JULY 25, 2019
W FINANCIAL FUND, LP
INVESTOR LETTER
Q2 2019

Re: W Financial Fund, LP — 2nd Quarter 2019 Update and Statement

We hope that you and your family are enjoying the summer and that you are having the opportunity to explore some new places or reacquaint yourselves with some old favorites. Every summer day is precious, and this ephemeral season will be gone in a flash, so take some time now to savor the moment with your family and friends!

Q2 Portfolio Performance

Our loan portfolio continues to perform well; with most investor capital remaining deployed during the second quarter of 2019. We did, however feel the effects of several large loan repayments during the course of the second quarter, which paid down our revolving credit facility to zero, and then left us temporarily sitting with a substantial amount of cash. As always, we are working to carefully deploy our capital in a series of new loans. The lending environment continues to be highly competitive, and, as usual, we continue to choose to compete at the lower end of the risk and the yield spectrum given our focus on seeking to protect our downside, rather than taking more risk to try and achieve more upside and higher yields. As we had reported in our Q1 letter, we have one small ($875,000) loan that is in default. Prior to the default the borrower had paid down the original $2,075,000 loan by $1,200,000. The leverage is low and we are accruing default interest and penalties.

You know that you've originated a good bridge loan when the borrower successfully executes his or her business plan and then pays it back. Sometimes, however, we can experience what seems like a little too much of a good thing! In Q2 2019, we set a W Financial record for healthy loan turnover in our portfolio, with more than $103,000,000 in loan repayments; including the two

largest loans then on our books: a $43,000,000 loan that was repaid in April, and a $50,250,000 loan that was repaid in late June. Reviewing W's more than sixteen-year track record, the runner-up quarters with significant loan repayments were $78 million in Q3 2015 and $72 million in Q3 2017.

We are hopeful that all investor capital will be re-deployed soon, as we close the next few loans in our pipeline, and that we will once again be utilizing our revolving credit facility, as we normally do, to enhance and optimize our day-to-day cash management.

W Financial posted a .59% fund-level return for April, a .58% return for May, and a .58% return for June, (which was our 192nd consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through June 30th were: 1-year: 8.14%, 3-year: 8.38%, 5-year: 8.64%.

From our 2003 inception through June 30, 2019, W has provided an average annual compound, fund-level return of 9.41%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $410,813 as of June 30, 2019, resulting in a total return of 321.59%.

New W Financial Loan Origination During Q2

During Q2, W Financial provided seven new loans totaling $30,450,000. Loan highlights are provided on the following pages:

- an additional $6,000,000 bridge loan on top of our existing $4,000,000 loan which is collateralized by a 79-acre parcel of land within a planned mixed-use campus with uses that include medical, assisted living and a data center in Totowa, New Jersey. The borrower required a fast closing in order to be able to purchase another property at auction. At the initial closing earlier this year, it was anticipated that the borrower would likely come back to us to increase our loan given the low loan-to-value. The borrower plans to repay the W Financial loan, which combined with our initial $4 million loan, totals $10 million, with a sale of two of the parcels which are under contract.
- a $3,750,000 bridge loan collateralized by a mixed-use property located on Lexington Avenue, between 78th and 79th Streets on Manhattan's Upper East Side. The borrower plans to divide the duplex unit



TOTOWA, NEW JERSEY


LEXINGTON AVENUE, UPPER EAST SIDE, MANHATTAN

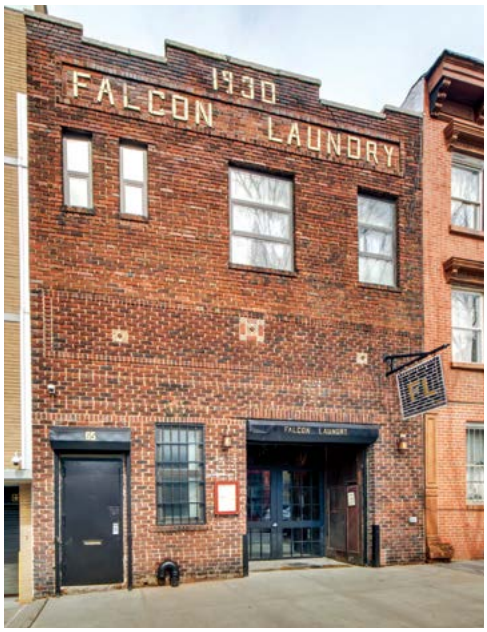
into two units to conform with the certificate of occupancy. The borrower then plans to lease up the additional residential unit. He also has an executed commercial lease for the retail space. Once the tenants are in place and the property is fully cash-flowing, he plans to refinance W Financial's bridge loan with a conventional bank loan.

- a $2,220,000 bridge loan collateralized by a commercial property located on North 7th Street, between Kent and Wythe Avenues in the Williamsburg neighborhood of Brooklyn. The borrower required a bridge loan to facilitate the acquisition of the property. He already operates a restaurant nearby and was seeking to move the business to a larger location. The borrower plans to refinance W Financial's loan with a conventional loan once the new location is fully built-out, operational and cash-flowing.

- a $6,750,000 bridge loan secured by a mixed-use property located on West 38th Street, between Fifth Avenue and the Avenue of the Americas in Midtown Manhattan. The borrower required the loan proceeds in order to facilitate another acquisition expeditiously. The borrower plans to lease up the remaining vacant units at which time he expects to refinance W Financial's bridge loan with a conventional bank loan.

- a $4,500,000 bridge loan secured by a commercial property located on Brighton Beach Avenue, between Brighton 2nd and Brighton 3rd Streets in the Brighton Beach neighborhood of Brooklyn. The borrower needed a bridge loan to facilitate the acquisition of the property. The subject property was previously owner-occupied and being run as a catering hall with a bakery in the basement. Once vacated, the borrower will renovate the space as retail, and then once leased, he plans to refinance with conventional financing.

- a $5,250,000 bridge loan secured by a mixed-use development site located on Jackson Avenue, between Davis and Pearson Streets, in the Long Island City

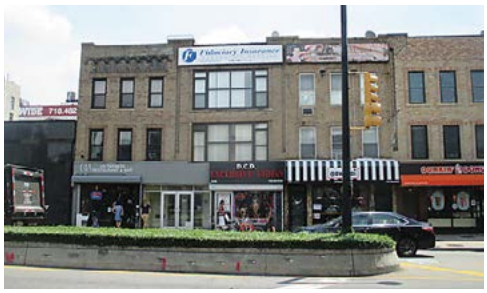


NORTH 7TH STREET, WILLIAMSBURG, BROOKLYN


WEST 38TH STREET, MIDTOWN MANHATTAN


BRIGHTON BEACH AVENUE, BROOKLYN, NY

neighborhood of Queens, NY. The borrower required a bridge loan to facilitate the acquisition of the property. He will continue to operate the existing buildings on a short-term rental basis until he is ready to begin developing the site, at which time it is anticipated that the W Financial loan will be replaced by development financing.



JACKSON AVENUE, LIC, QUEENS, NY

- a $2,000,000 first mortgage acquisition loan secured by more than 300 acres of residential land in Kalaheo on the South Shore of the island of Kauai in Hawaii. There is currently a single-family home on one of the 10 lots. The borrower had been the successful bidder at auction and needed to close expeditiously. W Financial moved quickly and was able to inspect the property, assess the market, and close the loan within a matter of days.



KALAHEO, SOUTH SHORE KAUAI, HAWAII

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.

W Financial's Upcoming Conversion to a Private REIT (Real Estate Investment Trust)

As we have discussed with many of you in the meetings and conversations that we have from time to time, we have some very exciting news to report: We have been diligently researching and working for the better part of a year to revise and update W's fund structure by adding a subsidiary REIT entity to our corporate structure. This new structure will enable our investors to benefit from provisions of the 2017 "Tax Cuts and Jobs Act", which will improve and optimize the tax treatment that our investors receive from the income they derive from W Financial. **This is particularly true for our investors in the highest (37%) tax bracket with taxable accounts, who will see the tax rate applicable to their W Financial income decrease by approximately 20%.** Another benefit is that the UBTI (Unrelated Business Taxable Income) tax will no longer affect tax-exempt accounts (such as IRA's). We are working with our securities counsel and REIT tax counsel to complete the new documents, and once they are finalized and have been posted to our private, password-protected website over the next few weeks, we will send a separate letter explaining the REIT conversion in detail, but for now, we wanted to

provide a preview and to convey that **it will not require any action on the part of our investors, and we expect that our updated fund structure will enhance the tax treatment of the income received from W Financial for all of our investors**. In the meantime, if you have any questions, or are interested in hearing more about this exciting new development, please give Gregg, David or Adam a call, and we will be happy to discuss the process.

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) 684–2204 | wendy@w-financial.com. Our office is located at 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 Chief Financial Officer, 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.

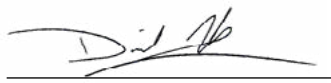
Very truly yours,

W FINANCIAL FUND, LP

By: W Financial GP, LLC, Manager



By: Gregg Winter, Member



By: David Heiden, Member



By: Marc Bailin, Member

**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.*