W | FINANCIAL

OCTOBER 22, 2018
W FINANCIAL FUND, LP
INVESTOR LETTER
Q3 2018

re: W Financial Fund, LP — 3rd Quarter 2018 Update and Statement

W's lending team has been maintaining our pace of loan originations in a very competitive marketplace, originating $49,600,000 during the third quarter. We typically review dozens of loan applications per week that we receive from the many sources that we've developed over the past decade and a half, and then we filter those leads and choose to pursue and negotiate only the most compelling opportunities, while leaving the vast majority of them where they belong: on the "cutting room floor".

As we have discussed with many of you in person as well as on the phone, our general investment approach and focus as managers over the past year has been lending even more selectively in today's competitive marketplace, and choosing to offer borrowers less in loan proceeds (in other words, tending towards lower loan-to-value ratios) compared to many of our competitors, but pricing our loans at slightly lower rates, thus favoring loan quality over quantity.

Q3 Portfolio Performance

W Financial posted a .71% fund-level return for July, a .62% return for August, and a .77% return for September (which was our 183rd consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through September 30th were as follows: 1-year: 8.08%, 3-year: 8.63%, 5-year: 8.84%.

From our 2003 inception through September 30, 2018, W has provided an average annual compound, fund-level return of 9.48%, net of fees. Thus, $100,000 invested at our 2003 launch had increased to $388,657 as of September 30, 2018, resulting in a total return of 298.10%.

W's Credit Line Usage During the Quarter:

The fund's capital was fully deployed during the entire quarter. We began the third quarter utilizing $25,800,000 of our $50,000,000 credit line, and we ended the quarter with $3,000,000 drawn on our line. Our average credit facility usage during the quarter was: $21,573,913.

New W Financial Loan Origination During Q3

During the third quarter of 2018, W Financial provided 12 new loans totaling $49,600,000. Loan highlights are provided on the following pages:

- a $3,200,000 bridge loan for the acquisition of a garden-style apartment complex located on Jodeco Circle in Atlanta, Georgia. The borrower was in a time crunch and W Financial was able to analyze, structure and close the loan in one week. The borrower plans to stabilize the asset and refinance W Financial's bridge loan with conventional bank financing.



JODECO CIRCLE, ATLANTA, GA

- a $10,000,000 bridge loan secured by a townhouse located on East 67th Street, between Park and Madison Avenues, on Manhattan's Upper East Side. The borrower required a bridge loan to refinance a maturing conventional loan. The borrower expects to repay the bridge loan upon sale of the property.



EAST 67TH STREET, MANHATTAN, NY

- a $1,250,000 revolving credit facility (of which $250,000 is outstanding), collateralized by a first mortgage blanketing two occupied condominium units in an eighteen-story, 122-unit building located on Charles Street, between Waverly Place and Greenwich Avenue, in the Greenwich Village neighborhood of Manhattan. The borrower specializes in purchasing high-end condominium units, which he leases to corporations for housing. Both units are producing rental income, and the borrower expects to refinance the bridge loan by either selling or refinancing the units with a traditional bank financing.

- a $5,900,000 bridge loan secured by a commercial property located on Ludlow Street, between Rivington and Stanton Streets on the Lower East Side of Manhattan. The property is currently occupied by a nightclub which is paying below-market rents. The borrower is in the process of negotiating a lease with a new tenant at higher rents and expects to refinance the bridge loan once the lease has been finalized.

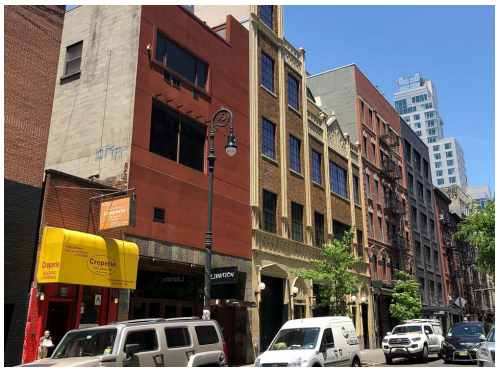
- a $5,750,000 bridge loan secured by several contiguous mixed-use properties located on Halsey Street in Newark, New Jersey. W was able to analyze, structure and close the loan expeditiously as the borrower required liquidity to buy out a partner on the deal. The borrower plans to refinance in the near future as the property is cash-flowing.

- a $3,500,000 first mortgage on a mixed-use development site on Hopson Drive East, in an area known as Research Triangle Park in Durham, North Carolina. The borrower plans to refinance the W Financial bridge loan with construction financing, once he has obtained final site plan approval.

- a $3,000,000 first mortgage on several co-op units located on Central Park West on the Upper West Side of Manhattan and others located in the borough of Queens, NY. The borrower needed the loan for another real estate investment and plans to refinance the W Financial loan upon the sale of units.



CHARLES STREET, MANHATTAN, NY



LUDLOW STREET, LOWER EAST SIDE, NY



HALSEY STREET, NEWARK, NJ

- a $4,250,000 first mortgage on a package of sponsor-owned condominium units in a mixed-use building located on 57th Street, between Seventh and Eighth Avenues, in the Sunset Park neighborhood of Brooklyn. The borrower was in default and had to pay off his current lender expeditiously. He brought fresh equity to the table in order to get the deal closed.

- a $650,000 bridge loan for the acquisition of a residential investment property on Route 9W near the Village of Nyack in Rockland County, NY. The borrower purchased the property as an investment opportunity and plans to lease it in the near future. It is expected that the borrower will refinance W's bridge loan with a conventional bank loan once the property has been rented and is occupied by a tenant.

- a $9,400,000 bridge loan used for the acquisition of a thirty-five unit, multi-family building located on Bedford Avenue at South 2nd Street, in the Williamsburg neighborhood of Brooklyn. The borrower is a very experienced real estate investor in the New York area and plans to repay the W Financial loan with a traditional bank loan after he finishes renovating apartments.



HOPSON DRIVE EAST, DURHAM, NC



CENTRAL PARK WEST, MANHATTAN, NY



57TH STREET, BROOKLYN, NY



ROUTE 9W, ROCKLAND COUNTY, NY

- a $3,300,000 bridge loan collateralized by a luxury condominium unit located on Park Place between Church Street and Broadway in the TriBeCa neighborhood of Manhattan. The loan was utilized to provide the borrower with liquidity for another investment. The borrower purchased the unit in 2017 and it is currently leased at market. He plans to repay the bridge loan either through a refinancing or by the sale of the condominium unit.

- W Financial provided a $400,000 acquisition loan for the purchase of an investment condominium unit located in a full-service, luxury building on East 69th Street at Third Avenue in the Lenox Hill neighborhood on the Upper East Side of Manhattan. The borrower needed to close expeditiously and was unable to obtain bank financing quickly enough.

  *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 above, or to simply hear a more in-depth description than space allows in these quarterly letters.



BEDFORD AVENUE, BROOKLYN, NY


CHURCH STREET, TriBeCa, NY


EAST 69TH STREET, MANHATTAN, NY

Charles Schwab & Co. has now been added to our Platform of Approved Custodians

We recently added Charles Schwab & Co. as another custodian to our investment platform, so now in addition to our most-utilized custodian, Millennium Trust, our investors and their advisors can also utilize Schwab, Fidelity, TD Ameritrade, Pensco and RBC in connection with investments made in W Financial and the Alternative Opportunities Fund, LP. Please contact either Karen or Wendy in Investor Relations if you have any questions about the above.

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 (212) 532-9178 | karen@w-financial.com, and Wendy can be reached at (212) 684-2204 | wendy@w-financial.com.

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, (including questions about any of the content or real estate terminology in this letter that you would like us to explain in greater detail). You may also contact our CFO Adam Windwer with any questions regarding our audited financial statements, or your account statement at (212) 532-9284 | adam@w-financial.com.

Very truly yours,

W FINANCIAL FUND, LP

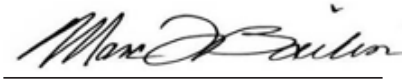
By: W Financial GP, LLC, Manager



By: Gregg Winter, Member



By: David Heiden, Member



By: Marc Bailin, Member