



## Frank Value Fund

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Frank Capital Partners LLC

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First Quarter, 2005

To our shareholders,

After a strong finish in 2004, the equity markets were weak in the first quarter of the new year. At quarter end March 31, 2004, the Frank Value Fund was down 7.42% year to date and the S&P 500 was down 2.6%. Investors fretted over many worries, including the prospect of higher inflation, the Federal Reserve continuing to raise interest rates, and higher oil prices.

Betting on ever-higher oil and commodity prices appears to be the fad on Wall Street today. While we do not specialize in commodities research, we take comfort in several facts. Over the past 140 years, the long-run trend of commodity prices has been downward to the tune of 1% per year. Prices may be volatile in the short-term but the direction is decidedly down over time. Additionally, as oil prices rise, petroleum companies have an enormous incentive to locate and pump as much oil as possible, increasing supply. Higher oil prices also make substitutes more attractive, such as ethanol and other alternative fuels. As big auto makers like Ford and General Motors see gas-guzzling sport utility vehicle sales plummet, they have increased production and research on hybrid vehicles which consume much less fuel than conventional engines. The beauty of capitalism is that price changes affect individuals' behavior by incentivizing new technologies and alternatives.

At Frank Value Fund, we take advantage of the market to buy when others are fearful and sell when others are greedy. Therefore, we are not buying commodity stocks as the market is enamored with them. Instead, we concentrate our efforts on mundane but profitable companies that will reward us in the long-term. To execute such a strategy, one must endure the short-term pain of being left on the sidelines of the boom in energy prices. However, value investors are rewarded for their prudence over time.

We thank you for your investment and look forward to writing to you at the end of the second quarter.

Sincerely,

Alfred and Brian Frank  
Frank Value Fund Portfolio Managers