BARAC CAPITAL MANAGEMENT, LLC

January 26, 2016

Dear All,

This is the Fund's twelfth 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 December 31, 2015, The Barac Value Fund L.P. (the "Fund" or "Partnership") delivered net returns of 1.92% (after deducting fees and expenses) versus a return of 4.01% for the benchmark[1].

Since the Partnership's inception (on July 14, 2011), the Fund has returned 49.37% (after deducting fees and expenses) versus a return of 46.03% for the benchmark.

The Partnership's returns amount to gross and net annualized returns since inception of 11.07% and 9.40%, versus 8.85% 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
2014:	11.72	10.04	10.62
2015:	(2.02)	(3.47)	1.28
Q4 2015:***	2.30	1.92	4.01
Since inception:	59.80	49.37	46.03
Annualized:	11.07	9.40	8.85

*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.

***Q4 2015 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.

Quarterly Performance

For the most recent quarter ending December 31, 2015, the Fund returned 2.30% on a gross basis and 1.92% on a net basis (after fees), versus 4.01% for the benchmark. Underperformance for the quarter was driven by the aggregate underperformance of the Fund's individual security selections, somewhat offset by an overweight position in stocks and an underweight position in bonds (as equities substantially outperformed fixed-income for the quarter).

Top individual stock performers included Adidas AG (+20% for the quarter), Charles Schwab (+16%), Entravision (+16%), and Home Depot (+15%). The worst individual stock performers included Best Buy (-17% for the quarter), Twitter (-14%), Gap (-12%), and Union Pacific (-11%).

The longer-term performance for the Fund remains solid with gross and net returns since inception of 60% and 49%, respectively, versus a return of 46% for the benchmark.

As always, 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 while holding substantial cash balances. I also continue to "put my money where my mouth is" and most of my net worth also remains invested in the Fund along with the other Partners.

Performance Commentary

2015 was a tough year for value investors/investments and the performance of the Fund was no exception. The large-cap growth and high price/earnings multiple FANG stocks (Facebook, Amazon, Netflix, and Google) dominated the returns of the S&P 500 index while traditional value stocks performed much poorer.

More specifically, the FANG stocks (none of which were owned by the Fund during the year) were up on average by over 82% -- despite beginning the year with already high price/earnings multiples and large market capitalizations. By comparison, the broad S&P 500 index returned a meager 1.4% for the year (with "value stocks" -- depending on how you define them -- appearing to fare even worse)[2].

I am pleased that the Fund has outperformed its benchmark since inception; however, I am disappointed in the magnitude of outperformance following a relatively tough year in 2015. To be frank, 55 basis points (bps) of annualized outperformance is not an exceptionally strong incentive to invest in an actively managed fund over simply investing in diversified index funds. As such, the goal obviously remains to improve performance (on both an absolute and annualized basis) as the Fund's strategies are allowed further time to play out.

Outlook and Positioning

Over the course of the quarter, 5-year Treasury yields increased by 38 bps (from 1.38% to 1.76%) and I added Treasury exposure to take advantage of these more attractive yields. High-yield corporate bond spreads and yields continued to widen considerable over the course of the year (with spreads widening from 502 bps to 687 bps during 2015 -- after falling below 350 bps in mid-2014[3]). The combination of

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[2] All performance references for the S&P 500 index are for total return (including dividends).
[3]As reflected by the S&P U.S. issued high-yield corporate bond index.

these increased “risk-free” rates and widened credit spreads caused yields on high-yield corporate bonds to increase to levels which I felt warranted adding some limited exposure (amounting to about 5% of assets-under-management “A.U.M.” at quarter-end).

Domestic stocks performed well over the course of the quarter -- with the S&P 500 index up over 7% (and at one point during the quarter, up over 10%). With higher stock prices, more attractive bond yields, and a desire for the fund to be positioned more conservatively, the asset allocation of the Fund also changed considerable during the quarter.

More specifically, bond exposure increased from 13% of A.U.M. to 21% (versus 40% for the benchmark). Equity exposure, on the other hand, was reduced from 76% to 67% of A.U.M. (versus 60% for the index) and the Fund’s cash balance increased from 11% of A.U.M. to 13%.

This more conservative re-positioning has proved to be beneficial, given the sell-off in equities which has marked the beginning of the year 2016 (the S&P 500 index fell by over 11% before rebounding some and is still now down over 8% YTD[4]). Going forward from here, I believe that equities are reasonably attractive and I believe that there are select individual stocks that still offer substantial value. While I don’t discount the potential for a further equity sell-off (which I would believe to be temporary in nature) -- driven by further macro concerns and/or earnings disappointments -- I continue to believe that domestic equities will outperform Treasuries and other high credit quality bonds over the longer-term.

As of last Friday’s market close, the equity-risk premium remains substantial -- with a forward earnings’ yield on the S&P 500 index of 6.50% versus a 2.05% yield for 10-year Treasuries[5]. The dividend yield on the S&P 500 index (at 2.4% as of Friday’s close) has even surpassed the yield on 10-year Treasuries. This is only the 4^{th} time in over 50 years that this has happened. While not a reason in-and-of-itself to be bullish on equities, it’s informative to note that a strong run for stocks followed the other three times.

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 March 31st, 2016 and the next subscription period for the Fund will be January 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

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[4] As of the close of business on 1/25/16.

[5] The forward earnings data is available weekly as of Friday.

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.