



Frank Value Fund

www.frankfunds.com

Ph: 973.887.7698

Toll Free: 866.706.9790

NAV:11.36

Frank Capital Partners LLC

Second Quarter, 2006

To our fellow shareholders,

The Frank Value Fund ended the second quarter up 2.34% for the year, versus 2.74% for the S&P 500. Although, this was a decline from the first quarter, the fund has returned 16.54% since its inception on July 21, 2004 (with dividends reinvested). That compares to 18.32% for the S&P 500.

As you have probably heard, financial markets declined sharply during the quarter. Worries over rising inflation raised the likelihood of more interest rate increases from the Federal Reserve. It is widely held that interest rate increases are bad for stocks because they compete for investors' funds along with fixed income instruments like savings accounts and money market accounts. If interest rates rise, the theory goes, people will be less likely to invest in stocks. While this is certainly true to an extent, we believe there are areas of the market that are significantly undervalued even assuming interest rates go higher: namely, stocks of large, dominant American companies.

Acting on this conviction, which is derived from our financial analysis, we found more investment opportunities in large company stocks. One of these is Intel, manufacturer of the microprocessors used in personal computers. Intel's stock price dropped significantly because its smaller rival, AMD, was gaining market share. However, Intel is many times the size of AMD and has a much greater resources, including over \$7 billion of cash and short-term investments on its balance sheet. Processing power is largely a commodity (Quick, can you tell if you have an Intel or AMD processor in your computer? Do you care?). In any event, we believe Intel has a much greater competitive advantage given its financial resources and manufacturing expertise and will be able to address AMD's threat with superior products. In fact, this already seems to be happening. Of course, we are buying the stock at multi-year lows, at prices that are quite cheap compared with Intel's recent earnings.

At the risk of repeating ourselves, we believe the great bargains we are buying today set us up for favorable results in the next year or so. Paraphrasing Warren Buffett, the way to achieve investment success is to be fearful when others are greedy and greedy when others are fearful. From what we see and hear, other investors are scared at the moment.

Thank you for your investment. We look forward to continue working with you.

Very truly yours,

Alfred and Brian Frank
Frank Value Fund Portfolio Managers