

Real estate fund suspension



Answers to frequently asked questions

Contents

General.....	1
Partial lift of suspension.....	1
Request to contribute and transfer in.....	2
Request to redeem and transfer out.....	3

General

1. What happened with the real estate fund?

- On March 20, 2020, Canada Life suspended the real estate fund as a result of the market conditions caused by COVID-19. This was done in the best interest of our investors, since there was material uncertainty in the valuation of the properties held by the fund. During the temporary suspension, transactions have not been allowed in or out of the fund.
- In June, we resumed valuation of the properties of the fund because we saw the gradual lifting of emergency orders and an improved understanding of the cashflow implications for real estate, including rent collection levels, and the application of government rent relief programs.
- Valuation confidence has returned as increased levels of investment and leasing activity have improved visibility of markets and valuations across each of the asset classes, providing the information required to inform and support property valuations.
- Although the temporary suspension remains in place for redemptions, investors can make contributions and transfers into the fund and submit requests for redemptions and transfers from the fund between Jan. 11 and Feb. 19, 2021.

Partial lifting of suspension

2. Why is the temporary suspension still in place if the fund is in a position to open for contributions and redemption requests?

As part of our ongoing commitment to all investors, we are taking prudent approach to gather all withdrawal requests, totaling them and then comparing to the available cash balances to determine an appropriate payout schedule.

3. Will there be additional payout request periods, or will the fund be fully open after this initial payout?

After we have completed the redemption process, we will evaluate the available liquidity in the fund and make a determination as to whether we can fully re-open the fund, or if the fund will remain suspended for redemptions.

If we are not able to fully re-open the fund after the March 12 payout, the timing of the next payout date depends on two factors:

- a. The remaining amount needed to fulfill any outstanding requests.
- b. The time it takes to increase cash holdings with consideration of the fund's operating expense and capital commitments. The fund would look to generate cash through property cashflow, financing and if necessary, by selectively selling properties. At all times, the fund will look to operate in its best long-term interest.

If another payout date is necessary, advisors and investors will receive more information.

4. What role does liquidity play in the ability to fully lift the suspension?

While liquidity was not the reason for the 2020 suspension, in order to re-open the fund we need to measure the demand for redemptions vs available liquidity. The funds need to hold enough liquid assets to manage operational commitments and transaction demand, but at the same time not too much cash to dilute returns. Liquidity is a key factor in fully lifting the temporary suspension.

5. What happens next if we pay out 100% of all requests?

If all submitted requests are paid in full during this redemption period, we'll take the next steps to return to business as usual, which may include fully lifting the temporary suspension.

Request to contribute or transfer in

6. If investors contribute to the fund, will contributions be subject to the suspension of redemptions and transfers from the fund?

Yes. Investors will receive a communication saying that contributions will be subject to the suspension of redemptions and transfers and they have 30 days to redirect their contribution. If we don't hear from them after 30 days, their contribution will be subject to the suspension of redemptions and transfers from the fund.

7. Can a client contribute 100% of their deposit to the real estate fund?

As communicated previously, we recommend a client's investment portfolio hold no more than 20% in the Real Estate Fund. All clients, especially those who are opening an income policy, should review if this is a suitable investment, with their advisor. Clients who would have an immediate need of their funds should not be investing in the real estate fund.

Request to redeem and transfer out

8. Why will all withdrawals and transfers be effective March 12?

All transactions will be processed effective March 12, using the March 12 fund unit value so all requests are treated fairly.

9. Why is there a gap between the deadline for requests and the effective date of processed requests?

We need to take additional steps beyond our normal business processes because this fund remains temporarily suspended. These steps include:

- Total the amount requested and compare it with the cash available for distribution
- Determine the pro-rated percentage of payout, if applicable
- Process payments and transfers

10. Can investors change the remaining amount of their requests after the first payout date?

Yes. If there are any remaining unpaid redemption amounts or transfer request amounts, these will be carried forward to the next payout date.

11. What happens if the investor previously submitted a request through the Payment release review program (PRRP) and was declined?

Investors will need to make a new redemption request during the redemption period. In addition to being sent a communication about the redemption period, the Ombuds office will be contacting advisors and investors who submitted requests through the payment release program to advise them of the redemption period.

12. What are the tax implications of redeeming or transferring out of the real estate fund?

For registered plans, we're required by Canada Revenue Agency to withhold tax on cash payments. The amount of redemption and withholding taxes will be reported on a T4RSP slip. For non-registered plans, the sale of units will result in a capital gain or loss depending on whether the unit sale price was higher or lower than the average cost of those units. The resulting capital gain or loss will be reported to investors on a T3 slip.

13. Are requests to redeem or transfer from the fund for retirement income plans subject to defined minimum and maximum amounts if applicable?

Yes.

14. What is the timeline for submitting requests to redeem or transfer out?

Investors can submit redemption and transfer requests between Jan. 11 and Feb. 19, 2021 to be included in the March 12, 2021 payout. To be fair to all investors, there will be no exceptions to this deadline. Requests received after the deadline will not be processed or retained.

Incomplete requests that are not corrected and received in our administrative head office by Feb 19, 2021, at 4 p.m. Eastern Time will not be processed.

15. Are there any exceptions to this deadline?

No. To be fair to all investors, there will be no exceptions to this deadline. Redemptions or transfer requests received after the deadline will not be processed or retained.

16. Will there be a lineup or queue for requests to redeem or transfer out?

No. There's no lineup or queue for requests for redemptions or transfers. All requests received during the window of time specified will be treated the same way and all transactions will be processed effective March 12 using the March 12 unit value.

17. Do redemption requests need to be a specific dollar amount?

No. We accept either a gross dollar amount or a percentage of value of the investment in the fund.

18. Can investors ask for more than is in their plan on the March 12 transaction date?

We won't pay out more than an investor has in their plan on March 12.

19. Can investors change or cancel their request to redeem or transfer out?

Yes, they can change or cancel their request by providing instructions before 4 p.m. Eastern Time on Feb. 19, 2021.

20. Can investors reverse their payout after receiving it?

No. It's not possible to reverse a payout after it's been processed; however, they may reinvest it in the fund.

21. Can investors change or cancel their request to redeem or transfer out between Feb. 19 and the payout date of March 12?

No. We need a final total of all redemption and transfer requests by Feb. 19, 2021 at 4 p.m. Eastern Time to have time to compare the total of requests with the amount of cash available in the fund for distribution and determine if we can fully meet all requests, or if there will be a need to make payouts on a proportional basis.

22. Can investors make more than one request?

Yes. If they submit more than one request for the same plan number, the requests received by 4 p.m. on Feb. 19, 2021 will be totaled by plan number and treated as one request per investor.

23. Can investors request redemptions or transfers from several plans?

Yes. They can request redemptions or transfers from each plan number. If they submit more than one request per plan number, the requests received by 4 p.m. ET on Feb. 19, 2021 will be totaled by plan number and treated as one request per plan number.

24. Does this request process apply to all those invested in the real estate fund?

Yes. All investors in the real estate fund were informed about the process to submit requests. All real estate fund investors have the same opportunity to submit a request and all requests will be treated the same.

25. Does this affect how we process death and maturity benefits?

No. There's no change to how these benefits are handled.

26. Why will all transactions be processed March 12?

All transactions will be processed with an effective date of March 12 using the March 12 unit value, so all requests are treated fairly. Any remaining balance from requests will be carried forward to the next payout date.

27. What if the total amount of requests to redeem or transfer out exceeds the fund's cash value?

We'll compare the total dollar amount of requests from all investors to the amount of cash available in the fund for distribution. If the fund doesn't have sufficient cash to meet all requests fully, we will pay out on a proportional basis. That means that every investor will receive the same percentage of their request. Regardless of the amount requested, we will not pay out more than the value of the real estate fund units in an investor's plan as of March 12, 2021. Any remaining balances of requests will be carried forward to the next payout date.

Here's an example:

- An investor requests a cash redemption of \$1,000 from the real estate fund. Based on all the requests received, it is determined that a proportional payment of 60% will be applied to each investor's request: 60% of \$1,000 is equal to \$600, so on March 12, \$600 will be redeemed from the real estate fund and the net amount, after any applicable fees and taxes, will be paid to the investor.

28. Can you give me an idea of what the proportional amount would be if the total amount of requests can't be processed?

No. We can't predict that because it depends on the number of requests for redemptions and transfers we receive and the amount of cash held by the fund that can be used to pay those requests. If we have to prorate payments, we will tell you the March 12 payout percentage.

29. If there's a proportional payment, will investors need to submit a new request for the unpaid balance?

No, investors won't have to submit another redemption or transfer request unless they want to change the amount requested from the March 12 payout date. We'll carry forward any unpaid redemption or transfer amounts to the next payout date.

30. When will you pay out or transfer any amounts not paid on March 12?

Amounts not paid will be carried forward to the next payout date. The timing of the next payout date depends on how long it takes to generate enough cash to pay all or a reasonable percentage of:

1. The outstanding requests from the first payout and
2. Any new redemption requests

We will provide more information closer to the next payout date.