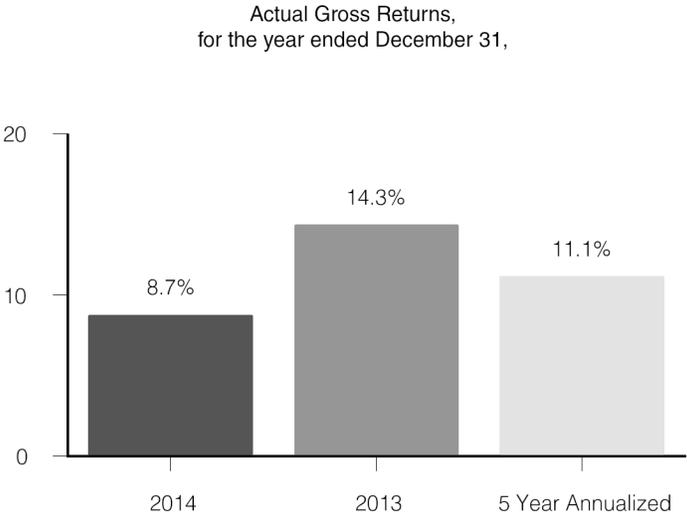


OMERS Real Estate and Strategic Investments

Oxford Properties Group

For the year ended December 31, 2014, Oxford achieved a **gross return of 8.7%** on the portfolio it manages on behalf of the Fund, compared to a gross return of 14.3% in 2013, and its 2014 benchmark of 7.6%.



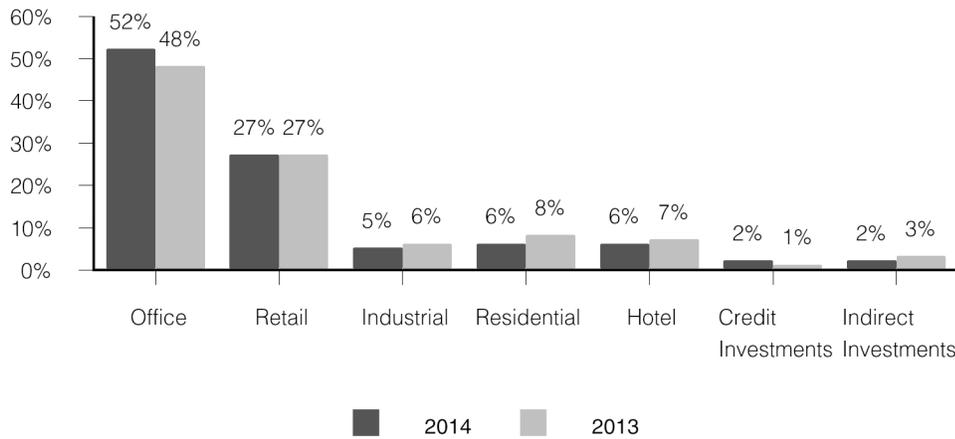
Approach to Real Estate Investing

Oxford Properties Group (Oxford) is one of North America's largest commercial real estate investment, development and management companies, with a growing and diversified portfolio in Canada, the U.S. and Europe. Oxford oversees and manages approximately \$31 billion of real estate investments for the Fund and on behalf of co-owners and investment partners as at December 31, 2014. This represents an increase of \$7 billion over its managed asset base of approximately \$24 billion at year end 2013.

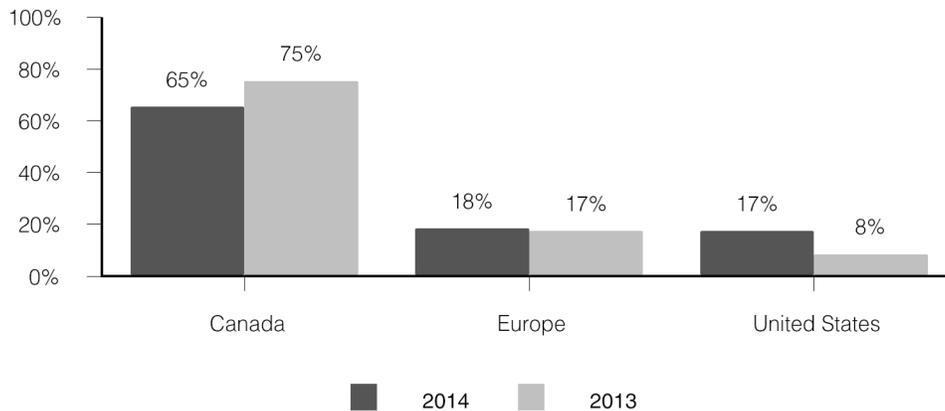
Oxford is a vertically integrated global real estate platform with a focus on delivering risk-adjusted returns and secure, sustainable and growing cash flows for the Plan. Oxford's strategy is to build portfolios and platforms of scale in targeted asset classes and markets through the development, ownership and active management of world-class assets that are diversified by asset class, geographic market, partner relationship and risk-reward profile.

A diversified real estate portfolio of this nature is expected to generate predictable cash flows, facilitating the Primary Plan's ability to meet both current and future pension benefit obligations. Furthermore, an actively managed real estate portfolio generally appreciates in capital value over time, which helps to offset the inflation exposure of the Primary Plan's accrued pension obligations.

Total Assets by Sector



Total Assets by Geography



Performance in 2014

Oxford's 2014 return exceeded the benchmark return of 7.6% primarily due to the increase in the market values for real estate properties, net of a loss from market value adjustments on its debt.

Oxford generated net investment income of \$920 million in 2014, compared to \$1,237 million in 2013. The decrease in net investment income is largely attributable to an unrealized loss from market value adjustments on Oxford's debt resulting from the decline in market interest rates, whereas an unrealized gain was recognized in the prior year. This resulted in a lower total return of 8.7% in 2014 compared to a 14.3% return in 2013.

In 2014, Oxford remained committed to its strategy of developing, acquiring and managing core assets in a defined set of major urban centres. Leasing activity remains a key driver to the success of the business, and Oxford has delivered favourably against its 2014 targets in this crucial area. The year was marked by a number of strategic acquisitions, developments and achievements in each of the three regions in which Oxford operates with key highlights as follows:

Canada

Oxford has been very active in Canadian development projects, with the completion of RBC WaterPark Place in Toronto and MNP Tower in Vancouver, and the continued development of 100 Adelaide Street West in Toronto, Eau Claire Tower and Oxford Airport Business Park in

Calgary, and Oxford Northport and Oxford Cityview Business Parks in Edmonton, as well as ongoing activity at major redevelopment projects nationally. In addition, Oxford acquired an interest in two strategic assets with significant development potential. The first was Canada Square, an income-producing property strategically located in mid-town Toronto, offering multiple redevelopment opportunities; and the second, a land site located in Calgary's Beltline that provides a mixed-use redevelopment opportunity primarily for rental residential units and provides the catalyst for establishing Oxford's Western Canada multi-residential platform.

In October 2014, Oxford purchased a 50% stake in Montreal's Quartier DIX30 from Hydro Quebec and Carbonleo Real Estate Inc., which will be managed jointly by Oxford and Carbonleo. The 2.3 million square foot integrated retail lifestyle and power centre on Montreal's South Shore is the second-largest shopping centre in Canada and is complementary to Oxford's existing retail platform.

In December 2014, Oxford added a third urban centre hotel with the acquisition of the Park Hyatt in Toronto, which balances Oxford's resort hotel portfolio and also provides a future value-add redevelopment opportunity.

U.S.

In 2014, Oxford expanded its property management platform to the U.S., with the acquisition of a whole interest in one office property and a 45% interest in three office properties in Boston and Cambridge, MA, representing 2.7 million square feet and valued in excess of \$2 billion (at 100%). This Boston asset acquisition was the largest in the company's history and positions Oxford to be one of the five largest landlords in that market through one transaction.

In Washington, Oxford began construction on the previously announced 600 Massachusetts Avenue development in D.C.'s City Centre area, with 62% of the 400,000 square foot office property pre-leased. It also acquired an interest in two significant income-producing assets, Gallery Place and 1001 G Street.

As well, Oxford continued its expansion in the New York City market, acquiring 450 Park Avenue, a 33-storey office tower located in New York City's Plaza district (Midtown). Tenants include investment and law firms. Oxford also continued to advance the significant Hudson Yards project in Manhattan, and major breakthroughs were recognized in 2014.

Europe

Oxford expanded its European portfolio into the continent with its acquisition of an office property in Paris. Oxford plans to grow its assets under management in Paris to over €1 billion over the next three to five years.

London's Leadenhall Building, a 600,000 square-foot office building, reached substantial completion in 2014. Oxford holds its interest in a 50-50 joint venture with British Land, a large London based listed real estate company. Altogether, Oxford has invested over \$2.2 billion in five large London office properties, which it either owns outright or in which it has an ownership interest. These include St. Martin's Court, home of the largest real estate service company in the world, CBRE and King Edward Court, home of the London Stock Exchange.

In addition, Oxford added to its London retail portfolio with the acquisition of a partial interest in a high street retail asset on Bond Street.

Portfolio Composition

The 2014 U.S. and European investment activity represents the continuing evolution of Oxford's portfolio to the 60%-40% Canada-foreign split defined in its strategic plan.

At December 31, 2014, the Fund's direct real estate portfolio managed by Oxford consisted of more than 145 assets, located primarily in Canada, the U.S., the U.K. and France, with a total leasable area of 56 million square feet of office, retail and industrial space, 3,637 hotel rooms and 14,306 residential units.

The office portfolio is diversified geographically in Canada (across six major markets: Toronto, Vancouver, Calgary, Edmonton, Ottawa and Montreal), the U.K., the U.S. and France. The largest concentration is in the Greater Toronto Area, representing approximately 27.5% of the market value of the office portfolio. The most significant office properties are:

- Richmond-Adelaide Centre, Metro Centre and a 50% interest in each of Royal Bank Plaza, Waterpark Place, and the TD Canada Trust Tower in Toronto;
- Centennial Place and a 50% interest in each of Bow Valley Square and Devon Tower in Calgary;
- Watermark Place, King Edward Court, St. Martin's Court, and a 50% interest in MidCity Place and 122 Leadenhall Street in London, U.K.;
- Green Park Business Park in Reading, U.K.;
- 32 Rue Blanche in Paris, France;
- a 98% interest in 450 Park Avenue and a 36.5% interest in Olympic Tower in New York City; and
- 125 Summer Street, a 45% interest in 225 Franklin Street and 60 State Street in Boston, and a 45% interest in One Memorial Drive in Cambridge, MA.

The Oxford retail portfolio comprises 22 properties, primarily super regional and regional shopping centres, totalling 18.2 million square feet. The properties are located across Canada, the U.S. and the U.K., with the largest concentration in the Greater Toronto Area. The most significant properties are:

- a 50% ownership interest in Yorkdale Shopping Centre, Square One Shopping Centre, Scarborough Town Centre and Upper Canada Mall in the Greater Toronto Area;
- a 50% ownership interest in Quartier DIX30 in Montreal;
- Southcentre Mall in Calgary;
- a 50% ownership interest in Les Galeries de la Capitale in Quebec City;
- Kingsway Garden Mall in Edmonton;
- Olympic Tower high street retail on Fifth Avenue in New York City; and
- a 48.4% interest in 130-137 Bond Street, 82-84 Grosvenor Street, and a 100% interest in The Royal Exchange in London, U.K.

The hotel portfolio includes major Canadian landmark resort properties located in Banff, Lake Louise and Jasper Park, Alberta, and Whistler, British Columbia as well as three urban centre hotels in Vancouver, British Columbia and Toronto, Ontario.

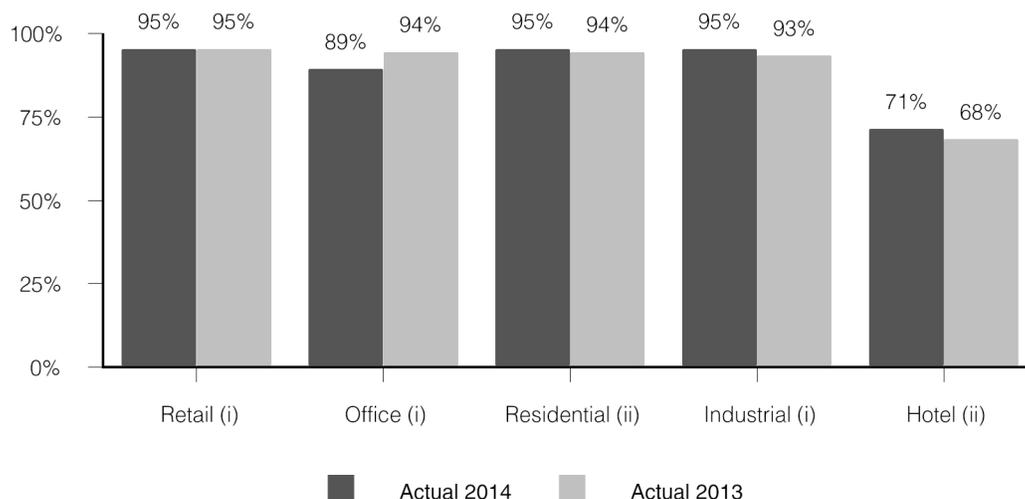
The multi-family residential portfolio consists of 15 properties located in Ontario, Quebec and Nova Scotia, and 6,705 residential units located in Germany (which were sold subsequent to year end).

The industrial-use assets include over 35 buildings, business parks and development sites in the Greater Toronto Area, Vancouver, Calgary and Edmonton markets. Oxford began developing industrial sites in recent years, and its industrial real estate portfolio now comprises more than 10 million square feet, which it intends to double by 2018.

The Oxford real estate portfolio also includes numerous properties held for/under development that form the basis of its active development program. Current active development projects include the projects previously mentioned in this report, as well as the co-developments of London Wall Place and St James's Market in London, U.K., and Hudson Yards, the mixed-use office, retail and residential project in New York City, U.S.

Occupancy

Occupancy levels remain strong and consistent with prior years across the portfolio.



(i) Based on the percentage of gross leasable area occupied at December 31.

(ii) Based on average unit occupancy for the year.

The decline in 2014 year-end occupancy in the office sector was the result of office towers in Vancouver, Toronto and London achieving practical completion in the second half of 2014, before their target stabilized occupancy date.

Investment Risk

Oxford has identified the following risks to its current strategic approach, and risk-mitigation strategies:

- Slower economic growth could adversely affect demand and valuations for various properties in its portfolio. However, Oxford has a property portfolio that is diversified across sectors (i.e., office, retail, industrial, residential and hotels) and geographic markets (i.e., Canada, U.S., U.K. and Continental Europe), which helps to mitigate this exposure.
- A volatile interest rate environment could adversely affect cap rates/valuations. Oxford has a diverse high-quality core portfolio which should be capable of absorbing some cap-rate expansion through improved income growth as higher interest rates are typically associated with improving economic fundamentals. Its portfolio is diversified across both sectors and geographic markets, which also mitigates this risk.
- A competitive environment with an abundant supply of global capital presents a challenge to making acquisitions with an appropriate risk-return yield. Oxford maintains a very rigorous and disciplined approach in pursuing investment opportunities and leverages its global relationships to access off-market acquisition opportunities, when available. It also possesses strong in-house development expertise, which allows it to grow its portfolio without relying solely on acquisition activity.
- The ability to deliver targeted returns without changing its risk profile. Oxford's targeted returns are built from the ground up, with multiple tools to add incremental value to its portfolio and cash flows.

Oxford monitors and remains cautious with respect to the continued volatility in the global financial markets and its impact on investment activity and market fundamentals. Oxford is well positioned to take advantage of all market cycles, and has a strong platform across all regions in which it operates.

Looking Ahead

Oxford will continue to execute against its core strategies in all regions in order to continue delivering strong risk-adjusted returns for the Plan. It will remain focused on the following key strategies:

- prudently increasing assets under management;
- diversifying and rebalancing the portfolio globally;
- advancing and completing development projects that enhance portfolio returns;
- continuing to use conservative amounts of leverage to enhance overall returns, and refinancing borrowings to take advantage of the continuing low interest rate environment and to manage the debt maturity profile; and
- demonstrating an unwavering commitment to a strong company culture, customer service excellence and teamwork.

The outlook for the Oxford portfolio is strong across most of its service markets and, in particular, the U.K. and the U.S. While Canada will continue to be a strong contributor to its results, certain pockets of the Canadian economy are under some pressure (e.g., the oil and gas sector given the recent sharp decline in oil prices that could translate into lower demand or lower rental rates for space). In 2015, Oxford will continue to focus on its development program, which includes redeveloping, renovating and building new quality assets to enhance returns. Over the past number of years, Oxford has been able to consistently deliver these projects on time and on budget, providing it with a key competitive advantage over many other institutional real estate investors.