W | FINANCIAL

APRIL 23, 2019
W FINANCIAL FUND, LP
INVESTOR LETTER
Q1 2019

Re: W Financial Fund, LP — 1st Quarter 2019 Update and Statement

Sixteen years have passed since W Financial opened for business and originated its first loan in the spring of 2003. We continue to cultivate the same lending discipline and mindset all these years later, and we are proud to have established and maintained a strong track record that has facilitated our gradual and organic growth over the years.

Only a small percentage of the many loan opportunities that we see every week make it through our initial screening process, and then W's lending team consistently applies rigorous analysis to each loan opportunity that we pursue. It's an intensive and methodical process that is well-established, yet we are always working to find ways that we can further refine and improve it.

We are pleased to report that W Financial completed the first quarter of 2019 with all investor capital fully deployed, and with $19,000,000 of our $50 million, revolving credit line being utilized. W ended the first quarter with $312,102,699 of investor capital under management.

Our revolving credit facility augments our available investment capital, optimizes our readiness to respond to new loan opportunities and enhances our day-to-day cash management capabilities.

Q1 Portfolio Performance

From our 2003 inception through the end of the first quarter of 2019, W Financial has provided an average annual compound return of 9.44%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $403,967 as of March 31, 2019, resulting in a total return of 314.29%. Our 1, 3 and 5-year trailing net returns through March 31, 2019 were: 1-year: 8.39%, 3-year: 8.51%, 5-year: 8.73%.

New Loan Origination During Q1

During Q1, W Financial provided eight new loans totaling $64,625,000. Highlights are provided below:

- a $350,000 first mortgage bridge loan collateralized by a single-family house located on Denhoff Walk in the Ocean Beach area of Fire Island, Long Island, NY. The borrower required the loan proceeds in connection with his business. The borrower plans to repay the W Financial loan through a conventional mortgage refinance.



DENHOFF WALK, OCEAN BEACH, LONG ISLAND

- a $1,650,000 bridge loan secured by an existing retail center and future development site which is located on West Slauson Avenue in Los Angeles, California. The borrower required a bridge loan to acquire the property. This area of Los Angeles is currently being rezoned in order to encourage new development. The W Financial loan will provide the borrower with time to get the development plans for the site completed and approved, while still collecting rent from the in-place, month-to-month retail tenants. The borrower plans to repay the W Financial loan with a construction loan once his plans have been approved.



WEST SLAUSON AVENUE, LOS ANGELES

- a $2,150,000 bridge loan to acquire a multi-family property located on Chancellor Avenue in Newark, New Jersey. The borrower required a bridge loan to be able to close quickly on the property in order to satisfy the time constraints of his 1031 tax-free exchange deadline. The borrower plans to refinance the W Financial loan with conventional financing upon the stabilization of the property.



CHANCELLOR AVENUE, NEWARK, NEW JERSEY

- a $9,175,000 bridge loan collateralized by a shopping center located on Westwood Boulevard in Orlando, Florida. The borrower needed to refinance a maturing bank loan. The borrower plans to stabilize the



WESTWOOD BLVD, ORLANDO, FLORIDA

property by leasing up the vacant spaces and then plans to repay the W Financial loan by refinancing with a conventional lender.

- a $4,000,000 bridge loan collateralized by a 79-acre parcel of land within a mixed-use campus with uses that include medical offices, industrial/flex, data center and other uses in Totowa, New Jersey. The borrower required a very fast closing in order to be able to fund a deposit to purchase another property in an auction. Given the very low loan to value, it is anticipated that the borrower will come back to us to increase our loan in a few months. The borrower intends to repay the W Financial loan with a sale of two of the parcels which are under contract.

- a $800,000 bridge loan secured by a mixed-use property located on Main Street in Greenport, NY (on Long Island's North Fork). The borrower has been investing in property improvements and is expecting to receive his TCO (Temporary Certificate of Occupancy) shortly. The borrower already has signed a commercial lease with a tenant for the Main Street retail space. Once he has received the TCO, the borrower will then be able to lease up the residential units. Once all the units are rented, he will then be able to refinance W Financial's bridge with a conventional loan.

- a $17,250,000 bridge loan secured by a newly-constructed, mixed-use property located on South Third Street, between Roebling and Havemeyer Streets, in the Williamsburg section of Brooklyn. The borrower needed a bridge loan to refinance his maturing construction loan. The borrower is working to stabilize the property by leasing the vacant units and then plans to repay the W Financial loan by refinancing with a conventional lender.



TOTOWA, NEW JERSEY


MAIN STREET, GREENPORT, LONG ISLAND


SOUTH THIRD STREET, WILLIAMSBURG

- a $29,250,000 first mortgage bridge loan secured by a 16-story, neo-renaissance style condominium hotel property centrally located in the Gold Coast area of Chicago, two blocks west of the lakefront. The borrower has already acquired more than 75% of the condominium units, which is the percentage threshold required to de-convert the building from condominium ownership to fee simple ownership. The borrower plans to purchase the remaining condominium units in order to de-convert the entire property back to hotel use. The borrower plans to repay the W Financial loan with the sale of the property.



EAST DELAWARE PLACE, CHICAGO, ILLINOIS

**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.*

828 Avenue of the Americas, Manhattan:

We originated this $2,075,000 loan on January 23, 2017. On December 21, 2017 the loan was paid down by $1,200,000 by the borrower to its current principal balance of $875,000. On March 8th, 2019 we sent a default letter to the borrower for failure to make payment when due on this loan. Payments due under this loan agreement remain outstanding. Since the value of our collateral significantly exceeds the loan amount, we do not expect to immediately commence a foreclosure action, so at present the loan is accruing default interest and penalties. As always, we will keep our investors posted on the progress of the above, and we encourage any investors or advisors who would like more information or have any questions to contact either Gregg Winter at (212) 532-9170 | gregg@w-financial.com or David Heiden at (212) 684-8484 | david@w-financial.com and we will be happy to discuss.

W Financial's 2018 Audited Financial Statements are now available:

W Financial completed 2018 with an 8.33% fund-level return, net of fees*. Our auditor, Marcum LLP, (www.marcumllp.com) has completed our 2018 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 2018 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

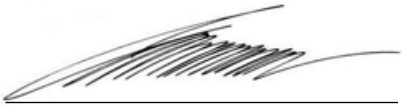
If you have updated your email or mailing address, please let Karen Mannoia or Wendy Ngai know. Karen can be reached at karen@w-financial.com | (212) 532-9178, and Wendy can be reached at (212) 684-2204 | wendy@w-financial.com.

As a reminder, our door is always open to our investors. 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

*Returns are calculated for the limited partner class taken as a whole and are computed using a time-weighted methodology whereby the returns for individual accounting periods are geometrically linked and proforma incentive allocations are taken into account. An individual limited partner's return may vary based on different management fee arrangements as outlined in the Private Placement Memorandum and the Limited Partnership Agreement, as well as by the timing of capital transactions. The monthly returns and other performance calculations are prepared internally and have not been audited or verified by a third party. The use of a different methodology for preparing, calculating or presenting performance returns may lead to different results and such differences may be material.