

LONDON LIFE REAL ESTATE FUND | Q4 BULLETIN 2019



Brewery Site Development, Edmonton, AB



Goreway Business Park, Brampton, ON



Grenadier Sq Development, Toronto, ON

The London Life Real Estate Fund closed the book on the decade by rewarding investors with its strongest annual performance since 2013. The fourth quarter marked the best period of the year, delivering 289 bps of return, contributing to the 9.7% twelve-month total. Overall performance was derived from a balance between income and capital, as portfolio fundamentals strengthened across the board.

Income Return: Income returns are reliant on a well leased portfolio of assets that are managed with a focus on net operating income (NOI) growth. This component of return has been the cornerstone of Fund performance since inception, with 2019 proving to be no different in that regard. Portfolio occupancy concluded the year at a robust 94.8% and helped lead the Fund to a 9% increase in NOI. The Fund's income return for 2019 was 4.2%.

Capital Return: Capital performance is the result of positive changes in asset values that stem from prudent capital investment, combined with overall market sentiment. Though investment into Canadian commercial real estate was down in 2019 relative to a 2018 high, pricing for institutional quality assets continued to set new benchmarks. We view the downstroke in deployment as a reluctance of owners to divest, rather than a lack of appetite to add product. The industrial asset class paced

capital performance for the year, helping to grow the value of the Fund by over 9%, to \$3.4B. The Fund's capital return for 2019 was 4.9%.

Other Impacts: Total Fund returns combine income and capital performance from the underlying portfolio of real estate, with various structural impacts, such as cash and leverage. Strategic management of each of these components is crucial in optimizing performance. Over the course of the year, the Fund increased its leverage position by over 300 bps and reduced its overall weighted interest rate by 22 bps, to 3.3%. Cash levels were maintained within their targeted range.

Forward Outlook: Development will form a large part of the narrative as the calendar rolls over. Projects at Grenadier Square (2020) and Vancouver Centre II (2021) are moving toward completion while a series of new initiatives are scheduled to

break ground. Development will continue to play an important role in augmenting the portfolio as a primary source of risk adjusted return.

The Fund is well capitalized, diversified by asset class and geography, occupied with term, has a significant development pipeline and is managed by a vertically integrated, full-service manager. It is very well positioned to build off a long history of delivering investors predictable returns as we move into 2020.

The London Life Real Estate Fund is one of the largest open-ended core real estate funds in Canada with a track record spanning over 20 years. To learn more, please visit our website at www.gwlrealtadvisors.com.

92 PROPERTIES, GROSS MARKET VALUE OF \$3.1 BILLION, AT DECEMBER 31, 2019

The London Life Real Estate Fund was established in 1998. The Fund invests in 92 high-quality, income-producing properties diversified by type and location, with a gross market value of over \$3.1 Billion. The Fund's objective is to provide investors with stable income returns and the opportunity for long-term capital appreciation.

GROSS RETURN

	Annualized			YTD
	3 Year	5 Year	10 Year	31-DEC
Income	4.2%	4.2%	4.6%	4.2%
Capital	2.8%	1.9%	4.0%	5.5%
Total	7.1%	6.2%	8.6%	9.7%

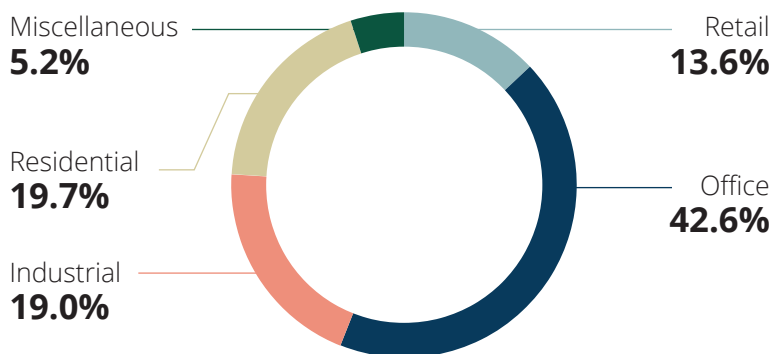
Note: Differences due to rounding of decimals

FUND GROWTH (\$ Millions)

	2014	2015	2016	2017	2018	YTD 31-DEC
Real estate	\$ 2,050	\$ 2,247	\$ 2,374	\$ 2,521	\$ 2,888	\$ 3,144
Cash	\$ 566	\$ 398	\$ 285	\$ 379	\$ 259	\$ 308
Short term assets & liabilities	\$ (14)	\$ (34)	\$ (25)	\$ (35)	\$ (75)	\$ (94)
Gross fund value	\$ 2,602	\$ 2,611	\$ 2,635	\$ 2,865	\$ 3,072	\$ 3,359
Net fund value	\$ 2,188	\$ 2,215	\$ 2,324	\$ 2,444	\$ 2,587	\$ 2,724
Debt/gross fund value	15.9%	15.2%	11.8%	14.7%	15.8%	18.9%

Note: Differences due to rounding of decimals

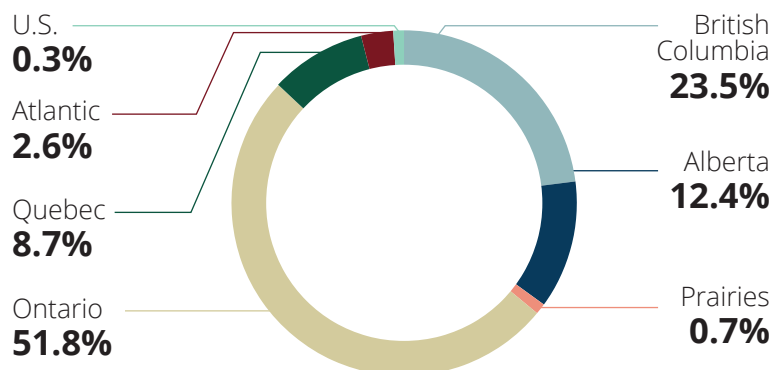
DIVERSIFICATION BY TYPE (Gross)



% of Total Vacancy

Retail	0.3
Office	3.3
Industrial	1.2
Residential	0.4
Total by type	5.2

DIVERSIFICATION BY REGION (Gross)



% of Total Vacancy

British Columbia	0.5
Alberta	2.1
Prairies	0.0
Ontario	1.1
Quebec	0.4
Atlantic	0.5
U.S.	0.6
Total by region	5.2

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.