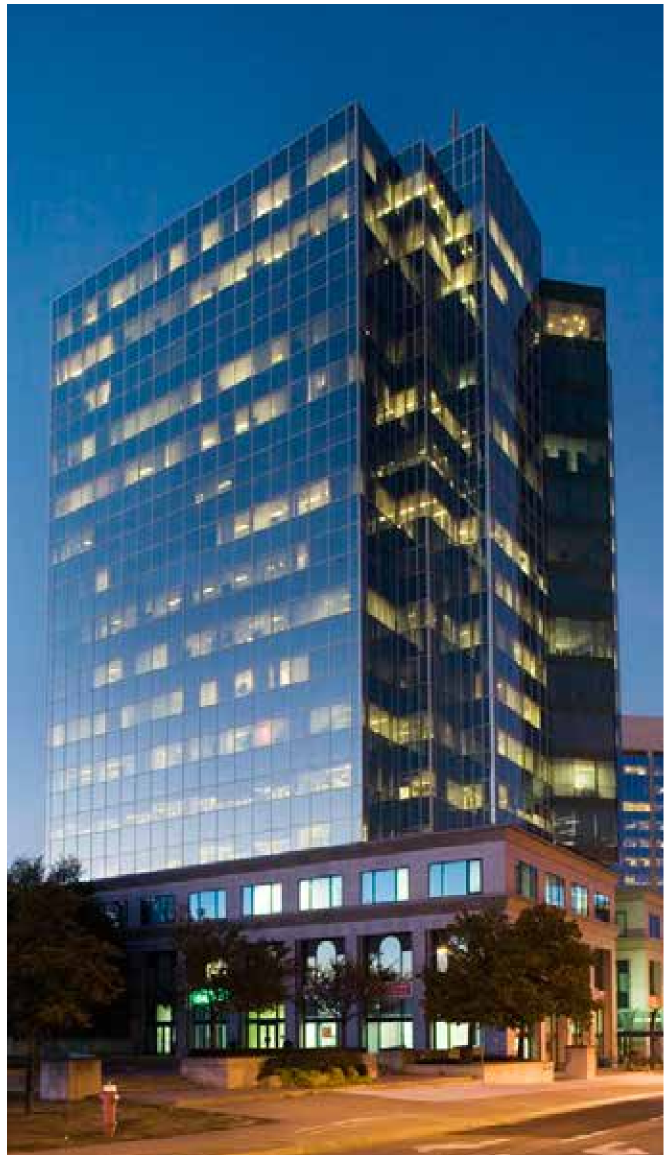
269 LAURIER AVENUE WEST, OTTAWA, ON

2015 PORTFOLIO BUSINESS PLAN

The Fund's use of leverage is a significant tool in managing its cash position as well as enhancing its return profile. The Fund may opt to pay down maturing debt during periods of high cash balances while, alternatively, it may look to secure new debt during periods of low cash balances to provide enhanced returns and flexibility. At year-end 2014, the Fund had a conservative loan-to-value ratio of 18.6%, below its longer term average of 23% and well within the Fund's mandated guideline of 35%. The Fund has five loans maturing in 2015, totaling $43 million, with a weighted average interest rate of 5.26%. Fund management will look to refinance one of the maturing loans while paying down the remainder. In addition, the Fund will explore the potential to participate in today's low financing rate environment by considering blend and extend opportunities related to 2016 expiries, as well as selective financings of presently unpledged multi-family and covenant tenant assets, which generate the most attractive terms. Similar to the Fund's lease expiry profile, the Fund manages its financing to ensure it has both strong lender and expiry profile diversification, thereby mitigating potential exposures. Risk is further mitigated by ensuring all financing has recourse limited to the property, in accordance with the Fund's policy.

LOOKING FORWARD

As we look towards 2015, global economic uncertainty, together with volatile commodity pricing and a rapidly evolving retail landscape, provide a challenging environment. The Fund has consistently delivered strong performance over the course of its 34 year existence. As the Fund moves forward under new stewardship, it will leverage the strong foundation constructed by previous management's assembly of a quality, well-diversified income-producing portfolio. Fund management remains committed to adhering to the strategy of acquiring institutional-grade, well-located and tenanted properties; maintaining a conservative loan-to-value ratio, a well-managed lease expiry profile, and a selective development program, positioning the Fund to mitigate risk and deliver strong returns.



ONE CITY CENTRE, MISSISSAUGA, ON

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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To the Contractholders of The Great-West Life Assurance Company - Canadian Real Estate Investment Fund No. 1

We have audited the accompanying financial statements of The Great-West Life Assurance Company - Canadian Real Estate Investment Fund No. 1, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, the statements of comprehensive income, statements of changes in assets attributable to contractholders and the statements of cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Great-West Life Assurance Company - Canadian Real Estate Investment Fund No. 1, as at December 31, 2014, December 31, 2013 and January 1, 2013, and the results of operations and cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

Deloitte LLP

Chartered Accountants
Winnipeg, Manitoba
March 26, 2015

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION *(In Canadian $ thousands)*

	December 31, 2014	December 31, 2013	(note 3) January 1, 2013
Assets			
Cash, short-term deposits	**495,835**	578,693	476,935
Investment income due and accrued	**10,955**	8,828	9,690
Due from The Great-West Life Assurance Company (note 9)	**–**	95	–
Due from brokers	**–**	–	–
Due from outside parties	**52,431**	32,430	29,094
Investments			
Bonds	**28,214**	27,592	25,301
Stocks	**–**	–	–
Investment fund units	**–**	–	–
Investment properties	**4,136,210**	3,922,205	3,612,913
Mortgages and sales agreements	**–**	–	–
Derivatives	**–**	–	–
Total investments	**4,164,424**	3,949,797	3,638,214
Total assets	**4,723,645**	4,569,843	4,153,933
Overdrafts	**–**	–	37
Due to The Great-West Life Assurance Company (note 9)	**720**	–	1,499
Due to brokers	**–**	–	–
Due to outside parties	**92,489**	90,131	95,825
Mortgages on investment property (note 4)	**861,904**	871,720	934,980
Derivatives	**–**	–	–
Total liabilities excluding net assets attributable to contractholders	**955,113**	961,851	1,032,341
Net assets attributable to contractholders	**3,768,532**	3,607,992	3,121,592

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME *(In Canadian $ thousands)*

For the years ended	December 31, 2014	December 31, 2013
Income		
Net gain (loss) on investments	**96,422**	193,546
Investment properties income	**395,099**	369,130
Miscellaneous income (loss)	**139**	102
Total Income	**491,660**	562,778
Expenses		
Management fees (note 9)	**26,507**	26,443
Investment properties expenses	**220,903**	216,787
Transaction costs	**–**	–
Withholding taxes	**–**	–
Other	**8,110**	1,560
Total expenses	**255,520**	244,790
Net increase (decrease) in net assets from operations attributable to contractholders	**236,140**	317,988

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS

For the years ended	December 31, 2014	December 31, 2013
Net assets attributable to contractholders – beginning of year	**3,607,992**	3,121,592
Contractholder deposits	**337,795**	504,001
Contractholder withdrawals	**(413,395)**	(335,589)
Increase (decrease) from operations	**236,140**	317,988
Change in net assets attributable to contractholders	**160,540**	486,400
Net assets attributable to contractholders – end of year	**3,768,532**	3,607,992

STATEMENT OF CASH FLOWS

(In Canadian $ thousands)

For the years ended December 31	2014	2013
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	**236,140**	317,988
Add back amortization of lease inducements	**11,330**	10,519
	247,470	328,507
Adjustments		
Realized (gains) losses	**(8,906)**	(4,416)
Unrealized (gains) losses	**(98,683)**	(157,672)
Gross proceeds of disposition of assets	**38,791**	44,548
Gross payments for the purchase of assets	**(61,080)**	(316,264)
Change in investment income due and accrued	**(2,127)**	862
Change in due from/to The Great-West Life Assurance Company	**815**	(1,594)
Change in due from/to brokers	**-**	-
Change in due from/to outside parties	**(17,643)**	(9,030)
Change in mortgages on investment property	**(9,816)**	(63,260)
	(158,649)	(506,826)
Financing Activities		
Contractholder deposits	**337,795**	504,001
Contractholder withdrawals	**(413,395)**	(335,589)
	(75,600)	168,412
Net increase (decrease) in cash and cash equivalents	**13,221**	(9,907)
Cash and cash equivalents, beginning of year	**323,357**	333,264
Cash and cash equivalents, end of year	**336,578**	323,357
Supplementary cash flow information		
Interest income received	**1,257**	1,329
Dividend income received	**-**	-
Mortgage interest paid	**36,339**	39,894
Cash and cash equivalents comprises		
Cash and short-term investments (less than 90 days)	**336,578**	323,357
Cash and short-term investments (90 days to less than a year)	**159,257**	255,336
Cash and cash equivalent, end of period	**495,835**	578,693

Net Assets Attributable to Contractholders (note 8)

	# Units outstanding					Net asset value per unit				
For the years ended December 31	**2014**	2013	2012	2011	2010	**2014**	2013	2012	2011	2010
Investment Only (A)	**1,030,469**	1,058,734	982,240	1,050,701	1,040,311	**1,830.49**	1,704.79	1,538.13	1,285.32	1,102.30
Investment Only (AI)	**257,088**	249,803	415,849	239,939	354,997	**592.77**	578.88	547.79	482.18	437.67
Investment Only (AC/AL)	**2,198,123**	2,155,526	1,770,084	1,706,469	2,804,558	**245.86**	228.90	206.46	172.48	147.89
Individual No-Load (IA)	**1,501,434**	1,690,467	1,690,804	1,552,484	2,105,755	**297.69**	286.03	266.28	229.52	202.95
Individual Back-End Load (IB)	**982,308**	1,115,031	1,173,443	1,102,470	1,668,525	**310.40**	297.61	276.47	237.77	209.78
Managed Money (IC)	**99,256**	97,102	96,810	94,635	126,214	**596.76**	565.55	519.26	441.58	385.32
75/75 guarantee policy	**4,561,298**	3,466,916	1,627,264	240,364	27,167	**14.74**	14.14	13.14	11.30	9.97
75/100 guarantee policy	**3,383,196**	2,594,978	1,071,604	162,907	10,402	**14.63**	14.04	13.06	11.25	9.95
100/100 guarantee policy	**311,035**	237,017	148,396	26,891	858	**14.22**	13.71	12.81	11.10	9.88
PS1 75/75 guarantee policy	**1,341,786**	935,375	293,144	-	-	**12.37**	11.81	10.93	-	-
PS1 75/100 guarantee policy	**257,382**	137,671	57,083	-	-	**12.32**	11.78	10.92	-	-
PS1 100/100 guarantee policy	**12,291**	30,302	-	-	-	**12.21**	11.71	-	-	-
PS2 75/75 guarantee policy	**2,752,420**	1,601,980	398,605	-	-	**13.22**	12.31	11.10	-	-
PS2 75/100 guanantee policy	**843,322**	672,184	258,819	-	-	**13.22**	12.31	11.10	-	-
PS2 100/100 guarantee policy	**10,219**	7,688	-	-	-	**13.22**	12.31	-	-	-

Net Assets Attributable to Contractholders by Category

	Net asset value					Increase (decrease) per unit	
For the years ended December 31	**2014**	2013	2012	2011	2010	**2014**	2013
Investment Only (A)	**1,886,264**	1,804,919	1,510,812	1,350,492	1,146,735	**125.70**	166.66
Investment Only (AI)	**152,393**	144,605	227,800	115,694	155,372	**13.89**	31.09
Investment Only (AC/AL)	**540,429**	493,409	365,455	294,336	414,766	**16.96**	22.44
Individual No-Load (IA)	**446,960**	483,524	450,223	356,321	427,363	**11.66**	19.75
Individual Back-End Load (IB)	**304,910**	331,849	324,419	262,129	350,023	**12.79**	21.14
Managed Money (IC)	**59,232**	54,916	50,270	41,789	48,633	**31.21**	46.29
75/75 guarantee policy	**67,245**	49,013	21,377	2,716	271	**0.60**	1.00
75/100 guarantee policy	**49,487**	36,435	13,995	1,833	103	**0.59**	0.98
100/100 guarantee policy	**4,423**	3,249	1,900	299	8	**0.51**	0.90
PS1 75/75 guarantee policy	**16,600**	11,048	3,203	-	-	**0.56**	0.88
PS1 75/100 guarantee policy	**3,171**	1,622	623	-	-	**0.54**	0.86
PS1 100/100 guarantee policy	**150**	355	-	-	-	**0.50**	0.72
PS2 75/75 guarantee policy	**36,391**	19,720	4,426	-	-	**0.91**	1.21
PS2 75/100 guanantee policy	**11,150**	8,274	2,874	-	-	**0.91**	1.21
PS2 100/100 guarantee policy	**135**	95	-	-	-	**0.91**	1.04

December 31, 2014 *(in Canadian $ thousands)*

1. THE FUND

The following Fund is offered by The Great-West Life Assurance Company:

Canadian Real Estate Investment Fund No. 1

The Great-West Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in this Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is a wholly-owned subsidiary of Great-West Lifeco Inc. ("Lifeco"), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation ("Power Financial") group of companies and its direct parent is Power Financial.

The Fund's registered office is at 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3.

The financial statements of the Fund were approved for issue by the Company on March 26, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) which became Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises and were adopted by the Fund for fiscal years beginning on January 1, 2014. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2014. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

These are the first IFRS annual financial statements issued after the date of transition, accordingly IFRS 1, *First-time Adoption of International Financial Reporting Standards* (IFRS 1) has been applied.

The Fund's financial statements were previously prepared in accordance with previous Canadian GAAP, which differs in some areas from IFRS. See note 3 for an explanation of how the adoption of IFRS has affected the reported financial position, financial performance and accounting policies of the Fund.

a) Use of Estimates, Significant Accounting

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments and investment property is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statements of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

The Fund participates in joint operations that allow the Fund to hold investment properties jointly with another party with the objective to generate rental income recorded in investment properties income and/or capital appreciation on the investment properties recorded in gain (loss) on investments. Joint control has been determined in accordance with the terms in the joint agreement, whereby decisions about the relevant activities, that significantly affect the returns of the arrangement, require the unanimous consent of the parties sharing control. The joint arrangements were classified as joint operations as the arrangements give both parties the right to the assets, revenues and assumed obligation for the liabilities and expenses. Most investment properties are owned jointly by related parties or related party segregated funds.

The Fund has entered into commercial and residential property leases on its investment property. The Fund has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the contracts as operating leases.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Financial Instruments Fair Value Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1 – determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2 – determined using inputs other than the quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – determined using inputs that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's administrator. The Fund's administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include equities, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

Financial Instrument	Classification
Cash and short-term deposits	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Great-West Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due from outside parties	Loans and receivables
Bonds	Fair value through profit or loss

Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Mortgages and sales agreements	Fair value through profit or loss
Mortgages on investment property	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Bonds

Bonds are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the fund manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than one year at acquisition. A reconciliation is included in the Statement of Cash Flows for the Canadian Real Estate Investment Fund No. 1. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Investment Properties

Investment properties comprise of completed real estate property and property under development held to earn rental income (which is recorded in the Statement of Comprehensive Income as investment properties income) or for capital appreciation or both. The cost of investment properties is acquisition cost plus the cost of capital improvements. Acquisition costs include land transfer taxes and professional fees for legal services. Initial direct and incremental costs incurred in negotiating an operating lease on investment properties are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease. Properties under development include interest on both specific and general debt, property taxes and general and administrative expenses incurred directly in connection with the acquisition and development of properties.

When the Fund determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier); thereafter, they are recorded at their most recent external or internal appraised value. Investment properties of the Fund are appraised annually by qualified external investment property appraisers. Fund management may adjust individual property values periodically due to changing market conditions.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the period in which they arise.

Investment properties are derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the Statement of Comprehensive Income in the year of retirement or disposal. Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset financial statements.

Additional details on investment properties are included in the notes to the Schedule of Investment Portfolio.

Where the Fund is involved in joint operations, it recognizes its rights to the assets and revenue and obligations for the liabilities and expenses of the joint operation in accordance with the Fund's accounting policies.

For investment properties, the capitalization rate (cap rate) is a measure of a property's value to its income and is a key metric in the valuations prepared by investment property appraisers. Cap rates are influenced by factors in the overall investment property market in Canada, which is in turn influenced by supply and demand factors as well as the domestic economy.

Investment properties are subject to a degree of risk. They are affected by various factors including changes in both general and local market conditions, credit markets, competition in the environment, stability and credit-worthiness of tenants, and various other factors.

Amortization of lease inducements represents initial direct costs incurred in negotiating and arranging operating leases and are amortized over the lease term on the same basis as the lease income.

f) Mortgages on Investment Property

Mortgages on investment property are recorded at fair value. Fair value of mortgages have been determined using discounted future payments of principal and interest of the actual outstanding mortgages, discounted at the current market interest rates available to the Fund. The portfolio does not include any uninsured mortgages.

g) Derivatives

Derivatives are classified as held-for-trading and are measured at fair value.

h) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Net gains (losses) from fair value adjustments on investment properties – include fair value adjustments arising from external appraisals, valuation adjustment by management and gains (losses) on sale of investment properties.

Realized gains (losses) on investments – recorded upon the sale or maturity of an asset. Gains are calculated as the excess of the net proceeds from sale over the cost of the investment.

Unrealized gains (losses) on investments – calculated as the in-year change in fair value of the investment.

Interest income on debt securities – recognized in the Statement of Comprehensive Income when received or receivable.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Investment properties income

The Fund is the lessor of operating leases on investment property. The Fund has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease. Investment properties income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term in the Statement of Comprehensive Income, except for contingent rental income which is recognised as rental income in the period in which it is earned. Initial direct costs incurred in negotiating and arranging operating leases are recognized as an expense over the lease term on the same basis as the lease income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) is composed of changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances and management fee rebates.

i) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

j) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

k) Other Expenses

Other expenses consist primarily of securities handling charges and mortgage insurance. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

l) Income Allocation

Net gain (loss) on investments, which includes interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit, with the exception of Category A units of specific clients. The net investment income of this category is allocated to the contractholders in the form of additional units.

m) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

n) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of stocks and bonds by the Fund are charged to expenses in the period.

Transaction costs, such as brokerage commissions, legal fees and land transfer tax incurred in the purchase and sale of investment properties by the Fund are added to the cost of the asset in the period.

o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. The Fund has not capitalized any borrowing costs in 2014 or 2013. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

p) Foreign Currency Translation

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

q) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- impairment based on an expected loss model; and
- hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. The Funds' management is evaluating the impact this standard will have on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* which provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from insurance contracts, leases and financial instruments are not required to apply the revenue recognition requirements in IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The standard is effective January 1, 2017. The Funds' management is evaluating the impact of the adoption of this standard.

3. TRANSITION TO IFRS

The financial statements of the Funds have been prepared in accordance with IFRS as issued by the IASB and as adopted by the Accounting Standards Board of Canada for Investment Entities for financial reporting periods beginning on or after January 1, 2014.

These are the first Fund financial statements prepared in accordance with IFRS, with the 2013 comparative period restated accordingly.The financial statements were previously prepared in accordance with Part V of the Chartered Professional Accountants Canada (CPA Canada) Handbook.

The effect of the Funds' transition to IFRS at January 1, 2013 is as follows:

Change in classification and measurement
The following change in classification and measurement did not have a significant impact on the financial position, net assets available to contractholders or cash flows of the Funds.

Designation of previously recognized financial instruments
The Funds did not apply any transition exceptions or exemptions to full retrospective application of IFRS, except for the voluntary exemption to designate a financial asset or financial liability at fair value through profit or loss upon transition to IFRS. All financial assets designated at fair value through profit or loss upon transition were carried at fair value under Canadian GAAP.

Changes in presentation
The following changes in presentation did not have any impact on the financial position, net assets available to contractholders or cash flows of the Funds.

Statement of Cash Flows
Under previous Canadian GAAP, the Funds were exempt from providing a Statement of Cash Flows. A Statement of Cash Flows for the current and comparative period has been prepared in accordance with IAS 7, *Statement of Cash Flows*, included in the December 31, 2014 financial statements as required by IAS 1, *Presentation of Financial Statements*.

Reclassification adjustments
Withholding taxes which were previously netted against dividend income under previous Canadian GAAP, have been reclassified and presented separately as an expense in the Statements of Comprehensive Income under IFRS.

Classification of units issued by the Funds
Under previous Canadian GAAP, the Fund accounted for its units as equity. Under IFRS, IAS 32, *Financial Instruments: Presentation* (IAS 32), requires that units or shares of an entity that have a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset or liability and is classified as fair value through profit or loss. Since the Fund's units meet the criteria of IAS 32, the units have been reclassified as liabilities under IFRS.

4. MORTGAGES ON INVESTMENT PROPERTY
Mortgages on investment property are comprised of term mortgages which bear contractual interest rates ranging from 2.44% to 6.22% (2013 - 2.46% to 7.12%), and a weighted average contractual interest rate of 4.26% (2013 - 4.56%). Mortgages are secured by the real property investment and an assignment of leases and amounts due from property rentals. The terms of the mortgages are subject to renegotiations from 2015 to 2024.

5. DESCRIPTION OF UNITS
The capital of the Fund is divided into categories of units as follows:

Investment Only units are available to:
- Canadian Group Registered, and
- Non-Registered Plans.

Individual units are available to individuals for investment in:
- Registered Retirement Savings Plans,
- Registered Savings Plans, and
- Non-Registered Savings Plans through the purchase of the Flexible Accumulation Annuity and the Flexible Income Fund.

Category I units are available under these different options:
- Option A is a no load Investment Fund option,
- Option B is a back end load investment option, and
- Option C is for high net worth investors.

In addition to the Individual units, units are available for:
- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy

Portfolio units are those units owned by the Portfolio Investment Funds. There are nine different Portfolio funds each represented by a separate category.

The categories of units, Investment Only, Individual, and Portfolio, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

NOTES TO THE FINANCIAL STATEMENTS

6. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

7. INCOME TAXES

The Fund is deemed to be an inter-vivos trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

8. UNIT VALUE CATEGORY DETAIL

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per series is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each series outstanding during the period.

9. RELATED PARTY TRANSACTIONS

a) The Great-West Life Assurance Company provides property and asset management services to the Canadian Real Estate Investment Fund No. 1 in the normal course of business at market terms and conditions.

b) The Great-West Life Assurance Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. For Managed Money, advisory and management service fees are charged directly to the contractholder by redeeming units from their policy, management and other fees are calculated at set rates applied against the net assets at each valuation date. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.

c) A separate investment management fee is charged directly to the transaction account of the contractholder by The Great-West Life Assurance Company in the normal course of business at market terms and conditions. Accordingly such fees are not included as an expense in these financial statements for this category. All management fees, in the Statement of Comprehensive Income, are paid to The Great-West Life Assurance Company.

d) The amounts shown as "Due from (to) The Great-West Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31 valuation.

e) The Canadian Real Estate Investment Fund No. 1 holds bonds issued by 801611 Ontario Ltd., a wholly-owned subsidiary of The Great-West Life Assurance Company, with a fair value as at December 31, 2014 of $28,214 ($27,592 in 2013).

f) As at December 31, 2014, The Great-West Life Assurance Company held investments in the Canadian Real Estate Investment Fund No. 1 (CREIF1) with a value of $109,053 ($124,050 in 2013). The Canada Life Assurance Company, which is a wholly-owned subsidiary of the Company, and The Canada Life Insurance Company of Canada, which is a wholly-owned subsidiary of The Canada Life Assurance Company, held investments in CREIF1 with a value of $163,690 and $20,642 respectively ($197,990 and $19,316 respectively in 2013).

g) This fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd., which is a wholly-owned subsidiary of The Great-West Life Assurance Company. All investment transactions with the corresponding underlying fund are at quoted market prices.

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014	No. of Units, Shares or Par Value	Average Cost ($ 000)	Fair Value ($ 000)
Canadian Bonds			
Corporate – Non Convertible			
Ontario Ltd. 801611 10.40% 01-31-2015	4,691,557	4,692	7,532
Ontario Ltd. 801611 5.00% 01-31-2015	4,209,117	4,209	6,679
Ontario Ltd. 801611 6.82% 01-31-2015	5,735,582	5,736	7,312
Ontario Ltd. 801611 9.36% 01-31-2015	3,773,382	3,773	6,691
Total Corporate – Non Convertible		18,410	28,214
Total Canadian Bonds		18,410	28,214
Total Bonds		18,410	28,214

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014
(in Canadian $ thousands)

Real Estate

Building Name and Address	Property Type	Date of Purchase	Total Cost	Fair Value	Date of Last Appraisal	N.R.A (S.F.)	Percent Leased	Mortgages on Invest. Property	2014 NOI
British Columbia									
840 Howe Street* Vancouver, British Columbia	Office	1-Mar-97	19,620	53,250	31-Dec-14	105,246	100.00%	-	2,070
650 West Georgia Street* Vancouver, British Columbia	Office	12-Dec-01	34,944	66,875	31-Dec-14	118,487	93.10%	(32,631)	3,291
4750 Arbutus Street Vancouver, British Columbia	Residential	10-Jan-02	11,554	21,850	1-Mar-14	39,386	91.00%	(9,968)	913
13211–13231, 13251, 13155, 13140, 13200, and 13260 Delf Place Richmond, British Columbia	Industrial	3-Sep-02	15,266	17,250	1-Oct-14	130,008	84.60%	-	658
4600 Jacombs Road Richmond, British Columbia	Office	18-Sep-02	6,859	8,150	1-Oct-14	42,851	81.05%	-	363
800 Carleton Court Delta, British Columbia	Industrial	3-Mar-03	12,853	10,300	1-Jul-14	91,872	24.05%	-	(46)
13811 and 13911 Wireless Way Richmond, British Columbia	Office	1-Jun-06	25,319	26,293	1-Apr-14	105,115	100.00%	-	1,939
14815 – 108th Avenue Surrey, British Columbia	Retail	1-Jun-06	16,829	5,866	1-Oct-14	73,135	96.88%	-	582
3200 Island Highway Nanaimo, British Columbia	Retail	1-Jun-06	51,585	51,817	1-Apr-14	202,570	95.21%	(28,238)	2,034
2401 Millstream Road Victoria, British Columbia	Retail	2-Aug-07	68,456	62,300	1-Aug-14	185,018	96.54%	(31,873)	3,413
7488 King George Highway Surrey, British Columbia	Retail	16-Apr-08	30,572	34,160	1-Apr-14	101,283	85.91%	-	1,599
9500 Glenlyon Parkway Burnaby, British Columbia	Office	12-Aug-08	45,823	47,250	1-Apr-14	115,206	100.00%	(23,413)	3,222
13700 and 13711 International Place, 13511, 13551, 13571, 13575, 13775, 13777 and 13800 Commerce Parkway Richmond, British Columbia	Office	12-Aug-08	157,328	114,104	1-Sep-14	529,356	78.83%	-	3,788
1500 and 1575 Banks Road Kelowna, British Columbia	Retail	3-Nov-08	34,907	39,410	1-Aug-14	105,488	100.00%	(14,231)	2,315
Alberta									
4637 Macleod Trail SW Calgary, Alberta	Residential	1-Nov-96	15,080	50,400	1-Sep-14	181,679	95.41%	(17,568)	2,493
300 5th Avenue SE* Calgary, Alberta	Office	17-Dec-96	26,715	116,474	1-Dec-14	212,465	89.26%	-	5,480

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014
(in Canadian $ thousands)

Real Estate

Building Name and Address	Property Type	Date of Purchase	Total Cost	Fair Value	Date of Last Appraisal	N.R.A (S.F.)	Percent Leased	Mortgages on Invest. Property	2014 NOI
Alberta (continued)									
11012 Jasper Avenue Edmonton, Alberta	Residential	30-Jun-97	20,088	48,750	1-Sep-14	182,800	99.16%	–	2,580
10145 - 121 Street Edmonton, Alberta	Residential	18-Apr-98	11,849	24,500	1-Apr-14	101,533	98.73%	–	1,318
605 - 5th Ave. S.W.* Calgary, Alberta	Office	12-Jun-00	24,618	62,250	31-Dec-14	117,426	99.35%	(18,516)	2,947
530 - 8th Ave. S.W. Calgary, Alberta	Office	10-Jul-00	72,341	175,304	1-Mar-14	304,007	92.21%	(48,241)	9,143
8403 Roper Road Edmonton, Alberta	Industrial	28-Dec-97	18,643	20,600	1-Mar-14	135,000	100.00%	(7,330)	1,857
300 and 350 7th Avenue SW Calgary, Alberta	Office	23-Sep-05	80,063	113,438	31-Dec-14	190,842	93.55%	–	5,267
9940 - 106th Street NW Edmonton, Alberta	Office	21-Jun-06	20,938	37,063	1-Aug-14	124,114	96.15%	–	2,316
9942 - 108th Street NW Edmonton, Alberta	Office	21-Jun-06	16,004	23,287	1-Oct-14	115,424	100.00%	(9,658)	1,193
6703 68 Avenue Edmonton, Alberta	Industrial	15-Aug-07	58,423	64,337	1-Feb-14	394,406	84.14%	–	3,007
3603 - 53 Avenue NW Edmonton, Alberta	Land	28-Feb-03	3,975	6,474	1-Nov-14	n/a	n/a	–	(90)
4035 - 53rd Avenue NW Edmonton, Alberta	Industrial	28-Feb-03	13,727	15,300	1-Nov-14	94,835	100.00%	–	963
3603 - 53 Avenue NW Edmonton, Alberta	Development	28-Feb-03	2,086	3,227	1-Nov-14	n/a	n/a	–	(46)
3604 - 51 Avenue NW Edmonton, Alberta	Development	28-Feb-03	4,022	4,371	1-Nov-14	n/a	n/a	–	(33)
401 - 9th Avenue SW Calgary, Alberta	Office	13-Dec-07	154,078	174,650	1-Dec-14	376,278	98.75%	(49,342)	8,003
75th Street and 68th Avenue Edmonton, Alberta	Industrial	4-May-12	48,538	49,210	1-Feb-14	196,811	100.00%	–	2,845
6301, 6315, 6325 106 Avenue SE, Calgary, Alberta	Development	17-Dec-14	46,086	46,086	Purchase	n/a	n/a	–	–

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014
(in Canadian $ thousands)

Real Estate

Building Name and Address	Property Type	Date of Purchase	Total Cost	Fair Value	Date of Last Appraisal	N.R.A (S.F.)	Percent Leased	Mortgages on Invest. Property	2014 NOI
Saskatchewan									
Saskatoon West Retail Centre Saskatoon, Saskatchewan	Retail	24-Jul-12	49,016	49,700	1-Nov-14	168,684	100.00%	-	2,456
Ontario									
185 Enfield Place Mississauga, Ontario	Land	13-Jul-87	1,037	3,720	1-Dec-14	n/a	n/a	-	(55)
Burlington Place Burlington, Ontario	Residential	15-Jan-97	25,468	35,825	1-Jun-14	163,007	98.75%	(18,476)	1,631
50 Prince Arthur Ave. Toronto, Ontario	Residential	15-Jul-97	38,447	65,900	1-Aug-14	165,620	97.33%	(25,311)	2,823
255 Albert Street Ottawa, Ontario	Office	16-Jan-98	30,838	61,400	1-Jan-14	210,305	92.46%	(35,639)	3,377
6 Silver Maple Court Brampton, Ontario	Residential	30-Apr-98	39,241	57,200	1-Oct-14	312,285	97.64%	(25,252)	2,821
88 Redpath Avenue Toronto, Ontario	Residential	5-Aug-98	23,439	40,460	1-Jul-14	117,681	99.46%	(12,795)	1,627
35, 65, and 95 High Park Ave., 66 & 111 Pacific Ave., 255 Glenlake Ave. and 66 Oakmount Rd. Toronto, Ontario	Residential	1-Mar-99	113,670	222,106	1-Jan-14	600,933	97.70%	(92,817)	8,773
1551 Riverside Drive Ottawa, Ontario	Residential	9-Apr-99	24,924	39,200	1-Apr-14	192,106	99.22%	(16,573)	1,890
5140 Yonge Street Toronto, Ontario	Office	30-Aug-99	88,204	167,600	1-Jul-14	546,828	99.16%	(67,424)	8,951
400 Walmer Road Toronto, Ontario	Residential	27-Dec-00	65,527	70,324	1-Nov-14	357,765	94.88%	(731)	2,375
200 University Ave Toronto, Ontario	Office	30-Nov-00	15,926	23,150	1-May-14	72,367	96.20%	-	1,420
5166-5170 Lakeshore Road Burlington, Ontario	Residential	15-Jan-97	36,341	42,900	1-Jun-14	212,488	97.54%	(21,396)	1,818
2220 Marine Drive Oakville, Ontario	Residential	26-Aug-02	11,269	17,200	1-Aug-14	74,163	96.64%	(6,154)	735
269 Laurier Avenue West Ottawa, Ontario	Office	1-Jan-03	37,933	67,500	1-Oct-14	180,074	100.00%	(32,468)	3,491
Vivere Toronto, Ontario	Residential	5-Aug-98	37,232	56,900	1-Nov-14	89,950	91.49%	-	2,207

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014
(in Canadian $ thousands)

Real Estate

Building Name and Address	Property Type	Date of Purchase	Total Cost	Fair Value	Date of Last Appraisal	N.R.A (S.F.)	Percent Leased	Mortgages on Invest. Property	2014 NOI
Ontario (continued)									
40 & 52-66 High Park Avenue and 51-65 & 77 Quebec Ave. Toronto, Ontario	Residential	25-Mar-03	75,111	111,225	1-Sep-14	313,033	98.67%	(43,480)	4,643
640,642,644 Sheppard Ave. E. Toronto, Ontario	Residential	25-Mar-03	48,132	70,725	1-May-14	264,718	98.17%	(28,251)	3,131
2260 Argentia Road Mississauga, Ontario	Industrial	1-Jun-03	6,045	7,500	1-May-14	129,618	100.00%	-	780
6665,6675-6685 Millcreek Road Mississauga, Ontario	Industrial	1-Jun-03	6,069	6,850	1-May-14	118,223	76.92%	-	680
6695 & 6705 Millcreek Road Mississauga, Ontario	Industrial	1-Jun-03	5,888	7,725	1-May-14	108,478	87.47%	-	845
6715 & 6725 Millcreek Road Mississauga, Ontario	Industrial	1-Jun-03	5,427	6,863	1-May-14	93,465	85.63%	-	400
33 Yonge Street Toronto, Ontario	Office	1-Jul-03	73,680	116,650	1-Jun-14	258,295	97.49%	-	4,909
2250 Argentia Road Mississauga, Ontario	Industrial	1-Jun-03	2,861	4,090	1-May-14	31,910	100.00%	-	214
7070 Mississauga Road• Mississauga, Ontario	Office	7-Aug-03	13,313	19,800	31-Dec-14	61,032	100.00%	-	1,551
55 - 425 Superior Blvd Mississauga, Ontario	Industrial	11-Oct-01	20,074	27,650	1-Aug-14	272,173	97.04%	(15,170)	1,455
1-2, 4-5 & 7 Paget, 2,4,6,8 & 14 Kenview, 2 Castleview and 7925 & 7965 Goreway Brampton, Ontario	Industrial	11-Oct-01	26,971	31,763	1-Mar-14	354,553	86.72%	-	1,771
3485 Steeles Ave Brampton, Ontario	Industrial	11-Oct-01	5,140	5,737	1-Mar-14	61,345	100.00%	-	340
3495 Steeles Ave Brampton, Ontario	Land	11-Oct-01	1,811	2,498	1-Mar-14	n/a	n/a	-	13
3389 Steeles Ave E Brampton, Ontario	Land	11-Oct-01	491	515	1-Mar-14	n/a	n/a	-	(5)
2679 - 2831 Bristol Circle Oakville, Ontario	Industrial	11-Oct-01	17,603	22,400	1-Aug-14	231,119	94.20%	(12,348)	1,197
1541 Riverside Drive Ottawa, Ontario	Residential	7-Aug-02	17,188	22,800	1-Apr-14	122,109	99.64%	(11,622)	1,105
1 Van Der Graaf Court Brampton, Ontario	Industrial	16-Feb-04	4,307	3,550	1-Jun-14	51,103	100.00%	-	181

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014
(in Canadian $ thousands)

Real Estate

Building Name and Address	Property Type	Date of Purchase	Total Cost	Fair Value	Date of Last Appraisal	N.R.A (S.F.)	Percent Leased	Mortgages on Invest. Property	2014 NOI
Ontario (continued)									
1 Woodslea Road Brampton, Ontario	Industrial	16-Feb-04	4,919	3,650	1-Jun-14	55,074	100.00%	-	340
5 Intermodal Dr. Brampton, Ontario	Industrial	28-May-04	3,356	3,550	1-Jun-14	43,554	100.00%	-	219
2844 Bristol Circle Oakville, Ontario	Industrial	31-Jan-05	3,396	4,340	1-Aug-14	46,375	100.00%	-	295
7030 Century Avenue Mississauga, Ontario	Industrial	18-Feb-05	7,853	6,800	1-Feb-14	83,246	100.00%	-	592
415 - 419 Milner Avenue Scarborough, Ontario	Industrial	7-Dec-84	5,230	7,300	1-Feb-14	95,763	100.00%	-	362
445 Milner Avenue Scarborough, Ontario	Industrial	7-Dec-84	2,227	2,500	1-Feb-14	41,822	29.91%	-	(124)
455 Milner Avenue Scarborough, Ontario	Industrial	7-Dec-84	2,225	2,900	1-Feb-14	46,312	50.47%	-	58
465 Milner Avenue Scarborough, Ontario	Industrial	7-Dec-84	2,911	3,900	1-Feb-14	57,322	93.24%	-	171
50 - 70 Nably Court Scarborough, Ontario	Industrial	7-Dec-84	2,179	3,100	1-Feb-14	41,468	100.00%	-	167
20-24 York Street Ottawa, Ontario	Residential	27-Sep-05	16,249	20,000	1-Jan-14	47,327	91.67%	-	953
One City Centre Drive Mississauga, Ontario	Office	17-Aug-07	34,461	33,640	1-Mar-14	115,785	98.57%	-	1,970
One City Centre Drive Mississauga, Ontario	Land	17-Aug-07	3,838	5,640	1-Mar-14	n/a	n/a	-	(1)
99 Savannah Oaks Drive Brantford, Ontario	Industrial	21-Dec-07	19,828	16,100	1-Nov-14	369,541	62.04%	-	701
1549 Yorkton Court Burlington, Ontario	Industrial	21-Dec-07	5,999	5,089	1-Oct-14	56,602	75.33%	-	303
8400 - 8450 Lawson Road Burlington, Ontario	Industrial	21-Dec-07	19,323	16,660	1-Nov-14	165,332	100.00%	-	956
800 - 900 Main Street East Milton, Ontario	Retail	14-Mar-08	27,804	26,950	1-Apr-14	68,028	100.00%	-	1,687
2100 Derry Road Mississauga, Ontario	Office	22-Sep-06	15,086	16,900	1-Aug-14	53,387	100.00%	-	1,111

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014
(in Canadian $ thousands)

Real Estate

Building Name and Address	Property Type	Date of Purchase	Total Cost	Fair Value	Date of Last Appraisal	N.R.A (S.F.)	Percent Leased	Mortgages on Invest. Property	2014 NOI
Ontario (continued)									
2050 Derry Road Mississauga, Ontario	Office	22-Sep-06	18,231	18,400	1-Aug-14	62,582	100.00%	-	5,155
7025 Langer Drive Mississauga, Ontario	Office	22-Sep-06	8,686	9,050	1-Aug-14	32,375	47.12%	-	(239)
415 Thompson Drive Cambridge, Ontario	Industrial	8-Feb-08	14,571	13,700	1-Jan-14	140,000	100.00%	(6,471)	1,021
4 King Street West Toronto, Ontario	Office	14-Mar-08	66,858	79,450	1-Feb-14	204,287	99.41%	(29,544)	4,375
155 University Ave Toronto, Ontario	Office	14-Mar-08	40,230	38,500	1-Mar-14	131,055	67.83%	-	457
1141 Kennedy Road Scarborough, Ontario	Retail	19-Oct-06	6,399	7,385	1-Oct-14	23,999	100.00%	-	479
145 - 167 Bell Blvd Scarborough, Ontario	Retail	4-Jan-07	9,518	10,430	1-Jan-14	46,891	100.00%	(3,729)	681
5150 - 5160 Yonge St Toronto, Ontario	Office	17-Oct-08	130,055	136,640	1-Oct-14	434,022	92.12%	(53,081)	7,347
2310 - 2330 Highway 2 Bowmanville, Ontario	Retail	24-Jul-12	41,251	40,565	1-Nov-14	149,612	100.00%	-	2,077
200 Kent Street Ottawa, Ontario	Office	8-Aug-12	149,595	145,800	1-May-14	387,273	99.15%	-	7,955
3130, 3470, 3480, 3490, 3500, 3505, 3520, 3530, 3535, 3550, 3580, 3585, 3600 A & B, 3615, and 3620 A & B Laird Road Mississauga, Ontario	Industrial	15-Oct-13	92,780	92,400	1-Apr-14	799,033	97.17%	-	4,795
3200, 3250, 3300, 3330 and 3350 Ridgeway Drive Mississauga, Ontario	Industrial	15-Oct-13	37,829	37,870	1-Sep-14	312,947	90.18%	-	1,819
Quebec									
6505 Trans-Canada Highway St. Laurent, Quebec	Office	19-Jun-98	10,763	13,800	1-Mar-14	110,931	59.45%	-	288
555 Frederik-Philips St. Laurent, Quebec	Office	24-Sep-99	11,312	11,900	1-Nov-14	80,355	75.02%	-	470
4600 Poirer Blvd. St. Laurent, Quebec	Industrial	14-Mar-02	6,418	6,960	1-Feb-14	104,560	0.00%	-	475
9415-9495 Trans-Canada Highway St. Laurent, Quebec	Industrial	14-Mar-02	4,859	5,510	1-Feb-14	88,951	100.00%	-	409

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014
(in Canadian $ thousands)

Real Estate

Building Name and Address	Property Type	Date of Purchase	Total Cost	Fair Value	Date of Last Appraisal	N.R.A (S.F.)	Percent Leased	Mortgages on Invest. Property	2014 NOI
Quebec (continued)									
9305-9405 Trans-Canada Highway St. Laurent, Quebec	Industrial	14-Mar-02	6,844	6,990	1-Feb-14	113,256	100.00%	-	431
9600-9800 Trans-Canada Highway St. Laurent, Quebec	Industrial	14-Mar-02	3,923	4,420	1-Feb-14	69,673	100.00%	-	280
6520-6620 Abrams Street St. Laurent, Quebec	Industrial	14-Mar-02	11,023	12,830	1-Feb-14	189,889	74.51%	-	648
2200 Trans-Canada Highway Pointe - Claire, Quebec	Land	14-Mar-02	17,526	16,000	1-Feb-14	n/a	n/a	-	(927)
43 - 55 Cite Des Jeunes Blvd. Vaudreuil - Dorion, Quebec	Retail	21-Jul-06	20,040	23,100	1-Jan-14	91,852	100.00%	(5,875)	1,311
224 Joseph-Casavant Ave. Beauport, Quebec	Retail	11-Jun-08	14,271	16,940	1-Aug-14	121,990	100.00%	(6,288)	920
225 Joseph-Casavant Ave. Beauport, Quebec	Retail	31-Jan-14	33,407	33,384	Purchase	128,191	99.72%	-	1,811
Atlantic									
1959 Upper Water Street* Halifax, Nova Scotia	Office	14-Jun-83	20,627	32,230	31-Dec-14	109,009	79.93%	-	1,858
1969 Upper Water Street* Halifax, Nova Scotia	Office	31-Dec-93	17,164	33,230	31-Dec-14	122,627	83.62%	-	1,968
Purdy's Wharf-The Wharf* Upper Water Street Halifax, Nova Scotia	Miscellaneous	30-Jun-90	183	-	31-Dec-14	n/a	n/a	-	-
United States									
396 West Greens Road Houston, Texas	Office	21-Jun-06	20,493	7,322	1-Nov-14	130,754	100.00%	-	1,511
396 West Greens Road Houston, Texas	Land	21-Jun-06	433	667	1-Nov-14	n/a	n/a	-	-
8101 Sam Houston Parkway Houston, Texas	Office	21-Jun-06	17,493	17,696	1-Nov-14	95,760	100.00%	-	1,097
Current and prior year(s) sold property									1,770
Investment Properties - subtotal			3,147,478	4,136,210		16,276,883		(861,904)	204,936
less: mortgages on investment property			(817,270)	(861,904)					
Capitalization of loss on assumed mortgages			(4,949)	-					
Total Investment Properties			2,325,259	3,274,306					
Total Investments			2,343,669	3,302,083					

*Represents interest in a joint operation.

NOTES TO THE SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

INTRODUCTION

The Fund's objective in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2014, and groups the securities by asset type, geographic region and/or market segment. Significant risks that are relevant to the Fund are discussed below.

To assist with managing risk, The Great-West Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. LIQUIDITY RISK

As investments in real property are not actively traded, the Fund is exposed to liquidity risk due to the redemption of redeemable units. To a lesser extent, mortgage liabilities also expose the Fund to liquidity risk. To manage liquidity, the Fund has the ability to incur additional mortgage indebtedness as long as the total borrowings do not exceed 35% of the total asset value of the Fund, and provided the value of each mortgage assumed is not greater than 75% of the related property's value.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a Fund to sell such securities quickly.

There is no formal market for trading in real property and very few records are available to the public which give terms and conditions of real property transactions. It may take time to sell investment properties at a reasonable price. This could limit the Fund's ability to respond quickly to changes in economic or investment conditions. It could also affect the Fund's ability to pay contractholders who want to redeem their units. The Fund will keep enough cash on hand to be able to pay for the normal amount of redemption requests in a timely manner.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

As at December 31, 2014, the approximate principal payments on mortgages due in the next five years are as follows:

Year ended	Principal payments due
December 31, 2015	65,345
December 31, 2016	175,321
December 31, 2017	83,610
December 31, 2018	121,762
December 31, 2019	159,689
Thereafter	211,543
	817,270
Fair value adjustment	44,634
Total	**861,904**

C. INTEREST RATE RISK

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity.

					2014
($000)	Less than 1 year*	1 – 5 years	5 – 10 years	> 10 years	Total
Bonds	**28,214**	**–**	**–**	**–**	**28,214**

					2013
($000)	Less than 1 year*	1 – 5 years	5 – 10 years	> 10 years	Total
Bonds	27,592	–	–	–	27,592

**The Fund invests in bonds of a related company which are issued annually with a maturity of one year or less. As the bonds mature, they are renewed for a term of one year.*

As at December 31, 2014, had prevailing interest rates raised or lowered by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $4 (2013 - $200) or approximately nil% (2013 - nil%) of total net assets attributable to contractholders. The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be significant.

As at December 31, 2014, for mortgages on investment properties, had prevailing interest rates raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately $26.9 million (2013 - approximately $28.0 million) and approximately 0.71% of net fund value (2013 - approximately 0.77% of net fund value).

D. CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments represents the maximum credit risk exposure as at December 31, 2014. The amount of credit risk to any one issuer may be determined from the information reported in the Schedule of Investment Portfolio. The Fund may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low. The Company monitors credit risk and credit ratings on a regular basis. All new counterparties to financial instruments are subject to an approval process.

D. CREDIT RISK (continued)

The Fund is also exposed to credit risk from outside parties, lease receivables and tenants. The fair value of investment properties considers the credit worthiness of these items, which had a neglible effect on fair value at both December 31, 2014 and 2013 respectively.

The change in fair values of financial liabilities as a result of the impact of changes in credit risks was not siginficant in 2014 or 2013.

As of December 31, debt securities by credit rating are as follows:

	2014		2013	
	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)
NR *	100.0	0.7	100.0	0.8

*bonds rated NR are mortgage backed securities or privately placed bonds or bonds that have not been rated by a rating agency

E. FAIR VALUE CLASSIFICATION

The following table presents information about the Fund's assets and liabilities measured at fair value on a recurring basis as of December 31, and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

2014	Assets and Liabilities Measured at Fair Value			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Bonds	–	–	28,214	28,214
Stocks	–	–	–	–
Investment properties	–	–	4,136,210	4,136,210
Mortgages and sales agreements	–	–	–	–
Derivatives	–	–	–	–
Investment fund units	–	–	–	–
Total assets measured at fair value	–	–	4,164,424	4,164,424
Liabilities measured at fair value				
Mortgages on investment property	–	861,904	-	861,904
Net assets measured at fair value	–	(861,904)	4,164,424	3,302,520

2013	Assets and Liabilities Measured at Fair Value			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Bonds	–	–	27,592	27,592
Stocks	–	–	–	–
Investment properties	–	–	3,922,205	3,922,205
Mortgages and sales agreements	–	–	–	–
Derivatives	–	–	–	–
Investment fund units	–	–	–	–
Total assets measured at fair value	–	–	3,949,797	3,949,797
Liabilities measured at fair value				
Mortgages on investment property	–	871,720	-	871,7200
Net assets measured at fair value	–	(871,720)	3,949,797	3,078,077

E. FAIR VALUE CLASSIFICATION (continued)

There have not been any significant transfers in or out of Level 1 or 2 during the period.

The following table presents additional information about assets measured at fair value on a recurring basis and for which the Fund has utilized Level 3 inputs to determine fair value for the years ended December 31:

Level 3 Assets

	2014		2013	
	Bonds	**Investment Properties**	Bonds	Investment Properties
Balance, January 1	**27,592**	**3,922,205**	25,301	3,612,913
Total gains (losses) included in net income	**622**	**104,137**	2,291	157,504
Purchases	**–**	**148,659**	–	196,336
Sales	**–**	**(38,791)**	–	(44,548)
Issuances	**–**	**–**	–	–
Settlements	**–**	**–**	–	–
Transfers in to Level 3	**–**	**–**	–	–
Transfers out of Level 3	**–**	**–**	–	–
Balance, December 31	**$ 28,214**	**$4,136,210**	$ 27,592	$3,922,205
Total gains (losses) for the year included in net income for assets held at December 31	**622**	**104,137**	2,291	157,504

F. CARRYING VALUE OF INVESTMENT PROPERTIES

The carrying value of investment properties and changes in the carrying value of investment properties are as follows:

	2014	2013
Balance, beginning of year	**3,922,205**	3,612,913
Additions	**145,828**	194,043
Change in fair value through profit or loss	**104,137**	157,504
Disposals	**(38,791)**	(44,548)
Foreign exchange rate changes	**2,831**	2,293
Balance, end of year	**4,136,210**	3,922,205

G. SIGNIFICANT UNOBSERVABLE INPUTS

The following sets out information about significant unobservable inputs used at period end in measuring assets categorized as Level 3 in the fair value hierarchy.

Type of asset	Valuation approach	Significant Unobservable input	Input Value	Inter-relationship between key unobservable inputs and fair value measurements
Investment Properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discounts, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 4.3% - 10.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 5.3% - 9.0%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 7.7%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.

H. PLEDGED ASSETS

The Fund has investment properties which they have pledged as collateral to cover mortgages on investment property. In circumstances where the Fund defaults, the counterparty is permitted to take the collateral and apply it against these liabilities. When the liabilities have been settled by the Fund, the pledged assets will be returned to the Fund. The Fund has pledged $2,975 million in 2014 ($2,971 million in 2013).

MANAGEMENT EXPENSE RATIO[1] *(unaudited)*

For the years ended December 31	**2014**	2013	2012	2011	2010
No Load	**3.28**	3.28	3.24	3.20	3.15
Back-End Load	**3.06**	3.06	3.01	2.98	2.94
Managed Money	**1.84**	1.84	1.84	1.82	1.77
75/75 guarantee policy	**3.05**	3.06	3.00	2.90	2.80
75/100 guarantee policy	**3.15**	3.17	3.16	3.08	3.04
100/100 guarantee policy	**3.61**	3.61	3.79	3.69	3.49
PS1 75/75 guarantee policy	**2.59**	2.61	2.56	-	-
PS1 75/100 guarantee policy	**2.76**	2.77	2.72	-	-
PS1 100/100 guarantee policy	**3.15**	3.14	-	-	-

PORTFOLIO TURNOVER RATE[2] *(unaudited)*

For the years ended December 31	**2014**	2013	2012	2011	2010
Portfolio Turnover Rate (%)	**1.33**	1.58	4.88	2.72	2.42

[1] The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Prefer red Series 2 guarantee policy opt ion as such fees are charged directly to the contract holder.

[2] The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

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GWL Realty Advisors is a leading Canadian real estate investment advisor providing comprehensive asset management, property management, development and specialized real estate services to pension funds and institutional clients.

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