



**BARAC
CAPITAL
MANAGEMENT, LLC**

October 19, 2017

Dear All,

This is the Fund’s nineteenth 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 September 30, 2017, the Barac Value Fund L.P. (the “Fund” or “Partnership”) delivered net returns of 3.6% (after the deduction of management fees) versus a return of 3.0% for the benchmark¹.

Gross and net annualized returns for the Fund since inception through the most recent business close, amounted to 10.6% and 8.9%, respectively.

	Barac Value Fund Returns		60% S&P TR/ 40% Barclay's Agg.
	Gross %	Net %**	
2011*:	(4.43)	(5.08)	(0.39)
2012:	19.69	17.87	11.31
2013:	27.61	25.68	17.56
2014:	11.72	10.04	10.62
2015:	(2.02)	(3.47)	1.28
2016:	7.63	6.01	8.31
YTD 2017:	8.46	7.24	9.70
Q3 2017:	4.02	3.63	3.02
Since inception:	86.54	69.81	73.49
Annualized:	10.55	8.89	9.27

*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.

Performance figures include the reinvestment of dividends and other earnings as appropriate.

***Q3 2017 performance is preliminary and has not yet 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.

THIS IS NOT AN OFFERING OR THE SOLICITATION OF AN OFFER TO PURCHASE AN INTEREST IN THE BARAC VALUE FUND, LP (THE “FUND”). ANY SUCH OFFER OR SOLICITATION WILL ONLY BE MADE TO QUALIFIED INVESTORS BY MEANS OF A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND ONLY IN THOSE JURISDICTIONS WHERE PERMITTED BY LAW.

Third quarter performance

From the third quarter ending September 30, 2017, returns for the Fund amounted to 4.0% on a gross basis and 3.6% on a net basis (after management fees) compared to 3.0% for the benchmark.

Top individual contributors for the period included Ralph Lauren (+20% for the period), Adidas AG (+18%), and Target (+14%). The only two negative return performers for the quarter were Dick's Sporting Goods (-32%) and Entravision (-13%).

As always, it is also important to re-state that the Fund's returns were generated without leverage (either direct or effective leverage through options), without taking highly concentrated positions, and while conservatively holding substantial cash and/or Treasury bond positions. I also continue to "put my money where my mouth is" and most of my liquid net worth also remains invested in the Fund along with the other Partners.

Performance Commentary

For the third quarter ending September 30, 2017, domestic equities² delivered a return of 4.5%. Bond returns, on the other hand, were modestly positive as the yields remained broadly stable and the bond sub-component³ of the Fund's benchmark increased by 0.9%.

The Fund's outperformance for the quarter was driven by individual security selections and solid performance from the Partnership's European equity holdings. The contributions of Target and Ralph Lauren were particularly strong given their considerable share price performance combined with the fact that they were the two largest individual stock holdings at quarter-end (accounting for 6% and 4% of assets-under-management "A.U.M." at the end of the quarter).

Because little has change with respect to my positioning and only a limited amount time has elapsed since the Fund's August letter -- in which I detailed developments surrounding the largest performance contributors and detractors for this quarter (Target, Ralph Lauren, and Dicks) -- this report will be brief. For those who may be interested, however, these holdings are discussed in detail in the prior performance report from August 20th and can be found in "the letters and articles" section at www.baraccapital.com.

Apart from the contributors already mentioned, the Fund's holdings in German and European small-cap stocks index funds also performed well during the quarter, increasing by 7% and 8% respectively (versus a 4.5% return for domestic equities). International holdings accounted for approximately 15% of assets-under management A.U.M. at the end of the quarter. Going forward, I believe that these holdings continue to provide a nice diversification benefit away from the U.S. equity market.

Outlook and Positioning

At quarter-end, the Fund remains more defensively positioned than what has been typical, as I remain cautious on "risk assets" (stocks and corporate bonds). As of the end of September, the Partnership remained slightly underweight equities (at 59% of A.U.M. versus 60% for the benchmark) and was underweight fixed-income (at 36% of A.U.M. versus 40% for the benchmark). The Partnership held a modest cash balance of 6% of A.U.M. at the end of September.

With 5-year Treasuries offering yields of almost 2% -- with no credit risk, limited interest rate risk, and excellent liquidity -- the justification for holding cash as the Fund's defensive assets (relative to these "safe-haven" bond instruments) has greatly diminished relative to many prior periods. Because I also believe that corporate credit

² All domestic equity references are as measured by the S&P 500 total return index.

³ As measured by the Barclay's U.S. Aggregate index.

spread levels aren't attractive (and because I remain cautious on interest rates over the longer term), all of the Fund's bond positions are in U.S. Treasury bonds with maturities of less than 5 years.

Thank you to everyone for your interest and support and please let me know if there are any questions you may have that I haven't answered. The next quarterly report will be for the quarter-ending December 31st, 2017 and the next subscription period for the Fund will be on 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.

THIS IS NOT AN OFFERING OR THE SOLICITATION OF AN OFFER TO PURCHASE AN INTEREST IN THE BARAC VALUE FUND, LP (THE "FUND"). ANY SUCH OFFER OR SOLICITATION WILL ONLY BE MADE TO QUALIFIED INVESTORS BY MEANS OF A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND ONLY IN THOSE JURISDICTIONS WHERE PERMITTED BY LAW.