W | FINANCIAL

OCTOBER 18, 2019
W FINANCIAL FUND, LP
INVESTOR LETTER
Q3 2019

Re: W Financial Fund, LP — 3rd Quarter 2019 Update and Statement

We had an exceptionally beautiful summer here in New York and are now enjoying the gradual transition to autumn. We hope the same is true for you wherever you are.

As always, every week, our lending team reviews dozens of new, incoming deals and then filters out the majority of the new loan applications that we see, choosing to focus on certain opportunities, while rejecting many others. The short-term, bridge lending marketplace remains extremely competitive, and as always, we choose to remain very selective. Consequently, the current lending environment has lowered our returns, as we have chosen to lower our rates to borrowers, in order to continue to attract quality loans.

As many of our long-term investors know, our lending philosophy, approach and mindset have served us well, including through the 2008–2009 recession, so we have every intention of continuing along the same path. As was the case when we started in 2003, our priority is not to achieve the highest yields—our priority is to do our best to create a reliable, cash-flowing portfolio of loans that, once our borrowers' short-term goals have been reached, their loan can then either be refinanced by another lender, or repaid when a property is sold.

Q3 Portfolio Performance

Our loan portfolio performed well during Q3; with most investor capital becoming redeployed, and, as usual, with healthy turnover of loans within our investment portfolio.

W Financial posted a .54% fund-level return for July, a .57% return for August, and a .57% return for September, (which was our 195th consecutive month of positive performance).

Our 1, 3 and 5-year trailing net returns through September 30th were: 1-year: 7.69%, 3-year: 8.20%, 5-year: 8.47%.

From our 2003 inception through September 30, 2019, W has provided an average annual compound, fund-level return of 9.37%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $417,503 as of September 30, 2019, resulting in a total return of 328.71%.

New W Financial Loan Origination During Q3

During Q3, W Financial provided twelve new loans totaling $49,320,000. Loan highlights are provided on the following pages:

- a $3,500,000 bridge loan secured by a condominium unit located on West 21st Street between Tenth and Eleventh Avenues, in a recently constructed, 19-story, 44-unit luxury condominium building in the Chelsea neighborhood of Manhattan. The borrower needed a bridge loan to free up capital for another real estate investment opportunity. The borrower plans to repay the W Financial loan by selling the unit.

- a $950,000 bridge loan secured by a commercial property located on Jericho Turnpike in New Hyde Park, Long Island, NY. The borrower required a bridge loan to acquire the property and needed to close quickly. The borrower plans to repay W Financial's loan when he refinances the property with a conventional lender.

- a $16,750,000 bridge loan on a hotel located on West 46th Street in the Times Square area of Manhattan. The borrower required a bridge loan to acquire the property and plans to bring in new management to operate the centrally located hotel. The borrower plans to refinance the acquisition loan with a conventional bank or CMBS loan.



WEST 21ST STREET, WEST CHELSEA NYC



JERICHO TURNPIKE, NEW HYDE PARK, LONG ISLAND



WEST 46TH STREET, MANHATTAN

- a $1,150,000 first mortgage bridge loan secured by a multifamily development site located on Ridgedale Avenue in Morristown, New Jersey. The borrower required the loan proceeds in order to buy out a partner and plans to refinance the W Financial loan with conventional construction financing.

- a $3,625,000 bridge loan collateralized by a 106-unit, garden-style, multifamily rental community located on Hunt Club Lane in Louisville, Kentucky. The borrower thought he had financing lined up, but the original lender failed to close the loan. W Financial evaluated the property and the market and was able to close the loan very quickly, enabling the borrower to close as scheduled on their acquisition. The borrower expects to repay the W Financial bridge loan when he refinances the property with long-term conventional financing.

- a $10,200,000 bridge loan secured by a recently built luxury condominium building located on 6th Avenue in Naples, Florida. The borrower needed the bridge loan to repay their maturing construction loan. The borrower plans to repay the W Financial loan as the condominium units are sold.

- a $3,240,000 revolving credit line secured by a portfolio of cooperative apartments located on Central Park West and West End Avenue on the Upper West Side, on East 83rd Street on the Upper East Side of Manhattan, as well as units located in Queens, NY. The borrower needed the credit facility in connection with another real estate investment and plans to repay the W Financial financing with sales proceeds of the units as they are sold.

- a $2,100,000 bridge loan secured by an office building located on 6th Avenue in Naples, Florida. The borrower required the loan proceeds for another investment and plans to refinance the W Financial loan with a construction loan once he finalizes his plans.



RIDGEDALE AVENUE, MORRISTOWN, NJ


HUNT CLUB LANE, LOUISVILLE, KENTUCKY


6TH AVENUE, NAPLES, FLORIDA


CENTRAL PARK WEST, UPPER WEST SIDE

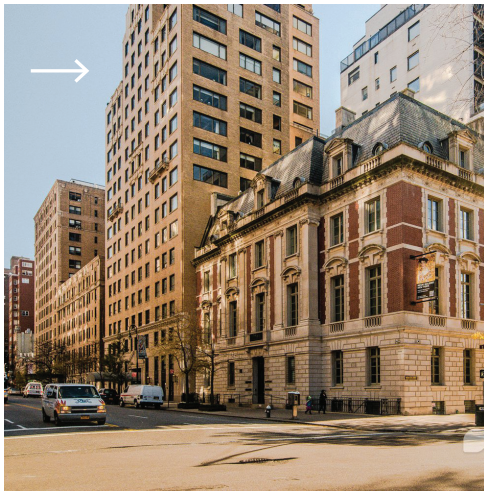

6TH AVENUE, NAPLES, FLORIDA

- a $750,000 loan to a long-term repeat borrower that is secured by a partial pledge of membership interests in the ownership of a recently built commercial building leased to a prominent art gallery located on West 24th Street, between Tenth and Eleventh Avenues, in the Chelsea neighborhood of Manhattan. The gallery building runs block-through from 24th to 23rd streets under the High Line. The borrower requested the bridge loan in connection with another investment and plans to repay the bridge loan from cash flow and sales proceeds from other investments.



WEST 24TH STREET, CHELSEA, MANHATTAN

- an $840,000 bridge loan secured by a medical office condominium unit in a 22-story, pre-war, mixed-use building located at Fifth Avenue and 86th Street, near Central Park on Manhattan's Upper East Side. The unit is located on the ground floor of the building and can be accessed directly from the street, which is desirable for the intended use as a medical office. The borrower needed to close on the acquisition quickly and then plans to refinance W Financial's loan with conventional financing once the business has moved in and is operating.


FIFTH AVENUE, UPPER EAST SIDE

- an additional $3,500,000 loan secured by two adjacent walk-up buildings located on East 44th Street near the United Nations, in Manhattan's Turtle Bay neighborhood. The highest and best use of the property is as a development site. W closed its original loan on this property back in October 2013. Typical of the often long pre-development process in NYC, when the original acquisition loan closed, there were still several tenants in place which delayed the borrower's ability to commence the re-development and to fully unlock the property's substantial development potential. Over a period of time, buy-out agreements were eventually negotiated with all tenants. W's loan proceeds will be used to continue the pre-development process, planning and demolition of the existing buildings. W's total loan amount for this assemblage is $21,500,000. It is expected



EAST 44TH STREET, TURTLE BAY, MANHATTAN

that once the project has been fully approved that W's loan will be refinanced with a conventional construction loan.

- a $2,715,000 bridge loan secured by an eight-unit, multi-family building located on Bushwick Avenue between Putnam Avenue and Madison Street, in the Bushwick neighborhood in Brooklyn, NY. The building is partially occupied, and the borrower ran into an issue with an existing tenant, prompting the bank that previously held the loan to sell it to a private lender. W Financial refinanced the first mortgage and the borrower plans to refinance W's bridge loan with a conventional lender once the issue with the tenant has been resolved.



BUSHWICK AVENUE, BROOKLYN

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.

Our Upcoming REIT Conversion

As you know, towards the end of September we sent our investors a letter providing formal notice of our upcoming conversion to a private REIT, along with our updated fund documents. The goal of this tax structure change is purely to avail our investors of benefits available as a result of the 2017 "Tax Cuts and Jobs Act", in order to optimize W Financial's tax treatment. As we have detailed, nothing else is changing about the way we source, underwrite, structure and service our loans. We expect the change to become effective as of November 1st.

Renewal and Expansion of our Revolving Line of Credit

Since 2004, W Financial has had a revolving line of credit, the goal of which is to give us lending flexibility and to optimize our cash management capabilities. Since its inception, the credit line, which is provided by two sizable, regional banks working in tandem, has operated on a three-year cycle, with the credit line getting renewed and extended every three years.

In mid-August, our revolving credit facility was renewed and the amount available to us was increased from $50 million to $75 million, which currently gives us approximately $375,000,000 of lending capacity. The interest rate spread was also reduced from 325 to 290 basis points above 30-day LIBOR rate. Given our short-term, bridge lending strategy, the ability to expand and contract the size of our loan portfolio according to the availability of market opportunities, is a key factor in utilizing our investor capital as efficiently as possible.

W Financial's Privacy Policy

W Financial's Privacy Policy is posted on our private investor website under "W Financial Fund Documents". You can access the private site 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 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.

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.*