Frank Capital Partners LLC

Frank Value Fund
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FRNKX, FNKCX, FNKIX

First Quarter, 2012

To our fellow shareholders,

The Frank Value Fund Investor Class returned 11.97% in Q1 2012 versus 12.59% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

During the quarter the portfolio had several great earnings reports and two dividend initiations (SAI and CA). We exited two positions, Weight Watchers International and Wellcare Healthplans, we bought three new positions, BMC Software, Mantech International, and Vonage Holdings, and we increased two existing positions, Google and SAI. Each month of the first quarter had similar, low-volatility bull-market returns, and we took advantage of the rally through stock sales and adding to positions that had missed the party, all while maintaining a cautious eye on European and Japanese sovereign debt markets. Our cash position remained larger than average at about 15% of the portfolio as rising prices and expectations created somewhat more difficulty in finding companies that fit our strict criteria. The companies we own still trade at significant discounts to the market while maintaining superior returns on capital giving us confidence to hold.

We initiated the Frank Value Fund's position in Weight Watchers (NYSE:WTW) on March 15, 2010 at a price of $25.13 and a trailing valuation of 7.8x EV/EBITDA. Just 703 days later, we exited on February 16, 2012 at a price of $77.60 and a forward valuation of 10.9x EV/EBITDA. Shareholders made roughly 208% on their money in this time period compared to about 20% in the S&P 500. When we purchase a high quality, high marginal return on capital business trading below the market multiple, we benefit from two potential sources of gains: profit growth and valuation-multiple expansion. WTW increased company profits, growth rate, and marginal return on capital by ramping up their online business, (websites cost less than renting brick-and-mortar meeting rooms) and equity buyers clamored to own a piece of the company. Both profits as well as the valuation-multiple increased! With such a good story why did we sell? At 10.9x forward EV/EBITDA we believe a lot of growth optimism is priced into the stock, further multiple expansion is unlikely, and a just-completed tender offer is artificially propping up the stock price that should reflect recent difficulty in the brick-and-mortar meeting business. Besides, we are cheap, and why hold at 10.9x EBITDA when you can buy Mantech International (NASDAQ: MANT) at less than 5x!

In order to purchase quality assets trading at rock-bottom valuations, we must venture into unloved sectors. Due to federal government budget cuts, US Defense Contractors currently attract as many bears as a salmon convention. Our long-term focus enables us to see past the negative analyst commentary and flat current growth environment and buy when we believe prices reflect the worst-case scenario. Our research found that not only is MANT a more technology-focused defense contractor, which will benefit from spending on programs such as electronic health records and satellite surveillance, but MANT also boasts a balance sheet with extremely low pension liabilities. All the larger competitors have similar price-to-earnings ratios, but when we dove into their financials, we found the waters poisoned by massively underfunded pension plans. MANT's competitors must make these plans whole before distributing any remaining cash to shareholders via buy backs or dividend increases, and we believe the larger defense contractors will have shareholder-unfriendly pension obligations for years to come. In addition to the little downside from undervaluation and the high cash production available for shareholders, we have conviction that MANT is an acquisition target in part because of its small size ($1 billion market capitalization). Similar to our successful alpha-generation with Weight Watchers, most mutual funds cannot capitalize on these opportunities like the Frank Value Fund. When the fat Department of Defense contract rewards are no longer available, the large defense contractors will turn to acquisitions to boost their bottom lines. MANT's low valuation, the sector's slow growth environment, and the industry shortage of workers with security clearances make MANT an ideal target for acquisition.

Mercifully this will be the only paragraph on macroeconomics in this letter! Even though government bond rates in Spain and Italy declined from late 2011 crisis levels, we believe this is a function of the European Central Bank's two Long-Term Refinancing Operations. These operations accepted almost any collateral in exchange for a 1% loan. A significant amount of banks participated, and consequently used the newfound cash to flood the Spanish and Italian government bond markets with buy orders. At the core, our stance remains unchanged. Although banks look stronger in the short-term, their fates are now even more linked to the sovereign debt on their books. The ECB also must contend with a loss of confidence in its balance sheet should more easing be required. The crux of the problem is one of government. We have yet to see austerity measures jolt economies back to growth. Over the next few weeks we will likely see these cost cuts forcing European economies into deeper recessions, which only exacerbates their respective budget deficits. Recessions, of course, are problematic for businesses, and as micro-investors, this is the reason we are devoting quarterly letter space to this topic and spelunking dense tomes such as *This Time is Different: Eight Centuries of Financial Folly* and *When Money Dies: The Nightmare of Deficit Spending, Devaluation, and Hyperinflation in Weimar Germany.*

Defense contractors like MANT and SAIC (NYSE:SAI) insulate the portfolio from a decline in consumer spending. Rising energy costs, low labor force participation rates, and the copiously aforementioned European debt problems could all negatively affect the "E," or earnings, in the low PE ratios bulls endlessly tout. We believe these downward forces would hurt consumer-focused companies more intensely than companies like MANT and SAI that deal with a single-payer (the US government.) Of course, we are quite wary of the ballooning budget deficits in the US, but the axe has already chopped the defense portion while ignoring larger budgetary offenders like entitlements.

We consider the high quality companies in the Frank Value Fund portfolio to be the key to surviving and thriving in a high-uncertainty environment with potential for high inflation. Our dual focus on quality and valuation protects us from overpaying in a bull market while reducing balance sheet risk and negative earnings surprises in a recession or slower growth environment.

Thank you for your continued investments and support!

Very truly yours,

Brian Frank
Frank Value Fund Lead Portfolio Manager

Performance as of 3/31/12	**Average Annualized Total Returns**					**Total Return**
	1 Yr %	**3 Yr %**	**5 Yr %**	**7 Yr %**	**Since 7/21/04 %**	**Since 7/21/04 %**
Investor Class (FRNKX)	11.53	28.29	4.60	7.20	7.20	70.81
Class C (FNKCX)	10.86	27.54*	3.85*	6.45*	6.45*	N/A
Institutional Class (FNKIX)	11.75	28.54*	4.85*	7.45*	7.45*	N/A
S&P 500 Total Return	8.54	23.39	2.01	4.71	5.35	49.39

* Represents an estimate based on the performance of the fund's oldest share class, adjusted for fees.

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Non-FDIC insured. May lose value. No bank guarantee. The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund, and it may be obtained by calling 1-800-869-1679. Please read it carefully before you invest or send money.

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