W | FINANCIAL

JULY 16, 2020
W FINANCIAL FUND, LP
INVESTOR LETTER
Q2 2020

Re: W Financial Fund, LP — 2nd Quarter 2020 Update and Statement

While there is no question that we will all remember this as being a highly unusual summer, all of us at W Financial are hoping that you and your family are enjoying each other's company and getting outside to exercise and enjoy the beautiful weather. Hopefully, our health care providers will have several therapeutic treatments at their disposal soon and most importantly we will have a safe and successful vaccine in the next year or two.

Meanwhile, it's important to remember that since summer is fleeting and every day is precious, especially this year - take some time now to savor the moment with your family and a few socially distanced friends!

Q2 Portfolio Performance

The pandemic's effect on the economy continues to have a negative impact on our loan portfolio as well as the overall real estate market. While we are still actively lending, we are being highly selective on which deals we choose to pursue at this time.

As previously reported in our Mid-Quarter Update dated May 27th there were four loans in default totaling $26,284,586. Two of these loans totaling $21,534,586 have been reinstated as they made their payments and for one of these loans, we made a minor modification. Accordingly, two loans totaling $4,750,000 remain in default. For reference as of the quarter-end, our loan portfolio had 55 loans totaling $331,858,890.

All our investor capital remained deployed during the second quarter of 2020. We ended the quarter with $19,600,000 drawn on our $75 million revolving line of credit.

Seven loans secured by properties in states including Colorado, New York, North Carolina, Georgia, New Jersey and Florida repaid their loans in the normal course of business. We also received partial loan paydowns on six other loans. The total of these loan repayments and partial paydowns was $37,341,500.

W Financial posted a .56% fund-level return for April, a .61% return for May, and a .56% return for June, (which was our 204th consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through June 30th were: 1-year: 7.16%, 3-year: 7.83%, 5-year: 8.16%.

From our 2003 inception through June 30, 2020, W has provided an average annual compound, fund-level return of 9.28%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $439,380 as of June 30, 2020, resulting in a total return of 351.81%.

New W Financial Loan Origination During Q2:

During Q2, W Financial provided five new loans totaling $14,750,000. As you will see below, W Financial's lending team continues to travel nationwide as needed, to evaluate properties and perform due diligence during this challenging time. Loan highlights are provided below:

- a $600,000 first mortgage bridge loan secured by a multifamily property located on Nassau Street in the Greenpoint neighborhood of Brooklyn. The building is fully occupied and comprised of approximately 3,000 square feet. The borrower needed to close a bridge loan in a timely manner in order to refinance an existing loan and plans to refinance the bridge loan with a conventional bank loan.



NASSAU AVENUE – GREENPOINT, BROOKLYN

- a $450,000 loan secured by a luxury condominium unit located on Rector Place in the Battery Park City neighborhood of lower Manhattan. The borrower required a bridge loan in order to close quickly and plans to refinance W Financial's loan during the course of the loan term with conventional bank financing.



RECTOR PLACE – BATTERY PARK CITY, MANHATTAN

- a $5,200,000 first mortgage bridge loan secured by a 66-unit multifamily community located on Hidden Springs Drive in Clarksville, Tennessee. The borrower owned the Nashville-area property free-and-clear but required a quick closing in order to fund another project that they were acquiring. The borrower expects to refinance with a Fannie Mae permanent loan.



HIDDEN SPRING DRIVE – CLARKSVILLE, TENNESSEE

- a $900,000 first mortgage bridge loan collateralized by three condominium units located on San Pablo Avenue in Berkeley, California. The borrower is a foreign national and needed to close a bridge loan in a timely manner in order to close on the acquisition and plans to refinance the bridge loan with conventional bank financing.



SAN PABLO AVENUE – BERKELEY, CALIFORNIA

- a modification and increase of an existing loan originally secured by vacant land located in Totowa, NJ from $3,500,000 to $11,100,000. During our loan, the Borrower signed a lease with a hospital and commenced construction of a 138,000 SF medical office building on the site. We also took as addition collateral a first mortgage on seven parcels located in Union City, NJ which the Borrower was purchasing for $2,450,000 and a first mortgage on a 250,000 square foot building that is net leased to a hospital located in Salem, NJ. The borrower expects to refinance W Financial's bridge loan with a conventional construction loan on the Totowa site.



TOTOWA, NEW JERSEY

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.

Contact Us

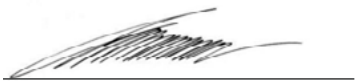
If you have updated your email or mailing address, please let Karen Mannoia in Investor Relations know. Karen can be reached at karen@w-financial.com | (212) 532-9178 or (631) 750-0937.

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.

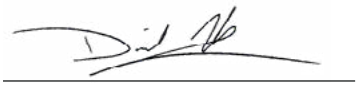
Given the continuing pandemic, as we did at the end of May, we plan to issue our next Mid-Quarter Update at the end of August, in order to keep our investors fully apprised. Having said that, you can call or email us at any time in the interim. We are always available for you. Stay safe and healthy!

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.*