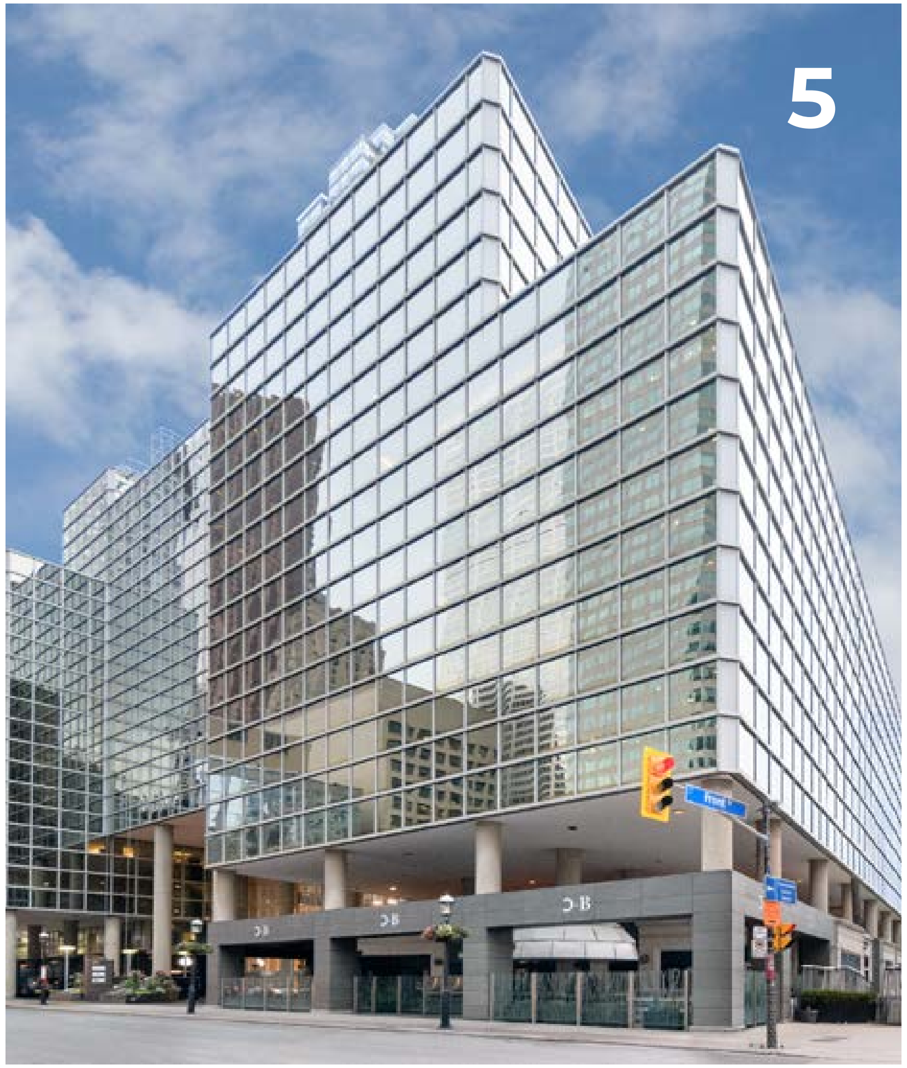
# CANADIAN REAL ESTATE INVESTMENT FUND NO. 1

2020 Annual Report

GWL REALTY ADVISORS

# 2020 CREIF Annual Report



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# Portfolio Manager's Report

**The COVID-19 health pandemic had a profound impact on all facets of life as we knew it in 2020, including a dramatic impact on global financial and investment markets, creating disruption and turbulence.**

In retrospect, these conditions provided a robust assessment of the sustainability and resilience of the Great-West Life Canadian Real Estate Investment Fund No. 1's (CREIF or the "Fund") investment thesis. The Fund's ability to weather these conditions and deliver strong risk-adjusted performance, as it celebrated its 40th anniversary, illustrated the value of a disciplined, long-term approach to investing.

Despite the sudden onset of the COVID-19 conditions and the resultant population circulation restrictions, the Fund managed to deliver an impressive 2.54% return in 2020, some 600 and 200 basis points (bps) better than its peer fund group, as measured by the MSCI Property Index and Property Fund Index (PFI), and 1,500 bps better than the TSX REIT Index.

The Fund's performance was largely driven by the resilience of its income return, delivering 3.8%. The Fund's 97% rent collection level and overall portfolio occupancy, which ended the year at 92.5%, were key contributors. The Fund's defensive portfolio construction, with above benchmark allocations to the industrial and multi-family asset classes (49% collectively), allowed the Fund to benefit from the accelerated adoption of e-commerce and the continued strength of urbanization and the residential market, while limiting its overall exposure to retail shopping centres (10% weighting), the sector most negatively impacted by the pandemic.

This merit of the allocation strategy is reflected in the Fund's property level capital returns. The portfolio realized a muted 0.4% property level capital loss, as favourable performance in industrial (+10%) and multi-residential (+5%) mitigated more challenging conditions in retail (-13%) and office (-7%) sectors. As importantly, the Fund's top-down approach on managing economic exposure prioritized investment to Toronto, Montreal and Vancouver (more than 70% allocation), helping to mitigate exposure realized in less well-diversified economies. The balance of the capital performance (93 bps loss) was primarily a product of a negative mark to market related to a meaningful reduction in the cost of financing to historic lows.

Sustainability and climate change cemented themselves as critical management risks for investors in 2020 as the growing breadth of science-based research and appreciation for the consequence of environmental, social and governance (ESG) factors elevated their profile. The Fund made its third Global Real Estate Sustainability Benchmark (GRESB) submission in 2020, receiving a 4 Green Star rating with a score of 83 and recognition as being in the top 11 percentile in the global Diversified category (201 participants). The Fund's commitment to resilience extended to a third-party analysis, completed in 2020, of its climate disaster risk profile for each of its assets and its formal inclusion as part of its investment due diligence screening. The Fund is deeply committed to leveraging its early advantages in this area to drive performance.

**"The Fund's performance was largely driven by the resilience of its income return, delivering 3.8%. The Fund's 97% rent collection level and overall portfolio occupancy, which ended the year at 92.5%, were key contributors."**

The Fund continued to execute on its disciplined approach to portfolio construction, prioritizing enduring locations that are transit oriented and amenity rich, with high-quality improvements. These characteristics resonate with tenants today, while maintaining the adaptability required to adjust to tenants' evolving needs and delivering attractive, long-term returns to investors. A critical component of the execution of this strategy is the discipline to divest of assets as property level business plans are completed and asset values are maximized, while maintaining identified portfolio diversification targets.

The Fund successfully divested of more than $400 million in real estate in 2020, across three transactions. Dating back to 2019, fund management identified a desire to divest of $208 million in a Vancouver suburban office. The Fund was able to successfully complete two dispositions in Q2 2020, at pricing that was reflective of pre-COVID-19 conditions. To aid in the future construction of approximately 580,000 square feet of recently approved multi-residential density at High Park Village in the GTA, the Fund formed a strategic joint venture partnership, realizing an additional $200 million in proceeds across the sale of a 50% interest in four residential towers. The Fund is eager to reinvest these proceeds into the execution of its growth strategy, as evidenced by the acquisition of an eight-acre parcel of land in the GTA in Q4 2020, intended to facilitate the construction of an approximate 135,000 square foot industrial building.

Development continues to be a critical component of the Fund's overall investment strategy (15% limit by policy), providing tactical access to key investment opportunities while delivering superior, risk-adjusted returns. In the midst of COVID-19 challenges, the Fund was able to achieve three notable development milestones. The Fund successfully completed construction of a 220,000 square foot industrial facility in Brampton, ON, immediately leased to a large logistics organization on a long-term basis. The second was the successful completion of Livmore High Park (livmorehighpark.com), a two-tower, 535-unit development in the High Park community in Toronto. Finally, the Fund commenced construction of 185 Enfield, a 50% interest in a 366-unit multi-residential joint venture development in the Mississauga City Centre node. Collectively, these investments will continue to rotate the Fund's overall investment strategy with the potential to realize meaningful value creation upon execution.

The Fund continues to employ a conservative debt strategy, ending 2020 with a $1.1 billion mortgage balance, representing a 17.8% loan to property value ratio, comfortably within the policy limit of 35%, all on a non-recourse basis. The year-end average coupon rate of 3.28% was 12 bps lower than year-end 2019, with a weighted average maturity of 62 months. The Fund added $50 million in net new financing in 2020, reducing the overall weighted average interest rate to 3.28%. Looking forward to 2021, the Fund is well positioned to participate in a historically attractive debt rate environment with approximately $200 million in expiring financing and a contracted rate of 4.15%. The Fund believes it can materially improve upon these terms, using a portfolio-centric lens that optimizes the cost of capital.

Looking forward, the Fund is well diversified, by both asset class and geography, with a portfolio of enduring assets that has established a record of strong performance. While it appears likely that COVID-19 will continue to challenge our economy in 2021, the Fund's defensive orientation, coupled with its exposure to strong credit tenants, positions it well to sustain a strong income return profile and participate in the eventual economic recovery.

## SUSPENSION UPDATE

On March 20, 2020, Canada Life announced the temporary suspension of any contributions to, and redemptions and transfers from, the Fund as the COVID-19 conditions were limiting the sector's ability to accurately quantify the COVID-19 impact on property markets. This created material valuation uncertainty related to real property owned by the Fund, which gave rise to a material risk related to the Fund's unit value. The temporary suspension mitigated the risk that investors could buy and sell units at a price that may not reflect market value. As always, the goal was to protect the long-term interest of the Fund and investors. The valuation conditions improved over the course of the year as the implementation of government support programs, the discovery and planned delivery of the vaccine, and growing investor confidence helped realize a material recovery in leasing and investment transaction activity. This empirical evidence provided the valuation community the data required to begin removing valuation uncertainty disclosures across various asset classes in phases.

On January 5, 2021, the Fund announced the return of valuation confidence in the underlying properties held by the Fund. This determination was a critical step in initiating a partial lifting of the suspension. On January 11, 2021, the Fund was open for contributions and transfers. In order to facilitate an orderly redemption process and confirm the necessary liquidity, the Fund accepted redemption requests for a six-week window. The Fund was able to accommodate a 100% payment of the redemption requests on March 12, 2021, and fully lifted the temporary suspension on April 19, 2021.

Steven Marino
Senior Vice President, Portfolio Management

## 2020 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.

**123**
**PROPERTIES**

**$5,639M**
**GROSS REAL ESTATE VALUE, DOWN 5.5% YoY**

**25%**
**5-YEAR GROSS FUND VALUE GROWTH**

**3.8%**
**INCOME RETURN**

**-1.3%**
**CAPITAL RETURN**

**2.5%**
**TOTAL RETURN**

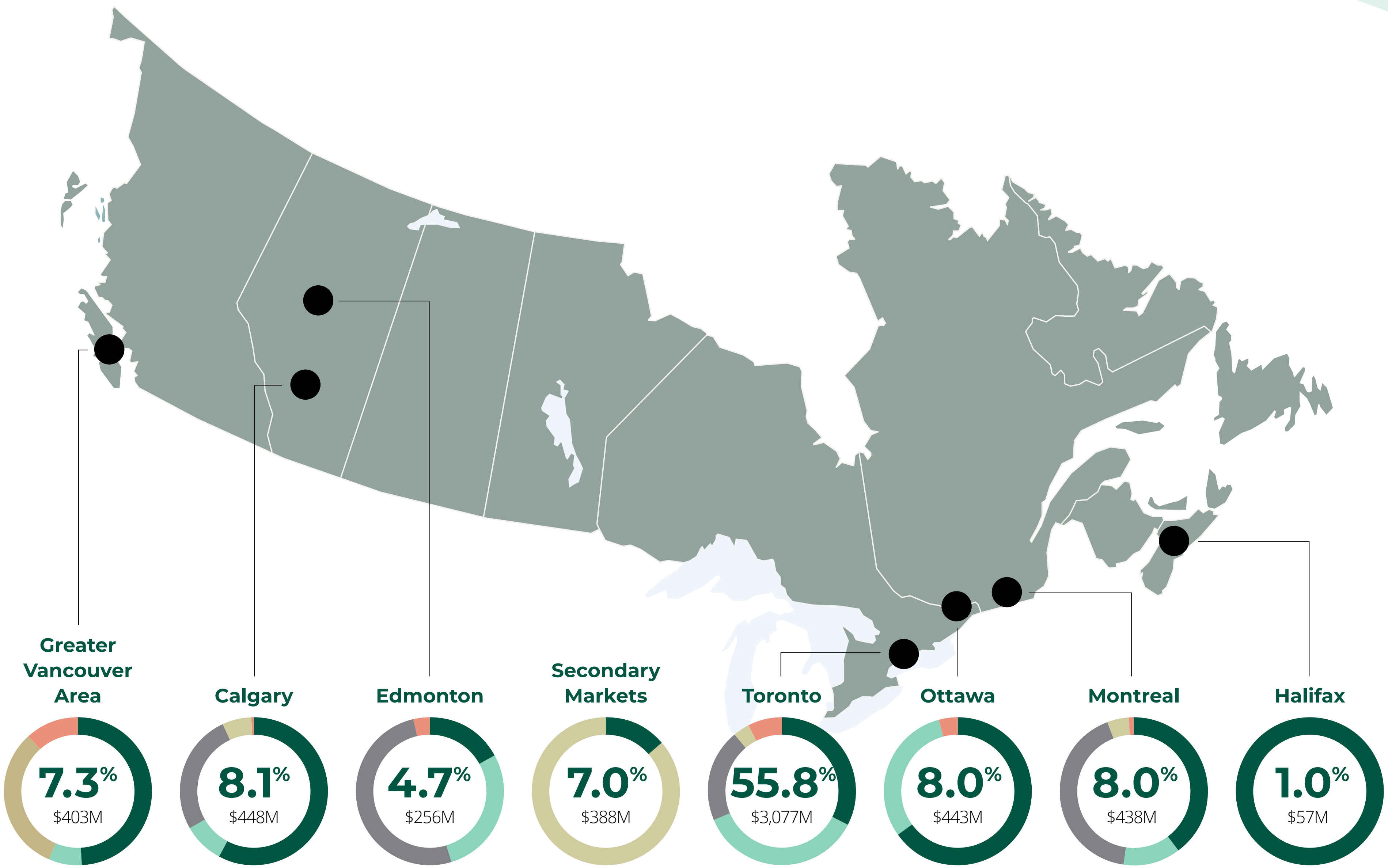
**8.9%**
**10-YEAR ANNUALIZED**

**97%**
**RENT COLLECTION FROM APRIL THROUGH DECEMBER**

**92.5%**
**OCCUPANCY, DOWN 1.76% YoY**

*33 Yonge Street (Toronto, ON)*

## Portfolio Diversification




## CITY AND ASSET CLASS EXPOSURE

(dollar amounts in millions)

**Office Properties**
**37.7%**
$2,085

**Residential Properties**
**26.0%**
$1,431

**Industrial Properties**
**20.2%**
$1,111

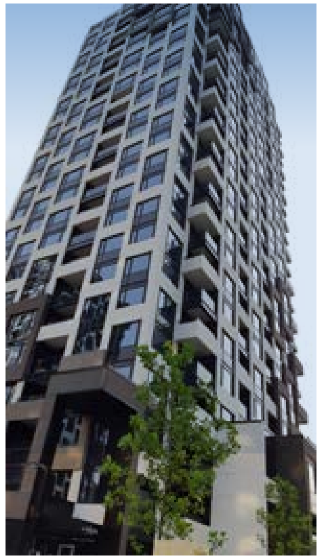
**Retail Properties**
**10.5%**
$578

**Other**
**5.6%**
$307

# Development

## THE LIVMORE HIGH PARK

The Grenadier Square Redevelopment (branded "The Livmore High Park") is located adjacent to Toronto's High Park and steps from the High Park subway station. The project included the construction of two new towers (50 High Park Avenue and 55 Quebec Avenue) that include 528 new luxury, purpose-built rental units and 22,000 square feet of new amenity space to be enjoyed by tenants of the new development and legacy property. All tenants of the larger four-building complex will now have access to a state-of-the-art fitness facility, pool, hot tub, dog run, barbeques and a clubhouse that includes meeting rooms, an indoor playground, theatre room and two social/party rooms. 55 Quebec Avenue was completed in August 2020, started lease-up immediately, and is presently 85% leased. 50 High Park Avenue was completed in December 2020. Lease-up began in February 2021 and is presently 12% leased. Stabilization of both towers is expected to be mid to late Q2 2022 or earlier. The project continues to benefit from a robust marketing campaign that is predominantly focused on digital advertisement and social media, internet listing services and site signage. Please visit livmorehighpark.com for more information.



*The Livmore High Park (Toronto, ON)*

## VANCOUVER CENTRE II

Construction of this 370,000 square foot Class 'AAA' office tower is nearing completion and scheduled to welcome its first tenant occupancies in early 2022. The amenity-rich, thoughtfully designed and LEED® Platinum-planned office building is poised to become an iconic development in the centre 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 offering of 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 tower structure was recently completed, with the focus now on installation of the exterior window wall system and, subsequently, the mechanical and electrical systems. The pre-leasing is progressing well, with 52% of the building committed one year ahead of scheduled completion.

Vancouver continues to be a focus of many international tech companies, and the building continues to exhibit strong appeal within the market and among its competitive set, being well positioned to capture prospective tenant interest over the next year.

*Vancouver Centre II (Vancouver, BC)*

# Investment Activity

Investment activity for the Fund was limited in 2020 given the temporary suspension of the Fund and uncertainty associated with market values. With those conditions improved, the Fund will look to continue its growth by adding strategic assets to its core holdings through acquisition and development in 2021. Activity for the year included the sale of two non-core suburban office assets in BC for net proceeds of greater than $200 million. To aid in the future construction of 580,900 square feet of recently approved additional multi-residential density at High Park Village in the GTA, the Fund formed a strategic joint venture (JV) partnership, realizing an additional $200 million in proceeds. The Fund also successfully acquired an eight-acre parcel of land in the GTA, ultimately intended to facilitate the construction of a new generation 135,000+ square foot industrial building.

*Crestwood Corporate Centre (Richmond, BC) (Sold)*

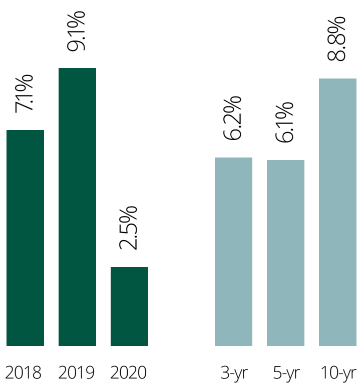
*High Park Village (Toronto, ON)*

*9500 Glenlyon Parkway (Burnaby, BC) (Sold)*

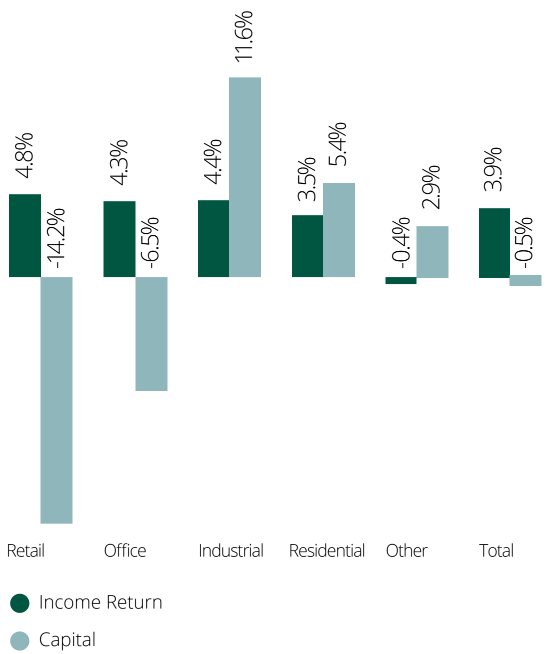
*Abbotside Development (Caledon, ON)*

# Performance and Attribution

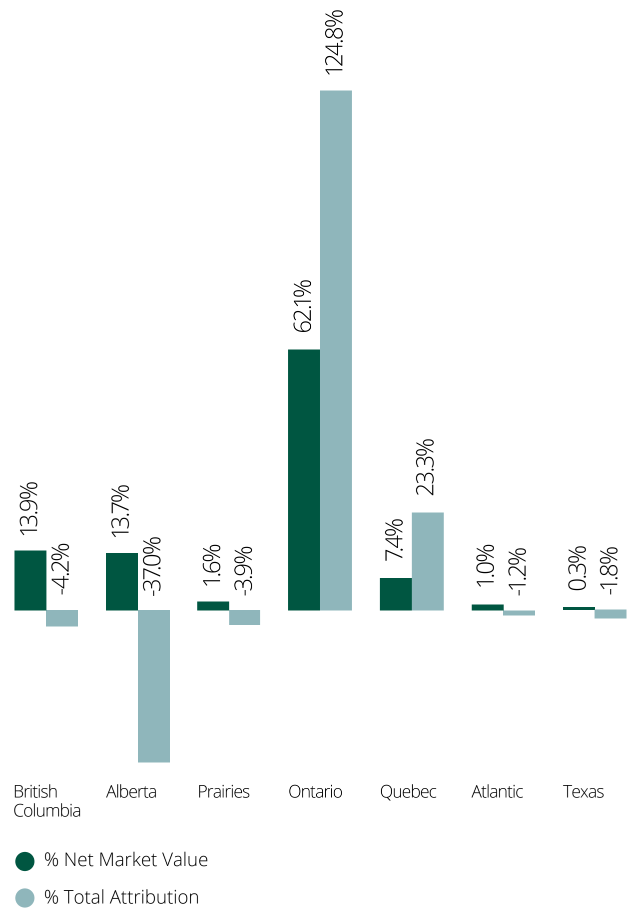
### Total Return



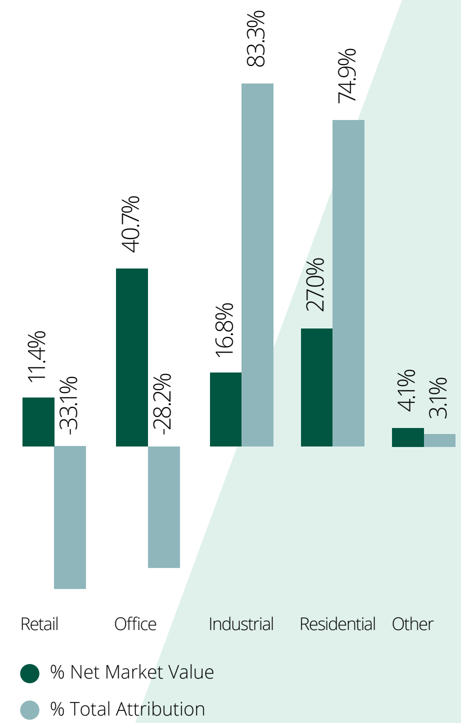

### Performance by Asset Class




### Fund Weighting & Attribution by Region




### Fund Weighting & Attribution by Asset Class

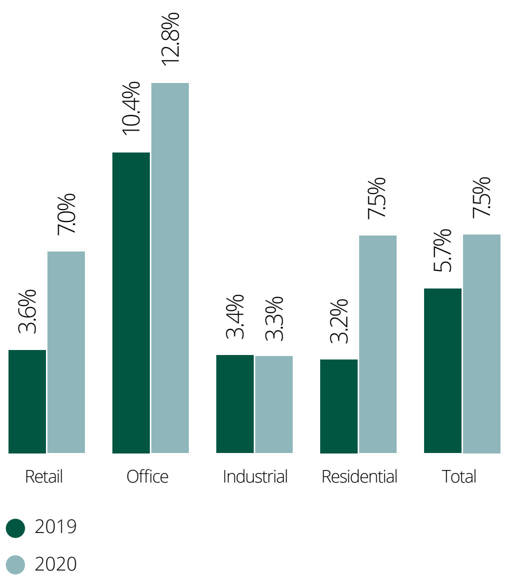



**The industrial sector continues to benefit from a shifting retail landscape and the accelerated adoption of e-commerce. Eighty-three per cent of the Fund's total return came from the asset class in 2020.**

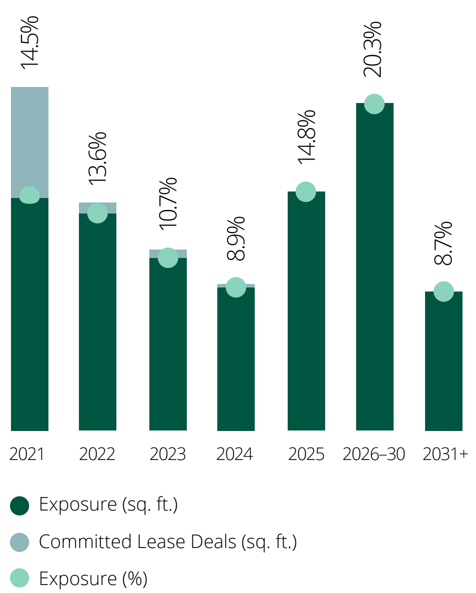
# Occupancy

2020 was unquestionably a challenging year as the pandemic disrupted all aspects of life. Many businesses were forced to shutter in the face of government-imposed lockdowns, and much uncertainty remains. The Fund, however, performed admirably given the conditions, highlighting the importance of its defensively tilted portfolio construction. The Fund has a long history of delivering investors with consistent income returns due to strong occupancy levels from a high-quality tenant roster and a well-balanced expiry profile. While occupancy dipped modestly from 2019, income performance remained resilient.

### Summary by Asset Class




### Lease Expiry Profile




**14.8%**
**MAXIMUM SINGLE YEAR ROLL OVER EXPOSURE**

**29%**
**OF PORTFOLIO WITH 2026+ LEASE MATURITIES**

**92.5%**
**OCCUPANCY**

*Vancouver Centre (Vancouver, BC)*

# Tenant Diversification

The Fund was able to capture 97% of its contractual rental income from April through to the end of the year. This was made possible due to the underlying quality and diversification of its tenant base, which is made up of over 1,300 unique commercial tenancies and 5,000+ unique residential leases.

## Portfolio and Tenant Diversification

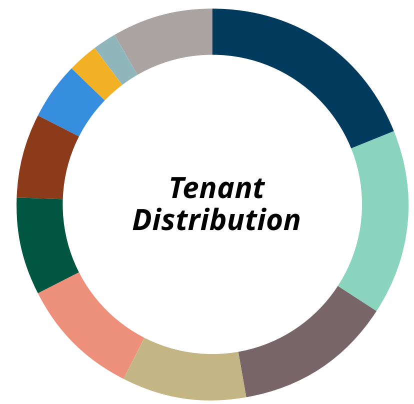
Top 10 Tenants by Base Revenue at December 31, 2020

| Ranking | Tenant | Annual Base Rent | % of Total (Base Rent) | Commercial Portfolio (sq. ft.) | WALT* |
|---|---|---|---|---|---|
| 1 | Federal & other government agencies | $17,575,006 | 8.6% | 883,397 | 4.2 |
| 2 | ConocoPhillips Canada | $8,790,482 | 4.3% | 258,544 | 4.0 |
| 3 | The Bank of Nova Scotia | $7,972,908 | 3.9% | 310,730 | 1.9 |
| 4 | Home Depot | $6,737,195 | 3.3% | 814,714 | 14.3 |
| 5 | Wal-Mart | $5,010,560 | 2.5% | 498,309 | 7.1 |
| 6 | Intramodal Warehouses Inc. | $4,935,168 | 2.4% | 822,528 | 2.8 |
| 7 | Alberta Infrastructure | $3,575,600 | 1.8% | 177,887 | 2.0 |
| 8 | Invesco Canada Ltd. | $3,180,041 | 1.6% | 149,649 | 1.5 |
| 9 | Toronto Transit Commission | $3,149,185 | 1.5% | 151,041 | 6.5 |
| 10 | CGI Group Inc. | $3,077,668 | 1.5% | 92,008 | 12.2 |
| | **Subtotal** | **$64,003,814** | **31.3%** | **4,158,807** | **6.1** |
| | Other | $140,260,453 | 68.7% | 12,436,435 | 4.1 |
| | **Total** | **$204,264,267** | **100.0%** | **16,595,242** | **4.6** |

* WALT is representative of the commercial (non-residential) portion of the portfolio.

## Tenant Distribution

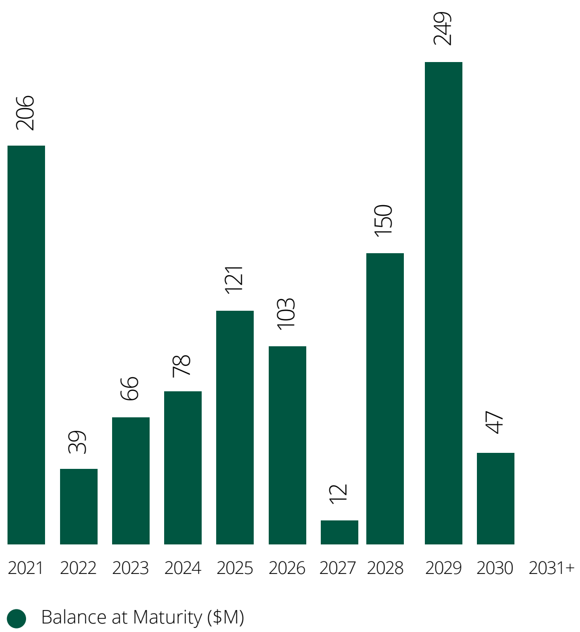
| | City and Asset Class Exposure | |
|---|---|---|
| 1 | Finance & Insurance | **19.1%** |
| 2 | Retail Trade | **15.1%** |
| 3 | Public Administration | **13.1%** |
| 4 | Transportation & Warehousing | **10.3%** |
| 5 | Manufacturing | **10.0%** |
| 6 | Mining, Oil & Gas | **8.1%** |
| 7 | Professional, Scientific & Technical Services | **6.8%** |
| 8 | Accommodation & Food Services | **4.8%** |
| 9 | Wholesale Trade | **2.6%** |
| 10 | Real Estate, Rental & Leasing | **1.8%** |
| | **Subtotal** | **91.7%** |
| | Other | **8.3%** |
| | **Total** | **100.0%** |



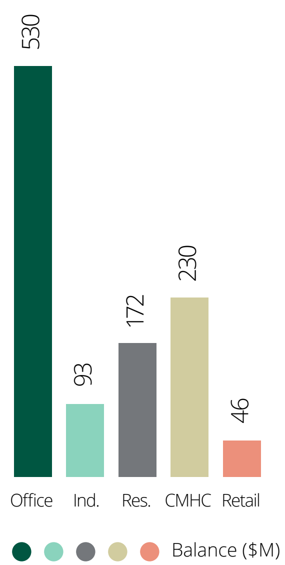
# Debt Profile

The Fund employs a conservative debt strategy focused on pledging assets that drive the lowest cost of capital as an outcome. A significant weighting to the multi-family sector has afforded the Fund the opportunity to utilize Canada Mortgage and Housing Corporation (CMHC) insured financing to its competitive advantage. Approximately one-third of the debt in the portfolio is CMHC insured and averages a 70 bps discount relative to the balance of conventional mortgage financing. Activity throughout the course of 2020 led to a 60 bps increase in the Fund's loan to value while decreasing the overall weighted cost of debt by 12 bps to 3.28%.

### Debt Balance Maturity Profile




### Summary by Asset Class




**17.2%**
**RELATIVE TO 35% MAXIMUM**

**70 BPS**
**SPREAD BETWEEN CMHC AND CONVENTIONAL DEBT**

**$1B**
**OF OUTSTANDING FIXED RATE DEBT**

**$310M**
**IN CMHC FINANCING**

**62 MONTHS**
**WEIGHTED AVERAGE DURATION**

**39 MORTGAGES**
**WITH AVERAGE BALANCE OF $27.5M**

**3.28%**
**WEIGHTED AVERAGE COUPON**

**$50M**
**NET NEW FINANCING**

# Research

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

## THE FUTURE OF THE OFFICE

The COVID-19 pandemic has generated significant dialogue about the future of office demand, particularly as professional service workers remain under some form of shelter-in-place policy globally. For GWLRA, developing our outlook for the office sector emerged as a top research priority for 2020. While uncertainty persists over the short term, our findings show that several factors continue to support long-term office demand, including labour growth, the emergence of hybrid work models and the changing role of the office.

### *Labour Growth and Office Demand*

Long-term labour growth will still drive office demand and occupancy growth. Across most global cities, office employment growth continues to outpace all other sectors following the rise of the "knowledge economy" and related growth in the technology, finance and science sectors. The pandemic accelerated this trend, including growth of emerging areas such as health, e-commerce, artificial intelligence, and environmental, social and governance (ESG).

### *The Flexible Office Worker*

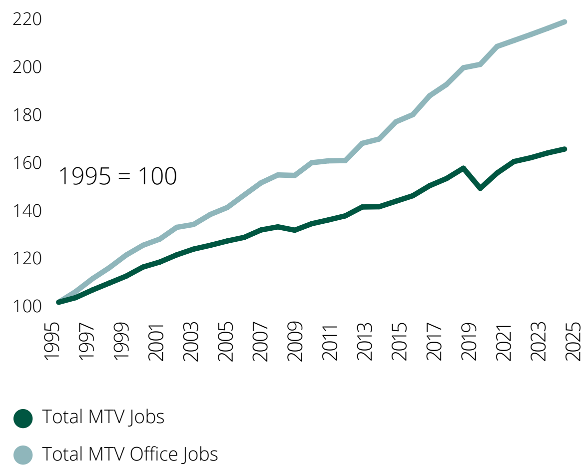
Industry survey results suggest that most employees and organizations prefer a hybrid workplace model post-COVID-19 (or post-vaccine). Global architecture firm Gensler conducted a survey in August 2020 that revealed 81% of workers wanted to be in the office at least part of the time (29% five days a week, 52% hybrid). In terms of implications for office demand, KPMG surveyed 500 CEOs in March 2021 and found only 17% planned to downsize their physical footprint. This was a significant reduction from 69% of CEOs who planned to do so when surveyed in August 2020. The prolonged pandemic appears to have reinforced the benefits of the physical office.

### *Office as an Experience*

COVID-19 accelerated the value of the workplace in enhancing overall employee collaboration, productivity, satisfaction and growth. Landlords will be expected to provide a superior office experience and productivity-enhancing amenities. Pre-COVID-19, a shift was underway toward "space as a service" with more flexible leases and turnkey offerings.

**Indexed Total Employment**

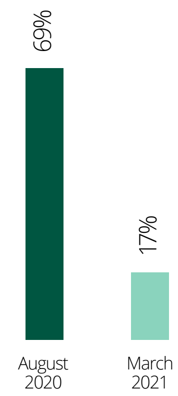
Office Versus Non-Office Occupying Sectors (Montreal–Toronto–Vancouver (MTV) combined)




*Data Source: Conference Board of Canada*

**CEOs Who Plan to Downsize Their Office Footprint**

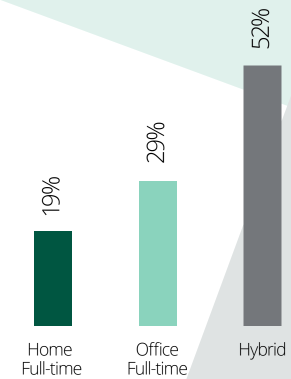
Survey conducted by KPMG




*(500 surveyed)*

**Office Workers at Home (Post-Pandemic Preferences)**

Survey conducted by Gensler




*(August 2020)*

*Vancouver Centre II (Vancouver, BC)*

*Robson Court (Vancouver, BC)*

# Sustainability

## ESG IN 2020

The COVID-19 pandemic has underscored the importance of managing ESG issues, demonstrating that strong ESG practices improve resilience in the face of systemic threats. The Fund's Manager maintained its focus on ESG this year by ensuring the safety of its employees, tenants and residents, and by offering business support through rent-relief programs, while continuing to manage the environmental impacts of the Fund's assets.

The Fund Manager maintains four ESG objectives that 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 30% between 2013 and 2020.

**2**

**Certify 100% of the eligible portfolio under a green building certification system.** In 2020, 90% of the Fund's portfolio by floor area 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 met 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 it had its employees complete 1,170 hours of compliance training in 2020.

## MANAGING ESG FACTORS

The Fund made its third submission into the Global Real Estate Sustainability Benchmark (GRESB) in 2020, earning a GRESB 4-Star rating.

The Fund placed 22nd in the global Diversified/Non-Listed/Core category, out of 201 global submissions. It also placed first (of eight) in the North America Diversified/Office/Residential/Non-Listed category of the development assessment, being recognized as the Regional Development Sector Leader, in recognition of the Fund's development practices. The Fund Manager, GWL Realty Advisors, earned a GRESB 5-Star rating for the sixth consecutive year for its managed portfolio.

GRESB is the leading global ESG benchmark for real assets. GRESB, an investor-driven organization, provides decision-useful ESG data on more than 1,200 property companies, real estate investment trusts (REITs), funds and developers. Combined, GRESB's real estate portfolio represents US$4.8 trillion in real asset value.

## CLIMATE RISK MANAGEMENT

The Fund recognizes that climate change can impact real assets both in the form of "physical risks," from the increasing frequency and magnitude of climate-related natural hazards, and "transition risks," from political, business and societal efforts to decarbonize economies. The Fund Manager undertook several initiatives in 2020 to assess these risks across its managed portfolio.

For physical risks, the Fund completed detailed risk exposure assessments with a third-party risk analytics provider, across all assets in the portfolio, covering 20 natural and climate-related hazards. The assessments included climate change projections for the years 2045 and 2070, under three warming scenarios, to better understand how the risk of climate-related hazards may evolve over time. Preliminary results show the Fund's overall average risk score for its managed portfolio, across all hazards, is classified as "low risk" (when measured against its vendor's global benchmark), and the average risk exposure score to each acute hazard assessed did not exceed internal thresholds. The Fund also embedded current hazard exposure assessments within its due diligence process for new investments.

The Fund manages transition risks by reducing its carbon footprint, which lessens the Fund's and its tenants' exposure to carbon pricing and regulatory risks, among others. Between 2013 and 2020, the Fund reduced its GHG emissions by 20,659 tonnes of $CO_2e$ across its office and multi-residential portfolios. At the Government of Canada's stated ambition of a carbon tax of \$170/tonne $CO_2e$ in 2030, this reduction would be equivalent to a potential cost avoidance of \$3.5 million per year.

Finally, the Fund participated in GRESB's Resilience Module for the third year, scoring 22% above the GRESB average, demonstrating its commitment to managing climate risk. The Module evaluates how real estate companies are developing a capacity to assess, manage and adapt in the face of social and environmental shocks and stressors, including those due to climate change.

## SUSTAINABILITY PERFORMANCE, 2013–2020

National lockdowns across Canada during the COVID-19 pandemic in 2020 had significant impacts on assets' utility consumption, waste production and GHG emissions. The combined impact resulted in substantial reductions across all these metrics, in part due to management teams adjusting asset operations to minimize utility costs and environmental impacts.

While the Fund lowered its environmental impact in 2020, and built upon the reductions it made between 2013–2019, the expectation is that the magnitude of these reductions will not be fully sustained past 2021 as lockdowns gradually ease. However, the Fund is highly committed to continuing to manage its environmental performance and is striving for higher efficiencies across its assets.

Overall, between 2013–2020, the Fund reduced:

**Greenhouse gas emissions by 30%, or 20,659 tonnes of $CO_2e$**

- equivalent to taking 4,493 cars off the road for one year[1]

**Energy consumption by 16%**

- equivalent to the annual energy use of 1,621 Canadian homes[2]

**Water consumption by 23%**

- equivalent to 98 Olympic-sized swimming pools[3]

**Waste to landfill by 20%**

- equivalent to 746 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.

| Platinum | Gold | Silver | Bronze | Certified |
|---|---|---|---|---|
| 12% | 38% | 12% | 12% | 26% |

**BOMA BEST® Certifications by Level as at Year-End 2020**

## CERTIFICATIONS AND AWARDS

Since 2013, Fund assets have received 30 industry awards, including three in 2020, related to sustainability, operational excellence, development and/or tenant engagement.

**Highlight: Millstream Village**

- The Building of the Year (TOBY) Award, Open Air/Strip Mall – BOMA BC

In 2020, 90% of the Fund's eligible portfolio attained either BOMA BEST® or LEED® green building certifications, covering over 24 million square feet. The percent of certified assets decreased from last year due to the disposition of several certified buildings within the Fund during 2020. All of the Fund's office assets are targeting to achieve a minimum BOMA BEST® Gold level certification by 2023. At year-end 2020, 83% of the Fund's office properties have met this target.

*Millstream Village (Victoria, BC)*

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

Our Approach to Sustainability Reporting: The ESG 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 its stakeholders. This included reference to GRESB, 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.

(2) Average energy use is 92.5 GJ/household/year, from Statistics Canada, Households and the Environment Survey 2015.

(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.

Deloitte.

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# Independent Auditor's Report

To the Contractholders of Canadian Real Estate Investment Fund No. 1 (the "Fund")

**Opinion**
We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, changes in net assets attributable to contractholders and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

**Basis for Opinion**
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 23, 2021

# 2020 Audited Financial Statements

Fund Manager: GWL Realty Advisors Inc.

## STATEMENT OF FINANCIAL POSITION

| For the years ended (in Canadian $ thousands) | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Cash and short-term deposits | **$ 372,718** | $ 283,341 |
| Investment income due and accrued | **1,449** | 518 |
| Due from The Canada Life Assurance Company (formerly The Great-West Life Assurance Company) (notes 1, 9) | **2,598** | — |
| Due from brokers | **—** | — |
| Due from outside parties | **38,614** | 30,798 |
| Investments | | |
| Bonds | **500,156** | 203,405 |
| Investment properties | **5,610,690** | 5,937,347 |
| Total investments | **6,110,846** | 6,140,752 |
| **Total assets** | **$ 6,526,225** | $ 6,455,409 |
| **Liabilities** | | |
| Due to The Canada Life Assurance Company (formerly The Great-West Life Assurance Company) (notes 1, 9) | **$ —** | $ 2,345 |
| Due to brokers | **15** | 15 |
| Due to outside parties | **120,650** | 128,258 |
| Lease liabilities (note 3) | **85,561** | 86,694 |
| Mortgages on investment properties (note 4) | **1,123,685** | 1,074,780 |
| **Total liabilities excluding net assets attributable to contractholders** | **1,329,911** | 1,292,092 |
| **Net assets attributable to contractholders** | **$ 5,196,314** | $ 5,163,317 |

## STATEMENT OF COMPREHENSIVE INCOME

| For the years ended (in Canadian $ thousands) | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Income** | | |
| Net gain (loss) on investments | **$ (59,706)** | $ 234,149 |
| Investment properties income | **435,177** | 453,012 |
| Miscellaneous income (loss) | **332** | 210 |
| **Total income** | **375,803** | 687,371 |
| **Expenses** | | |
| Management fees (note 9) | **21,190** | 20,972 |
| Investment properties expenses | **245,875** | 250,321 |
| Transaction costs | **—** | — |
| Withholding taxes | **—** | — |
| Other | **2,328** | 2,288 |
| **Total expenses** | **269,393** | 273,581 |
| **Net increase (decrease) in net assets from operations attributable to contractholders** | **$ 106,410** | $ 413,790 |

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS

| For the years ended (in Canadian $ thousands) | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Net assets attributable to contractholders – beginning of year** | **$ 5,163,317** | $ 4,746,934 |
| Contractholder deposits | **152,337** | 690,754 |
| Contractholder withdrawals | **(225,750)** | (688,161) |
| Increase (decrease) in net assets from operations attributable to contractholders | **106,410** | 413,790 |
| Change in net assets attributable to contractholders | **32,997** | 416,383 |
| **Net assets attributable to contractholders – end of year** | **$ 5,196,314** | $ 5,163,317 |

## STATEMENT OF CASH FLOWS

| For the years ended December 31 (in Canadian $ thousands) | 2020 | 2019 |
|---|---|---|
| **Net inflow (outflow) of cash related to the following activities** | | (note 10) |
| **Operating activities** | | |
| Increase (decrease) in net assets from operations attributable to contractholders | $ 106,410 | $ 413,790 |
| Adjustments | | |
| Add back amortization of premium (discount) | (197) | (372) |
| Add back amortization of lease inducements | 19,570 | 14,918 |
| Add back interest expense on lease liabilities (note 3) | 2,089 | 2,116 |
| Less lease payments (note 3) | (3,222) | (3,222) |
| Realized (gains) losses | | |
| Bonds | (626) | (489) |
| Investment properties | (82,483) | (2,397) |
| Unrealized (gains) losses | | |
| Bonds | (81) | (4,024) |
| Investment properties | 102,340 | (217,655) |
| Gross proceeds of disposition | | |
| Bonds | 83,695 | 315,195 |
| Investment properties | 411,520 | 3,915 |
| Gross payments for purchases | | |
| Bonds | (391,652) | (342,237) |
| Investment properties | (124,290) | (383,828) |
| Change in investment income due and accrued | (931) | 3 |
| Change in due from/to The Canada Life Assurance Company (formerly The Great-West Life Assurance Company) (note 1) | (4,943) | 631 |
| Change in due from/to outside parties | (15,424) | 5,104 |
| Change in mortgages on investment properties | 48,905 | 155,501 |
| | 150,680 | (43,051) |

| For the years ended December 31 (in Canadian $ thousands) | 2020 | 2019 |
|---|---|---|
| **Financing activities** | | |
| Contractholder deposits | 152,337 | 690,754 |
| Contractholder withdrawals | (225,750) | (688,161) |
| | (73,413) | 2,593 |
| **Net increase (decrease) in cash and short-term deposits (less than 90 days)** | 77,267 | (40,458) |
| **Cash and short-term deposits (less than 90 days), beginning of year** | 163,512 | 203,970 |
| **Cash and short-term deposits (less than 90 days), end of year** | $ 240,779 | $ 163,512 |
| **Cash and short-term deposits comprises** | | |
| Cash and short-term deposits (less than 90 days) | $ 240,779 | $ 163,512 |
| Cash and short-term deposits (90 days to less than a year) | 131,939 | 119,829 |
| **Cash and short-term deposits, end of year** | $ 372,718 | $ 283,341 |
| **Supplementary cash flow information** | | |
| Interest income received | $ 4,221 | $ 3,945 |
| Mortgage interest paid | 34,523 | 34,065 |

# Schedule of Investment Portfolio

| As at December 31, 2020<br>(in Canadian $ thousands, except number of units, shares or par value) | No. of Units, Shares or Par Value | Average Cost | Fair Value |
|---|---|---|---|
| **Canadian Bonds** | | | |
| Federal Government | | | |
| Canada Housing Trust No. 1 1.50% 12-15-2021 | 28,000,000 | 28,243 | 28,355 |
| Canada Housing Trust No. 1 2.35% 06-15-2023 | 37,000,000 | 38,455 | 38,829 |
| Canada Housing Trust No. 1 2.40% 12-15-2022 | 35,005,000 | 36,490 | 36,465 |
| Canada Housing Trust No. 1 2.65% 03-15-2022 | 45,200,000 | 46,596 | 46,523 |
| Government of Canada 0.50% 03-01-2022 | 47,500,000 | 47,261 | 47,690 |
| Government of Canada 0.75% 09-01-2021 | 45,000,000 | 45,130 | 45,182 |
| Government of Canada 1.00% 09-01-2022 | 40,000,000 | 40,450 | 40,555 |
| Government of Canada 1.25% 11-01-2021 | 50,000,000 | 50,340 | 50,457 |
| Government of Canada 1.50% 06-01-2023 | 40,000,000 | 40,973 | 41,237 |
| Government of Canada 2.00% 09-01-2023 | 42,000,000 | 44,116 | 43,939 |
| Government of Canada 2.75% 06-01-2022 | 38,000,000 | 39,538 | 39,389 |
| Total Federal Government | | 457,592 | 458,621 |
| Corporate – Non-Convertible | | | |
| 801611 Ontario Ltd. 10.40% 10-31-2023* | 6,260,986 | 6,261 | 10,286 |
| 801611 Ontario Ltd. 5.00% 10-31-2023* | 5,617,159 | 5,617 | 10,774 |
| 801611 Ontario Ltd. 6.82% 10-31-2023* | 7,654,261 | 7,654 | 11,359 |
| 801611 Ontario Ltd. 9.36% 10-31-2023* | 5,035,661 | 5,036 | 9,116 |
| Total Corporate – Non-Convertible | | 24,568 | 41,535 |
| **Total Canadian Bonds** | | 482,160 | 500,156 |
| **Total Bonds** | | 482,160 | 500,156 |

* The issuer of this security is a related company to the issuer of the Fund.

# Schedule of Investment Portfolio

(in Canadian $ thousands, except net rentable area (N.R.A.))
As at December 31, 2020

## INVESTMENT PROPERTIES

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| **British Columbia** | | | | | | | | | | |
| 840 Howe Street*<br>Vancouver, British Columbia | 50.00% | Office | 1-Mar-97 | 26,655 | 94,200 | 31-Dec-20 | 105,326 | 100.00% | — | 3,122 |
| 650 West Georgia Street* (1)<br>Vancouver, British Columbia | 25.00% | Office | 12-Dec-01 | 35,322 | 95,442 | 31-Dec-20 | 118,490 | 94.53% | — | 3,317 |
| 4750 Arbutus Street<br>Vancouver, British Columbia | 50.00% | Residential | 10-Jan-02 | 12,365 | 29,250 | 31-Dec-20 | 39,386 | 91.00% | (7,241) | 1,013 |
| 4600 Jacombs Road<br>Richmond, British Columbia | 50.00% | Office | 18-Sep-02 | 7,942 | 10,059 | 31-Dec-20 | 37,951 | 100.00% | — | 366 |
| 7200 Market Crossing<br>Burnaby, British Columbia | 50.00% | Retail | 23-Oct-17 | 87,312 | 80,300 | 31-Dec-20 | 137,392 | 98.48% | — | 3,367 |
| 14815 – 108th Avenue<br>Surrey, British Columbia | 69.93% | Retail | 1-Jun-06 | 20,601 | 10,210 | 31-Dec-20 | 71,688 | 99.03% | — | 469 |
| 3200 Island Highway<br>Nanaimo, British Columbia | 52.45% | Retail | 1-Jun-06 | 54,961 | 54,196 | 31-Dec-20 | 202,129 | 94.75% | (35,026) | 3,652 |
| 2401 Millstream Road<br>Victoria, British Columbia | 70.00% | Retail | 2-Aug-07 | 73,267 | 57,890 | 31-Dec-20 | 184,821 | 80.51% | — | 2,303 |
| 7488 King George Highway<br>Surrey, British Columbia | 70.00% | Retail | 16-Apr-08 | 31,346 | 37,100 | 31-Dec-20 | 101,262 | 97.54% | — | 1,612 |
| 1500 & 1575 Banks Road<br>Kelowna, British Columbia | 70.00% | Retail | 3-Nov-08 | 36,106 | 37,520 | 31-Dec-20 | 107,007 | 69.10% | — | 1,607 |
| 2130 Louie Drive<br>West Kelowna, British Columbia | 100.00% | Retail | 15-Mar-17 | 64,660 | 50,600 | 31-Dec-20 | 256,821 | 94.84% | — | 2,335 |
| 753 Seymour Street*<br>Vancouver, British Columbia | 25.00% | PUD | 12-Dec-01 | 39,615 | 46,758 | 31-Dec-20 | n/a | n/a | — | (3) |

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| **Alberta** | | | | | | | | | | |
| 4637 Macleod Trail S.W.<br>Calgary, Alberta | 100.00% | Residential | 1-Nov-96 | 19,901 | 39,400 | 31-Dec-20 | 172,838 | 88.27% | (12,878) | 1,464 |
| 300 – 5th Avenue S.E.*<br>Calgary, Alberta | 55.00% | Office | 17-Dec-96 | 32,044 | 32,065 | 31-Dec-20 | 234,307 | 52.73% | — | 1,945 |
| 11012 Jasper Avenue<br>Edmonton, Alberta | 100.00% | Residential | 30-Jun-97 | 25,947 | 47,300 | 31-Dec-20 | 182,798 | 89.03% | (32,175) | 1,583 |
| 10145 – 121st Street<br>Edmonton, Alberta | 100.00% | Residential | 18-Apr-98 | 13,650 | 25,700 | 31-Dec-20 | 101,533 | 88.61% | — | 769 |
| 605 – 5th Avenue S.W.*<br>Calgary, Alberta | 25.00% | Office | 12-Jun-00 | 29,611 | 18,300 | 31-Dec-20 | 129,762 | 56.08% | — | 638 |
| 530 – 8th Avenue S.W.<br>Calgary, Alberta | 75.00% | Office | 10-Jul-00 | 88,380 | 82,800 | 31-Dec-20 | 308,015 | 79.79% | — | 5,248 |
| 8403 Roper Road<br>Edmonton, Alberta | 100.00% | Industrial | 28-Dec-97 | 18,643 | 16,400 | 31-Dec-20 | 135,000 | 100.00% | (521) | 1,889 |
| 1300 – 8th Street S.W.<br>Calgary, Alberta | 100.00% | Office | 23-Nov-18 | 6,315 | 4,500 | 31-Dec-20 | 35,188 | 24.29% | — | 114 |
| 300 and 350 7th Avenue S.W.*<br>Calgary, Alberta | 37.50% | Office | 23-Sep-05 | 82,607 | 36,413 | 31-Dec-20 | 191,600 | 68.24% | — | 3,680 |
| 9940 – 106th Street N.W.<br>Edmonton, Alberta | 69.93% | Office | 21-Jun-06 | 21,348 | 24,266 | 31-Dec-20 | 124,114 | 96.15% | — | 2,328 |
| 9942 – 108th Street N.W.<br>Edmonton, Alberta | 69.93% | Office | 21-Jun-06 | 18,797 | 19,301 | 31-Dec-20 | 115,207 | 100.00% | — | 1,516 |
| 6703 – 68th Avenue N.W.<br>Edmonton, Alberta | 70.00% | Industrial | 15-Aug-07 | 59,031 | 50,400 | 31-Dec-20 | 394,762 | 90.28% | — | 2,737 |
| 5103 – 36th Street N.W. and portion of 3604 – 51st Avenue N.W.<br>Edmonton, Alberta | 50.00% | Land | 28-Feb-03 | 3,477 | 5,450 | 31-Dec-20 | n/a | n/a | — | (102) |
| 4035 – 53rd Avenue N.W.<br>Edmonton, Alberta | 50.00% | Industrial | 28-Feb-03 | 13,971 | 11,000 | 31-Dec-20 | 94,835 | 51.44% | — | 81 |
| 3603 – 53rd Avenue N.W.<br>Edmonton, Alberta | 50.00% | Land | 28-Feb-03 | 2,225 | 3,350 | 31-Dec-20 | n/a | n/a | — | (71) |
| 3604 – 51st Avenue N.W.<br>Edmonton, Alberta | 50.00% | Industrial | 28-Feb-03 | 5,426 | 6,700 | 31-Dec-20 | 39,004 | 100.00% | — | 356 |

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| 3806 – 51st Avenue N.W.<br>Edmonton, Alberta | 50.00% | Industrial | 28-Feb-03 | 4,984 | 5,300 | 31-Dec-20 | 35,987 | 74.94% | — | 22 |
| 401 – 9th Avenue S.W.*<br>Calgary, Alberta | 35.00% | Office | 13-Dec-07 | 154,674 | 86,310 | 31-Dec-20 | 375,730 | 90.56% | (40,328) | 9,128 |
| 7103 – 68th Avenue N.W.<br>Edmonton, Alberta | 70.00% | Industrial | 4-May-12 | 53,023 | 41,300 | 31-Dec-20 | 264,233 | 89.32% | — | 2,473 |
| 6301, 6315, 6325 – 106th Avenue S.E.<br>Calgary, Alberta | 70.00% | Industrial | 17-Dec-14 | 98,795 | 119,140 | 31-Dec-20 | 745,500 | 100.00% | — | 6,378 |
| 35, 65 & 69 Mackenzie Way S.W.<br>Airdrie, Alberta | 100.00% | Retail | 1-Mar-17 | 22,898 | 18,000 | 31-Dec-20 | 71,152 | 100.00% | — | 1,012 |
| 124 – 8th Street S.W.<br>Airdrie, Alberta | 100.00% | Land | 1-Mar-17 | 2,404 | 1,850 | 31-Dec-20 | n/a | n/a | — | (63) |
| 1216 – 8th Street S.W.<br>Calgary, Alberta | 100.00% | Retail | 23-Feb-18 | 12,521 | 9,700 | 31-Dec-20 | 8,224 | 14.14% | — | (148) |
| **Saskatchewan** | | | | | | | | | | |
| 225 Betts Avenue<br>Saskatoon, Saskatchewan | 70.00% | Retail | 24-Jul-12 | 60,552 | 46,410 | 31-Dec-20 | 177,178 | 100.00% | — | 3,050 |
| **Manitoba** | | | | | | | | | | |
| 200 Graham Avenue<br>Winnipeg, Manitoba | 100.00% | Office | 22-Dec-15 | 54,341 | 37,400 | 31-Dec-20 | 149,263 | 84.00% | — | 2,106 |
| **Ontario** | | | | | | | | | | |
| 185 Enfield Place<br>Mississauga, Ontario | 40.00% | PUD | 13-Jul-87 | 5,163 | 7,865 | 31-Dec-20 | n/a | n/a | — | (34) |
| 2160 Lakeshore Road<br>Burlington, Ontario | 100.00% | Residential | 15-Jan-97 | 36,971 | 64,400 | 31-Dec-20 | 162,476 | 95.00% | — | 2,153 |
| 50 Prince Arthur Avenue<br>Toronto, Ontario | 100.00% | Residential | 15-Jul-97 | 44,786 | 115,900 | 31-Dec-20 | 165,620 | 97.99% | (20,035) | 3,158 |
| 255 Albert Street<br>Ottawa, Ontario | 100.00% | Office | 16-Jan-98 | 31,836 | 61,400 | 31-Dec-20 | 210,305 | 99.33% | — | 2,676 |
| 6 Silver Maple Court<br>Brampton, Ontario | 100.00% | Residential | 30-Apr-98 | 44,948 | 100,700 | 31-Dec-20 | 314,085 | 94.10% | (19,583) | 3,423 |
| 1551 Lycee Place<br>Ottawa, Ontario | 100.00% | Residential | 9-Apr-99 | 31,638 | 65,800 | 31-Dec-20 | 191,130 | 88.76% | (19,984) | 2,344 |

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| 5140 Yonge Street<br>Toronto, Ontario | 100.00% | Office | 30-Aug-99 | 101,008 | 177,600 | 31-Dec-20 | 556,528 | 94.82% | (110,710) | 9,948 |
| 400 Walmer Road[(1)]<br>Toronto, Ontario | 65.00% | Residential | 27-Dec-00 | 150,671 | 149,536 | 31-Dec-20 | 358,348 | 94.88% | (696) | 5,014 |
| 200 University Avenue<br>Toronto, Ontario | 50.00% | Office | 30-Nov-00 | 17,244 | 36,450 | 31-Dec-20 | 74,252 | 88.73% | — | 1,271 |
| 5166 – 5170 Lakeshore Road<br>Burlington, Ontario | 100.00% | Residential | 15-Jan-97 | 41,614 | 78,600 | 31-Dec-20 | 212,494 | 96.06% | (36,585) | 2,688 |
| 2220 Marine Drive<br>Oakville, Ontario | 50.00% | Residential | 26-Aug-02 | 14,410 | 28,600 | 31-Dec-20 | 74,163 | 97.99% | (8,966) | 997 |
| 269 Laurier Avenue West<br>Ottawa, Ontario | 50.00% | Office | 1-Jan-03 | 39,356 | 85,800 | 31-Dec-20 | 180,074 | 99.81% | (26,283) | 3,379 |
| 88 Redpath Avenue & 65 Lillian Street<br>Toronto, Ontario | 100.00% | Residential | 5-Aug-98 | 67,366 | 147,900 | 31-Dec-20 | 207,631 | 96.33% | (45,905) | 4,864 |
| 40 High Park Avenue and 77 Quebec Avenue<br>Toronto, Ontario | 75.00% | Residential | 25-Mar-03 | 87,818 | 168,975 | 31-Dec-20 | 313,033 | 91.05% | (35,369) | 5,300 |
| 640, 642, 644 Sheppard Avenue East<br>Toronto, Ontario | 75.00% | Residential | 25-Mar-03 | 56,780 | 122,775 | 31-Dec-20 | 264,722 | 95.29% | (53,949) | 3,965 |
| 2260 Argentia Road<br>Mississauga, Ontario | 50.00% | Industrial | 1-Jun-03 | 6,623 | 11,650 | 31-Dec-20 | 128,497 | 79.00% | — | 818 |
| 6665, 6675 – 6685 Millcreek Road<br>Mississauga, Ontario | 50.00% | Industrial | 1-Jun-03 | 6,303 | 11,050 | 31-Dec-20 | 118,268 | 100.00% | — | 992 |
| 6695 & 6705 Millcreek Road<br>Mississauga, Ontario | 50.00% | Industrial | 1-Jun-03 | 5,932 | 10,550 | 31-Dec-20 | 108,428 | 100.00% | — | 1,080 |
| 6715 & 6725 Millcreek Road<br>Mississauga, Ontario | 50.00% | Industrial | 1-Jun-03 | 5,507 | 9,350 | 31-Dec-20 | 93,611 | 95.31% | — | 854 |
| 33 Yonge Street<br>Toronto, Ontario | 50.00% | Office | 1-Jul-03 | 83,189 | 185,400 | 31-Dec-20 | 261,991 | 96.43% | (106,743) | 5,369 |
| 2250 Argentia Road<br>Mississauga, Ontario | 100.00% | Industrial | 1-Jun-03 | 3,083 | 7,200 | 31-Dec-20 | 31,910 | 100.00% | — | 270 |
| 7070 Mississauga Road*<br>Mississauga, Ontario | 25.00% | Office | 7-Aug-03 | 11,954 | 18,700 | 31-Dec-20 | 61,032 | 100.00% | — | 896 |

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| 55 – 425 Superior Boulevard<br>Mississauga, Ontario | 35.00% | Industrial | 11-Oct-01 | 20,990 | 47,635 | 31-Dec-20 | 271,924 | 100.00% | (21,738) | 1,920 |
| 50 High Park Avenue and 55 Quebec Avenue<br>Toronto, Ontario | 75.00% | PUD | 25-Mar-03 | 165,506 | 206,341 | 31-Dec-20 | n/a | n/a | — | (416) |
| 1 – 2, 4 – 5 & 7 Paget, 2, 4, 6, 8 & 14 Kenview, 2 Castleview and 7925 & 7965 Goreway Drive<br>Brampton, Ontario | 35.00% | Industrial | 11-Oct-01 | 31,973 | 68,145 | 31-Dec-20 | 379,946 | 100.00% | (36,294) | 2,114 |
| 3485 Steeles Avenue East<br>Brampton, Ontario | 35.00% | Industrial | 11-Oct-01 | 5,038 | 10,850 | 31-Dec-20 | 61,345 | 100.00% | (6,105) | 311 |
| 3495 Steeles Avenue East<br>Brampton, Ontario | 35.00% | Industrial | 11-Oct-01 | 5,982 | 12,600 | 31-Dec-20 | 56,121 | 100.00% | (6,711) | 427 |
| 2679 – 2831 Bristol Circle<br>Oakville, Ontario | 35.00% | Industrial | 11-Oct-01 | 18,340 | 37,590 | 31-Dec-20 | 230,980 | 94.72% | (17,185) | 1,305 |
| 3755, 3800 A & B Laird Road and 3500 & 3600 Ridgeway Drive<br>Mississauga, Ontario | 70.00% | Industrial | 21-Dec-16 | 63,502 | 64,120 | 31-Dec-20 | 351,898 | 86.97% | — | 2,356 |
| 361 – 375 Mountainview Road South<br>Georgetown, Ontario | 100.00% | Retail | 20-Dec-19 | 43,209 | 38,000 | 31-Dec-20 | 111,744 | 98.07% | — | 2,134 |
| 1541 Lycee Place<br>Ottawa, Ontario | 50.00% | Residential | 7-Aug-02 | 19,637 | 33,950 | 31-Dec-20 | 122,109 | 92.20% | (8,448) | 1,305 |
| 1 Van Der Graaf Court<br>Brampton, Ontario | 50.00% | Industrial | 16-Feb-04 | 4,108 | 7,850 | 31-Dec-20 | 51,103 | 100.00% | — | 167 |
| 1 Woodslea Road<br>Brampton, Ontario | 50.00% | Industrial | 16-Feb-04 | 5,011 | 8,100 | 31-Dec-20 | 55,074 | 100.00% | — | 248 |
| 5 Intermodal Drive<br>Brampton, Ontario | 50.00% | Industrial | 28-May-04 | 3,362 | 7,600 | 31-Dec-20 | 43,554 | 100.00% | — | 281 |
| 2844 Bristol Circle<br>Oakville, Ontario | 35.00% | Industrial | 31-Jan-05 | 3,621 | 7,595 | 31-Dec-20 | 47,015 | 100.00% | (3,484) | 279 |
| 7030 Century Avenue<br>Mississauga, Ontario | 100.00% | Industrial | 18-Feb-05 | 8,390 | 9,200 | 31-Dec-20 | 67,953 | 100.00% | — | 260 |
| 415 – 419 Milner Avenue<br>Scarborough, Ontario | 100.00% | Industrial | 7-Dec-84 | 4,728 | 14,100 | 31-Dec-20 | 95,763 | 100.00% | — | 441 |
| 445 Milner Avenue<br>Scarborough, Ontario | 100.00% | Industrial | 7-Dec-84 | 2,711 | 7,200 | 31-Dec-20 | 42,165 | 84.40% | — | 292 |

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| 455 Milner Avenue<br>Scarborough, Ontario | 100.00% | Industrial | 7-Dec-84 | 2,650 | 7,600 | 31-Dec-20 | 46,344 | 100.00% | — | 303 |
| 465 Milner Avenue<br>Scarborough, Ontario | 100.00% | Industrial | 7-Dec-84 | 3,451 | 10,000 | 31-Dec-20 | 57,127 | 100.00% | — | 370 |
| 50 – 70 Novopharm Court<br>Scarborough, Ontario | 100.00% | Industrial | 7-Dec-84 | 2,544 | 6,700 | 31-Dec-20 | 41,887 | 100.00% | — | 182 |
| 20 – 24 York Street(1)<br>Ottawa, Ontario | 50.00% | Residential | 27-Sep-05 | 19,972 | 28,247 | 31-Dec-20 | 47,327 | 86.67% | — | 851 |
| 1 Adelaide Street East, 20 Victoria Street & 85 Yonge Street*<br>Toronto, Ontario | 35.00% | Office | 27-Feb-19 | 173,105 | 157,955 | 31-Dec-20 | 228,730 | 95.33% | (89,587) | 6,853 |
| 35, 41 – 63, 65 and 95 High Park Avenue, 66 & 102 – 116 Pacific Avenue<br>Toronto, Ontario | 50.00% | Residential | 1-Mar-99 | 88,090 | 205,340 | 31-Dec-20 | 349,639 | 89.17% | (88,587) | 12,910 |
| One City Centre Drive<br>Mississauga, Ontario | 40.00% | Office | 17-Aug-07 | 40,124 | 35,760 | 31-Dec-20 | 116,663 | 75.94% | — | 1,873 |
| One City Centre Drive<br>Mississauga, Ontario | 40.00% | Land | 17-Aug-07 | 3,838 | 6,760 | 31-Dec-20 | n/a | n/a | — | (6) |
| 320 McRae Avenue<br>Ottawa, Ontario | 100.00% | Land | 9-Jan-19 | 22,066 | 16,797 | 31-Dec-20 | n/a | n/a | — | (300) |
| 99 Savannah Oaks Drive(1)<br>Brantford, Ontario | 70.00% | Industrial | 21-Dec-07 | 29,572 | 33,551 | 31-Dec-20 | 369,298 | 100.00% | — | 1,523 |
| 8400 – 8450 Lawson Road<br>Burlington, Ontario | 70.00% | Industrial | 21-Dec-07 | 19,860 | 29,400 | 31-Dec-20 | 165,190 | 100.00% | — | 1,061 |
| 800 – 900 Main Street East<br>Milton, Ontario | 70.00% | Retail | 14-Mar-08 | 28,298 | 28,770 | 31-Dec-20 | 68,025 | 100.00% | — | 1,746 |
| 2100 Derry Road<br>Mississauga, Ontario | 50.00% | Office | 22-Sep-06 | 17,119 | 15,000 | 31-Dec-20 | 53,469 | 100.00% | — | 759 |
| 2050 Derry Road<br>Mississauga, Ontario | 50.00% | Office | 22-Sep-06 | 17,240 | 19,000 | 31-Dec-20 | 62,582 | 100.00% | — | 850 |
| 7025 Langer Drive<br>Mississauga, Ontario | 50.00% | Office | 22-Sep-06 | 9,856 | 8,650 | 31-Dec-20 | 32,375 | 95.81% | — | 386 |
| Abbotside Way Lands<br>Caledon, Ontario | 100.00% | Land | 4-Nov-20 | 8,401 | 8,401 | 31-Dec-20 | n/a | n/a | — | — |

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| 415 Thompson Drive<br>Cambridge, Ontario | 100.00% | Industrial | 8-Feb-08 | 14,850 | 17,800 | 31-Dec-20 | 140,000 | 100.00% | (4,718) | 1,057 |
| 4 King Street West<br>Toronto, Ontario | 70.00% | Office | 14-Mar-08 | 70,855 | 110,810 | 31-Dec-20 | 205,414 | 95.34% | (22,357) | 3,766 |
| 155 University Avenue<br>Toronto, Ontario | 70.00% | Office | 14-Mar-08 | 43,549 | 68,250 | 31-Dec-20 | 131,624 | 100.00% | — | 2,406 |
| 145 – 167 Bell Boulevard<br>Belleville, Ontario | 70.00% | Retail | 4-Jan-07 | 10,295 | 6,720 | 31-Dec-20 | 46,891 | 100.00% | — | 225 |
| 5150 – 5160 Yonge Street<br>Toronto, Ontario | 70.00% | Office | 17-Oct-08 | 162,493 | 162,610 | 31-Dec-20 | 503,493 | 98.17% | — | 4,907 |
| 350 – 360 Cresthaven Drive<br>Ottawa, Ontario | 100.00% | Retail | 1-Aug-18 | 20,600 | 19,200 | 31-Dec-20 | 48,387 | 100.00% | (12,816) | 1,038 |
| 2310 – 2330 Highway 2<br>Bowmanville, Ontario | 70.00% | Retail | 24-Jul-12 | 47,252 | 37,800 | 31-Dec-20 | 164,023 | 100.00% | — | 2,273 |
| 200 Kent Street<br>Ottawa, Ontario | 100.00% | Office | 8-Aug-12 | 150,453 | 154,300 | 31-Dec-20 | 387,273 | 100.00% | (81,639) | 7,462 |
| 3130, 3470, 3480, 3490, 3500, 3505, 3520, 3530, 3535, 3550, 3580, 3585, 3600 A & B, 3615 and 3620 A & B Laird Road<br>Mississauga, Ontario | 70.00% | Industrial | 15-Oct-13 | 97,654 | 160,720 | 31-Dec-20 | 797,376 | 97.68% | — | 5,717 |
| 3200, 3250, 3300, 3330 and 3350 Ridgeway Drive<br>Mississauga, Ontario | 70.00% | Industrial | 15-Oct-13 | 39,996 | 66,220 | 31-Dec-20 | 312,529 | 99.35% | — | 2,571 |
| **Quebec** | | | | | | | | | | |
| 4600 Poirer Boulevard<br>St. Laurent, Quebec | 100.00% | Industrial | 14-Mar-02 | 6,201 | 14,600 | 31-Dec-20 | 104,560 | 100.00% | — | 424 |
| 9415 – 9495 Trans-Canada Highway<br>St. Laurent, Quebec | 100.00% | Industrial | 14-Mar-02 | 5,021 | 11,200 | 31-Dec-20 | 88,951 | 99.92% | — | 487 |
| 9305 – 9405 Trans-Canada Highway<br>St. Laurent, Quebec | 100.00% | Industrial | 14-Mar-02 | 6,916 | 14,100 | 31-Dec-20 | 113,256 | 100.00% | — | 533 |
| 6520 – 6620 Abrams Street<br>St. Laurent, Quebec | 100.00% | Industrial | 14-Mar-02 | 11,528 | 24,800 | 31-Dec-20 | 189,889 | 99.98% | — | 941 |
| 2200 Trans-Canada Highway<br>Pointe-Claire, Quebec | 100.00% | Industrial | 14-Mar-02 | 21,058 | 60,200 | 31-Dec-20 | 411,265 | 100.00% | — | 1,473 |
| 43 – 55 Cite Des Jeunes Boulevard<br>Vaudreuil – Dorion, Quebec | 70.00% | Retail | 21-Jul-06 | 20,251 | 20,510 | 31-Dec-20 | 91,852 | 100.00% | — | 1,284 |

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| 224 Joseph-Casavant Avenue<br>Beauport, Quebec | 70.00% | Retail | 11-Jun-08 | 15,329 | 14,070 | 31-Dec-20 | 121,990 | 100.00% | — | 967 |
| 819 – 847 Rue Clemenceau<br>Beauport, Quebec | 70.00% | Retail | 31-Jan-14 | 33,586 | 24,360 | 31-Dec-20 | 129,261 | 69.69% | — | 402 |
| 1350 Rene Levesque Boulevard*<br>Montreal, Quebec | 35.00% | Office | 14-Dec-16 | 92,956 | 100,800 | 31-Dec-20 | 186,714 | 98.65% | (50,748) | 4,550 |
| 1360 Rene Levesque Boulevard*<br>Montreal, Quebec | 35.00% | Office | 14-Dec-16 | 54,896 | 73,850 | 31-Dec-20 | 138,850 | 86.77% | (31,103) | 2,276 |
| 1025 Lucien L'Allier*<br>Montreal, Quebec | 35.00% | Miscellaneous | 14-Dec-16 | 1,925 | 3,500 | 31-Dec-20 | n/a | n/a | — | (48) |
| 5999 Monkland Avenue<br>Montreal, Quebec | 100.00% | Residential | 26-May-17 | 50,415 | 55,000 | 31-Dec-20 | 137,664 | 86.06% | (29,188) | 1,400 |
| 4075 Industriel Boulevard<br>Laval, Quebec | 100.00% | Industrial | 2-Aug-18 | 6,574 | 8,400 | 31-Dec-20 | 50,712 | 100.00% | — | 314 |
| 5555 rue William-Price<br>Laval, Quebec | 100.00% | Industrial | 2-Aug-18 | 9,675 | 11,900 | 31-Dec-20 | 75,000 | 100.00% | — | 421 |
| 4101 – 4117 Industriel Boulevard<br>Laval, Quebec | 100.00% | Industrial | 2-Aug-18 | 7,032 | 8,200 | 31-Dec-20 | 54,236 | 100.00% | — | 320 |
| 4133 – 4137 Industriel Boulevard<br>Laval, Quebec | 100.00% | Industrial | 2-Aug-18 | 8,399 | 9,600 | 31-Dec-20 | 61,483 | 100.00% | — | 387 |
| 4177 – 4201 Industriel Boulevard<br>Laval, Quebec | 100.00% | Industrial | 2-Aug-18 | 19,002 | 21,700 | 31-Dec-20 | 150,818 | 100.00% | — | 874 |
| **Atlantic** | | | | | | | | | | |
| 1959 Upper Water Street*<br>Halifax, Nova Scotia | 33.33% | Office | 14-Jun-83 | 23,945 | 26,797 | 31-Dec-20 | 109,009 | 62.90% | — | 981 |
| 1969 Upper Water Street*<br>Halifax, Nova Scotia | 33.33% | Office | 31-Dec-93 | 20,269 | 29,997 | 31-Dec-20 | 122,627 | 69.60% | — | 1,070 |

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Total Cost | Fair Value | Date of Last Appraisal | N.R.A. (sq. ft.) | Percent Leased | Mortgages on Investment Properties | 2020 NOI |
|---|---|---|---|---|---|---|---|---|---|---|
| **United States** | | | | | | | | | | |
| 396 West Greens Road<br>Houston, Texas | 70.00% | Office | 21-Jun-06 | 30,057 | 5,490 | 31-Dec-20 | 132,912 | 9.21% | — | (1,507) |
| 8101 Sam Houston Parkway<br>Houston, Texas | 70.00% | Office | 21-Jun-06 | 20,243 | 9,898 | 31-Dec-20 | 95,759 | 73.50% | — | 844 |
| Current and prior year(s) sold property | | | | | | | | | | 160 |
| **Investment Properties – subtotal** | | | | 4,305,486 | 5,610,690 | | 18,468,269 | | (1,123,685) | 225,478 |
| **less: lease liabilities** | | | | (87,800) | (85,561) | | | | | |
| **less: mortgages on investment properties** | | | | (1,070,583) | (1,123,685) | | | | | |
| **Capitalization of loss on assumed mortgages** | | | | (4,949) | — | | | | | |
| **Total Investment Properties – net** | | | | 3,142,154 | 4,401,444 | | | | | |
| **Total Bonds** | | | | 482,160 | 500,156 | | | | | |
| **Total Investments – net** | | | | 3,624,314 | 4,901,600 | | | | | |

* Represents interest in a joint operation

(1) The investment properties presented below are subject to land leases where the Fund is the lessee and has recognized a right-of-use asset within investment properties and a lease liability. For further information refer to note 2 in the notes to the financial statements.

| Building Name and Address | Percent of Ownership | Property Type | Date of Purchase | Lease Liabilities |
|---|---|---|---|---|
| 650 West Georgia Street<br>Vancouver, British Columbia | 25.00% | Office | 12-Dec-01 | (592) |
| 400 Walmer Road<br>Toronto, Ontario | 65.00% | Residential | 27-Dec-00 | (73,421) |
| 20 – 24 York Street<br>Ottawa, Ontario | 50.00% | Residential | 27-Sep-05 | (2,847) |
| 99 Savannah Oaks Drive<br>Brantford, Ontario | 70.00% | Industrial | 21-Dec-07 | (8,701) |
| **TOTAL** | | | | (85,561) |

# Notes to the Schedule of Investment Portfolio

(in Canadian $ thousands)

## INTRODUCTION

The objective of the Canadian Real Estate Investment Fund No. 1 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

### *A. Risk Management*

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2020, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

### *B. Liquidity Risk*

As investments in real property are not actively traded, the Fund is exposed to liquidity risk due to the redemption of redeemable units by contractholders. Effective March 20, 2020, there was a suspension of redemptions and transfers of units of the Fund (note 2). To a lesser extent, mortgage liabilities also expose the Fund to liquidity risk. To manage liquidity, the Fund has the ability to incur additional mortgage indebtedness as long as the total borrowings do not exceed 35% of the total asset value of the Fund and provided the value of each mortgage assumed is not greater than 75% of the related property's value.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a Fund to sell such securities quickly.

There is no formal market for trading in real property and very few records are available to the public which give terms and conditions of real property transactions. It may take time to sell investment properties at a reasonable price. This could limit the Fund's ability to respond quickly to changes in economic or investment conditions. It could also affect the Fund's ability to pay contractholders who want to redeem their units. The Fund will maintain a sufficient balance of cash to satisfy regulatory requirements and be able to facilitate normal redemption requests in a timely manner.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity position on a regular basis.

As at December 31, 2020, the approximate principal payments due on mortgages for the next five years ended and thereafter are as follows:

| Year ended | Principal payments due |
|---|---|
| December 31, 2021 | $ 221,519 |
| December 31, 2022 | 53,965 |
| December 31, 2023 | 75,207 |
| December 31, 2024 | 91,087 |
| December 31, 2025 | 112,555 |
| Thereafter | 516,251 |
| | 1,070,584 |
| Fair value adjustment | 53,101 |
| **Total** | $ 1,123,685 |

### *C. Currency Risk*

Currency risk is the risk that financial instruments that are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

| | | | | 2020 |
|---|---|---|---|---|
| Currency | Investments | Cash, Short-term Deposits and Overdrafts | Total* | Impact on Net Assets Attributable to Contractholders |
| United States Dollar | $ 15,388 | $ 10,444 | $ 25,832 | $ 258 |
| **Total** | **$ 15,388** | **$ 10,444** | **$ 25,832** | **$ 258** |
| As Percent of Net Assets Attributable to Contractholders | | | **0.5%** | |

* Includes both monetary and non-monetary instruments

| | | | | 2019 |
|---|---|---|---|---|
| Currency | Investments | Cash, Short-term Deposits and Overdrafts | Total* | Impact on Net Assets Attributable to Contractholders |
| United States Dollar | $ 18,145 | $ 11,537 | $ 29,682 | $ 297 |
| **Total** | $ 18,145 | $ 11,537 | $ 29,682 | $ 297 |
| As Percent of Net Assets Attributable to Contractholders | | | 0.6% | |

* Includes both monetary and non-monetary instruments

## *D. Interest Rate Risk*

Interest rate risk arises on interest-bearing financial instruments such as bonds and mortgages on investment properties. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

The table below summarizes the Fund's exposure to interest rate risk by remaining term-to-maturity.

| | | | | | 2020 |
|---|---|---|---|---|---|
| | 1 year or less* | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Total |
| **Bonds** | **$ 123,994** | **$ 376,162** | **$ —** | **$ —** | **$ 500,156** |

| | | | | | 2019 |
|---|---|---|---|---|---|
| | 1 year or less* | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Total |
| Bonds | $ 19,803 | $ 183,602 | $ — | $ — | $ 203,405 |

* The Fund invests in bonds of a related company which are issued annually with a maturity of one year or less. As the bonds mature, they are renewed for a term of one year.

As at December 31, 2020, for bonds, had prevailing interest rates increased or decreased by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately $785 ($5,023 at December 31, 2019) or approximately 0.02% (0.10% at December 31, 2019). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be significant.

As at December 31, 2020, for mortgages on investment properties, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately $46,660 ($50,944 at December 31, 2019) and approximately 0.90% (0.99% at December 31, 2019) of net asset value. In practice, the actual results may differ and the difference could be significant.

## *E. Credit Risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt instruments includes consideration of the creditworthiness of the debt issuer. The carrying amount of debt instruments represents the maximum credit risk exposure as at December 31, 2020. The amount of credit risk to any one issuer may be determined from the information reported in the Schedule of Investment Portfolio. The Fund may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low. The Company monitors credit risk and credit ratings on a regular basis. All new counterparties to financial instruments are subject to an approval process.

The Fund is also exposed to credit risk from outside parties, lease receivables and tenants. The fair value of investment properties considers the creditworthiness of these items, which had a negligible effect on fair value during 2020 and 2019 respectively. Credit risk arises from the possibility that tenants may be unable to fulfill their commitments defined in their lease agreements. The majority of the Fund's leases in place are referred to as net leases, which means that tenants pay the landlord base rent as well as reimburse the landlord for their share of operating costs and realty taxes. Most of the property operating costs and realty tax expenses are of a fixed nature, although there is a variable element as it relates to certain costs. Management mitigates credit risk by ensuring that the Fund's tenant mix is diversified and by limiting the Fund's exposure to any one tenant. The Fund also maintains a portfolio that is diversified by property type so that exposure to business sectors is reduced.

The change in fair values of financial liabilities as a result of the impact of changes in credit risks was not significant during 2020 or 2019.

All transactions in listed securities are settled and paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

Credit ratings disclosed below are obtained from independent rating agencies including DBRS, Standard & Poor's, Moody's Investors Service and Fitch Ratings. The lowest rating provided by the agencies is used.

Debt securities by credit rating are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Currency | Percent of Total Bonds (%) | Percent of Total Net Assets Attributable to Contractholders (%) | Percent of Total Bonds (%) | Percent of Total Net Assets Attributable to Contractholders (%) |
| AAA | **40.1** | **3.9** | 69.0 | 2.7 |
| AA | **51.6** | **5.0** | 7.3 | 0.3 |
| A | **—** | **—** | 2.5 | 0.1 |
| NR* | **8.3** | **0.8** | 21.2 | 0.8 |
| **Total** | **100.0** | **9.7** | 100.0 | 3.9 |

* Bonds disclosed as NR are mortgage backed securities or privately placed bonds or bonds that have not been rated by a rating agency.

## *F. Fair Value Classification*

The following table presents information about the Fund's financial assets and liabilities measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

| | 2020 Assets and Liabilities Measured at Fair Value | | | |
|---|---|---|---|---|
| **Assets measured at fair value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Bonds | **$ —** | **$ 458,621** | **$ 41,535** | **$ 500,156** |
| Investment properties | **—** | **—** | **5,610,690** | **5,610,690** |
| **Total assets measured at fair value** | **$ —** | **$ 458,621** | **$ 5,652,225** | **$ 6,110,846** |
| **Liabilities measured at fair value** | | | | |
| Mortgages on investment properties | **$ —** | **$ 1,123,685** | **$ —** | **$ 1,123,685** |
| **Net assets attributable to contractholders measured at fair value** | **$ —** | **$ (665,064)** | **$ 5,652,225** | **$ 4,987,161** |

| | 2019 Assets and Liabilities Measured at Fair Value | | | |
|---|---|---|---|---|
| **Assets measured at fair value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Bonds | $ — | $ 160,310 | $ 43,095 | $ 203,405 |
| Investment properties | — | — | 5,937,347 | 5,937,347 |
| Total assets measured at fair value | $ — | $ 160,310 | $ 5,980,442 | $ 6,140,752 |
| Liabilities measured at fair value | | | | |
| Mortgages on investment properties | $ — | $ 1,074,780 | $ — | $ 1,074,780 |
| Net assets attributable to contractholders measured at fair value | $ — | $ (914,470) | $ 5,980,442 | $ 5,065,972 |

There have not been any significant transfers in or out of Levels 1 or 2 during 2020 or 2019.

The following table presents additional information about the Fund's assets measured at fair value on a recurring basis and for which the Fund has utilized Level 3 inputs to determine fair value:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Bonds | Investment properties | Bonds | Investment properties |
| **Balance, beginning of year** | **$ 43,095** | **$ 5,937,347** | $ 37,806 | $ 5,264,500 |
| Change in accounting policy | **—** | **—** | — | 87,800 |
| Revised balance, beginning of year | **43,095** | **5,937,347** | 37,806 | 5,352,300 |
| Total gain (loss) included in net assets from operations attributable to contractholders | **(1,560)** | **(19,857)** | 5,289 | 220,052 |
| Purchases | **—** | **104,720** | — | 368,910 |
| Sales | **—** | **(411,520)** | — | (3,915) |
| Settlements | **—** | **—** | — | — |
| Transfers into Level 3 | **—** | **—** | — | — |
| Transfers out of Level 3 | **—** | **—** | — | — |
| **Balance, end of year** | **$ 41,535** | **$ 5,610,690** | $ 43,095 | $ 5,937,347 |
| **Total gain (loss) for the year included in net gain (loss) on investments for Level 3 assets held at the end of year** | **$ (1,560)** | **$ (69,844)** | $ 5,289 | $ 219,228 |

## *G. Carrying Value of Investment Properties*

The carrying value of investment properties and changes in the carrying value of investment properties are as follows:

| | 2020 | 2019 |
|---|---|---|
| **Balance, beginning of year** | **$ 5,937,347** | $ 5,264,500 |
| Change in accounting policy | **—** | 87,800 |
| Revised balance, beginning of year | **5,937,347** | 5,352,300 |
| Additions | **104,720** | 368,910 |
| Change in fair value through profit or loss | **(18,406)** | 221,626 |
| Disposals | **(411,520)** | (3,915) |
| Foreign exchange rate changes | **(1,451)** | (1,574) |
| **Balance, end of year** | **$ 5,610,690** | $ 5,937,347 |

## *H. Significant Unobservable Inputs*

Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (including future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.

The following sets out information about significant unobservable inputs used at year end in measuring assets categorized as Level 3 in the fair value hierarchy:

| | Inter-relationship between key unobservable inputs and fair value measurements | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Discount Rate[1] | | | Reversionary Rate[2] | Vacancy Rate[3] |
| Property Type | Min | Max | Weighted Average | Min | Max | Weighted Average | Weighted Average |
| Office | 5.3% | 10.5% | 6.4% | 4.5% | 8.5% | 5.5% | 12.8% |
| Industrial | 5.8% | 7.3% | 6.1% | 5.0% | 6.5% | 5.5% | 3.3% |
| Retail | 5.8% | 8.5% | 6.7% | 5.3% | 7.5% | 5.9% | 7.0% |
| Commercial | 5.3% | 10.5% | 6.3% | 4.5% | 8.5% | 5.6% | 7.5% |
| Residential[4] | 3.3% | 4.5% | 3.7% | n/a | n/a | n/a | 7.5% |
| **Total** | **3.3%** | **10.5%** | **5.6%** | **4.5%** | **8.5%** | **5.6%** | **7.5%** |

(1) A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

(2) The reversionary rate is the rate used to estimate the resale value of a property at the end of the holding period. A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value. Reversionary rates are not applicable to the residential assets as their valuation methodology is based on capitalization of the stabilized year one income.

(3) A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.

(4) The discount rates disclosed for the residential assets represents the overall capitalization rate applied to the stabilized income of the asset.

### *I. Pledged Assets*

The Fund has investment properties which have been pledged as collateral to cover mortgages on investment properties. In circumstances where the Fund defaults, the counterparty is permitted to take the collateral and apply it against these liabilities. When the liabilities have been settled by the Fund, the pledged assets will be returned to the Fund. As at December 31, 2020, the Fund has pledged $2,349,340 ($2,316,545 at December 31, 2019).

### *J. Commitments*

As at December 31, 2020, the Fund has contractual obligations of $100,050 ($147,400 at December 31, 2019) to purchase, construct or develop investment properties for repairs, maintenance and enhancements.

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units, as described in note 5 and company held investment units, as described in note 9 e), are allocated to each category and are not included on this page.

**Net Assets Attributable to Contractholders by Category**

For the years ended December 31

| | Number of units outstanding | | | | | Net asset value (in $ thousands) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Investment Only | **1,062,936** | 1,056,204 | 1,124,579 | 1,151,246 | 1,121,788 | **2,728,094** | 2,644,441 | 2,580,844 | 2,468,782 | 2,263,733 |
| Investment Only (AI) | **650,108** | 632,672 | 460,302 | 406,034 | 318,374 | **417,547** | 411,740 | 286,255 | 246,267 | 190,034 |
| Investment Only (AC/AL) | **2,776,761** | 2,805,374 | 2,639,342 | 2,466,452 | 2,451,122 | **959,022** | 944,883 | 814,577 | 711,074 | 664,769 |
| Individual No-Load (IA) | **677,507** | 728,643 | 785,466 | 914,595 | 1,088,081 | **235,981** | 254,946 | 259,397 | 290,449 | 335,472 |
| Individual Back-End Load (IB) | **398,616** | 427,484 | 502,889 | 579,320 | 691,367 | **145,603** | 156,859 | 174,158 | 193,060 | 223,210 |
| Managed Money (IC) | **48,463** | 49,425 | 54,954 | 60,565 | 69,289 | **36,643** | 37,061 | 38,397 | 40,188 | 44,026 |
| 75/75 guarantee policy | **6,778,091** | 7,150,974 | 5,931,054 | 5,058,972 | 4,562,642 | **117,514** | 124,544 | 97,508 | 80,044 | 69,949 |
| 75/100 guarantee policy | **3,384,919** | 3,616,139 | 3,336,827 | 3,025,245 | 3,258,000 | **57,900** | 62,196 | 54,225 | 47,360 | 49,462 |
| 100/100 guarantee policy | **316,057** | 303,351 | 231,193 | 224,952 | 248,736 | **5,120** | 4,962 | 3,589 | 3,379 | 3,639 |
| PS1 75/75 guarantee policy | **6,154,902** | 6,406,423 | 5,274,752 | 4,904,039 | 4,414,411 | **91,954** | 95,719 | 74,061 | 65,968 | 57,278 |
| PS1 75/100 guarantee policy | **2,904,070** | 2,982,152 | 2,633,732 | 2,245,141 | 1,911,211 | **42,787** | 44,011 | 36,583 | 29,926 | 24,613 |
| PS1 100/100 guarantee policy | **207,325** | 197,076 | 172,293 | 173,472 | 200,762 | **2,960** | 2,829 | 2,336 | 2,266 | 2,543 |
| PS2 75/75 guarantee policy | **4,552,734** | 5,029,714 | 5,054,929 | 4,904,635 | 4,266,462 | **84,558** | 91,101 | 83,896 | 76,040 | 62,225 |
| PS2 75/100 guarantee policy | **1,582,463** | 1,633,460 | 1,525,943 | 1,409,338 | 1,349,980 | **29,391** | 29,586 | 25,326 | 21,850 | 19,689 |
| PS2 100/100 guarantee policy | **43,020** | 49,312 | 24,387 | 31,128 | 38,717 | **799** | 893 | 405 | 483 | 565 |
| PS 75/75 guarantee policy | **1,652,581** | 1,674,244 | 543,251 | — | — | **18,266** | 18,391 | 5,574 | — | — |
| PS 75/100 guarantee policy | **283,850** | 284,880 | 87,501 | — | — | **3,127** | 3,122 | 896 | — | — |
| PPS 75/75 guarantee policy | **2,884,905** | 2,854,981 | 984,067 | — | — | **32,221** | 31,550 | 10,111 | — | — |
| PPS 75/100 guarantee policy | **48,233** | 49,583 | — | — | — | **536** | 546 | — | — | — |

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 5 and are not included on this page.

**Net Assets Attributable to Contractholders Per Unit (note 8)**

For the years ended December 31

| | Net asset value per unit ($) | | | | | Increase (decrease) per unit ($) | |
|---|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2018** | **2017** | **2016** | **2020** | **2019** |
| Investment Only | **2,566.57** | 2,503.72 | 2,294.94 | 2,144.44 | 2,017.97 | **62.85** | 208.78 |
| Investment Only (AI) | **642.27** | 650.80 | 621.88 | 606.52 | 596.89 | **(8.53)** | 28.92 |
| Investment Only (AC/AL) | **345.37** | 336.81 | 308.63 | 288.30 | 271.21 | **8.56** | 28.18 |
| Individual No-Load (IA) | **348.31** | 349.89 | 330.25 | 317.57 | 308.32 | **(1.58)** | 19.64 |
| Individual Back-End Load (IB) | **365.27** | 366.93 | 346.32 | 333.25 | 322.85 | **(1.66)** | 20.61 |
| Managed Money (IC) | **756.10** | 749.85 | 698.72 | 663.56 | 635.39 | **6.25** | 51.13 |
| 75/75 guarantee policy | **17.34** | 17.42 | 16.44 | 15.82 | 15.33 | **(0.08)** | 0.98 |
| 75/100 guarantee policy | **17.11** | 17.20 | 16.25 | 15.65 | 15.18 | **(0.09)** | 0.95 |
| 100/100 guarantee policy | **16.20** | 16.36 | 15.52 | 15.02 | 14.63 | **(0.16)** | 0.84 |
| PS1 75/75 guarantee policy | **14.94** | 14.94 | 14.04 | 13.45 | 12.98 | **—** | 0.90 |
| PS1 75/100 guarantee policy | **14.73** | 14.76 | 13.89 | 13.33 | 12.88 | **(0.03)** | 0.87 |
| PS1 100/100 guarantee policy | **14.28** | 14.35 | 13.56 | 13.06 | 12.67 | **(0.07)** | 0.79 |
| PS2 75/75 guarantee policy | **18.57** | 18.11 | 16.60 | 15.50 | 14.58 | **0.46** | 1.51 |
| PS2 75/100 guarantee policy | **18.57** | 18.11 | 16.60 | 15.50 | 14.58 | **0.46** | 1.51 |
| PS2 100/100 guarantee policy | **18.57** | 18.11 | 16.60 | 15.50 | 14.58 | **0.46** | 1.51 |
| PS 75/75 guarantee policy | **11.05** | 10.98 | 10.26 | — | — | **0.07** | 0.72 |
| PS 75/100 guarantee policy | **11.02** | 10.96 | 10.25 | — | — | **0.06** | 0.71 |
| PPS 75/75 guarantee policy | **11.17** | 11.05 | 10.27 | — | — | **0.12** | 0.78 |
| PPS 75/100 guarantee policy | **11.12** | 11.02 | — | — | — | **0.10** | 0.75 |

# Notes to the Financial Statements

(in Canadian $ thousands)

## 1. THE FUND

Effective January 1, 2020, The Great-West Life Assurance Company (Great-West Life) and its subsidiaries, London Insurance Group Inc., London Life Insurance Company (London Life), Canada Life Financial Corporation, and The Canada Life Assurance Company (CLA) amalgamated into one company (the Amalgamation): The Canada Life Assurance Company (Canada Life or the Company).

As a result of the Amalgamation, the Fund (offered by Great-West Life prior to the Amalgamation) is now offered by Canada Life. Comparative figures presented by the Fund were previously disclosed when the Fund was offered by Great-West Life. Due to/from amounts presented were between the Fund and Canada Life at December 31, 2020 and between the Fund and Great-West Life at December 31, 2019.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is a wholly-owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Corporation of Canada (Power Corporation) group of companies and is a subsidiary of Power Corporation.

The Fund's registered office is at 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3.

The financial statements of the Fund as at and for the year ended December 31, 2020 were approved for issue by the Company on March 23, 2021.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2020. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

### *a) Use of Estimates, Significant Accounting Judgments and Assumptions*

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments and investment properties is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

The Company is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9, *Financial Instruments* (IFRS 9). The Company has assessed the Fund's business model, the manner in which all financial instruments are managed and the requirements of other accounting standards, and has concluded that fair value through profit and loss (FVTPL) provides the most appropriate measurement and presentation of the Fund's financial instruments.

The Fund participates in joint operations that allow the Fund to hold investment properties jointly with another party with the objective to generate rental income recorded in investment properties income and/or capital appreciation on the investment properties recorded in gain (loss) on investments. Joint control has been determined in accordance with the terms in the joint agreement, whereby decisions about the relevant activities, that significantly affect the returns of the arrangement, require the unanimous consent of the parties sharing control. The joint arrangements were classified as joint operations as the arrangements assign both parties the right to the assets and revenues, as well as the obligation for the liabilities and expenses. Most investment properties are owned jointly by related parties or related party segregated funds.

In the normal course of business the Fund regularly buys and sells investment properties. The Fund has concluded that the purchase and sale of these investment properties does not meet the conditions required to classify these transactions as business acquisitions; therefore all properties the Fund acquires to date are asset acquisitions.

The Fund has entered into commercial and residential property leases on its investment properties. The Fund has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the contracts as operating leases.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at FVTPL rather than consolidate them. The criteria that define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

**Impact of COVID-19 on Estimates, Significant Accounting Judgments and Assumptions**

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and significant market uncertainty. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions.

Economic events arising from the COVID-19 pandemic have introduced challenges in determining the fair value of real property. These events include the Bank of Canada's emergency announcements to decrease interest rates, evolving economic relief programs provided by governments and a scarcity of real estate market transactions available to provide a basis for estimating capitalization rates and market rents. In response, the Appraisal Institute of Canada recommended that appraisers exercise a high degree of caution with appraisals and include limiting conditions on their opinions, thus impairing the reliability and usefulness of their valuations to the Fund.

As a result of the uncertainties created by COVID-19, on March 20, 2020, the Company determined there was material valuation uncertainty related to the Fund's properties and temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, the Fund.

On June 26, 2020, the Company resumed the valuation of the properties of the Fund as conditions improved, providing better visibility of the impact of COVID-19 on the cash flow of the properties. While conditions improved, the real estate investment market experienced a substantial decline in transaction volumes that would otherwise provide meaningful empirical evidence to support property valuations. As a result, appraisal valuations remained qualified by material valuation uncertainty provisions, limiting the Company's confidence in the valuation of the properties of the Fund. Market conditions continued to improve during the second half of 2020, with independent material valuation uncertainty disclosures being selectively removed across various asset classes.

As at December 31, 2020, the temporary suspension on contributions, redemptions and transfers remained in place. The Fund Manager continued to monitor market conditions for improvements and a return to a state of valuation certainty.

The results of the Fund reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange. Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these financial statements.

**Subsequent event**

On January 5, 2021, Canada Life announced that there was no longer material uncertainty related to the value of the underlying properties of the Fund, advising that the Fund would commence accepting contributions to and transfers into the Fund, while also accepting initial redemption requests for a limited time commencing on January 11, 2021. The redemption requests will be processed, subject to available liquidity, on pre-specified dates. The suspension on redemptions and transfers out of the Fund otherwise remains in place.

### *b) Fair Value Measurement and Classification*

The fair value of the Fund's assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1 – determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2 – determined using inputs other than the quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – determined using inputs that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values for assets and liabilities are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 assets and liabilities are reviewed on a periodic basis by the Fund Manager. The Fund Manager considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Fund Manager estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

Upon initial recognition, the Fund classifies and measures all financial assets and financial liabilities in the Statement of Financial Position at FVTPL. The financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. The Fund's policy is not to apply hedge accounting.

***c) Bonds***

Bonds are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third-party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

***d) Cash, Short-term Deposits and Overdrafts***

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than one year at acquisition. A reconciliation is included in the Statement of Cash Flows for the Fund for cash and short-term deposits maturing in less than 90 days and those maturing in more than 90 days but less than a year. Due to the nature of these assets being highly liquid and having short terms to maturity, these items are reported at fair value, which approximates their cost.

***e) Investment Properties***

Investment properties comprise of completed real estate property and property under development (PUD) held to earn rental income (which is recorded in the Statement of Comprehensive Income as investment properties income) or for capital appreciation or both. The cost of investment properties is acquisition cost plus the cost of capital improvements. Included within investment properties are right-of-use assets recognized for land leases. Acquisition costs include land transfer taxes and professional fees for legal services. Initial direct and incremental costs incurred in negotiating an operating lease on investment properties are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease. Properties under development include interest on both specific and general debt, property taxes and general and administrative expenses incurred directly in connection with the acquisition and development of properties.

When the Fund determines that the fair value of investment properties under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it measures the investment properties under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier);

thereafter, they are recorded at their most recent external or internal appraised value. Investment properties of the Fund are appraised annually by qualified external investment properties appraisers. Fund management may adjust individual property values periodically due to changing market conditions.

Right-of-use assets are initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and restoration costs, less any lease incentive received. The Fund applies a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Subsequent to initial recognition, investment properties are measured at fair value. Fair values for investment properties are determined using independent qualified appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the period in which they arise.

Investment properties are derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the Statement of Comprehensive Income in the year of retirement or disposal. Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset.

Additional details on investment properties are included in the notes to the Schedule of Investment Portfolio.

Where the Fund is involved in joint operations, it recognizes its rights to the assets and revenue and obligations for the liabilities and expenses of the joint operation in accordance with the Fund's accounting policies.

For investment properties, the capitalization rate (cap rate) is a measure of a property's value to its income and is a key metric in the valuations prepared by investment properties appraisers. Cap rates are influenced by factors in the overall investment properties market in Canada, which is in turn influenced by supply and demand factors as well as the domestic economy.

Investment properties are subject to a degree of risk. They are affected by various factors including changes in both general and local market conditions, credit markets, competition in the environment, stability and creditworthiness of tenants, and various other factors.

Amortization of lease inducements represents initial direct costs incurred in negotiating and arranging operating leases and are amortized over the lease term on the same basis as the lease income. Initial direct leasing costs are amortized and charged to property operating expenses on a straight-line basis over the term of the related lease period. Payments to tenants that are enhancements to the property are referred to as tenant improvements. All other payments to tenants are referred to as tenant inducements. Both tenant improvements and tenant inducements are amortized on a straight-line basis over the term of the related lease period as a reduction of property rental income.

### *f) Lease Liabilities*

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund shall use its incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as its discount rate. Lease liabilities are measured at amortized cost using the effective interest method. Interest expense on lease liabilities is included within investment properties expenses.

The Fund applies a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

### *g) Mortgages on Investment Properties*

Mortgages on investment properties are recorded at fair value. Fair value of mortgages have been determined using discounted future payments of principal and interest of the actual outstanding mortgages, discounted at the current market interest rates available to the Fund.

### *h) Classification of Units Issued by the Fund*

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as FVTPL.

### *i) Recognition of Investments and Income*

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at FVTPL are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

**Net gains (losses) from change in fair value on investment properties** – include fair value adjustments arising from external appraisals, valuation adjustment by management and gains (losses) on sale of investment properties.

**Realized gains (losses) on investments** – recorded upon the sale or maturity of an asset and determined using the average cost basis.

**Unrealized gains (losses) on investments** – calculated as the in-year change in fair value of the investment and determined using the average cost basis.

**Interest income on debt securities** – included in the change in fair value of such investments and recorded on the accrual basis.

After initial measurement, the Fund classifies and measures financial instruments as FVTPL at the reporting date. Changes in the fair value are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

**Investment properties income**

The Fund is the lessor of operating leases on investment properties. The Fund has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease. Investment properties income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term in the Statement of Comprehensive Income, except for contingent rental income which is recognized as rental income in the period in which it is earned. Initial direct costs incurred in negotiating and arranging operating leases are recognized as an expense over the lease term on the same basis as the lease income.

**Foreign currency**

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

**Miscellaneous income (loss)**

Miscellaneous income (loss) generally includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

### *j) Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### *k) Amounts Due to/from Broker*

Amounts due to brokers are payables for securities purchased that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at fair value which approximates their cost.

Amounts due to/from brokers are settled within a few business days of the reporting date. All securities are purchased and sold in regular way transactions.

### *l) Amounts Due to/from Outside Parties*

Due to/from outside parties mainly consists of net operating and commodity tax balances due to outside parties related to the ongoing operations of the Fund's real estate investments.

Amounts due to/from outside parties are held at fair value which approximates their cost.

### *m) Other Expenses*

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

### *n) Income Allocation*

Net gain (loss) on investments, which includes interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit with the exception of Category A units of specific clients. The net investment income of this category is allocated to the contractholders in the form of additional units.

### *o) Issue and Redemption of Units*

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

### *p) Transaction Costs*

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

Transaction costs, such as brokerage commissions, legal fees and land transfer tax incurred in the purchase and sale of investment properties by the Fund are added to the cost of the asset in the year.

### *q) Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. The Fund has not capitalized any borrowing costs in 2020 or 2019. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### *r) Future Accounting Policies*

#### Annual Improvements to IFRS Standards 2018-2020

In May 2020, the IASB issued *Annual Improvements 2018-2020 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Fund relating to IFRS 9 and IFRS 16, *Lease*s (IFRS 16).

The amendments are effective January 1, 2022. The Fund is evaluating the impact of the adoption of these amendments.

#### COVID-19-Related Rent Concessions

In May 2020, the IASB published amendments to IFRS 16, amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. This amendment will not have a significant impact on the Fund's financial statements.

#### Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB published *Interest Rate Benchmark Reform – Phase 2* which issued amendments to IFRS 9, IFRS 7, *Financial Instruments: Disclosures*, and IFRS 16. The amendments provide relief from remeasurement impacts on financial instruments, and discontinuation of hedge relationships arising from reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The adoption of these amendments is not expected to have a significant impact on the Fund's financial statements.

## 3. LEASE LIABILITIES

The carrying value of lease liabilities and changes in the carrying value of lease liabilities are as follows:

| | 2020 | 2019 |
|---|---|---|
| **Carrying value, beginning of year** | **$ 86,694** | $ 87,800 |
| Lease payments | **(3,222)** | (3,222) |
| Interest expense | **2,089** | 2,116 |
| **Carrying value, end of year** | **$ 85,561** | $ 86,694 |

As at December 31, 2020, the approximate payments due on lease liabilities for the next five years ended and thereafter are as follows:

| Year ended | Lease payments due |
|---|---|
| December 31, 2021 | **$ 3,222** |
| December 31, 2022 | **3,222** |
| December 31, 2023 | **3,222** |
| December 31, 2024 | **3,226** |
| December 31, 2025 | **3,233** |
| Thereafter | **122,319** |
| **Total undiscounted lease obligations as at December 31, 2020** | **$ 138,444** |

## 4. MORTGAGES ON INVESTMENT PROPERTIES

As at December 31, 2020, mortgages on investment properties are comprised of term mortgages which bear contractual interest rates ranging from 2.02% to 6.07% (2.02% to 6.07% at December 31, 2019), and a weighted average contractual interest rate of 3.28% (3.54% at December 31, 2019). Mortgages are secured by the real property investment and an assignment of leases and amounts due from property rentals. The terms of the mortgages are subject to renegotiations from 2021 to 2030.

## 5. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units as follows:

**Investment Only** units are available to:

- Canadian Group Registered, and
- Non-Registered Plans.

**Individual** units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of the Flexible Accumulation Annuity and the Flexible Income Fund.

**Category I** units are available under these different options:

- Option A (Category A) is a no load Investment Fund option,
- Option B is a back end load investment option, and
- Option C is for high net worth investors.

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S1RF Partner Series (PS) 75/75 guarantee policy,
- Option S1HF Preferred Partner Series (PPS) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S2RF PS 75/100 guarantee policy,
- Option S2HF PPS 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy,
- Option S3HU PS2 100/100 guarantee policy,
- Option S3RF PS 100/100 guarantee policy, and
- Option S3HF PPS 100/100 guarantee policy.

**Portfolio** units are those units owned by the Portfolio Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

## 6. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

## 7. INCOME TAXES

The Fund is deemed to be a trust under the provisions of the *Income Tax Act* (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the Fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the Fund. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

## 8. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

## 9. RELATED PARTY TRANSACTIONS

Lifeco is the parent of the Company as well as a member of the Power Corporation group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries I.G. Investment Management, Ltd. and Mackenzie Financial Corporation.

The financial statements of the Fund may include transactions with the following related parties to the Company:

| Related party[(1)(2)] | Relationship | Incorporated in |
|---|---|---|
| Canada Life Investment Management Ltd. | Wholly-owned subsidiary of the Company | Canada |
| Setanta Asset Management Limited | Indirect wholly-owned subsidiary of the Company | Ireland |
| Putnam Investments, LLC | Wholly-owned subsidiary of Lifeco | United States |
| GWL Realty Advisors Inc. | Wholly-owned subsidiary of the Company | Canada |
| Canada Life Asset Management Limited | Indirect wholly-owned subsidiary of the Company | United Kingdom |
| IGM Financial Inc. | Subsidiary of Power Corporation | Canada |
| 801611 Ontario Ltd. | Wholly-owned subsidiary of the Company | Canada |

(1) Prior to the Amalgamation described in Note 1, the 2019 financial statements may have included transactions with London Life and CLA, indirect wholly-owned subsidiaries of Great-West Life.

(2) Prior to the sale of GLC Asset Management Ltd. (GLC) by Lifeco to Mackenzie Financial Corporation on December 31, 2020, the financial statements may have included transactions with GLC, formerly a wholly-owned subsidiary of the Company.

a) GWL Realty Advisors Inc. provides property and asset management services to the Fund in the normal course of business at market terms and conditions.

As at December 31, 2020, $22,485 ($22,322 at December 31, 2019) in fees were paid to GWL Realty Advisors Inc.

b) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees that are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. For the Managed Money category, advisory and management service fees are charged directly to the contractholder by redeeming units from their policy. Management and other fees are calculated at set rates applied against the net assets at each valuation date. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.

c) A separate investment management fee is charged directly to the transaction account of each Category A contractholder by the Company in the normal course of business at market terms and conditions. Accordingly, such fees are not included as an expense in these financial statements for Category A units. All management fees, presented in the Statement of Comprehensive Income, are paid to the Company.

d) The amounts shown as “Due from (to) The Canada Life Assurance Company (formerly The Great-West Life Assurance Company)” (note 1) represent outstanding management fees, uncleared deposits/withdrawals and investment activity as at the December 31 valuation dates of the Fund.

e) The Fund holds bonds issued by 801611 Ontario Ltd., with a fair value as at December 31, 2020 of $41,535 ($43,095 at December 31, 2019).

Effective March 20, 2020, there was a suspension on contributions, transfers and redemptions of units of the Fund. Subsequent to this suspension, payments of certain redemptions and purchase transaction requests were arranged. In order to settle these post-suspension approved transaction requests, the general fund of the Company paid out or received the value of the notional units that were redeemed or purchased, and received or delivered the applicable notional units in return.

As at December 31, 2020, the Company held investments in the Fund with a value of $309,272 (at December 31, 2019, Great-West Life held $149,066 and CLA held $114,089). The Canada Life Insurance Company of Canada, which is a wholly-owned subsidiary of the Company (previously a wholly-owned subsidiary of CLA, note 1) held investments in the Fund with a value of $29,086 ($28,374 at December 31, 2019).

f) The Fund invests in assets or underlying funds managed by the Company. All investment transactions with the corresponding underlying funds are at quoted market prices.

## 10. COMPARATIVE FIGURES

The Fund has reclassified the amortization of premiums and discounts on short-term deposits to gross proceeds of disposition of bonds, which was previously presented as non-cash amortization of bond premiums and discounts. The reclassification had no impact on the net assets attributable to contractholders of the Fund.

# Supplemental Information

(unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

## Management Expense Ratio (%)[1]

| For the years ended December 31 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Individual No-Load (IA) | **3.06** | 3.06 | 3.08 | 3.29 | 3.27 |
| Individual Back-End Load (IB) | **3.06** | 3.07 | 3.07 | 3.06 | 3.05 |
| Managed Money (IC) | **1.73** | 1.74 | 1.74 | 1.85 | 1.84 |
| 75/75 guarantee policy | **3.06** | 3.06 | 3.07 | 3.06 | 3.05 |
| 75/100 guarantee policy | **3.16** | 3.16 | 3.17 | 3.16 | 3.15 |
| 100/100 guarantee policy | **3.60** | 3.61 | 3.62 | 3.62 | 3.61 |
| PS1 75/75 guarantee policy | **2.60** | 2.60 | 2.61 | 2.59 | 2.58 |
| PS1 75/100 guarantee policy | **2.76** | 2.77 | 2.77 | 2.76 | 2.75 |
| PS1 100/100 guarantee policy | **3.15** | 3.15 | 3.16 | 3.15 | 3.14 |
| PS 75/75 guarantee policy | **1.95** | 1.95 | 1.95 | — | — |
| PS 75/100 guarantee policy | **2.05** | 2.05 | 2.05 | — | — |
| PPS 75/75 guarantee policy | **1.49** | 1.49 | 1.49 | — | — |
| PPS 75/100 guarantee policy | **1.66** | 1.66 | — | — | — |

## Portfolio Turnover Rate (%)[2]

| For the years ended December 31 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Bonds | **1.31** | 5.90 | 3.65 | 5.17 | 9.38 |
| Investment properties | **2.54** | 0.08 | 0.62 | 0.48 | — |

[1] The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months of exposure, the ratios have been annualized. Management expense ratios are calculated for Individual Customer, Wealth Solutions clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy as such fees are charged directly to the contractholder.

[2] The portfolio turnover rates presented in the financial statements reflect the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

# 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.

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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**
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Investments & Development

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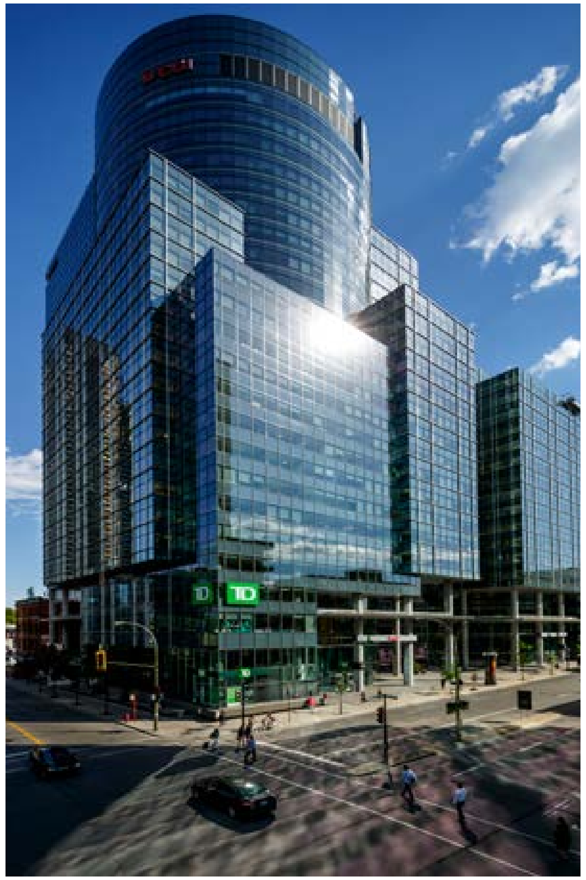


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