GREAT-WEST LIFE REAL ESTATE FUND | Q2 BULLETIN 2018

33 YONGE STREET, TORONTO, ON

2220 MARINE DR, OAKVILLE, ON

2100 DERRY RD, MISSISSAUGA, ON

Led by the capital appreciation component of return, the Great-West Life Real Estate Fund had its strongest in-quarter performance since 2013, delivering a 2.2% gross return and boosting the year-to-date total to 3.4%. The Fund's second quarter highlights are summarized below:

Investment Activity: The Fund has secured four significant investments which are scheduled to close over the third quarter of 2018. Collectively, they will represent the addition of over $90 million of real estate value, and will improve the overall asset mix and leasing profile for the portfolio. Details will follow in subsequent updates.

Late last year, management was successful in re-leasing 1141 Kennedy Road, a former 'Future Shop' building with 'GoodLife – Fit4Less' on a 15 year term. The asset was identified as a non-core holding, targeted for disposition and was sold in April for $7.5 million.

Financing Activity: 2220 Marine Drive is a 149 unit, Class "A", multi-residential asset located on the shores of Lake Ontario in Oakville, ON. With favorable debt conditions present, and the outlook for continued monetary stimulus retraction from the Bank of Canada, management elected to leverage the asset with a new $10 million CMHC insured mortgage, carrying an interest rate of 2.9%. The Fund loan-to-value ratio sits conservatively at 15.8%, well within the policy maximum of 35%. Opportunities to add additional leverage to select assets are being actively considered.

Leasing Activity: Built in 2009, 2100 Derry Road is a 107,000 square foot LEED and BOMA certified office building located in the Meadowvale node of Mississauga, ON. In April, management negotiated a nine year extension with Becton Dickson, which occupies 68% of net rentable area of the asset. The deal will provide the Fund with predictable and stable cash flow derived from a high quality covenant, over an extended horizon.

Portfolio vacancy ended the quarter at 7.6%, relatively unchanged from the previous period.

Sustainability: 33 Yonge Street in Toronto, ON, received a Commercial Real Estate Sustainability Trailblazer (CREST) Energy Management Leadership Award, as part of the Building Owners and Managers Association (BOMA) of Toronto's Race2Reduce program. The award recognizes commercial real estate leaders that have demonstrated commitment to improve the energy efficiency and operational best practices in their buildings.

Market Commentary: Investment activity in the Canadian Commercial Real Estate industry remains robust. This is especially evident with respect to core institutional product in key markets across the country where fundamentals are very strong. The 100 basis point increase in the overnight rate since last summer has contributed to the narrowing spread between 10 year bond yields and average cap rates, though it is worth noting that through the last cycle the spread narrowed a further 120 bps before reversing course. Investors have come to appreciate that real estate, with its limited correlation to equity markets, is a key to overall portfolio diversification. This has continued to drive demand, and consequently pricing, within the asset class.

GWL REALTY ADVISORS

GREAT-WEST LIFE REAL ESTATE FUND

118 PROPERTIES, GROSS MARKET VALUE OF $5.1 BILLION AT JUNE 30, 2018.

Established in 1981, the Great-West Life Real Estate Fund invests in a portfolio of 118 high-quality, income-producing properties diversified by type and location, with a gross market value of over $5.1 Billion. The Fund's objective is to provide investors with stable income returns and the opportunity for long-term capital appreciation.

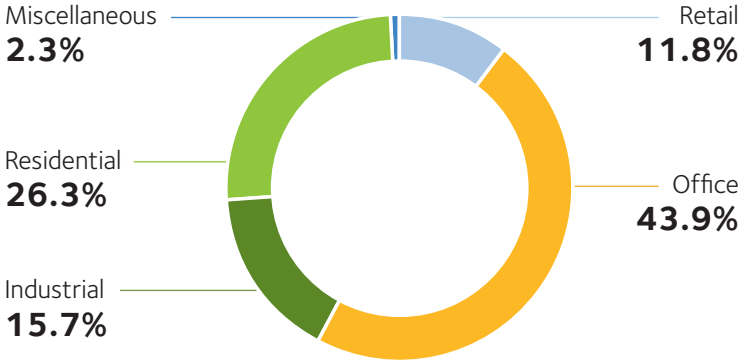
GROSS RETURN	Annualized at Y/E 10 Year	5 Year	3 Year	YTD 30-Jun
Income	5.2%	4.6%	4.5%	2.2%
Capital	2.3%	2.3%	1.0%	1.2%
Total	7.5%	6.9%	5.5%	3.4%

Note: Differences due to rounding of decimals

FUND GROWTH ($ Millions)	2013	2014	2015	2016	2017	YTD 30-Jun
Real estate	$ 3,937	$ 4,151	$ 4,312	$ 4,589	$ 4,965	$ 5,078
Cash	$ 579	$ 495	$ 491	$ 512	$ 547	$ 459
Short term assets & liabilities	$ (36)	$ (16)	$ (38)	$ (52)	$ (85)	$ (77)
Gross fund value	$ 4,480	$ 4,630	$ 4,765	$ 5,049	$ 5,427	$ 5,461
Net fund value	$ 3,608	$ 3,769	$ 3,956	$ 4,218	$ 4,492	$ 4,596
Debt/gross fund value	19.5%	18.6%	17.0%	16.5%	17.2%	15.8%

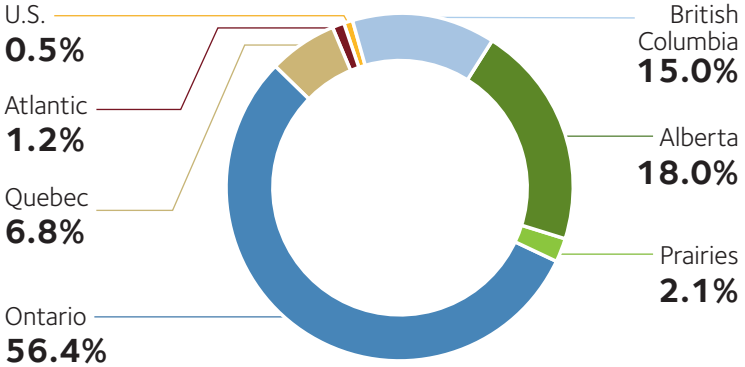
Note: Differences due to rounding of decimals

DIVERSIFICATION BY TYPE (Gross)



VACANCY	
Retail	4.6%
Office	13.8%
Industrial	4.6%
Residential	4.1%
Miscellaneous	0.0%
Total by type	7.6%

DIVERSIFICATION BY REGION (Gross)



VACANCY	
British Columbia	6.4%
Alberta	8.3%
Prairies	5.8%
Ontario	4.1%
Quebec	19.2%
Atlantic	12.8%
U.S.	63.9%
Total by region	7.6%

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.

GWL REALTY ADVISORS