



THE SHAUGHN, MONTREAL, QC



ROYAL GARDENS, BEDFORD, NS



LAIRD BUSINESS PARK, MISSISSAUGA, ON

The London Life Real Estate Fund finished the year on a positive note, delivering investors a total gross return of 6.3%. In the face of ongoing headwinds linked to Calgary's challenged office market, the Fund's capital return (2.1%) closed at its highest level since 2013. Performance for the year was further highlighted by a 140 bps decrease in overall portfolio vacancy, concluding 2018 at 4.5%, which represents the lowest figure since 2004. With limited correlation and substantially less volatility when compared to equity markets (the S&P TSX index was down approximately 11% in 2018) and bond-like consistency, the results of 2018 will remind investors as to the merits of having exposure to a diversified mix of core institutional quality real estate within their broader investment portfolios. Fourth quarter activity is summarized below. :

**Transaction Updates:** In October, the Fund acquired its second multi-residential apartment building site in Montreal for \$108 million. 1770 Joseph Manseau Street, known as "The Shaughn", is a recently completed 294-unit Class 'A' residential property in downtown Montreal. The 21-storey building includes a gym, pool, spa, roof top patio, games room and a 25,000 square foot outdoor courtyard. The property also features modern suite design and specifications and a well-distributed mix of units. The building's prime location south of René-Lévesque Boulevard places the property near the Central Business District, Concordia and McGill universities, and the Montreal General Hospital. The acquisition ideally embodies targeted characteristics: urban, new generation, amenity rich and well located.

For the year, new gross investment into real estate totaled approximately \$188 million across three acquisitions, while a non-core holding was sold for \$3.3 million.

**Financing Activity:** Two new financing initiatives were completed in the fourth quarter for total proceeds of \$68 million, carrying an average coupon of 3.4%. Total activity for the year reduced the overall portfolio weighted average interest rate by 25 bps to 3.6%. With a conservative 17.2% loan to value across the portfolio, Fund management will continue to look for opportunities to take advantage of an attractive debt market by selectively applying new leverage in the year ahead.

**Forward Outlook:** With limited vacancy, a balanced expiry profile and strong market fundamentals across most of the country, the Fund is very well positioned as we turn

the page on 2018 and look ahead to 2019. The tone coming from the Bank of Canada would suggest a level of conservatism with respect to the pace and frequency of future rate increases, a result of economic growth targets missing the mark. At least in the near term, debt should remain inexpensive. South of the border, the Fed appears to be on a slightly more aggressive path, and the diversion may continue to put pressure on the Canadian dollar, increasing the appeal of Canadian exports. Should this be the case, it could add fuel to the fire with respect to what is already a very robust industrial market. Technology is certain to continue to play a vital role in re-shaping the commercial real estate sector which historically has been reluctant to adapt. Embracing new ideas will be key to keeping pace.

**91 PROPERTIES,  
GROSS MARKET VALUE  
OF \$2.8 BILLION,  
AT DECEMBER 31, 2018**

The London Life Real Estate Fund was established in 1998. The Fund invests in 91 high-quality, income-producing properties diversified by type and location, with a gross market value of over \$2.8 Billion. The Fund's objective is to provide investors with stable income returns and the opportunity for long-term capital appreciation.

**GROSS RETURN**

	Annualized			2018
	10 Year	5 Year	3 Year	
Income	4.8%	4.2%	4.3%	4.2%
Capital	2.9%	1.1%	1.2%	2.1%
Total	7.8%	5.5%	5.6%	6.3%

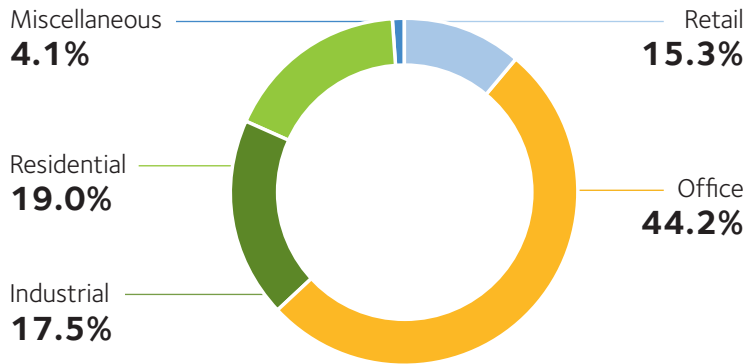
*Note: Differences due to rounding of decimals*

**FUND GROWTH** (\$ Millions)

	2013	2014	2015	2016	2017	2018
Real estate	\$ 1,971	\$ 2,050	\$ 2,247	\$ 2,374	\$ 2,521	\$ 2,812
Cash	\$ 522	\$ 566	\$ 398	\$ 285	\$ 379	\$ 271
Short term assets & liabilities	\$ (24)	\$ (14)	\$ (34)	\$ (25)	\$ (35)	\$ (37)
Gross fund value	\$ 2,469	\$ 2,602	\$ 2,611	\$ 2,635	\$ 2,865	\$ 3,045
Net fund value	\$ 2,044	\$ 2,188	\$ 2,215	\$ 2,324	\$ 2,444	\$ 2,560
Debt/gross fund value	17.2%	15.9%	15.2%	11.8%	14.7%	15.9%

*Note: Differences due to rounding of decimals*

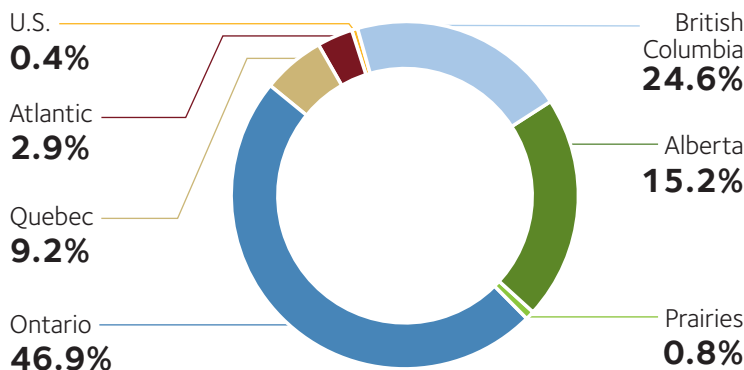
**DIVERSIFICATION BY TYPE**  
(Gross)



**VACANCY**

Retail	4.1%
Office	8.3%
Industrial	2.0%
Residential	2.3%
Total by type	4.5%

**DIVERSIFICATION BY REGION**  
(Gross)



**VACANCY**

British Columbia	5.1%
Alberta	7.8%
Prairies	0.0%
Ontario	2.0%
Quebec	3.7%
Atlantic	8.1%
U.S.	63.9%
Total by region	4.5%

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.