March 2013

Share Price & NAV at 31 March 2013

Share price (p)	104.75
NAV (p)	98.39
Premium / (discount)	6.5%
Issued shares	236,500,000
Market cap	£247.7m

Fund Information

Fund type	Closed-ended investment company
Domicile	Guernsey
Inception date	17 December 2012
Listing	London Stock Exchange (Main Market)
LSE identifier	SWEF
ISIN code	GG00B79WC100
NAV frequency	Monthly
Dividend frequency	Quarterly
Origination fee	0.75%
Management fee	0.75%
Website	www.starwoodeuropeanfinance .com

Key Portfolio Statistics at 31 March 2013

Number of issuers	1
Number of investments	1
Number of industries	1
Percentage of invested portfolio in floating rate investments	100%
Portfolio current yield	N/A (1)
Weighted average coupon	N/A (1)
Blended portfolio LTV	N/A (1)
Average loan term	5 years
Percentage of net assets invested in senior loans & cash	91.6%
Percentage of net assets invested in second lien and mezzanine loans	8.2%
Percentage invested in GBP	100%
Percentage invested in Euro	0%

(1) Unable to disclose until the fund has greater than one investment due to confidentiality undertakings.

Starwood European Real Estate Finance Limited

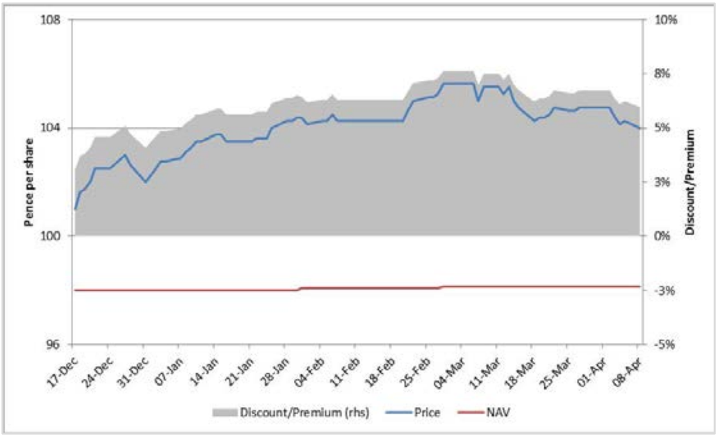
Quarterly Performance Update

Summary

The investment objective of Starwood European Real Estate Finance Limited (the "Company") is to provide Shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments (including debt instruments) in the UK and Continental European markets.

The Company will target a net total return on invested capital of 8-9 per cent. per annum and a dividend yield of 3.5 pence per Ordinary Share in respect of the period from Admission (17 December 2012) to the first financial year end (31 December 2013) and 7.0 pence per Ordinary Share in subsequent financial periods.

Company Performance



Investment Adviser's Commentary

On 27 December 2012 the Company together with Starwood Property Trust, Inc. acted as one of the three partners for the £147m mezzanine component of the £547m refinancing ("Refinancing") of the Maybourne Hotel Group ("Maybourne"). The 5 year Refinancing is secured on three five-star luxury London hotels being Claridge's, the Connaught and the Berkeley and consists of a £400m senior loan and £147m of mezzanine of which the Company committed £19m. The Company's investment has been undertaken on an attractive loan to value in the low fifties per cent. and the Company will earn a double digit yield in line with its investment criteria.

The Investment Adviser is in advanced discussions on the basis of agreed terms on a number of investment, transitional and development opportunities in both the UK and Continental Europe. These opportunities are a mixture of senior, mezzanine and whole loans that reflect the Company's desire to deliver a blended approach to risk and return. They do however remain subject to final due diligence and documentation and final Investment Manager Board approval but represent transactions

Investment Restrictions & Guidelines

Location	UK & Continental Europe
Loan Term	Between 3 and 7 years
Loan Type	Senior, subordinated and mezzanine loans, bridge loans, selected loan on loan financing and other debt instruments
LTV	Absolute maximum of 85% with a blended portfolio LTV of no more than 75%
Real Estate Sector & Property Type	Commercial real estate sectors including office, retail, logistics, light industrial, hospitality, student accommodation, residential for sale and multi family rented residential. Not more than 20% of NAV in residential for sale.
Counterparty & Property Diversification	Not more than 20% of NAV exposed to one Borrower legal entity and no single investment exceeding 20% of NAV at time of investment.

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which it is expected will make an effective contribution to the achievement of the investment objectives in the second quarter of 2013. The Investment Adviser is also working on an extensive pipeline of opportunities at various stages of due diligence and negotiation which are anticipated to achieve the strategic intention to be fully invested within 12 months.

On 18 March 2013, the Company issued an additional 8 million Ordinary Shares at a price of 104.25 pence per Ordinary Share principally to satisfy demand following the Company's inclusion in the FTSE UK Index Series.

Market Commentary

The start of the year has highlighted a much greater degree of optimism within the property markets, still cautious but certainly greater than in recent years. The impact on the property financing market is still difficult to read. A time delay always exists in transferring optimism on property into the financing markets and, after August, January and February remain the most muted months of the year for business. That said, on the demand side, the Investment Adviser senses that property investors are cautiously seeking to take steps to broaden the range and extent of investment plays that will require debt.

On the supply side, many European banks continue to focus on their withdrawal or reduction of exposure to the sector. Individual events, such as the recent nationalization of SNS by the Dutch government, also underscore continued regulatory concerns over the carrying value of many loans on bank balance sheets. Quiet capital relief programs rather than high profile non performing loan portfolio trades are likely to be a dominant theme. Certainly given the short term nature of outstanding loan maturities, loan prolongations are now a very high level agenda item for most European banks.

In contrast, other aspects of the financial sector show greater life. The UK government's "Funding for Lending" program has clearly stimulated property lending. Whilst ostensibly focused on encouraging SME lending, it is notable in creating a renewed interest in property lending albeit based on rather conservative lending metrics. The alternative lending space continues to develop and is summarily defined by investment funds (such as the Company) raising third party capital for higher return lending strategies and insurance companies taking an interest in senior lending.

The Investment Adviser believes that continued demand growth for finance will come from a hardening attitude of banks deleveraging as well as continuing new deal optimism. However such demand growth will also highlight that the restricted scale of available capital remains well below that necessary to meet such demand.

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