W | FINANCIAL

SEPTEMBER 4, 2020
W FINANCIAL FUND, LP
MID-QUARTER PORTFOLIO UPDATE

Dear W Financial Investors,

We hope that despite the continuing coronavirus pandemic, that you are all staying safe, while enjoying your summer. While New York experienced major challenges at the beginning of the pandemic, over the last several months, New York has been one of the most successful states at reducing the rate of new infections by opening up more slowly than many other states and now has one of the nation's lowest infection rates.

As we had indicated in our May 2020 Mid-Quarter Update, during the course of the coronavirus pandemic, we are supplementing our regular quarterly investor letters with Mid-Quarter Portfolio Updates, providing updates regarding any loans that are in default within in our loan portfolio. There is still substantial economic stress throughout the U.S. that many businesses, tenants and borrowers are experiencing, therefore it is likely that we will continue to see these effects on our loan portfolio for a period of time, until the effects of the pandemic lessen. We expect that some of the defaults may resolve themselves, (as we have seen happen several times over the last couple of months), while in other cases, litigation may be required in order to protect our position. As has always been the case, we are fully prepared to litigate if necessary.

Since the onset of the pandemic, loan defaults have varied, as some loans have gone into default and then subsequently brought themselves current. As reported in our Q2 Investor Letter, at the end of Q2 we had two loans, totaling $4,750,000 in default. Since then, we have sent default notices on two additional loans. The first is an $8,300,000 loan collateralized by seven condominium units located in a pre-war luxury condominium building on East 68th Street, between Fifth and Madison Avenues on Manhattan's Upper East Side. Since the onset of the pandemic, this borrower has been periodically falling behind and then bringing their loan current. The second is a $43,600,000 loan collateralized by a five-building property assemblage located at the intersection of East 79th Street and Lexington Avenue on the Upper East Side of Manhattan. In this case we have engaged legal counsel and are working on commencing a foreclosure action. The above-referenced loans are all first mortgages, which total $56,650,000 (~17% of our loan portfolio). As a point of reference, our total outstanding loan portfolio was $328,022,430 and was comprised of 54 loans as of August 31st, 2020.

Depending upon the specific circumstances of each loan and borrower, in order to best protect our position, we will typically issue and send a formal default letter, and then, if the default is still not cured, we will then issue and send a formal loan acceleration letter. Sometimes, as has happened over the past several months during the pandemic, at this stage, the borrower will proceed to make his/her payments and the loan may be reinstated.

In light of the temporarily reduced level of income due to the percentage of loans currently in default, and in order to underscore and emphasize our long-term commitment to our investors during this challenging period, we are planning to temporarily reduce our performance fee by 25%, from 20% to 15%, in order to lend additional support to the returns of the fund. This Performance Fee reduction will be in effect for the month of August. We will continue to monitor the portfolio and collections at the end of each month to determine if this reduction will be applied again or eliminated. To give our newer investors some historical perspective, ten years ago, in 2010, W Financial's managers also temporarily reduced the Performance Fee during a similarly challenging time.

As always, we will keep you apprised of future developments as well as our new loan originations in our Q3 2020 letter, which, as usual, will be issued during the second half of October. For your reference, our quarterly letters and any Mid-Quarter Updates are archived here: www.w-financial.com/updates.

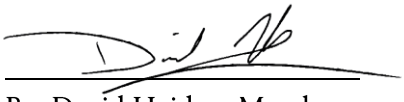
As always, feel free to call Gregg Winter at (212) 532-9170 or David Heiden at (516) 633-1424 with any questions that you may have, (including any questions about any of the content or real estate terminology in this letter that you would like us to explain in greater detail). Contact our CFO Adam Windwer with any questions that you may have regarding our audited financial statements, or your quarterly statement at (516) 996-6515 | 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



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