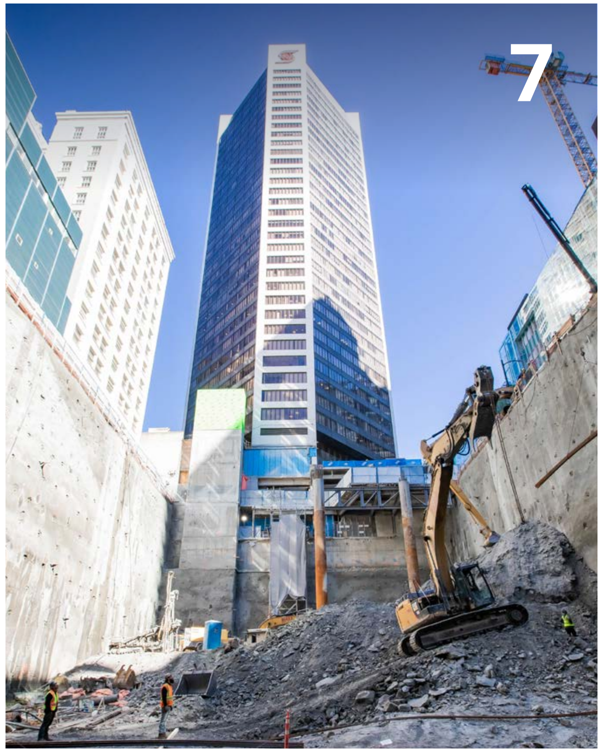
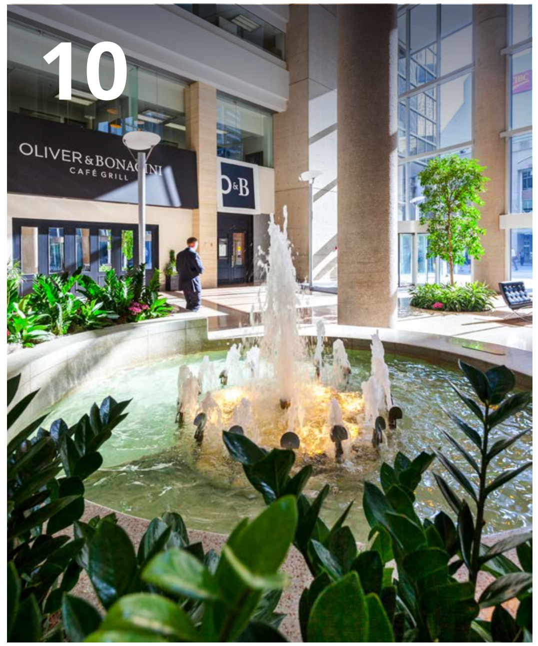
2019 Annual Report

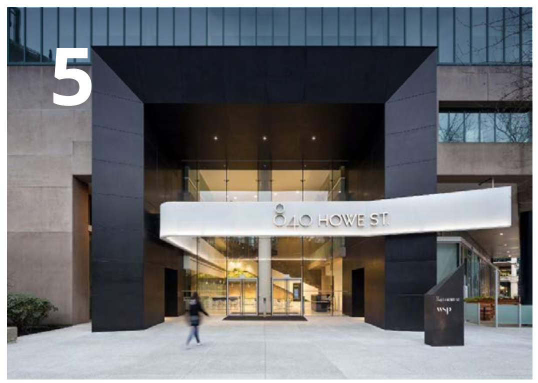
CANADIAN REAL ESTATE INVESTMENT FUND NO. 1

GWL REALTY ADVISORS

2019 CREIF Annual Report







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Portfolio Manager's Report

The Great-West Life Canadian Real Estate Investment Fund No. 1 (CREIF) delivered a strong 9.1% return in 2019, driven by a balance of income and capital return. As the market moves deeper into this economic cycle, the Fund's adherence to a disciplined investment strategy remains paramount, prioritizing cash flow growth, diversification and capital preservation. These pillars underpin the Fund's objective of generating superior, risk-adjusted returns.

CREIF's income component has been the primary source of its performance dating back to the Fund's inception in 1981. The durability and resiliency of the contractual cash flow provided a 4.2% income return in 2019, an attractive source of stability. The Fund leveraged its portfolio of well-located, high-quality assets, as illustrated by its strong demand factor, with a 94.3% occupancy rate at year-end, a 60 basis point improvement from 2018 year-end.

The Fund generated a strong 4.9% capital return in 2019, its largest capital return since 2013 and three times the preceding five-year average. This performance allowed the Fund's real estate holdings to approach $6 billion at year-end 2019. The capital return was driven by the industrial and multi-family sectors, posting 14% and 8% increases respectively, and collectively delivering 64% of the total capital return relative to their 44% investment allocation.

The Fund successfully invested $227 million across three transactions in 2019. The year was highlighted by the Fund's acquisition of a $170 million interest in 1 Adelaide Street East in downtown Toronto, a Class 'A' office building with excellent locational attributes, including a direct underground connection to the PATH network and the TTC transit line. A second notable investment was the acquisition of Halton Hills Village in Georgetown, Ontario, a new generation grocery-anchored retail centre in the GTA, with 98% occupancy and a six-year weighted average lease term. Finally, as part of the Fund's continuing effort to opportunistically participate in development as a source of portfolio performance, CREIF acquired a fully zoned multi-family site in Ottawa, immediately across the street from Westboro Station on the planned O-Train line expansion (2025 scheduled completion).

A critical component of the Fund's investment strategy is the ongoing discipline of divesting of non-core assets as property-level business plans are executed and asset value is maximized. Management has targeted select dispositions in 2020, eager to rotate this capital into higher growth segments. These disposition activities will be focused around suburban office holdings, while net investment will prioritize the industrial and multi-family sectors given their strong defensive characteristics and their favourable market fundamentals, driven by the growing trends of e-commerce and logistics as well as ongoing urbanization and housing affordability challenges.

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CREIF continues to tactically utilize its development capability to access best-in-class assets while realizing value creation for its investors. The Fund enters 2020 with three active development projects: Grenadier Square, Vancouver Centre II and 3389 Steeles Avenue East, each providing strategic long-term fund investments. As importantly, the Fund continues to progress with a variety of prospective development planning approvals, creating a future development pipeline that the Fund can activate as market conditions warrant or potentially monetize, subject to market conditions. While development is a measured component of the Fund's overall investment strategy (no more than 15% by policy), it will continue to materially contribute to the Fund's overall return profile, delivering superior risk-adjusted returns.

CREIF successfully reduced its average cost of capital in 2019. This included $156 million in incremental portfolio financing at a weighted average interest rate of 3.0%, including two attractive interest-only loans. The financing increased the portfolio's mortgage balance to $1.1 billion with a weighted average coupon rate of 3.4%, a 32 basis point decline year-over-year. With a 17.2% loan-to-value mortgage balance, the Fund is comfortably within its 35% loan-to-value limit, all on a non-recourse basis. Management's efforts to reduce the cost of capital, coupled with ongoing efforts related to cash management, helped to collectively create 40 basis points of fund-level performance above the real estate's 8.7% return.

"The Fund generated a strong 4.9% capital return in 2019, its largest capital return since 2013 and three times the preceding five-year average."

Climate change has been established as a leading risk, and investors are increasingly attuned to the influence of environmental, social and governance (ESG) issues on performance. CREIF made its second Global Real Estate Sustainability Benchmark (GRESB) submission in 2019. GRESB is the recognized industry leader in assessing investors' adoption of ESG factors as part of their management practices. CREIF was awarded a Green Star rating with a score of 90 and a recognition in the top 4th percentile in the global diversified category (230 participants). Moving into 2020, fund management is prioritizing third-party analysis of the climate disaster risk profile of each of the Fund's assets under management.

Moving into its 40th year, the Fund continues to be well diversified, by both asset class and geography, with a portfolio of well-located assets, with strong occupancy and high-quality tenants. This combination of attributes has stood the Fund well since its inception, and we feel strongly about its merits as part of a well-diversified, long-term investment strategy.

Update

On March 20, 2020, Canada Life announced the temporary suspension of any contributions to, and redemptions and transfers from, the Great-West Life Canadian Real Estate Investment Fund No. 1. The COVID-19 pandemic created significant global economic disruption and extreme financial market turbulence, limiting the ability to accurately quantify the impact of these conditions on property markets. This has created material valuation uncertainty related to real property owned by the Fund, which gives rise to a material risk that the Fund's unit values may not be valued accurately. The temporary suspension mitigates the risk that investors buy and sell units at a price that does not reflect market value. As always, the goal is to protect the long-term interest of the Fund and its investors.

Fund management is actively working to develop a process to return valuations as appropriate certainty returns. The temporary suspension will remain in place until an appropriate level of real property valuation certainty has been re-established, and we are comfortable with the Fund's liquidity positions.

Steven Marino
Senior Vice President, Portfolio Management

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2019 Fund Overview

Established in 1981, the Canadian Real Estate Investment Fund No. 1 (CREIF) 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.

126
total properties

$5,937M
gross real estate value, up 12.8% YoY

32%
5-yr gross fund value growth

4.2%
2019 income return

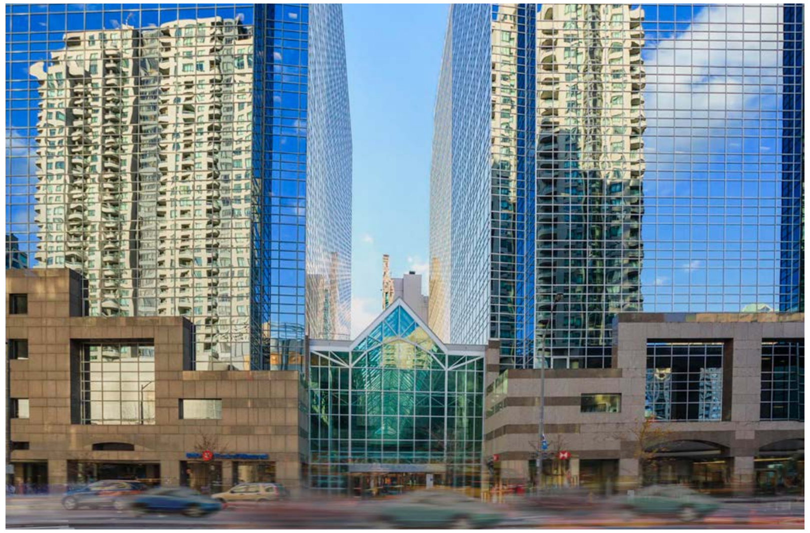
4.9%
2019 capital return

9.1%
2019 total return

9.1%
10-yr annualized return

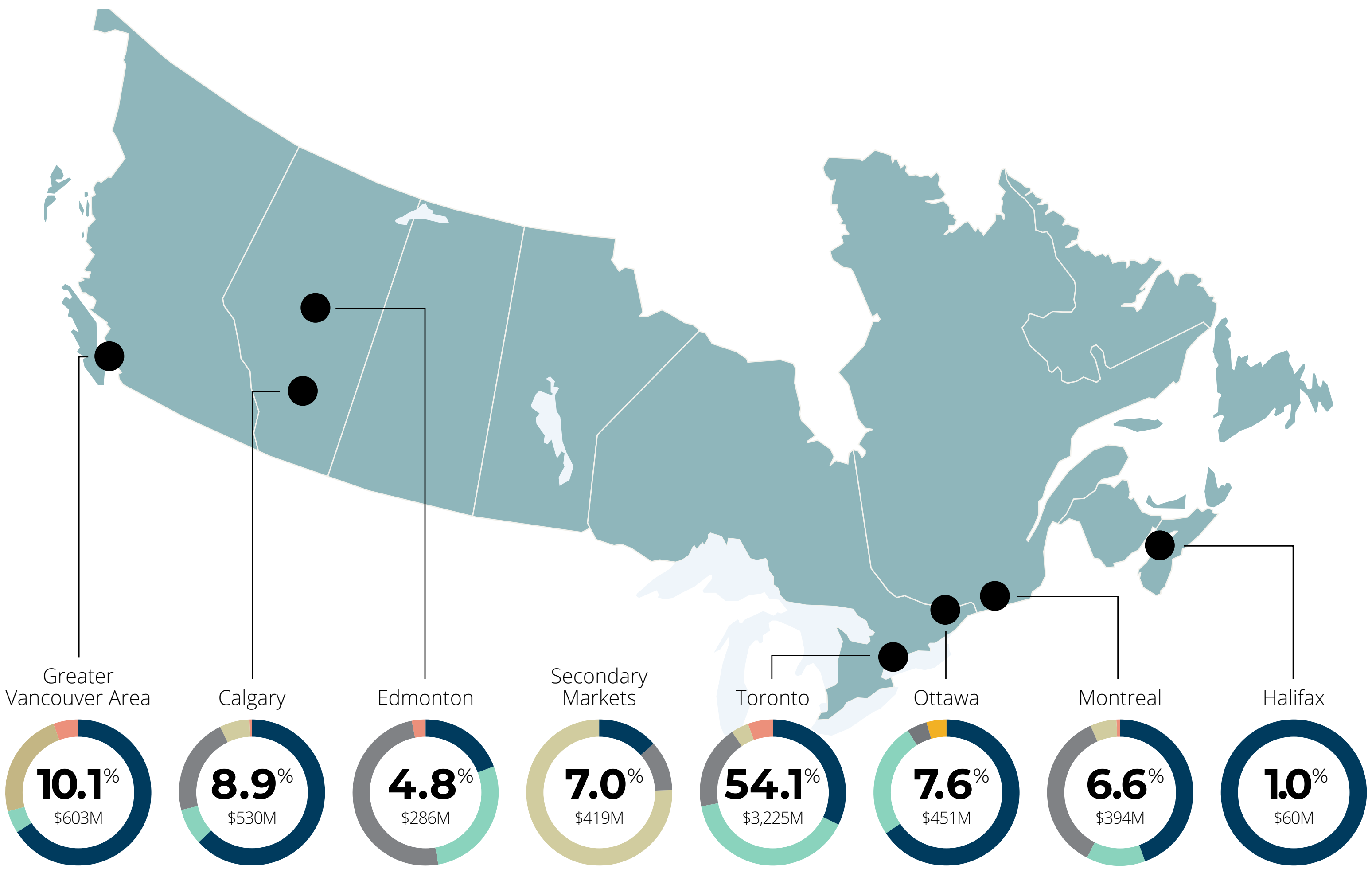
$212M
addition in income-producing properties

94.3%
occupancy, up 60 bps YoY



Top: 840 Howe Street, Vancouver, BC
Bottom: 5150-5160 Yonge Street, Toronto, ON

Portfolio Diversification



City and Asset Class Exposure

(dollar amounts in millions)

Asset class	%	Amount
Office Properties	**40.5%**	$2,417
Residential Properties	**26.9%**	$1,604
Industrial Properties	**17.5%**	$1,043
Retail Properties	**11.1%**	$661
Other	**4.0%**	$241

Development

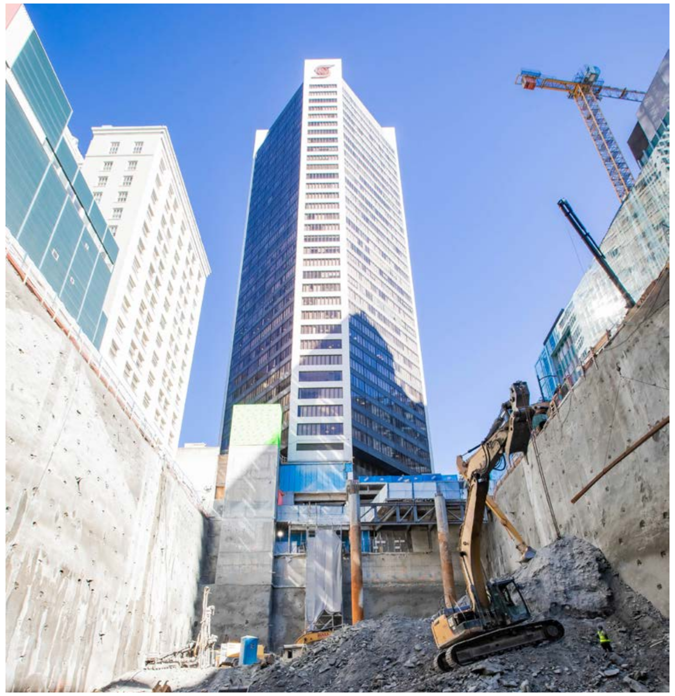
Development of new generation, income-producing assets forms a critical component of the Fund's strategy and overall portfolio construction. Projects at Grenadier Square and Vancouver Centre II are moving efficiently toward completion, while a series of future initiatives provide for a multi-year pipeline of opportunity looking ahead. Development will continue to play an important role in augmenting the quality and vintage of the portfolio while being a primary source of risk-adjusted return.

Vancouver Centre II

Construction of this 370,000 square foot Class 'AAA' office tower is advancing well and is scheduled to be materially completed towards the end of 2021. The amenity-rich, thoughtfully designed and LEED® Platinum–planned office building is poised to become an iconic development at the epicentre of downtown Vancouver's developing tech node. At Vancouver Centre's second tower, occupants will benefit from exceptional underground connectivity to two SkyTrain stations and the amenity/service offerings of the Vancouver Centre and Pacific Centre malls. The property sits at a crossroads of Vancouver's traditional business core, urban residential communities, and primary shopping and entertainment districts, providing a true live/work/play environment. Its location along Seymour Street positions it within downtown's newly established eastern core—home to Amazon, Microsoft, Telus, Avigilon and other tech companies. The excavation and construction of the underground parking structure is now complete, and efforts going into 2020 will be focused on the tower. Pre-leasing at VCII has progressed well, and continued interest from other tenant prospects continues to bolster pre-development expectations.

Grenadier Square

The Grenadier Square Redevelopment is located adjacent to Toronto's High Park and steps from the High Park subway station, and is nearing completion, with one tower and both amenity buildings slated for occupancy in Q3 2020 and the second tower in Q4 2020. The project, which will be branded "The Livmore High Park," consists of two new purpose-built 25-storey luxury rental buildings providing 528 new suites, including 16 new townhomes and the buildings of two new amenity pavilions totalling 22,000 square feet for the use of all tenants in the complex, including those inhabiting the legacy towers. Pre-leasing is projected to begin in late Q1 2020, with a robust marketing campaign that encompasses digital and social media, internet listing sites, signage and direct mail.



Top: Vancouver Centre II, Vancouver, BC
Bottom: Grenadier Square, Toronto, ON

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Investment Activity

In January, the Fund added a 1.3 acre development site in the Westboro node of Ottawa, ON. The site was acquired for $66 psf of approved density and will ultimately be the home to 300+ units of transit-connected, amenity-rich, new-generation rental apartment product with retail at grade.

In February, the Fund acquired a 35% interest in a 650,000 square foot office and retail complex in downtown Toronto for approximately $170 million. The asset, better known as the Dynamic Funds Tower Complex, is located at the southeast corner of Yonge and Adelaide. It includes 1 Adelaide Street East, a 30-storey LEED® Gold certified office tower; 20 Victoria Street, a nine-storey boutique office building; and 85 Yonge Street, a three-storey retail building. The asset is currently 99% leased, with major tenants including Scotia Capital Inc. and OPTrust. The Class 'A', PATH-connected complex marked a significant acquisition for the Fund of a high-profile core property that is rarely available. At acquisition, financing representing 50% of the purchase price was placed on the asset. The 10-year loan facility was funded on an interest-only basis for the entire term at a coupon rate of 3.4%.

In December, the Fund acquired a 100% freehold interest in Halton Hills Village, a 111,728 square foot new generation grocery-anchored centre located in Halton Hills, Ontario, for $42.3 million. The property is 98% leased and will provide the portfolio with a secure income stream based on a weighted average lease term of approximately six years.

$230M
in acquisitions over 2019

Top left: 320 McRae Avenue, Ottawa, ON
Top right: Halton Hills Village, Halton Hills, ON
Bottom right: 1 Adelaide Street East, Toronto, ON

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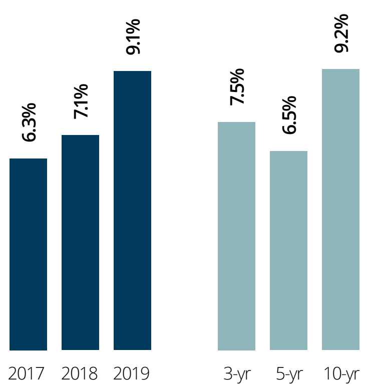
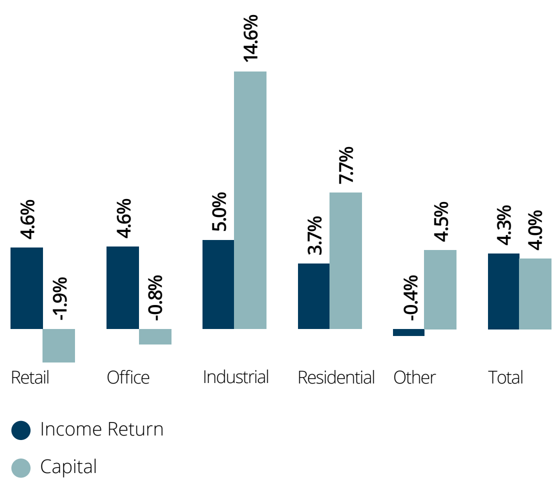
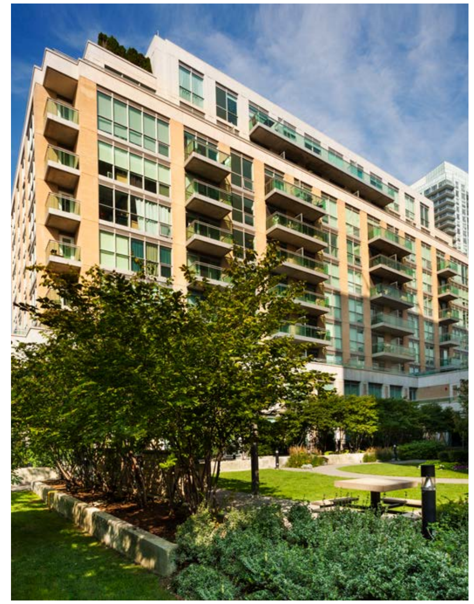
Performance and Attribution

Total Return



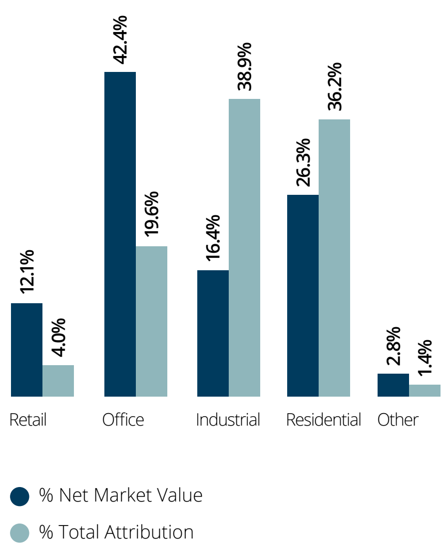
Performance by Asset Class



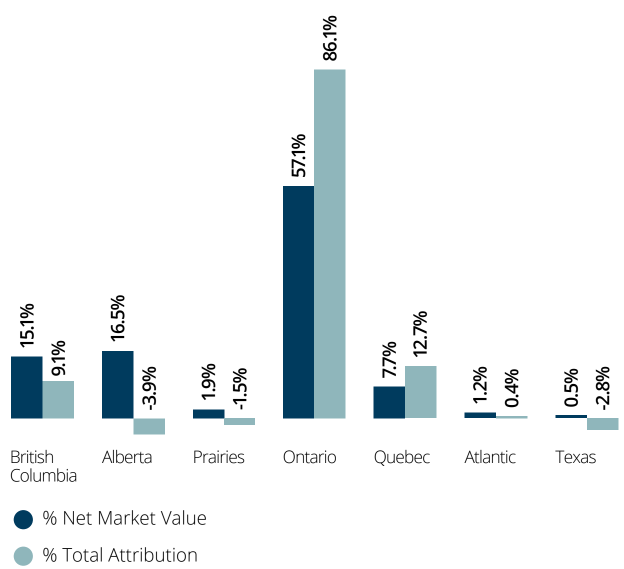


The industrial and multi-residential sectors attributed 66% of the total return, relative to their 40% market value allocation.

Fund Weighting & Attribution by Asset Class



Fund Weighting & Attribution by Region



Top: 65 Lillian Street, Toronto, ON
Bottom: Laval Industrial Portfolio, Laval, QC

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Occupancy

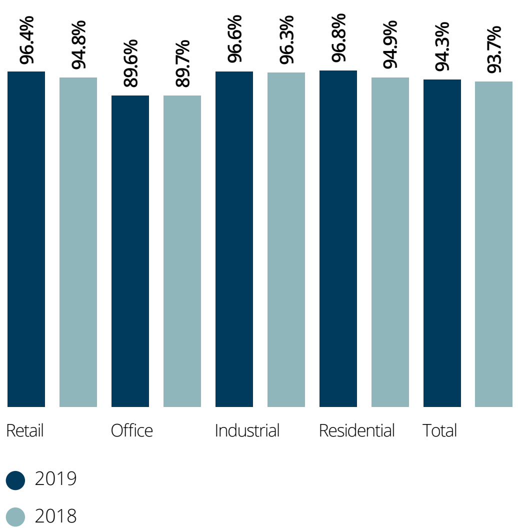
Income returns are reliant on a well-leased portfolio of assets that are managed with a focus on net operating income (NOI) growth. This component of return has been the cornerstone of the Fund's performance since inception, with 2019 proving to be no different in that regard. Portfolio occupancy concluded the year at a robust 94.3%, representing a 60 bps improvement from the end of 2018, and led to a 6% increase in NOI. Occupancy has been greater than 90% for 20 years running.

16.6% maximum single year roll over exposure

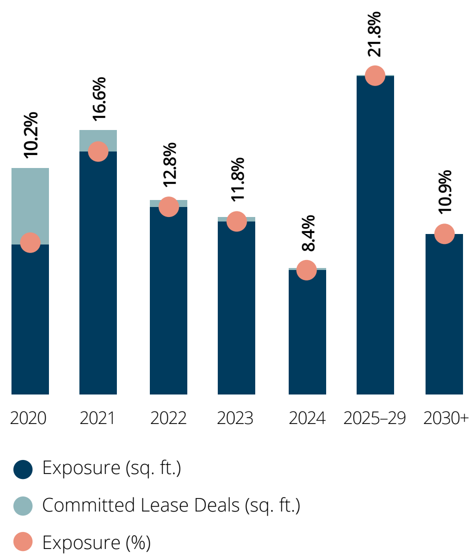
33% of portfolio with 2025+ lease maturities

94.3% occupancy, up 60 bps YOY

Summary by Asset Class



Lease Expiry Profile



33 Yonge Street, Toronto, ON

Tenant Diversification

Strategic investment into a diverse set of asset classes and geographies are two significant components of the construction of a well-balanced portfolio. For a core real estate fund with the objective of providing consistent income returns, income diversification forms a third pillar. The sources of income for CREIF stem from over 1,000 unique commercial tenancies operating across a broad spectrum of industries in addition to 5,000+ individual residential leases.

Portfolio and Tenant Diversification

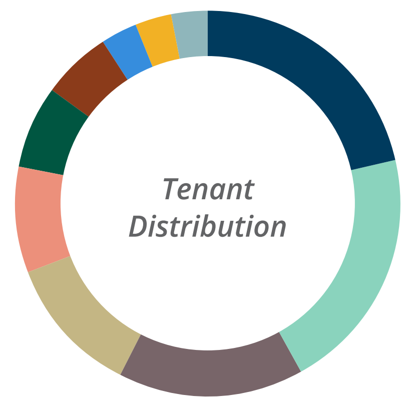
Top 10 Tenants by Base Revenue at December 31, 2019

Rank	Tenant	Annual Base Rent ($)	% of Fund Base Rent	Occupied Area (share) (sf)	WALT (years)*
1	Federal & other Government Agencies	$25,359,532	12.0%	1,303,342	3.5
2	ConocoPhillips Canada	$8,014,852	3.8%	258,544	5.0
3	The Bank of Nova Scotia	$7,496,418	3.6%	315,759	2.6
4	Home Depot	$6,702,588	3.2%	814,714	14.8
5	Wal-Mart	$5,010,560	2.4%	498,309	8.1
6	Ritchie Bros. Auctioneers	$3,089,055	1.5%	115,206	10.4
7	CGI Group Inc.	$3,077,668	1.5%	92,008	3.2
8	Invesco Canada Ltd.	$2,880,743	1.4%	149,649	2.5
9	Toronto Transit Commission	$2,611,483	1.2%	126,600	7.8
10	TD Bank	$2,375,253	1.1%	94,085	7.0
	Sub Total	**$66,618,152**	**31.6%**	**3,768,215**	**7.0**
	Other	$119,139,468	56.5%	11,361,231	6.9
	Total	**$210,961,415**	**100.0%**	**15,129,446**	**6.9**

* Weighted average lease term (WALT) is representative of the commercial (non-residential) portion of the portfolio
Note: Methodology to report top 10 tenants has been updated to account for aggregation of multiple tenancies (if applicable) under a single head tenant

Tenant Distribution

City and Asset Class Exposure	
Retail Trade	**19.8%**
Manufacturing	**18.8%**
Transportation & Warehousing	**14.3%**
Finance & Insurance	**10.8%**
Professional, Scientific & Technical Services	**8.1%**
Other	**6.5%**
Mining, Quarrying, Oil & Gas	**5.3%**
Admin, Support, Waste Management, Remediation	**2.9%**
Accommodation & Food Services	**2.8%**
Information and Cultural Industries	**2.6%**



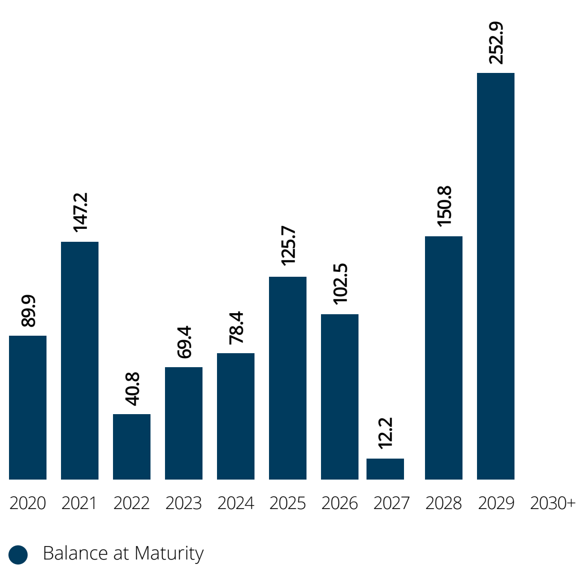
Cresthaven Crossing, Ottawa, ON

Home Depot Distribution Centre, Calgary, AB

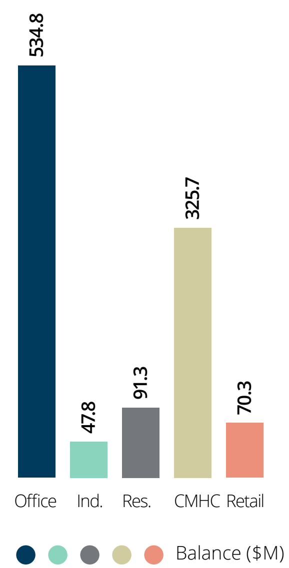
Debt Profile

The strategic though conservative utilization of debt forms a key part of the Fund's core investment thesis. Unencumbered assets are identified by their ability to generate financing proceeds at the best overall market terms, with execution timed to ensure that appropriate levels of overall liquidity are maintained. With net new financing of $156 million over the course of 2019, the Fund's overall leverage position has increased by 120 bps while the weighted average interest rate was reduced by 32 bps to 3.4%. Leverage contributed a positive 116 bps return to overall Fund performance.

Debt Balance Maturity Profile



Summary by Asset Class



Portfolio LTV of 17.2% relative to 35% maximum

$1,069M of outstanding fixed rate debt

69 months weighted average duration

3.4% weighted average coupon

87 bps spread between CMHC and conventional debt

Over $325M in CMHC financing

37 mortgages with average balance of $29M

2019 total leverage impact: 116 bps

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Research

Below is an example of the proprietary work conducted by GWL Realty Advisors' in-house Research and Strategy team. The development of these approaches helps define portfolio strategy and puts the Fund at a distinct competitive advantage.

With income a core driver of property performance, GWL Realty Advisors' Research and Strategy team continues to develop models to better predict market rental growth. The outcomes of this research ultimately form our "house views" on market fundamentals and support our investment and leasing strategies.

Leading Industrial Demand Index

For the industrial sector, a focus has been quantifying supply-demand imbalances and their effect on rent growth. Research has shown that market vacancy rates alone do not drive rental increases; conversely, it is the level of property demand relative to supply that influences the direction of rents. Generally, the higher the expected demand imbalance, the higher the magnitude of rent growth.

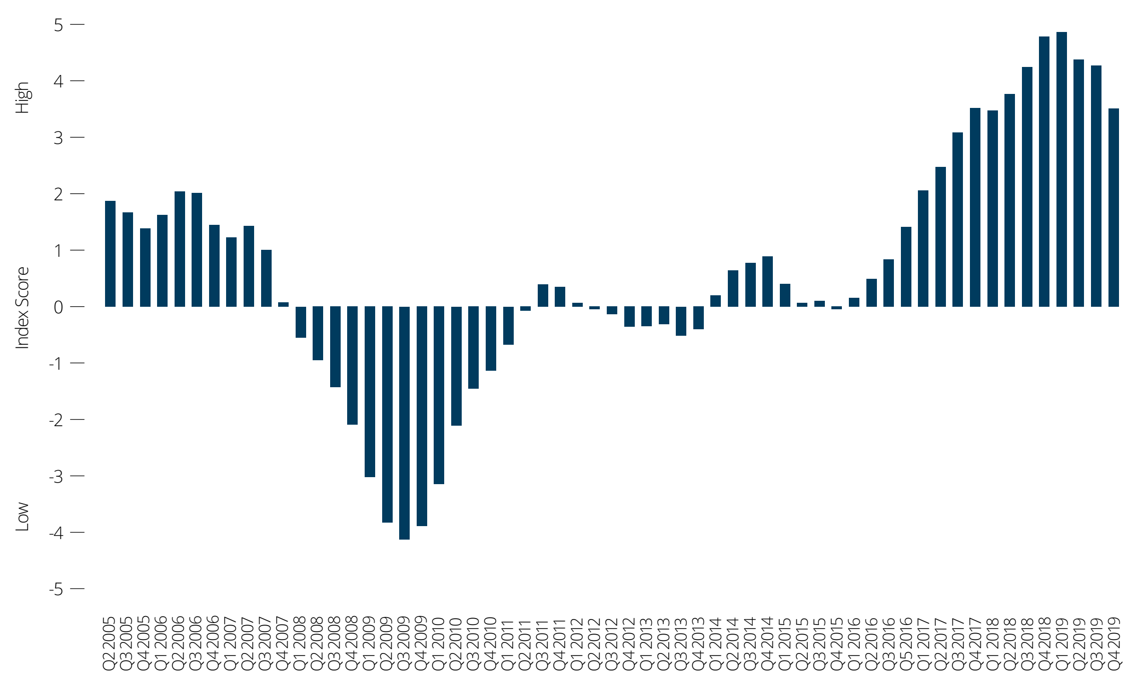
To visualize this, the team built an index that measures supply-demand conditions across major Canadian markets. Developed using a custom-weighted selection of industrial variables, the index proves to be a strong, statistically significant predictor of rent growth. Driving the models are both cyclical and structural factors, including retail sales, demand momentum, future supply and warehouse inventory levels. Structural factors are critical to the model and, for example, capture the rising influence of e-commerce on retail logistics.

The index shows the long-term stability and strength of the industrial sector, supported by the continued growth of e-commerce, but also underlying supply constraints that persist across major markets. The index results are distributed nationally on an ongoing basis with continued efforts to refine and improve the model.

The research team has also developed a similar tool for estimating purpose-built rental rate growth potential in markets with pent-up housing demand, specifically Toronto, Ottawa and Vancouver.

GWLRA Leading Industrial Demand Index

National = 6-month moving average



	Vancouver	Edmonton	Calgary	Toronto	Montreal
Share of market inventory: industrial space under construction	**1.8%**	**0.7%**	**0.4%**	**0.9%**	**0.5%**

Source: CBRE (excludes build-to-suit construction)

Sustainability

ESG Considerations

The Fund is committed to integrating sustainability into its investment and operating practices to generate superior, long-term, risk-adjusted returns. The Fund acknowledges that environmental, social and governance (ESG) factors have the potential to impact investment performance. The Fund manages ESG risks and opportunities by implementing practices that include their consideration, monitoring and disclosure in the execution of its investment strategies and operating practices.

The Fund Manager has adopted ESG objectives, which are integrated into the management and development of the Fund's assets. These ESG objectives are to:

1

Operate efficient and healthy buildings to improve financial performance, lower operating costs and enhance tenant satisfaction. The Fund's office and multi-residential assets decreased greenhouse gas (GHG) emissions by 18.3% between 2013 and 2019.

2

Certify 100% of the eligible portfolio under a green building certification system. In 2019, 94% of the Fund's portfolio was certified under BOMA BEST® or LEED® certifications.

3

Make positive contributions in the communities where the Fund invests. Throughout the development process, the Fund Manager collaborates with communities to ensure the long-term interests of the communities are achieved and value is added.

4

Conduct business with honesty and integrity. The Fund Manager ensures all employees attest compliance with its Code of Conduct and reinforces the importance of operating with integrity and trust through multi-faceted training programs.

Managing ESG Factors

The Fund made its second submission into the Global Real Estate Sustainability Benchmark (GRESB) in 2019, improving upon its score from its first submission and earning a GRESB 5-Star rating for the second consecutive year.

The Fund placed in the top 4% of the global diversified category and in the top 10% globally of 964 participants. The Fund's manager, GWL Realty Advisors, also earned a GRESB 5-Star rating for the fifth consecutive year and placed in the top 10% of companies worldwide in 2019.

GRESB is the leading global ESG benchmark for real assets. GRESB, an investor-driven organization, provides decision-useful, standardized and validated ESG data to more than 70 institutional investors, representing over USD $17 trillion in institutional capital.

GRESB®

Carbon Management

The Fund sees value in reducing its carbon footprint, realizing operational savings for tenants and owners, and helping to meet societal expectations for greenhouse gas reductions. Between 2013 and 2019, an estimated $2.6 million in utility costs were avoided through sustainability and conservation activities, along with a reduction of 13,286 tonnes of CO_2e, across the Fund's office and multi-residential portfolios.

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Sustainability Performance, 2013–2019

Overall, from 2013 to 2019, the Fund's portfolio of office and residential assets continued to improve their sustainability performance by reducing:

Greenhouse gas emissions by 18.3%, or 13,286 tonnes of CO_2e

- equivalent to taking 2,870 cars off the road for one year[1]

Energy consumption by 7.2%

- equivalent to the annual energy use of 824 Canadian homes[2]

Water consumption by 13.7%

- equivalent to 64 Olympic-sized swimming pools[3]

Waste to landfill by 11.0%

- equivalent to 434 mid-sized cars[4]

The environmental data for our portfolios is externally assured by an independent third party under *ISAE 3410: Assurance Engagements on Greenhouse Gas Statements*, and is reported in-line with the World Resource Institute's (WRI) GHG Protocol Corporate Accounting and Reporting Standard, demonstrating our commitment to transparency and industry best practice to our investors.

Certifications & Awards

The Fund's ongoing sustainability practices and related initiatives include the attainment of green building certifications and industry recognition through awards and other accolades. Since 2013, Fund assets have received 27 industry awards related to sustainability, operational excellence, development and/or tenant engagement.

Highlight: 1350/1360 René-Lévesque (2019)

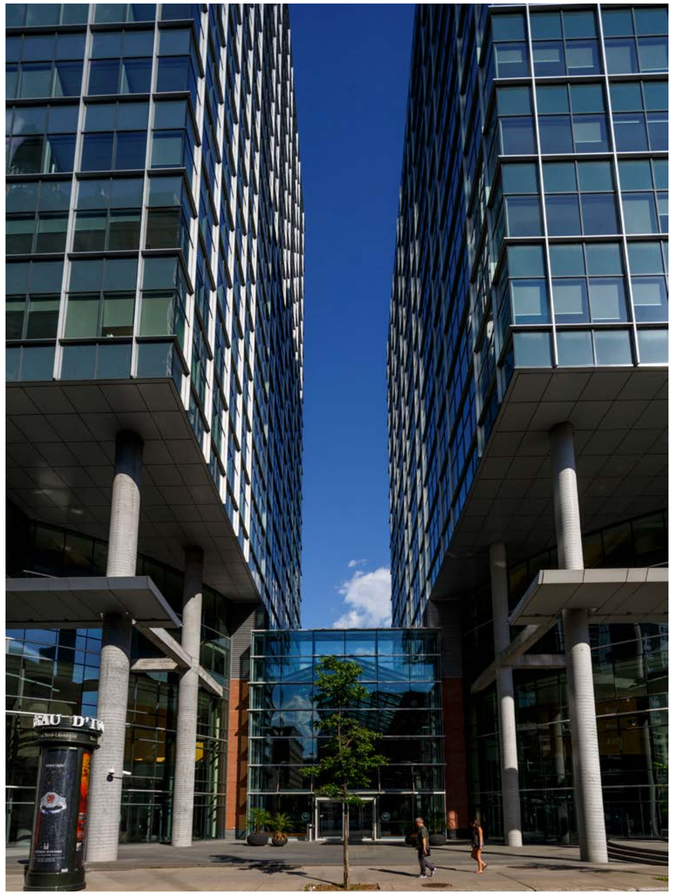
- The Building of the Year (TOBY) Award, >500,000 ft² – BOMA Quebec
- Recertified LEED EB:OM, moving from Silver to Gold Certification – CaGBC

In 2019, 94% of the Fund's eligible portfolio attained either BOMA BEST® or LEED® green building certifications, covering over 230 individual buildings.

BOMA BEST® Building Environmental Standards | Norme environnementale de l'immobilier

Platinum	Gold	Silver	Bronze	Certified
11%	36%	14%	11%	28%

BOMA BEST® Certifications by Level as at Year-End 2019



1350/1360 René-Lévesque (2019)

Our Approach to Sustainability Reporting: The Sustainability section of this report is guided by our business, peer reviews and various sustainability standards and frameworks. Through the Fund Manager, GWL Realty Advisors, we looked broadly at our sustainability context to determine the topics that matter most to the Fund and our stakeholders. This included reference to the Global Real Estate Sustainability Benchmark (GRESB) survey, the GRI Standards (2016), and the GRI-G4 Construction and Real Estate Sector Supplement (CRESS). The important topics are defined within the Fund Manager's materiality matrix, which is used, in part, to inform the Sustainability content of this report.

1. U.S. EPA, GHG Equivalencies Calculator: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator
2. Average energy use is 92.5 GJ/household/yr, from Statistics Canada, Households and the Environment Survey 2015: https://www.statcan.gc.ca/daily-quotidien/171201/dq171201f-eng.htm
3. The standard size of an Olympic-sized swimming pool is 2,500 m³.
4. The average curb weight of a mid-sized car is taken as ≈3,500 lb.

Corporate Information

GWL Realty Advisors Inc. is a leading North American real estate advisor focused on growth and on delivering strong, long-term returns for our clients. We provide asset management, property management, development and customized real estate advisory services to pension funds and institutional clients. GWL Realty Advisors Inc. oversees a diverse portfolio of office, industrial, retail, residential and mixed-use assets as well as a dynamic pipeline of new development projects. In the United States, we provide real estate advisory services through our wholly owned subsidiary, EverWest Real Estate Investors, headquartered in Denver, Colorado.

Senior Management

Ralf Dost
President

Glenn Way
Executive Vice President &
Chief Operating Officer

Don Harrison
Executive Vice President
Business Development & Client Services

Tanyss Price
Senior Vice President &
Chief Financial Officer

Jeff Fleming
Executive Vice President
Investments & Development

Rob Kavanagh
Senior Vice President
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Western Canada

Steven Marino
Senior Vice President
Portfolio Management

Anne Morash
Senior Vice President
Multi-Residential

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