W | FINANCIAL

JANUARY 21, 2019
W FINANCIAL FUND, LP
INVESTOR LETTER
Q4 2018

re: W Financial Fund, LP — 4th Quarter 2018 Update and Statement

All of us at W Financial would like to wish you and your families a happy, healthy and prosperous New Year. We are honored that you continue to rely upon our stewardship, and as always, we continue to make our best efforts each day to merit your trust and your confidence.

W Financial delivered a .80% return in December 2018, with a compounded, fund-level return of 8.33% for the year, net of management and performance fees. December marked our 186th month of positive performance. Our 1, 3 and 5-year trailing returns through December 31st are as follows: 1-year: 8.33%, 3-year: 8.61%, 5-year: 8.80%.

An Alternative to Stock Market Volatility:

Q4's roller coaster ride of stock market volatility (where we witnessed unprecedented swings in the Dow of 800 to 1,000 points in a single session), left many of us breathless – and also had us feeling relieved that our overall investment portfolios are not correlated to the often abrupt movements of the equities markets.

Between the volatility in the equities markets and the turbulent political climate, we realize that 2019 may well present us with some choppy waters to navigate. As always, we feel prepared for the challenges ahead, and intend to stay focused and alert to market conditions, doing our level best to chart a steady course throughout the coming year.

As managers, we and our families have a significant investment in the fund, side by side with our investors. We have always seen the importance of creating and maintaining this alignment of interests between W's managers and our investors.

The Current Bridge Lending Environment:

During 2018, we were faced with a very competitive bridge lending environment, where many non-traditional lenders such as real estate developers and others with idle cash on hand decided to try their hand at bridge lending, albeit often utilizing a more aggressive underwriting approach than ours.

It is our thinking that whenever the next real estate market correction occurs, it is likely that some of these more marginal new lenders in the marketplace that have been making overly-aggressive loans may eventually face some challenges, (as we have seen happen in past market cycles), and then, for a period of time, there may be more opportunities for established, well-capitalized lenders like W Financial to be able buy defaulted loans at a discount to face value and then work them out.

At W Financial we have a lending culture that helped us to successfully steer a course through the economic downturn of 2008 and 2009, and we plan to maintain our usual discipline and approach.

Q4 and 2018 Portfolio Performance:

Since our 2003 Inception through December 2018, W Financial has provided an average annual compounded return of 9.47%, net of fees. Thus, $100,000 invested at our 2003 launch with distributions reinvested had increased to $396,548 as of December 31, 2018, resulting in a Total Return Since Inception of 306.44%, net of fees.

W Financial completed 2018 with all investor capital deployed across 50 loans and investments, and with $27,200,000 of our $50,000,000, LIBOR-based, revolving line of credit being utilized. Our portfolio performed well during Q4, and we ended the year with all loans performing as scheduled.

Our loan and investment portfolio totaled $347,670,877 as of the end of the year ($342,386,377 net of loan participations). Total investor capital in the fund (our closing capital balance for the year), was $310,470,193.

W originated 32 loans during the year totaling $234,297,000, which represents an increase of 17.5% in loan volume over 2017. In some cases, as has long been our practice, in order to enhance risk management and increase portfolio diversification, we work with loan participants on some deals. W originated $214,975,000 net of loan participations during the year.

New Loan Origination During Q4:

During Q4, W Financial funded nine loans totaling $70,250,000. Loan highlights are provided below:

- a $3,500,000 bridge loan collateralized by more than six acres of mountaintop property within an exclusive gated community on Spraddle Creek Road in Vail, Colorado. The property offers dramatic mountain views in several directions as well as views of Vail Village below. The borrower plans to utilize the loan proceeds for another investment property and plans to repay the W Financial loan with either a sale of the subject property or from proceeds obtained from the refinancing or sale of another one of his commercial properties.



VIEW FROM SPRADDLE CREEK ROAD, VAIL CO

- a $1,500,000 bridge loan collateralized by a service station and minimart with frontage on both Alps Road and French Hill Road in Wayne, New Jersey. The borrower was motivated to close the W loan expeditiously in order to consummate a new long-term lease with a large, multinational oil company and to facilitate the tenant taking occupancy as soon as possible. Now that the new, long-term lease is in place with a highly credit-worthy tenant, once the build-out is complete, the borrower plans to refinance the W loan with conventional bank financing.



ALPS ROAD, WAYNE, NJ

- an $8,700,000 bridge loan collateralized by two properties; one located on East 61st Street between Lexington and Park Avenues on Manhattan's Upper East Side, and the other located on Clinton Avenue, in the Clinton Hill neighborhood of Brooklyn. The borrower was refinancing an existing loan and plans to repay W's loan upon the sale of one of the collateral properties.



EAST 61ST STREET, MANHATTAN

- a $1,000,000 bridge loan for the acquisition of a medical office building located on Dermody Street in Cranford, New Jersey. The borrower needed to close the loan quickly, and then plans to refinance the W Financial loan with permanent financing once his business has moved in and is fully operational.

- a $7,500,000 bridge loan collateralized by a 233-unit, two-story, garden-style apartment rental community located on East Cone Boulevard in Greensboro, North Carolina. The timing of the closing was critical in order to take advantage of a time-sensitive 1031 tax-free exchange deadline. W Financial was called in and was able to close the loan within three days preserving the 1031 tax-free exchange. The borrower expects to repay the W Financial loan with conventional agency financing.

- a $2,800,000 participation in a first mortgage loan secured by two retail condominium units located on Mott Street in the NoLiTa neighborhood of Manhattan. W and its participant provided the borrower with a tailored solution and closed the loan within a short time frame. The borrower plans to repay the bridge loan with the sale of one of the condominium units.

- a $1,750,000 bridge loan secured by a vacant office building located on Washington Street in Newark, New Jersey. The borrower had a T.O.E. (time-of-the-essence) closing and needed to close the loan expeditiously. The borrower expects to repay the W Financial loan with a construction loan once the borrower has their building plans approved.



DERMODY STREET, CRANFORD, NJ



EAST CONE BOULEVARD, GREENSBORO, NC



MOTT STREET, NOLITA, MANHATTAN



WASHINGTON STREET, NEWARK, NJ

- a $43,000,000 mezzanine loan secured by interests in 2,292 cash-flowing rental apartments within 19 garden-style apartment communities located in the New York suburbs. The borrower, which owns and manages a significant number of similar apartment communities, had a short-term need, which W Financial's mezzanine loan was able to address. The borrower expects to repay the W Financial loan upon their closing with a new investor. Several of the properties are pictured with the caption "Multifamily Portfolio".

- a $500,000 bridge loan collateralized by a loft condominium unit located on Grand Street between West Broadway and Wooster Streets in the SoHo neighborhood of Manhattan. The borrower needed to access liquidity for a business purpose. The borrower plans to repay the W Financial loan either via a refinance, an expected liquidity event, or by the sale of the property.

**Note that the deal descriptions that you see in these quarterly letters 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 letters.*


MULITFAMILY PORTFOLIO, NEW YORK


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GRAND STREET, SOHO, MANHATTAN

Timing of Additional Investments for W Financial:

Many of our investors have asked us if they can either add to their current positions in W Financial or whether they can add additional accounts. As usual, the answer always depends upon the pace of new loan originations and repayments of existing loans in our investment portfolio, as well as the pace of our usage of our revolving line of credit. Investors who would like to be confident that they will be admitted the next time the fund is open often complete an additional (or new) subscription form in order to be prepared for the next time the fund re-opens. In order to facilitate this, please contact your financial advisor or you may contact Karen Mannoia or Wendy Ngai per their contact info below, if you would like to complete the paperwork and to be notified the next time that W Financial reopens.

Timing of the Issuance of K-1's:

As usual, we expect to issue the K-1's for your 2018 tax reporting purposes by the end of March 2019.

The Alternative Opportunities Fund - Update

During the fourth quarter of 2018, W Financial's sister fund, the Alternative Opportunities Fund, made significant progress pursuing its value-add strategy, successfully adding to its property portfolio by closing on its fourth property, a cash-flowing office building in Boca Raton, Florida, in early November, and its fifth property, a mixed-use building on Seventh Avenue South in Manhattan's West Village neighborhood, in early December.

While a loan fund like W Financial can have an "evergreen" and open structure, real estate private equity funds like Alt-Opp, (which acquire, own, improve, operate and then eventually sell properties), tend to be structured as a series of individual, closed-end funds, with a new fund created every couple of years once the prior fund has been fully invested. Our first Alt-Opp fund closed to new investors in August 2018. Once we have made the final capital call in Alt-Opp, most likely during 2019, then we plan to launch a successor fund. Speak to your financial advisor and then let us know if you would like to get a better understanding of how this type of real estate fund works, and whether you should consider adding a position in Alt-Opp Fund II to your overall investment portfolio.

As always we welcome any questions that you or your financial advisor may have. You may visit this link to read the most recent Alt-Opp updates as they are posted or call us if you would like to discuss: www.alt-opp.com username: Alt-Opp (case sensitive), password: fourseven9.

Contact Us

If you have updated your phone number, email or mailing address, please advise either Karen Mannoia (212) 532-9178 | karen@w-financial.com, or Wendy Ngai (212) 684-2204 | wendy@w-financial.com on our Investor Relations team.

There is often a lot of information to digest in our quarterly letters. 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 any questions about any of the content or real estate in this letter that you would like us to explain in greater detail). You can also contact our Chief Financial Officer, Adam Windwer, with any questions that you may have regarding your account statement or our audited financial statements at (212) 532-9284 | adam@w-financial.com.

Hoping that you and your families are enjoying the winter season.

With warm regards,

W FINANCIAL FUND, LP

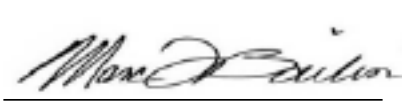
By: W Financial GP, LLC, Manager



By: Gregg Winter, Member



By: David Heiden, Member



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