W | FINANCIAL

APRIL 25, 2018
W FINANCIAL FUND, LP
INVESTOR LETTER
Q1 2018

Re: W Financial Fund, LP — 1st Quarter 2018 Update and Statement

It has now been fifteen years since the launch of W Financial. We began in the spring of 2003 with 18 investors and $2,902,671. Many of the investors in that original pioneer group have added substantially to their accounts over time, some have chosen to reinvest their quarterly interest payments over this entire time, and some have also added additional accounts (such as IRA's, family trust accounts, etc.), so that the total amount currently under management from our pioneer group of investors back in 2003 has increased over time to: $28,007,140.

Today, W Financial has nearly 700 investors residing in 34 states with more than $297,000,000 of investor capital under management. Our $50,000,000 revolving credit facility augments our investment capital and helps us to optimize our cash management capability, currently providing W with approximately $347,000,000 of total lending capacity. We continue to pride ourselves on the transparency and accessibility that we always seek to provide to our investors, and, as we have always done, we encourage each of our investors and their financial advisors to reach out to us with any questions that may arise about the fund, or regarding the real estate or lending terminology used in these letters, with which you may not be familiar, or about any of the investments that you see described herein. Our door is always open to you.

Q1 Portfolio Performance

We are pleased to report that W Financial has completed the first quarter of 2018 with all investor capital fully deployed, and with $27,200,000 of our $50 million, revolving credit line being utilized as of March 31, 2018. W ended the first quarter with more than $297,000,000 of investor capital under management.

From our 2003 inception through March 31st, 2018, W Financial has provided an average annual compound return of 9.52%, net of fees. Thus, $100,000 invested at our 2003 launch had increased to $373,582 as of March 31, 2018, resulting in a total return of 282.24%. Our 1, 3 and 5-year trailing net returns through March 31, 2018 were: 1-year: 8.33%, 3-year: 8.62%, 5-year: 8.85%.

W's Selective Lending Strategy

W's lending team continues to pursue the same selective approach to choosing loans and vetting borrowers that has served us well over the past fifteen years. This approach is reflected in the way that we select, underwrite and structure the loans that we choose to add to our portfolio.

You may notice that over the last several quarters our returns have been tracking lower than our historical average returns. This trend is the result of increased competition in our lending space with many new lenders offering borrowers substantially more loan proceeds than we deem appropriate or wise. As a result, we have been focusing our efforts on pursuing the best quality loans that we can, and choosing to compete on loan pricing, rather than dollars. This approach is consistent with our long-time focus on the importance of prioritizing capital preservation above all else.

New Loan Origination During Q1

During Q1, W Financial provided seven loans totaling $69,450,000. Loan highlights are provided below:

- a $16,500,000 first mortgage loan secured by a two-story, approximately 2,500 square foot commercial building located on Lexington Avenue at the corner of East 79th Street in the Upper East Side neighborhood of Manhattan. The borrower owns several nearby properties and acquired this property in order to try to create an assemblage. The borrower, an experienced New York City developer, plans to repay the W Financial loan with a construction loan once his development plans are approved and in place.

- a $1,300,000 bridge loan secured by a two-bedroom luxury condominium unit located on West 42nd Street between Eleventh Avenue and the Hudson River in the Hell's Kitchen neighborhood of Manhattan. The borrower required a bridge loan in order provide liquidity for another investment.



LEXINGTON AVENUE, UPPER EAST SIDE



WEST 42ND STREET, HELL'S KITCHEN

- a $2,100,000 bridge loan secured by several New York City properties: one property located on Hylan Boulevard on Staten Island, and two properties located in the Glendale neighborhood of Queens, New York. The loan will be used to refinance several existing loans on the properties as well as to satisfy some outstanding tax liens on the properties. The borrower plans to repay the W Financial loan when he refinances with a conventional lender.

- a $7,800,000 bridge loan collateralized by a first mortgage on a package of nine multi-family properties located on Regent Place, Bedford Avenue, East 18th Street, East 21st Street and East 22nd Streets in Brooklyn, NY. W Financial's loan was used to refinance an existing mortgage on the portfolio which is comprised of 71 apartments in three and four-story walk-up buildings. The bridge loan will allow the borrower additional time to make building repairs and to prepare for refinancing with conventional bank financing.

- a $500,000 bridge loan secured by a first mortgage on an ~12,350 square foot commercial building located on South State Street in Hackensack, New Jersey. The borrower obtained the bridge loan in order to access liquidity required for another investment.

- a $7,750,000 bridge loan on a two-story retail building located on Camden Drive in the "Platinum Triangle" section of Beverly Hills, California. W's bridge loan was used to refinance an existing first mortgage on the fee and the excess loan proceeds were utilized to acquire the ground-lease interest. Given the short turnaround time requirement, the borrower required a bridge loan in order to close on the property expeditiously. The borrower plans to refinance the W loan with conventional financing.



HYLAN BLVD, STATEN ISLAND, NY



REGENT PLACE, BROOKLYN



SOUTH STATE STREET, HACKENSACK, NJ



CAMDEN DRIVE, BEVERLY HILLS, CA

- a $33,500,000 first mortgage bridge loan secured by commercial property located on Spring Street in Manhattan's SoHo neighborhood, as well as a development site located on West 46th Street in the Hell's Kitchen neighborhood of Manhattan. The time-sensitive bridge loan was utilized to refinance an existing first mortgage as well as to provide the borrower with some liquidity for another investment.

* Note that the deal descriptions that you see in this update are intended to be a high-level overview, and, as always, we invite you to contact us to discuss any questions that you may have regarding the transactions described, or to simply hear a more in-depth description than space allows in these quarterly letters.



SPRING STREET, SOHO

W Financial's 2017 Audited Financial Statements are now available:

W Financial completed 2017 with an 8.55% fund-level return, net of fees. Our auditor, Marcum LLP, (**www.marcumllp.com**) has completed our 2017 audited financial statement, which is now available for your review by visiting our secure, private, password-protected Investor Information website at the following link: https://private.w-financial.com - and then entering the username: w-fund and the password: twofive6. Scroll down to "Audited Financial Statements" and click on the 2017 box. If you would prefer to have a copy mailed to you, please contact Karen Mannoia or Wendy Ngai in Investor Relations (contact info below), and we will be happy to mail you a hard copy.

Latest form ADV:

As required each March, W Financial's Investment Manager, Sag Harbor Capital Management, LLC, a Registered Investment Advisor, files an updated form ADV with the SEC. These regulatory documents (along with the latest versions of our other fund documents) are always available here: https://private.w-financial.com (username: w-fund, password: twofive6).

Contact Us

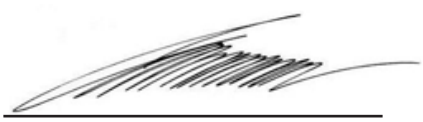
If you have updated your email or mailing address, please let Karen Mannoia or Wendy Ngai know. Karen can be reached at karen@w-financial.com | (212) 532-9178, and Wendy can be reached at (212) 684-2283 x118 | wendy@w-financial.com.

As a reminder, always feel free to call Gregg Winter at (212) 532-9170 or David Heiden at (212) 684-8484 with any questions that you may have, (including any questions about any of the content or real estate terminology in this letter that you would like us to explain in greater detail). Contact our CFO Adam Windwer with any questions that you may have regarding our audited financial statements, or your quarterly statement at (212) 532-9284 | adam@w-financial.com. Alternatively, you can always email us directly at gregg@w-financial.com and david@w-financial.com.

Very truly yours,

W FINANCIAL FUND, LP

By: W Financial GP, LLC, Manager



By: Gregg Winter, Member



By: David Heiden, Member



By: Marc Bailin, Member