BARAC CAPITAL MANAGEMENT, LLC

November 6, 2018

Dear All,

In April of last year, Barac Capital began offering separately-managed-accounts (S.M.A.) and the offering has been very successful (with assets in these accounts growing to substantially exceed those of the Barac Value Fund, L.P.; the "Fund" or "Partnership"). I started offering the S.M.A.s in order to address some of the inherent disadvantages of a hedge fund structure. While I continue to believe that the Fund's terms were very attractive (within the confines of a hedge fund structure), there were still a number of inherent drawbacks for many investors, including:

- Limited control (e.g. ownership of a percentage of the Fund rather than complete ownership/control of your own brokerage account);
- A lack of individual customization;
- A regulatory requirement to be an "accredited investor";
- Contributions required in cash (potentially requiring other investment liquidations and a crystallization of capital gains);
- Limited liquidity (monthly only); and
- Partnership "K1s" for tax preparation.

Because the S.M.A. offering addressed these issues and is inherently advantageous (for investors), relative to an investment partnership, I saw little on-going incentive for an investor to choose the Fund over this alternative relationship. As such, on October 16th the dissolution of the Fund was completed and the assets of the Partnership were distributed into the S.M.A.s of the limited partners.

Importantly, the Fund was dissolved in a tax efficient manner that didn't crystallize the unrealized gains of the Partnership (via a dissolution in-kind). The time and administrative tasks required to complete this in-kind distribution was substantial (relative to what would have been required for a liquidation), but the relative tax benefits it provided to the limited partners was well worth the effort.

As a result of the Partnership's dissolution, this quarterly letter will discuss the performance of the Fund from inception (to closure) as well as the performance of the S.M.A.s (in aggregate) since inception. Going forward, the quarterly letters will be similar to those of the past, with a performance commentary focused on S.M.A. returns in aggregate.

There has been considerable volatility in the equity market in October and the S.M.A. performance data for this report will also incorporate that period (with performance reporting through yesterday's market close). Also, because of the larger than normal reporting range for this quarterly report (from May 2017 through yesterday's market close) -- and the number of different positions that have impacted performance during different periods within that range -- this report will not include any commentary on individual positions. Such commentary will resume with the next quarterly letter (for the quarter-ending December 2018).

Performance Update

The aggregate net returns (after the deduction of fees and expenses) for the Fund since inception (on July 14, 2011) to the last business day prior to dissolution (October 15, 2018) amounted to 90% on a net basis (after management fees), compared to 84% for the Partnership's benchmark[1].

The aggregate performance of Barac Capital's S.M.A.s has been particularly strong, with net returns (after all fees and expenses) of 17.5% (11.6% annualized) versus 9.9% (6.6% annualized) for the benchmark, resulting in 760 basis points of outperformance in less than a year-and a half. Since inception, the aggregate performance of the SMAs has also outperformed both the benchmark's equity and bond subcomponents[2], despite the conservative positioning of the accounts.

	Separately-Managed Accounts Net %**	Benchmark** 60% SPY/ 40% AGG
2017:*	**12.0**	**8.4**
2018 Y.T.D. (through 11/5):	**4.9**	**1.5**
Inception (through 11/5)*:	**17.5**	**9.9**
Annualized:	**11.6**	**6.6**

Individual S.M.A. performance may vary, depending on the timing factors and customized asset allocations.

Please check your brokerage statements for the actual returns of your individual accounts.

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

*Inception and 2017 performance is from May 16, 2017.

** See appendix for information on the underlying benchmark methodology.

PAST PERFORMANCE IS NO INDICATION OF FUTURE RESULTS.

I'm particularly pleased with the outperformance of the S.M.A.s versus the domestic equity benchmark[3], considering the conservative positioning of the accounts. Given my cautious view on the equity markets since the inception of the S.M.A.s, these accounts have consistently held cash and/or Treasury bond balances that have exceeded 40% of assets.

Apart from conservatively holding substantial cash and/or Treasury bond positions, it is also important to re-state that returns were generated without leverage (either direct or effective leverage through options) and without taking highly concentrated positions.

Outlook and Positioning

The recent market sell-off has increased the attractiveness of the markets but it hasn't been substantial enough to change my overall cautious view and needs to be put into the context of the massive gains that have still been made over the past two years. I do remain generally cautious with regard to "risk assets" (stocks and corporate bonds) and this continues to be more a result of market risk factors rather than concerns with respect to current equity valuation multiples.

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[1] See appendix for the underlying benchmark methodology.

[2] As measured by the SPY and AGG passive-index ETFs, respectively.

[3] As measured by the SPY passive-index ETF.

The reasons for this caution are the same as those explained in the last quarterly letter. As we approach full employment and some of the government's pro-growth policies come into effect, there is a heightened risk of wage pressure and increased interest rates with increased inflation. Furthermore, current valuations appear to incorporate little with respect to geo-political risks at a time when there is much political change and uncertainty. It also warrants keeping in mind that if/when the business cycle does turn (and assets prices fall), a resulting "reverse wealth effect" could exacerbate the impact of a cyclical downturn.

For all of these reasons, the S.M.A.s remains more defensively positioned than their benchmark (which, itself, reflects a conservative asset allocation). This is reflected in the fact that 47% of the aggregate S.M.A. assets are either in cash or U.S. Treasuries with maturities less than 5 years. This is an aggregate number and individual asset class allocations can vary from client-to-client, depending on individual investor risk-tolerances.

To be clear, the defensive positioning of the S.M.A.s remains in place in order to mitigate against market risks and not based on the expectation for an imminent fall in equity prices. In fact, I believe that the current uptrend in the equity market could continue for a while. Furthermore, I continue to believe that the S.M.A. holdings include idiosyncratic value opportunities (for specific stocks) that are superior to those of the equity markets as a whole.

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.

Sincerely,

Ted Barac
Managing Member of Barac Capital Management, LLC

Appendix:

About The Fund's 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.

Apart from being a very common benchmark for multi-asset strategies, 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.

About the S.M.A. Benchmark:

The S.M.A. benchmark methodology is broadly similar to that of the Fund (see above); however, it is linked to low-fee index funds that track the respective indexes (as supposed to using the actual indexes themselves). The S.M.A. benchmark is 60% attributed to a S&P 500 fund (SPY) and 40% attributed to the Barclay's high-grade bond-index fund (AGG).

Using passive-index funds (instead of the actual indexes) for the benchmark more accurately reflects the actual costs of investing in a passive strategy (where there are some fees, albeit very low: 10 bps/year for SPY and 5bps for AGG). More importantly, however, both of these indexes aren't available for benchmark comparisons using Interactive Broker's performance tracking reports. As such, manually time-weighting the benchmark returns across more than a dozen individual S.M.A. accounts would have been prohibitively time-consuming (relative to any added-value it might provide).