BARAC CAPITAL MANAGEMENT, LLC

January 3, 2014

Dear All,

This is the fourth 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 December 31, 2013, the Barac Value Fund L.P. (the "Fund" or "Partnership") delivered returns of 8.46% (after deducting fees and expenses) versus a return of 6.17% for the benchmark[1], resulting in relative outperformance of 229 basis points or 2.29%.

Since the Partnership's inception (on July 14, 2011), the Fund has returned 40.62% (after deducting fees and expenses) versus a return of 30.34% for the benchmark, resulting in relative outperformance of 1,028 basis points or 10.28%.

The Partnership's returns amount to gross and net annualized returns since inception of 16.57% and 14.82%, respectively, versus annualized returns of 11.34% 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
Q4 2013:	8.88	8.46	6.17
Since inception:	45.97	40.62	30.34
Annualized:	16.57	14.82	11.34

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

Q4 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 and Full-Year Performance Commentary

Outperformance for the quarter was, again, driven by individual security selections, an overweight position in stocks, and an underweight position in bonds (as the equity market index increased by 10.51%, for the quarter, versus a negative 0.14% return for the fixed-income index).[2] Over the course of the year, 10-year Treasury yields widened by 127 basis points (from 1.76% to 3.03%), bringing down the price and value of bond investments as a whole. Stocks, on the other hand, had their best year since 1997[3].

As a result, a heavily underweighted position in fixed income and an overweight position in equities worked well for the Fund and contributed to gross and net outperformance of 1,005 and 812 basis points (or 10.05% and 8.12%), respectively, for 2013. The Fund also benefited from having no direct exposure to gold or the other commodities that fared so poorly in 2013 (e.g. gold and silver prices fell by 28% and 35%, respectively, during the year).

It should also be highlighted that the Fund's performance was achieved without using leverage (either direct borrowing or effective leverage through options), taking highly-concentrated positions, or other high-risk strategies. In fact, the performance of the Partnership was realized with the headwind of conservatively holding a substantial cash balance throughout the year (for the purpose of providing asset diversification, option value, and safety).

Also of note is the fact that Partners in the Fund were able to retain a much higher portion of returns than they would have under a traditional 2%/20% (management/performance fee) hedge fund fee structure. For example, a traditional 2%/20% fee structure, calculated from the Fund's gross annual return for 2013, would have amounted to over 5.5% in performance fees on top of a 2% management fee. Conversely, the Fund charges no performance fees and only a relatively low management fee of 1.5%.

While the Partnership has no performance fees, in order to provide better net results for the Partners, my performance incentive remains well aligned with that of the other Partners and most of my net worth is invested in the Fund. I believe a fund manager's own investment in their fund is the best incentive for truly aligning the interests (both upside and downside considerations) of a manager with the investors in their fund.

The Forward View

I expect interest rates to rise further in 2014 and I still don't view the fixed-income asset class as particularly attractive at current levels. Nonetheless, during the quarter, I added limited bond exposure to the Fund for the following reasons. First of all, the Partnership's risk-management strategy is such that I expect there will always be some allocation away from equities and into cash and/or fixed income and the balance of this mix will depend largely on valuations and risk.

After the substantial increase in bond yields that took place during 2013, the risk/reward dynamic for the fixed-income asset class has improved considerably and I now believe that a small allocation in short-maturity/low-duration bonds makes sense. As a result, at the end of the year, the Fund had fixed-income exposure amounting to approximately 6.4% of Fund's assets (compared to 0% at the beginning of the year and 1.2% at the end of the prior quarter). Most of the fixed-income investments are in U.S. Treasuries, with no credit risk, and most of the positions have fixed maturities of less than 5 years (with all positions having average maturities of less than 10 years). Downside for these instruments, in a further rate-rising environment, is somewhat constrained by their shorter maturities and the fact that they are fixed-maturity instruments that can be held to maturity.

---

[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.

[3] As measured by the S&P 500 index.

Despite the mitigating credit and interest rate risk dynamics of the Fund's fixed-income positions, a considerable further increase in interest rates could still result in a substantial opportunity cost (i.e. not being able to invest these funds at the higher interest rates) which is why the fixed-income allocation remains relatively small and is one of the reasons that cash remains a substantial component of the Fund's portfolio (comprising 24% of assets-under-management at year-end). As explained in earlier quarterly reports, I still expect that the non-equity portion of the portfolio will ultimately be even 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 further reallocation.

Despite the considerable run-up in stocks during 2013, I also continue to believe that equities remain reasonably priced when considering forward earnings multiples and earnings growth prospects (and I believe that stocks still offer the best value relative to fixed-income). Going forward, I expect that further improvements in both the unemployment situation and the housing markets will help support corporate earnings and stock valuations, despite the potential negative impact of still higher interest rates.

My constructive stance on stocks has translated into a continued overweight position (albeit, reduced from a year ago) in the equity asset class going into 2014 -- with equities comprising 69% of assets-under-management at year-end 2013 compared to 75% at year-end 2012. While I remain constructive on equities, it is clear that valuations have become less attractive over the past year, on both an absolute basis and relative to fixed-income. As a result, the magnitude for further equity price appreciation is now more constrained and the potential for a meaningful correction is higher (although I would expect such a correction to be a temporary setback and a buying opportunity). For these reasons, finding value in individual security positions -- through detailed fundamental research -- as always, remains of paramount importance to the Fund's performance.

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 31, 2014 and the next subscription period for the Fund will be January 31, 2014.

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.