BARAC CAPITAL MANAGEMENT, LLC

October 7, 2013

Dear All,

This is the third regular quarterly report to provide updates on the Fund's performance. The Partnership's fund administrator, Fund Associates, LLC, is also generating monthly investment reports for each Partner, by directly and independently accessing the Fund's electronic brokerage data.

For the three-months ending September 30, 2013, The Barac Value Fund L.P. (the "Fund" or "Partnership") delivered returns of 5.16% (after deducting fees and expenses) versus a return of 3.39% for the benchmark[1], resulting in relative outperformance of approximately 177 basis points or 1.77%.

Since the Partnership's inception (on July 14, 2011), the Fund has returned 29.65% (after deducting fees and expenses) versus a return of 22.76% for the benchmark, resulting in relative outperformance of approximately 688 basis points or 6.88%.

	Barac Value Fund Returns		60% S&P TR/
	Gross %	Net %	40% Barclay's Agg.
2011:*	(4.43)	(5.08)	(0.39)
2012:	19.69	17.87	11.31
Year-to-date:	17.21	15.88	10.73
Q3 2013:	5.56	5.16	3.39
Since inception:	34.07	29.65	22.77
Annualized:	14.14	12.43	9.70

*2011 Performance is from July 14th, 2011 to year end 2011

†The net results reflect the deduction of: (i) an annual asset management fee of 1.5%, accrued monthly; (ii) transaction fees and other expenses incurred.

Q3 figures are preliminary and have not been verified by the fund administrator.

PAST PERFORMANCE IS NO INDICATION OF FUTURE RESULTS.

[1] See appendix for details on the benchmark and the underlying comparative methodology.

Quarterly Performance Commentary

For the most recent quarter, ending September 30, 2013, returns for the Fund exceeded the benchmark by 217 basis points (or 2.17%) on a gross basis and 177 basis points (or 1.77%) on a net basis after fees. Outperformance was driven by both individual security selections and an overweight position in stocks (as the equity market index increased by 5.25%, for the quarter, versus a 0.57% return for the fixed-income index).[2]

During the quarter, the Fund's cash position increased from approximately 17% to 34% of assets under management. The reason for the increased allocation to cash was two-fold. First of all, a meaningful increase in equity prices -- at one point the S&P 500 index had climbed almost 7.5% for the quarter -- made certain individual holdings and the overall stock market comparatively less attractive. Secondly, I felt that the political uncertainty surrounding the budget stalemate created near-term market risks that made it prudent to temporarily increase the Fund's cash holdings.

It should be highlighted that the increase in cash was driven by valuation and near-term market risk considerations and not any attempt to try and time the inherently unpredictable short-term moves of the market. In fact, I expect that a successful resolution of the budget crisis will ultimately result in a modest bump in equity prices from a so-called "relief rally". That said, I don't feel that the market is appropriately incorporating the near-term market risks and, more specifically, the "tail risk" (i.e. low likelihood events, but ones which could have severe negative consequences) of the current political situation.

Any securities sales, such as the trades of last quarter, are always done with an eye towards targeting holdings of over one year. While there are obviously many other factors to consider when making any trade, tax efficiency through the realization of lower-taxed long-term capital gains is always a consideration. Ideally, a position is held for multiple years so that taxes are deferred for a considerable period of time. Of course, such a holding period is not always possible because valuation issues can arise that trump tax considerations. Nonetheless, I do believe that the Fund's longer-term value investment strategy allows for greater tax efficiency, relative to more high-frequency trading strategies.

The Forward View

Nothing has materially changed with respect to my view on Treasuries and high-grade corporate bonds. While benchmark 10-year Treasury yields increased from 2.48% to 2.62%, over the course of the quarter, they remain at levels which I still believe are inadequate to compensate investors for inflation and interest-rate risks. As such, the non-equity portion of the portfolio remains predominately comprised of cash, while bonds comprised less than 2% of assets under management at quarter-end.

While having such a substantial position in cash holdings is clearly less than ideal, it reflects the unusual market environment of today (i.e. abnormally low interest rates that make the traditional bond "safe haven" unattractive and risky). Going forward, I still expect that the non-equity portion of the portfolio will ultimately be more heavily invested in interest generating fixed-income assets, to the extent that yields on those assets increase to levels sufficient to warrant such a reallocation.

I believe that equities remain reasonably priced when considering earnings multiples and forward earnings growth prospects. Compared to earlier periods, however, equity valuations have become less attractive on both an absolute basis and relative to fixed-income. As a result, individual stock selection continues to be of paramount importance with respect to finding superior risk/reward opportunities. That said, the Fund remains, and will remain, diversified

[2] As measured by the S&P 500 total return index (including dividends) for stocks and the Barclay's U.S. Aggregate index for bonds.

such that the Fund's performance is not overly correlated with any individual stock. In that regard, no single-name stock comprised over 4% of assets under management at the end of the quarter.

Thank you to everyone for your interest and support and please let me know if there are any questions you may have that I have not answered. The next quarterly report will be for the quarter ending December 31, 2013 and the next subscription period for the Fund will be October 31st.

Sincerely,

Ted Barac
Managing Member of Barac Capital Management, LLC

Appendix:

About The Benchmark:

As a multi-asset fund whose objective is to seek investment opportunities across different asset classes (e.g. stocks, bonds, etc.), the benchmark used for the Fund is a mix of 60% attributed to the S&P 500 index (including dividends paid) and 40% attributed to the Barclays aggregate bond index. The S&P 500 is a commonly used index of 500 U.S. large capitalization stocks while the Barclays aggregate index is a commonly used index of U.S. high-grade bonds.

The reason for using this specific benchmark is because it is comprised of two very commonly followed indexes for the two major investment classes (stocks and bonds) in the 60%/40% ratio mix, which has been a common allocation ratio recommended for long-term investors. In addition, both of these indexes can be easily purchased through low-fee and highly-liquid index funds, providing an easy alternative for investors. Long-term outperformance versus these indexes is necessary to justify an investment in the Fund and, therefore, this is the yardstick to which the Fund will be compared.

To be clear, the benchmark is chosen only to provide an easy and simplistic comparison to how one's investments might have performed if invested in low-fee index funds allocated in the commonly prescribed mix of 60%/40% (equities/bonds). The Fund does not endorse or make any attempt to follow such an allocation and in periods when I view equities as substantially over-valued, the equity allocation may be much less than 60% and vice-versa. In addition, the Fund will also hold other asset classes, outside the scope of the benchmark, which may include cash, small-cap. equities, foreign equities, and high-yield bonds, among others. Overall, the investment strategy of the Fund is about finding the best value across different asset classes and geographies while sizing positions to best optimize risk/reward.