W | FINANCIAL

JULY 20, 2018
W FINANCIAL FUND, LP
INVESTOR LETTER
Q2 2018

Re: W Financial Fund, LP — 2nd Quarter 2018 Update and Statement

We hope that wherever your summer travels are taking you this year, you're having the opportunity to enjoy some quality time with family and friends, and perhaps getting to explore some new places and meet some new acquaintances. We are pleased to report that during the second quarter, W Financial surpassed another milestone, with our capital under management having grown beyond $300,000,000. Therefore, when combined with our $50,000,000 revolving credit facility, W's lending capacity now exceeds $350,000,000.

Q2 Portfolio Performance

Our loan portfolio continues to perform well; with all investor capital remaining fully deployed during the second quarter of 2018. We ended Q2 with all investor capital deployed and with $25,800,000 drawn on our $50,000,000 revolving line of credit.

W Financial posted a .69% fund-level return for April, a .64% return for May, and a .65% return for June (which was our 180th consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through June 30th were: 1-year: 8.19%, 3-year: 8.50%, 5-year: 8.82%.

From our 2003 inception through June 30, 2018, W has provided an average annual compound, fund-level return of 9.49%, net of fees. Thus, $100,000 invested at our 2003 launch had increased to $380,973 as of June 30, 2018, resulting in a total return of 289.86%.

New W Financial Loan Origination During Q2

During Q2, W Financial provided five new loans totaling $48,297,000, with W's loan origination net of participations of $45,225,000. Loan highlights are provided on the following pages:

- a $14,000,000 second mortgage bridge loan secured by a large residential development site located in the South Williamsburg neighborhood of Brooklyn, NY. The collateral for W's loan spans several sites located on Flushing Avenue and on Franklin Avenue. W previously had a $7,500,000 first mortgage on the site, bringing W's total loan amount for its consolidated first and second mortgages to $21,500,000. Since the initial closing, the borrower, a very experienced Brooklyn developer, has worked effectively to up-zone the property, in order to be able to fully realize its development potential, and plans to refinance the W Financial loan with a construction loan once the development plans have been completed and fully approved.

- W Financial provided $1,875,000 of bridge loan financing secured by first mortgage loans on two properties located in Nashville, Tennessee. One is a low-rise office building on 16th Avenue South, in the heart of Nashville's Music Row neighborhood, and the second property is a 21-unit multifamily rental building on Straightway Avenue. The borrower plans to lease up the balance of the multifamily units and then refinance W's loan with conventional financing prior to the end of the loan term.



FLUSHING AVENUE, BROOKLYN, NY


16TH AVENUE SOUTH, NASHVILLE, TN


STRAIGHTWAY AVENUE, NASHVILLE, TN

- W Financial provided an $11,350,000 first mortgage bridge loan secured by eight pre-war, luxury apartments located within a 13-story, Beaux-Arts Revival style condominium building located between Madison and Fifth Avenues on Manhattan's Upper East Side. The bridge loan generated liquidity that the borrower required for another real estate investment. The borrower plans to repay the W Financial loan as the units are sold.



MADISON AVENUE, UPPER EAST SIDE, NY

- W Financial has provided an $18 million first mortgage bridge loan secured by a fourteen-story, mixed-use building located on Madison Avenue between 37th and 38th Street in Manhattan's Midtown East neighborhood. The bridge loan was needed so the borrower could react quickly to close on the purchase of a discounted note on another property they owned. The borrower plans to refinance W's loan within a short time with conventional bank financing.



MADISON AVENUE, MIDTOWN EAST, NY

The Alternative Opportunities Fund

Our real estate private equity fund, the Alternative Opportunities Fund, continues to implement its value-add work and strategy on our first three property acquisitions, and continues to pursue additional property acquisitions that meet our investment criteria as outlined in Alt-Opp's PPM.

Please note that we are accepting both new and additional subscriptions from qualified investors for Alt-Opp only up until Tuesday, July 24th. As always, we welcome any questions that you or your financial adviser may have about whether Alt-Opp should be considered as a component of your overall investment portfolio. Let us know if you would like to set up a time for a call.

To briefly recap, Alt-Opp is an opportunistic real estate private equity fund whose primary strategy is to acquire multifamily and mixed-use properties that we feel have considerable room for improvement and upside potential, that can be improved/transformed and then operated for a period of time prior to sale.

Contact Us

If you have updated your email or mailing address, please let Karen Mannoia or Wendy Ngai in Investor Relations 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. For any of you that have not yet updated our new office address in your records, it is 60 Cutter Mill Road, Suite 601, Great Neck, NY 11021. Come visit us when you are in the New York area!

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