BARAC CAPITAL MANAGEMENT, LLC

July16, 2014

Dear All,

This is the Fund's sixth regular quarterly report to provide updates on the Partnership'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 June 30, 2014, The Barac Value Fund L.P. (the "Fund" or "Partnership") delivered gross returns of 3.68% and net returns of 3.29% (after deducting fees and expenses).

Since the Partnership's inception (on July 14, 2011), the Fund has returned 47.51% (after deducting fees and expenses) versus a return of 38.03% for the benchmark[1], resulting in relative outperformance of approximately 948 basis points.

The Partnership's returns amount to gross and net annualized returns since inception of 15.74% and 14.00%, versus 11.48% for the benchmark.

	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
2013:	27.61	25.68	17.56
Year-to-date:	5.71	4.90	5.90
Q2 2014:	3.68	3.29	3.95
Since inception:	54.31	47.51	38.03
Annualized:	15.74	14.00	11.48

*2011 and inception performance is from the fund's inception on July 14th, 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. Performance figures include the reinvestment of dividends and other earnings as appropriate.

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

PAST PERFORMANCE IS NO INDICATION OF FUTURE RESULTS.

[1] See appendix, at the end of the letter, for details on the benchmark and the underlying comparative methodology.

Quarterly Performance Commentary

For the most recent quarter-ending June 30, 2014, the Partnership returned 3.68% on a gross basis and 3.29% on a net basis after fees, compared to a 3.95% return for the benchmark. Relative performance was constrained by an underweight position in fixed-income and a substantial cash position held by the Fund throughout the quarter.

The longer-term performance for the Fund remains particularly strong, with gross and net returns since inception (in July of 2011) of 54% and 48%, versus a return of 38% for the benchmark. To put that in perspective, an investment of $1,000 at inception delivered net returns of $475 versus $380 for the benchmark (25% more in net returns over less than 3 years). It is also important to re-emphasize that the Fund's returns were generated without leverage (either direct or effective leverage through options), without taking highly concentrated positions, and with the headwinds of holding substantial cash balances for the purpose of optionality, diversity, and overall risk management.

The Fund's size has now nearly doubled since inception -- with assets under management ("AUM") increasing by approximately 95%[2] -- and over half of that increase has come from gains and income from the Partnership's investments (the remainder coming from incremental capital contributions). Going forward, the objective obviously remains to continue to grow assets and improve on performance (on both a cumulative and annualized basis) as the Fund's strategies are allowed further time to play out. That said, the Partnership will always be kept sufficiently small (by limiting capital contributions) as to allow for the Fund to be more nimble and to have a broader range of investment opportunities with adequate liquidity (as the share float for many companies, relative to the size of larger hedge funds, can be prohibitively small from an allocation and liquidity perspective).

My interests also remain strongly aligned with the other partners in the Fund, as most of my own net worth is invested in the Partnership. As mentioned in earlier reports, I believe that manager investment participation is the best way to align interests compared to expensive performance fees. While details on this dynamic are beyond the scope of this report, for those that may be interested, I have recently written more on that topic here: http://seekingalpha.com/article/1829932-the-unintended-consequences-of-hedge-fund-fees

The Forward View

Over the course of the quarter, benchmark 10-year Treasury yields declined by 20 basis points (from 2.72% to 2.52%) and lower bond yields, more broadly, led to an increase in the value of the bond index[3] by 2.04%. Equities, on the other hand, continued to trend higher with the S&P 500 advancing 5.23% over the quarter[4].

The Partnership remained substantially underweight fixed-income during the most recent quarter (at approximately 8% of AUM versus 40% for the bench-mark) and overweight cash, which hurt relative performance during the period and year-to-date. While these asset allocations hurt relative performance over the short-term, I strongly believe that limiting exposure to fixed-income -- an asset class which currently offers low returns/yields with meaningful downside risks -- and holding a sizeable cash position (at this time) remains prudent from a risk and capital preservation perspective. This is particularly true when considering the considerable run-up that both asset the equity and fixed-income classes have realized over the past six quarters.

Over the past year and a half -- as equity prices have risen and bond prices have fallen -- I have adjusted asset allocations to reflect the changing risk/reward dynamics of the respective asset classes. For example, at the end of

[2] All AUM percentages are as of the respective quarter-end periods.
[3] As measured by the Barclays U.S. aggregate index.
[4] As measured by the S&P 500 total return index (including dividends).

2012, stocks and bonds accounted for 75% and 0% of AUM, respectively. With bond prices substantially lower since that time (as benchmark 10 year Treasury yields widened from 1.76% to 2.52%) and stocks considerable higher (S&P 500 up 42% over the period)[5], these allocations are now at 68% and 8%, respectively. So, while cash is at about the same relative levels (c. 25% of AUM), there has been some shift from equities to bonds, as relative value for the two asset classes has gradually shifted.

To be clear, this reallocation does not mean that I am currently negative on stocks or bullish on bonds. On an aggregate basis, I view equities as fairly valued with select individual/idiosyncratic opportunities that offer considerable value. I also continue to view bond yields as relatively unattractive relative to equities -- particularly longer-dated bonds and corporate bonds (with credit spreads currently at very low levels).

For these reasons, and even after some reallocation into fixed-income, the Fund remains overweight equities and underweight bonds. Furthermore, in order to mitigate credit and interest rate risks, the majority of the Fund's fixed-income investments are in U.S. Treasuries and most of the positions have fixed maturities of less than 5 years.

As mentioned before, as equity prices have increased and the market has become more fairly-priced, finding superior individual idiosyncratic opportunities has become even more important to the strategy of the Fund. In that regard, there are three types of investments that I generally look for:

1.) Investments in companies whose shares are oversold because of negative sentiment that I believe is unjustified, given my long-term discretionary free-cash-flow expectations for the companies. These investments are contrarian in nature and take advantage of what is often a "group think" and herd mentality on Wall Street (which I believe can often be short-sided and wrong).

2.) Investments in smaller companies within an industry (with commensurately smaller valuations) with the products, services, and culture/management to become a much larger and more profitable. In other words, smaller companies that are smaller for reasons that are likely to change because of their superior growth prospects (which aren't adequately reflected in the share prices).

3.) Investments in companies whose shares provide "cheap options". These are stocks that I believe to be already trading cheap relative to intrinsic value (on fundamentals alone), but with substantial further upside potential from an event (e.g. a potential takeover bid) that I see as reasonably likely. I believe that these opportunities often exist, as the market can overly discount positive event risk in the absence of any immediate headlines/speculation on the event.

When screening for all investments, I also focus extensively on downside risk and capital preservation and look for companies whose share prices are well supported by cash flow and/or asset values. I am not averse to investing in more speculative shares when risk/reward potential merits such an investment; however, the sizing for those types of investment will always incorporate the risks (i.e. they will be smaller positions). Overall, the investment strategy of the Fund is about finding superior investment opportunities while sizing positions to best optimize risk/reward.

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 September 30, 2014 and the next subscription period for the Fund will be July 31st.

Sincerely,

Ted Barac
Managing Member of Barac Capital Management, LLC

[5] As measured by the S&P 500 total return index (including dividends).

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.