Walton Street Real Estate Debt Core Fund, L.P.

Leverage Strategy

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Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the confidential private placement memorandum of Walton Street Real Estate Debt Core Fund, L.P. (as supplemented from time to time, the "Offering Memorandum").

The information contained in the following white paper is proprietary and confidential, constitutes a trade secret and is being furnished to you on a confidential and limited basis solely so that you may evaluate an investment in Walton Street Real Estate Debt Core Fund, L.P. or one of its related parallel funds (collectively, "WSRED Core" or the "Fund"). The information contained herein is provided to you at your request for information purposes only and is not, and may not be relied on in any manner as, legal, tax or investment advice and does not constitute an offer to sell or a solicitation of an offer to buy an interest in the Fund. A private offering of interests in the Fund will only be made pursuant to the Fund's Offering Memorandum, Limited Partnership Agreement ("Partnership Agreement") and Subscription Agreement, which will be furnished to Qualified Investors on a confidential basis at their request for their consideration in connection with such offering and will be subject to the terms and conditions contained in such documents. Each potential Investor should consult its own attorneys, business advisors and tax advisors as to legal, business and tax advice and make its own investment determination prior to committing to the Fund.

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This white paper ("Paper") not be assumed to be complete and is superseded by, and qualified in its entirety by, reference to the Offering Memorandum, the Partnership Agreement and the Subscription Agreement of the Fund, as applicable. In the event that the terms described herein are incomplete, inconsistent with or contrary to the terms of the Partnership Agreement or the Subscription Agreement, the terms of such agreements shall control.

Walton Street Debt Core Managers, L.P. (the "General Partner") is not undertaking to update this information for any change to the Partnership Agreement or otherwise. No person has been authorized to make any statement concerning the Fund other than as set forth in the Offering Memorandum and any such statements, if made, may not be relied upon. Statements contained herein are made as the dates set forth in the Offering Memorandum unless stated otherwise herein. Neither the delivery of these materials at any time, nor any sale of limited partnership interests in the Fund, shall under any circumstances create an implication that the information contained herein is correct as of any time after such dates.

Certain information contained in the following Paper (including any written materials provided in conjunction therewith) constitutes "forward-looking statements" which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe" or the negatives thereof or other variations thereon of comparable terminology. Due to various risks and uncertainties, including those set forth under "risk factors and potential conflicts of interest" in the Offering Memorandum, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements. The Fund, the General Partner and their respective affiliates believe that such statements and information are based upon reasonable estimates and assumptions. However, forward-looking statements and information are inherently uncertain and actual events or results can and will differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.

Statements herein regarding the future activities of the Fund, the General Partner and their respective affiliates represent only the good faith intent and belief of the General Partner as of the date hereof and are not limiting. Any limitations regarding such activities shall only be those set forth in the Partnership Agreement and any related definitive agreements. Statements contained herein are not a substitute for your own review of the Offering Memorandum and the other documents referenced therein. In considering any performance information contained herein, you should bear in mind that past or projected performance is not necessarily indicative of future results and there can be no assurance that the Fund will achieve comparable results to prior funds, that targeted returns, diversifications or asset allocations will be met or that the Fund will be able to implement its investment strategy and investment approach or achieve its investment objective. The projected internal rates of return, equity multiples and other performance projections included in this document and the exhibits hereto are calculated using a model and are based upon assumptions determined by Walton Street. The projected returns are subject to inherent limitations including the projection of market and economic risks. The actual returns achieved on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale and related partnership level reserves, all of which may differ from the assumptions and circumstances on which the valuations used in the prior performance data contained herein are based. Accordingly, the actual realized returns on unrealized investments may differ materially from the returns indicated in this document and the exhibits hereto. Prospective investors should contact Walton Street for additional information regarding the prior performance data contained in this document and the exhibits hereto including the models and assumptions used to calculate such data. Neither the investment performance summary information contained herein, nor information otherwise provided to potential investors in the Fund should be construed or relied upon as indications of the future performance of the Fund. Before deciding to invest in the partnership, you should read and carefully consider the risk factors and conflicts of interest described in the Offering Memorandum.

Any projected internal rates of return and equity multiples included in this Paper are calculated using a model and are based upon assumptions determined by the General Partner of the Fund. The projected returns are subject to inherent limitations including the projection of market and economic risks. The actual returns achieved on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale and related Fund-level reserves, all of which may differ from the assumptions and circumstances on which the valuations used in the prior performance data contained herein are based. Accordingly, the actual realized returns on unrealized investments may differ materially from the returns indicated herein. The projected returns should not be regarded as a representation or guarantee that WSRED Core or a specific investment will reflect any particular performance or that it will achieve or is likely to achieve any particular result or that investors will be able to avoid losses, including total losses of their investment. All data and numerical information herein are approximate, unless otherwise noted.

Certain economic, market and other information contained herein has been obtained from published sources and/or prepared by third parties and in certain cases has not been updated through the date hereof. While such information is believed to be reliable for the purposes used herein, none of the Fund, the General Partner or any of their respective partners, shareholders, directors, officers, employees, agents or affiliates assumes any responsibility for the accuracy of such information.

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Walton Street Real Estate Debt Core Fund, L.P. —Leverage Strategy

1.0 Executive Summary

This white paper ("Paper") seeks to provide the reader with:

a) a summary of the common leverage tools used by U.S. real estate debt funds in executing their investment strategies;

b) a clear understanding of the Walton Street Real Estate Debt Core Fund, L.P. or one of its related parallel funds ("WSRED Core" or the "Fund") leverage strategy and Walton Street Capital, L.L.C. ("Walton Street")'s approach to managing leverage risk;

2.0 Types of Real Estate Debt Fund Leverage

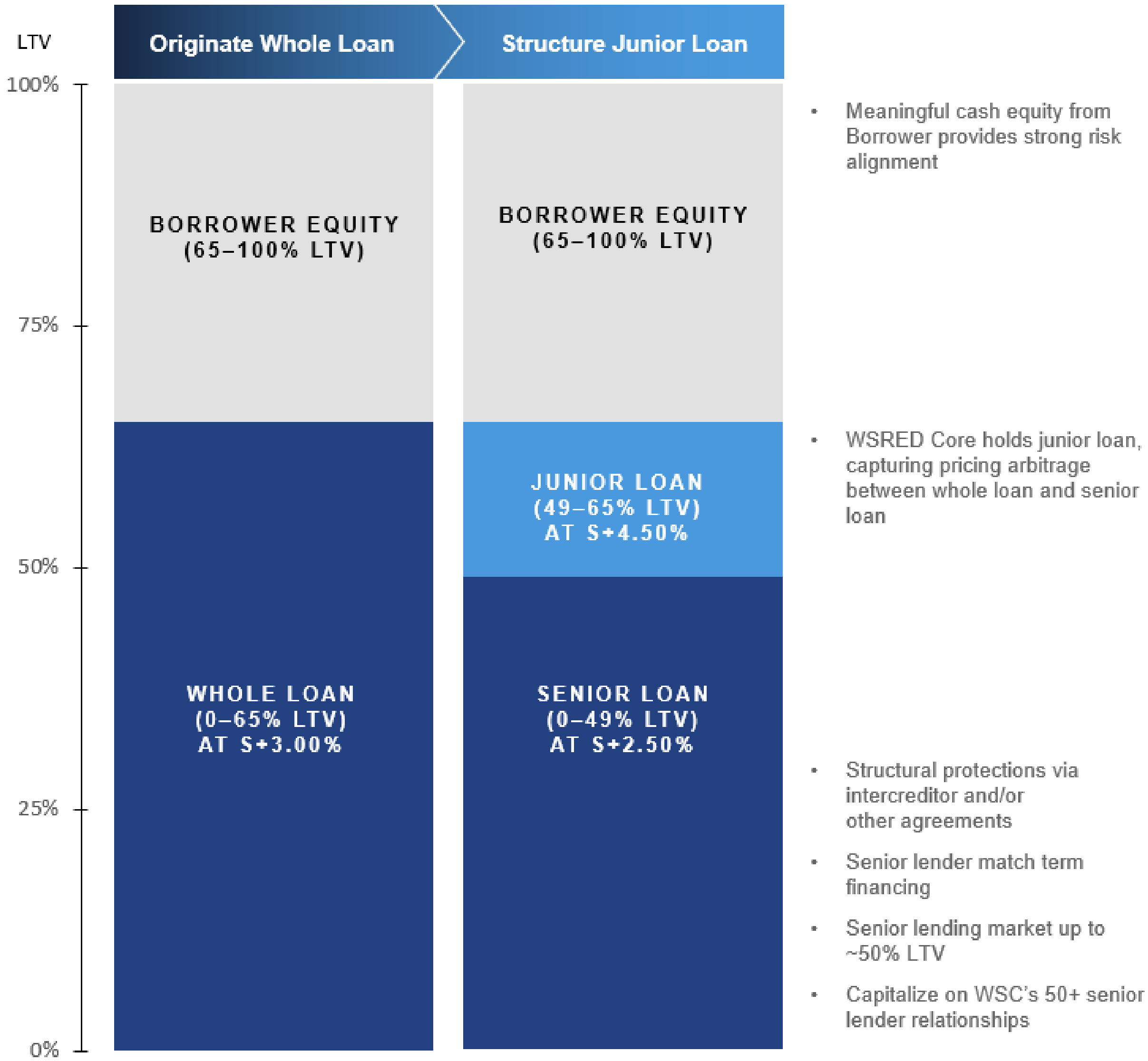
Debt fund managers have access to a variety of leverage tools to finance loans originated by a fund, and these tools differ significantly depending on the risk/return profile of a given fund. Each type of leverage has separate structure considerations and pricing ranges. Financing tools available for real estate debt funds consist primarily of non-recourse structural leverage (at the asset/borrower level) and recourse or partial recourse fund-level leverage.

The Fund's leverage strategy (detailed in Section 3.0 below) is focused on conservative liability management through a combination of (i) non-recourse and partially recourse senior credit facilities, (ii) non-recourse and partially recourse single-asset financings, and (iii) non-recourse structural leverage. WSRED Core will seek to maximize the use of non-recourse financings to the extent it is available in the market at appropriate economic terms. Walton Street believes its conservative approach to leverage will allow the Fund to source attractive risk-adjusted returns while efficiently managing the loan origination process with borrowers.

2.1. Leverage Overview

Debt funds use various forms of leverage, a term which refers to bifurcating an asset-backed whole loan into "senior" and "junior" components. The senior component is retained by a senior lender (e.g., commercial bank, life insurance company, pension fund) while the debt fund retains the junior component. Senior loan components typically size from 0% Loan to Value ratio ("LTV") up to approximately 50% LTV of the collateral asset, with junior loans providing additional leverage beyond that level. Leverage is a critical component of the Fund's return profile.

The diagram on the following page illustrates how Walton Street intends to structure junior loans by originating whole loans and partnering with cost effective senior lenders in seeking to achieve the Fund target returns.



Note: The illustration herein is hypothetical and does not contain information regarding any actual investments, and therefore may not be relied upon in any manner.

2.2. Structural Leverage

Leverage can be obtained either structurally or by borrowing from a third-party. Structural leverage exists when a senior note or mortgage holder has contractual privity with the underlying borrower, alongside, but senior to, the Fund. Third-party borrowing is traditional leverage in which the Fund is the sole mortgage holder who in turn obtains financing through a pledge of the mortgage loan.

Examples of structural leverage include:

a) **Mortgage / Mezzanine Structure**: the bifurcation of a whole loan into two loans - a senior mortgage loan and a mezzanine loan. An intercreditor agreement governs the relationship between the senior mortgage lender and mezzanine lender and details the mezzanine lender's rights and remedies associated with loan management and issue resolution. The senior mortgage loan is collateralized by a first priority lien on the underlying asset. The mezzanine loan is secured by a pledge of 100% of the equity interests in the borrower's special purpose entity ("SPE") which owns the asset. The senior mortgage loan is senior in priority and in liquidation preference to the mezzanine loan. The senior mortgage loan and mezzanine loan are match-term. The mezzanine lender generally provides no guarantees or recourse in connection with the senior mortgage loan or the repayment thereof. Depending on the jurisdiction of the loan, this structure may offer a faster route to foreclose than a traditional mortgage foreclosure and it enables the mezzanine lender the ability to "step into the borrower's shoes" to control the asset and inherit the benefit of the in-place senior mortgage loan. Mortgage / mezzanine structures are better suited and more commonly utilized for larger loans (>$100 million). Mortgage / mezzanine financing is also not as widely available to debt fund lenders as some of the other structures discussed below because the senior mortgage lender needs to underwrite the underlying loan sponsor in addition to the Fund (as the mezzanine lender). If the underlying sponsor is not an existing client relationship of the bank, they may be unable to make the loan, whereas if Walton Street was the sponsor, they would be willing to extend credit on the same collateral.

b) **A Note / B Note Structure**: a mortgage loan evidenced by two separate promissory notes (an "A Note" and a "B Note", respectively), each executed by the borrower, and each secured by the same collateral. A co-lending agreement governs the relationship between the A Note and B Note lenders and details the B Note lender's rights and remedies associated with loan management and issue resolution. Both the A Note and B Note lenders are secured in a single mortgage by a first priority lien on the underlying asset. The A Note, held by the senior lender, is senior in priority for payment of principal and interest and in liquidation preference to the B Note, which is held by the junior lender. The A Note and B Note are match term. The B Note lender generally provides no guarantees or recourse in connection with the A Note or the repayment thereof. This structure is more common with larger loans (>$75 million) and where borrowers request a single mortgage with no mezzanine loan. An A/B structure within a single mortgage does not allow the debt fund to foreclose out equity interests of the borrower. However, when considering downside protection, the structure is attractive as the debt fund is not faced with a potential senior mortgage foreclosure (i.e., the debt fund's B Note would foreclose together with the senior lenders A note to take title to the asset). Similar to mortgage / mezzanine structures, A/B structures are not as widely available as the sponsor typically needs to be an existing lender relationship of the A Note lender.

2.3. Traditional Third-Party Leverage

Third-party leverage refers to traditional leverage whereby WSRED Core pledges or transfers an interest in a whole loan or loans in exchange for financing. WSRED Core's senior lender does not directly interface or have contractual privity with the underlying borrower but remains senior in priority for payment of principal and interest and in liquidation preference to WSRED Core. Third-party leverage takes many forms (e.g., single-asset financing or cross-collateralized financing, both of which may be non-recourse, partially recourse or full recourse).

Examples of third-party leverage include:

c) **Note Financing Structure**: Financing obtained against a whole loan ("Loan on Loan") to synthetically mimic the Mortgage / Mezzanine and A Note / B Note Structures detailed above. In such a structure, the debt fund (through a newly created SPE) originates a whole loan mortgage and the SPE, with the newly originated whole loan as its sole asset, pledges the whole loan to secure senior note financing from a commercial bank on terms (i.e., loan sizing and pricing) that mimic that of a senior mortgage loan or A Note described above. The senior note financing agreement governs the relationship between the commercial bank and the SPE borrower (underlying mortgage lender) and details the SPE's rights and remedies associated with loan management and issue resolution. The note financing and underlying whole loan to the third-party borrower are match term. The debt fund then reports the balance of the whole loan in the SPE, net of its financing, as its junior debt investment. The debt fund generally provides no or limited guarantees or recourse in connection with the senior note financing or the repayment thereof. This is structure is appropriate for smaller loans (<$75-100 million). The Note financing structure also offers flexibility and ease of execution with many US regional banks.

Note Financing Structures can also be utilized to obtain financing against a portfolio of whole loans. The structure is similar to the single asset note financing described above, however the loans are cross-collateralized and cross-defaulted. Cross-collateralized facilities often provide overall better economics given the diversification of the portfolio and stronger alignment of interest between borrower / lender.

d) **Repurchase Facilities**: Financing obtained against a portfolio of whole loans (typically structured as a senior mortgage) to synthetically mimic the structures above. In a repurchase facility ("repo facilities"), the debt fund (through a newly created SPE) originates whole loan mortgages and the SPE, with the newly originated whole loans as its sole assets, transfers the whole loans in exchange for proceeds from a commercial bank on terms (i.e., loan sizing and pricing) that mimic that of a senior mortgage loan or A Note described above. The repurchase agreement governs the relationship between the commercial bank and the SPE borrower (underlying mortgage lender) and details the SPE's rights and remedies associated with loan management and issue resolution. Repo financing can be match term and generally provides for certain enhanced protections for the commercial bank lender in the event of a default on an underlying loan or a material change in the value of the underlying asset. Repo facilities traditionally include re-margining requirements, or mandatory paydowns, in the event of degradation of property cash flows and / or deterioration of property value which require appropriate liquidity management. These credit enhancements make asset, sponsorship, and credit risk selection key considerations for the debt fund when utilizing these structures, as well as hands on portfolio and liquidity management. As with note financing, the debt fund reports the balance of the whole loan, net of its financing, in the SPE as its junior debt investment. Repo financing often includes guarantees or recourse (25-100% recourse) in connection with the senior note financing or the repayment thereof. This structure is widely available and utilized by nearly all debt funds and is appropriate for loans of $50-$125 million. Repo financing offers the greatest flexibility on economics and ease of execution with all of the largest U.S. commercial and investment banks offering this product.

Cross-collateralized Note Financing Structures and repo facilities are hereafter referred to collectively as "Senior Facilities".

Senior Facilities, and namely recourse repo facilities, are a financing tool used almost universally by debt fund managers to finance the origination and acquisition of loans thereby offering a "single source" whole loan execution to the underlying borrower. This is a competitive advantage because borrowers place value on their ability to interface with one lender and can be a key determinant when awarding financing to a debt fund. Use of Senior Facilities also often enable the debt fund to scrape better junior loan economics as compared to structural leverage as a result of the debt fund having greater certainty of execution from its facility lenders and complete control of the entire loan versus having to arrange a simultaneous debt fund/senior lender loan closing. Senior Facilities also can lead to increased origination pace for debt funds since they offer committed equity and require limited negotiation and documentation with each additional loan. Typically, the commercial and investment banks have dedicated teams built to support their debt fund clients, therefore they can move quickly. Senior Facilities are an efficient tool to create scale on the origination side and provide certainty of execution which is paramount to a fund's ability to win financing mandates on best-in-class assets for best-in-class sponsors. While Senior Facilities are commonly partial to full recourse to a debt fund, WSRED Core has successfully been able to originate non-recourse financing structures to seed the Fund. The Fund currently has no recourse exposure. The Fund will prioritize use of non-recourse Senior Facilities to the extent such structure is available in the market at attractive pricing and without sacrificing other important structural considerations.

2.4. CRE Collateralized Loan Obligations

CRE Collateralized Loan Obligations (“CRE CLOs”) have become an increasingly popular form of balance sheet financing for debt fund lenders given investors' appetite for short-term floating rate loans and resulting bond pricing. CRE CLO's provide non-recourse, match-term financing for sponsors. The issuer creates securities, both rated and non-rated, which are sold in the public market. The debt fund sponsor generally retains 15-20% of equity in the pool or loans (the "junior loan”). While CRE CLOs are not subject to credit events or re-margining provisions typical in many repurchase facilities, they include certain interest coverage and collateralization tests to protect the senior-most bondholders and may result in interest payments which otherwise would be paid to the junior lender being diverted to pay down principal on the senior-most bonds. CRE CLOs also have sequential pay, meaning as loans repay, the proceeds are first used to pay down the senior-most bondholders. This results in a reduction in the economics to the junior lender over time. Despite the sequential pay and heavier up-front issuance costs, CRE CLOs can at times provide superior economics and / or higher structural leverage than bank financing, resulting in strong returns for debt fund sponsors.

2.5. Subscription-Backed Credit Facility

Global private equity funds (corporate, buyout, real estate and debt funds) use subscription-backed credit facilities to, among other things, facilitate payment of fund expenses (including management fees), make investments in advance of investor capital calls and to manage the timing of capital calls.

Such facilities are generally secured by: (i) remaining unfunded obligations of fund investors to make capital contributions to the fund (i.e., subscriptions); (ii) the right of the fund and the general partner to make capital calls with respect to such subscriptions on behalf of the fund in order to repay any such facility and; (iii) deposit accounts of the fund into which capital contributions are made by fund investors. Given that the subscription-backed credit facilities are collateralized by these unfunded capital commitments (and not assets in the portfolio), such facilities are not considered to be debt but rather interchangeable as equity in their usage and treatment.

The Fund intends to use a subscription-backed credit facility as a temporary tool to bridge cash needs between capital calls.

3.0 Fund Leverage Strategy

The Fund's investment strategy will be primarily focused on originating a whole loan, partnering with a senior lender on a match term, non-recourse or limited recourse basis and holding the junior loan in the Fund until repayment.

The Fund's leverage strategy is focused on conservative liability management through a combination of (i) non-recourse and partially recourse senior credit facilities, (ii) non-recourse and partially recourse single-

asset financings, and (iii) non-recourse structural leverage. Walton Street's long-standing experience as a borrower and debt fund manager combined with the strength of its long-standing lending relationships have allowed the Fund to structure non-recourse Senior Facilities with rights and remedies more in line with B Note and mezzanine loan structures. The Fund will seek to maximize its use of non-recourse Senior Facilities to the extent such structure is available in the market at attractive pricing and without sacrificing other important structural considerations.
The sizing and pricing of each junior loan is driven by the Fund's ability to optimize the pricing arbitrage between the whole loan with the borrower and the senior loan for that specific credit, while observing the key credit disciplines detailed below and in the Fund's Offering Memorandum.

The Fund's risk tolerance for specific Senior Facility terms involves underlying credit and sponsor risk analysis. Targeted returns are sought through a combination of asset level risk, whole loan leverage, and structural or fund level leverage.

For example, the risk profile of an underlying credit will mitigate (or enhance) the risk of utilizing recourse for Senior Facilities. The Fund may deem it appropriate to use recourse Senior Facilities on near stabilized or light transitional multifamily or industrial assets or for institutional sponsors with strong track records and alignment of interest (e.g., cash equity invested) due to a concluded lower risk of a default or material change in value. However, this conclusion may be different when the underlying collateral is an office building with significant tenant rollover during the loan term. While recourse may be determined appropriate for the multifamily asset, the use of structural leverage or other non-recourse, single asset financing may be deemed more suitable for the office asset. Similarly, the risk of a default or material change in value that could trigger recourse on a 65% LTV loan with 75% leverage (49% LTV to the senior) is different than a 75% LTV loan with 80% structural leverage (60% LTV to the senior). Each investment shall be evaluated both individually and in terms of its impact on the portfolio to determine the most appropriate leverage strategy that aligns with the Fund's targeted risk / return profile.

3.1. Leverage Risk Management

Walton Street intends to manage the risk of leverage for the Fund by setting and observing key investment policies, which include:

- **Conservative Whole Loan LTVs:** As stated in the Fund's Limited Partnership Agreement, the WSRED Core portfolio will not exceed a Loan to Value ratio of more than 70% with respect to the underlying collateral upon stabilization, measured as of loan origination or acquisition. By way of comparison, as of October 2022, the initial investments in the WSRED Core portfolio comprise 8 closed loans (~$573 million of whole loan originations) with a portfolio Loan to Value ratio of only 64% on an as-is basis and 59% on an as-stabilized basis. All current loans are acquisition financings with meaningful cash equity from borrowers that is designed to provide strong downside protection and risk alignment;

- **Healthy Cash Flow from Collateral:** In addition to adopting conservative leverage limitations, WSRED Core targets originating loans on stabilized or near-stabilized assets with strong in-place cash flows and relatively high occupancy levels at initial funding. WSRED Core focuses on lending to experienced borrowers and sponsors with high quality, commercial real estate collateral. The Fund requires that a borrower has a proven track record, strong credit worthiness and subordinate equity in the underlying asset;

  For each loan, the Fund intends to conduct thorough due diligence on the sponsor, market, real estate asset and the sponsor's business plan for the asset. This diligence will be conducted to ascertain both the financial stability and creditworthiness of the borrower as well as the viability of forecasted cash flow to be generated by the underlying real estate asset;

- **Trusted Senior Lender Relationships:** As discussed above, a key component of the Fund's strategy is to originate whole loans and partner with cost-effective senior lenders in seeking to manufacture attractive risk-adjusted returns from holding junior debt. The Fund intends to place senior loans with Walton Street's network of relationship banks focused on lower-yielding senior loan opportunities. Walton Street has several primary relationship senior lenders who have participated in loans and Senior Facilities to Walton Street's other debt funds (such as, Walton Street Real Estate Debt Fund, L.P. and Walton Street Real Estate Debt Fund II, L.P.). The primary relationship lenders include Wells Fargo Bank, Capital One, ING, Société Générale, Aareal Bank, and CIBC, among others. Walton Street has worked with these lenders in other investments (such as those in its own equity funds) and has a good understanding of the lenders' preferences and tolerance for risk. The Fund intends to establish structural protections through agreements between the senior and junior loans to help ensure that the Fund retains controls customary for junior lenders;

- **The Fund is not permitted to incur indebtedness against junior loans**; and

- **The Fund may structure Senior Facilities at a subsidiary level with limited guarantees provided by the Fund to aid in the loan sourcing and closing process**. However, the Fund will evaluate leverage strategy on an individual loan basis based upon asset and sponsor level risk as well as whole loan leverage in order to determine the appropriate balance of risk and return.