



Key Facts

Date established

2005

Fund Strategy

CORE

Gross Fund Value

\$6.4B

Net Fund Value

\$4.8B

LTV %

26.2%

of Properties

120

Commercial Sq Ft

14.9M

of Residential Units

5,937

CANADA LIFE REAL ESTATE FUND

Q4 BULLETIN 2023

2023 was undoubtedly a challenging year on a number of fronts. Elevated levels of inflation had negative implications on capital expenses. Lagging supply chain issues from the pandemic early in the year were detrimental to the delivery of projects in a timely fashion.

The landscape for office continues to evolve as more and more tenants return their staff to an office-centric model, however the delivery of new supply in most major markets has continued to put pressure on vacancy rates which in turn has increased the cost of leasing both by way of incentives and rental rate. The most significant factor however was the pace at which bond yields, and by association, interest rates rose as the BOC continued to nudge the overnight rate up. The increased cost of financing directly impacted asset values across all asset classes as investment metrics broadly decompressed.

Fund Updates:

- The total gross return for 2023 was -2.98% as capital returns were significantly impacted by a decline in asset values attributable to elevated borrowing costs and a negative mark to market on the Fund's debt. Income returns remained within target range as occupancy across the portfolio averaged better than 90% for the year.
 - A portfolio of older generation single tenant industrial buildings in the GTA were sold in Q4.
 - Cash levels are within target range, ending the year at 6.7% of NFV.
 - Fund LTV ended the year at 26.2%, up 600bps from 2022.
2. Supply chain issues are no longer an impediment and inflation is tracking downward towards the BOC target range.
 3. The return to the office continues to gain traction as most institutions have now implemented policies to bring people back together and leasing activity is improving. The Fund remains committed to high quality office holdings as part of its diversified strategy. Today, office represents approximately 25% of the portfolio as compared to more than 50% less than 6 years ago. The combination of already realized value declines, together with active repositioning capital, positions selective office as a longer term value proposition.

As we look to 2024, all of the conditions that presented headwinds in 2023 as described above are beginning to trend positively:

1. The end of restrictive monetary policy rate increases, and potentially the advent of cuts, should prove to be constructive to the cost of capital and overall investment conditions. This should allow the fund to realize more favourable financing terms and stabilizing valuation metrics. The 10 year GOC bond yield is now ~100bps off of its peak and lender spreads are tightening.

4. The Fund's large (more than 70%) allocation to industrial, multifamily and retail (inclusive of active developments) are well positioned to be benefit from continued strength in their associated fundamentals, helping to grow income.

Left: Laird Ridgeway, Toronto, ON
Center: 106 Avenue SE, Calgary, AB
Right: Grenadier Square, Toronto, ON

GWL REALTY
ADVISORS

CANADA LIFE REAL ESTATE FUND

Q4 BULLETIN 2023

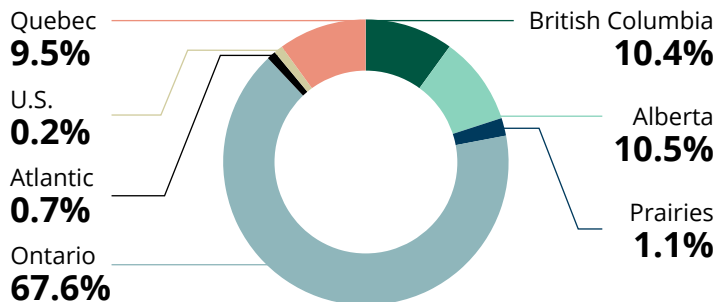
GROSS RETURN	Annualized				YTD
	1 Year	3 Year	5 Year	10 Year	31-Dec
Income	3.5%	3.5%	3.7%	4.1%	3.5%
Capital	(6.5)%	1.6%	1.7%	1.6%	(6.5)%
Total	(3.0)%	5.1%	5.4%	5.8%	(3.0)%

Note: Differences due to rounding of decimals.

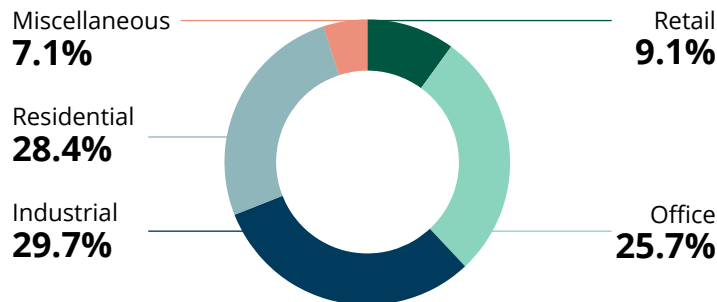
FUND GROWTH (\$ Millions)						YTD
	2018	2019	2020	2021	2022	31-Dec
Real estate	\$ 5,288	\$ 5,966	\$ 5,639	\$ 6,141	\$ 6,502	\$ 6,312
Cash	\$ 457	\$ 443	\$ 831	\$ 449	\$ 415	\$ 320
Short term assets & liabilities	\$ (79)	\$ (172)	\$ (150)	\$ (134)	\$ (166)	\$ (195)
Gross fund value	\$ 5,666	\$ 6,238	\$ 6,320	\$ 6,456	\$ 6,751	\$ 6,437
Net fund value	\$ 4,747	\$ 5,163	\$ 5,196	\$ 5,316	\$ 5,386	\$ 4,751
Debt/gross fund value	16.2%	17.2%	17.8%	17.7%	20.2%	26.2%

Note: Differences due to rounding of decimals.

DIVERSIFICATION BY REGION (Gross)



DIVERSIFICATION BY TYPE (Gross)



VACANCY AS % OF TOTAL - BY REGION

British Columbia	0.5%
Alberta	2.9%
Prairies	0.3%
Ontario	5.2%
Quebec	0.8%
Atlantic	0.5%
U.S.	0.9%
Total by region	11.2%

VACANCY AS % OF TOTAL - BY TYPE

Retail	0.4%
Office	8.6%
Industrial	1.4%
Residential	0.9%
Total by type	11.2%

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.