April 20, 2022
W FINANCIAL FUND, LP
INVESTOR LETTER
Q1 2022

Re: W Financial Fund, LP — 1st Quarter 2022 Update and Statement

Dear W Financial Investors,

For those of you who have been investors since the 2003 inception of W Financial Fund, it may be hard to believe that this month marks 19 years since the fund was launched and we made our first loan on a commercial property in Brooklyn. During our first 19 years, we have closed more than $1.87 billion of bridge loans and we have been able to post positive results each month, each quarter, and each year.

While our methodology has evolved over the years, and the internet has certainly improved our ability to conduct both property-level and borrower-level research, we still visit every property, seek out and visit comparable properties, and meet every borrower (either in person or via Zoom). The fundamentals have not changed, and the original premise of the fund is still in practice today, which is to originate a portfolio of short-term, mostly first mortgage bridge loans, secured by hard assets. The result is a loan portfolio which generates a stream of interest income that we can distribute to our investors.

While the impact of the coronavirus pandemic continues to recede, we know all too well how quickly things can change, and that our continued vigilance remains necessary. Elsewhere on the world stage, since we issued our last quarterly letter, much has changed, and the evolving geopolitical situation has generated new risks, concerning us all.

As has long been anticipated, the Federal Reserve recently moved to increase short-term interest rates. Almost all W Financial loans are floating rate loans, so that the rates we charge our borrowers increase if the Prime Rate increases.

So, for example, if we had priced a loan at 8%, (based on a spread of 4.75% above the Prime Rate), then when the Prime Rate recently increased from 3.25% to 3.5%, the borrower's rate would increase from 8% to 8.25%.

Q1 Portfolio Performance

W Financial ended the first quarter of its nineteenth year with $327.52 million of investor capital under management.

The fund posted a .49% compounded, fund-level return for January, a .52% return for February, and a .62% return for March, (which was our 225th consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through March 31st were: 1-year, 6.32%, 3-year 6.79%, 5-year: 7.41%.

From our 2003 inception through the end of the first quarter of 2022, W Financial has provided an average annual compound return of 9.01%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $489,383 as of March 31, 2022, resulting in a total return of 404.49%.

New Loan Origination During Q1

During Q1, W Financial provided seven new loans for properties located in Norwalk, Connecticut; Camarillo, California; Baytown, Texas; Kissimmee, Florida; San Antonio Texas; and Naples, Florida totaling $50,175,000. Highlights are provided below:

- a $1,750,000 acquisition loan secured by a first mortgage on a mixed-use property located on Ventura Boulevard in Camarillo, California. The property is a mix of both retail and office and is in excellent condition. The borrower required quick and flexible financing to satisfy a time-sensitive closing for a 1031 tax-free exchange transaction and W Financial expects the borrower to refinance the bridge loan with conventional bank financing.



VENTURA BLVD – CAMARILLO – CALIFORNIA

- an $880,000 first mortgage bridge loan for the acquisition of three town houses in Kissimmee and Davenport, Florida. The units are located in HOA (Homeowners Association) communities and our borrower plans to rent them out as vacation rentals and later refinance W's loan with conventional financing.
- an $8,500,000 first mortgage bridge loan secured by a recently constructed, vacant warehouse in Baytown (near Houston), Texas. The borrower plans to owner-occupy the facility to expand their business and needed W's bridge financing in order to close quickly. The borrower plans to refinance the bridge loan with SBA (Small Business Administration) financing. W Financial was able to close the transaction within two weeks.
- a $12,500,000 first mortgage bridge loan secured by a first mortgage on an approximately 615,000 square foot industrial/office building situated on more than 37 acres on Norden Place in Norwalk, Connecticut. The borrower needed the loan in order to refinance his current mortgage that was maturing and plans to make improvements and then repay the W Financial loan upon the sale of the property.
- a $13,800,000 first mortgage bridge loan secured by a 102-unit, luxury rental building located on South Frio Street in San Antonio, Texas. The borrower needed the bridge loan to repay a maturing loan. Once the property is stabilized, the borrower plans to market the property for sale. W Financial was able to close the time-sensitive loan within two weeks.
- a $7,000,000 first mortgage bridge loan collateralized by 31 townhomes located in Naples, Florida. The borrower needed to close expeditiously on the acquisition of the rented townhomes. The borrower plans to refinance the W Financial loan with a conventional mortgage.



AMAZONAS STREET – KISSIMMEE – FLORIDA



JASMINE LANE – DAVENPORT – FLORIDA



PEBBLE BEACH DRIVE – KISSIMMEE – FLORIDA



BAYTOWN (HOUSTON) – TEXAS



NORDEN PLACE – NORWALK – CONNECTICUT

- a $5,745,000 bridge loan on a mostly occupied multi-family building located on Cellnar Drive in Fayetteville, NC. The borrower needed to close on the acquisition expeditiously and plans to refinance the bridge loan with a conventional mortgage.

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.

During Q1, twelve loans on properties located in Manhattan, Brooklyn, Queens. Atlantic Beach and Upstate New York; Valdosta, Georgia; Orlando, Florida; Fayetteville, North Carolina and Miami, Florida were repaid totaling $58,331,112.25, (This total also includes scheduled paydowns on another loan located in the West Chelsea neighborhood of Manhattan).

During most of Q1, all investor capital was fully deployed, and we were utilizing our revolving line of credit, however in the last 3 days of the quarter, three loans totaling $35,150,000 were repaid, which resulted in paying down our credit line to zero.



SAN ANTONIO – TEXAS



NAPLES – FLORIDA



CELLNAR DRIVE – FAYETTEVILLE – NC

A Noteworthy Loan Repayment – Orlando, Florida - Shopping Center:

Soon after the Covid-19 pandemic began, one of our borrowers started having trouble paying his $9,175,000 mortgage. The property was a 52,000+ square foot shopping center situated on approximately 7 acres, located on Westwood Boulevard in Orlando, Florida. Several of the tenants were restaurants that were negatively impacted due to the pandemic. We worked with the owner and offered to temporarily reduce his interest rate for a period of time, with the understanding that at the end, when the loan was refinanced, all the deferred interest would be paid to make W Financial whole. Similarly, we agreed to defer the timing of the payment of two loan extension fees.

Once the pandemic receded, the owner was able to recover, and then eventually to refinance our loan. During Q1, he refinanced his W Financial bridge loan and we collected our full principal balance, all of the deferred interest payments and all deferred extension fees.

150 East 79th Street:

Our foreclosure continues on this $43,600,000 first mortgage loan collateralized by a five-building assemblage/development site, located at the corner of East 79th Street and Lexington Avenue on Manhattan's Upper East Side. Our attorney has made a motion for Summary Judgment, and we are awaiting the judge's decision, which we hope to be rendered within the next 90 days.

In the interim, the borrower has been cooperative and continues to send us the net rents generated by the property. In the meantime, both rents and sales prices for residential properties in New York City continue to improve, and we remain optimistic about our prospects to sell this assemblage to a developer upon the conclusion of the foreclosure. Once the foreclosure has been concluded, and then after we are able to redeploy that repaid capital, we expect to see our returns normalize.

As a point of reference, our total outstanding loan portfolio was $318,797,016, net of loan participations at quarter-end, and was comprised of 57 loans.

W Financial's 2021 Audited Financial Statements are now available:

W Financial completed 2021 with a 6.21% compounded, fund-level return, net of fees*. Our auditor, Marcum LLP, (**marcumllp.com**) has completed our 2021 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-Private** and the password: **delta14six**.

Scroll down to "Audited Financial Statements" and click on the 2021 box. If you would prefer to have a copy mailed to you, please contact Karen Mannoia in Investor Relations (per contact info below), and we will be happy to mail you a hard copy.

A note about your 2021 K-1 tax reporting:

You should have received your 2021 Schedule K-1 in late March. As you know, W Financial converted to a private REIT structure on November 1, 2019. Therefore, your 2021 K-1 reflects REIT dividend income. The REIT dividend income qualifies for the Qualified Business Income

deduction. As such, most of our investors with taxable W accounts will see the tax rate applicable to their W Financial income decrease by approximately 20%. Please consult with your accountant or tax preparer and feel free to contact our CFO Adam Windwer with any questions you may have on this. Adam's contact info is below.

Latest Form ADV:

As required every 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-Private**, password: **delta14six**).

Contact Us

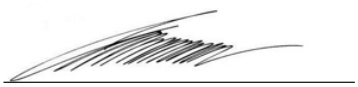
If you have updated your email or mailing address, please let Karen Mannoia know. Karen can be reached at **karen@w-financial.com** | (631) 750–0937 | (212) 532–9178.

As a reminder, our door is always open to our investors. Always feel free to call David Heiden at (516) 633–1424 or Gregg Winter at (212) 532–9170 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 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: David Heiden, Member



By: Gregg Winter, 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.*