Frank Capital Partners LLC

Frank Value Fund

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FRNKX, FNKCX, FNKIX

First Quarter, 2013

To our fellow shareholders,

The Frank Value Fund Investor Class returned 12.36% in Q1 2013 versus 10.61% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

One of the most frequent questions we receive from both professional and regular investors is, "Is now a good time to invest?" The close of the first quarter 2013 saw all-time highs in the Dow and S&P 500, and our peers as well as the financial press are apprehensive, equating the highs to late 2007, where hindsight has shown to be a great time to sell stocks. Our premise has always been that neither we, nor anyone else can predict the direction of the stock market. Our added value as active managers comes from adhering to a consistent process. With the market at generational lows in 2009 there were still companies doomed to chapter 11 bankruptcies as well as diamonds selling for a dollar. We had to avoid the traps and find the treasures. Currently, at these historical highs, there are extraordinarily over-valued businesses along with companies with stock prices that have faltered. Today's market also has traps and treasurers, especially when you look at earnings over a full economic cycle. Not all bear markets are created equally, and the value opportunities available today look more like value stocks from 1999-2000: solid companies trading below the market averages that gained while the market declined in 2001 – 2002. Knowing this, it is saddening to see droves of investors flee stock-picking for the perceived safety of indexing.

The asset management industry often trends towards ideas that have worked well in the recent past. The previous three years encompass a consistent bull market where stock-pickers have struggled to outperform, and as a result, financial marketing departments around the country have been pushing index ETFs. What no one mentions while touting the supposed, worry-free strengths of indexing, is that return expectations change over time with indexing. Buying the S&P at $700 when earnings are $100 is entirely different than buying at $1,550. Compare this to stock-picking using consistent metrics like the Frank Value Fund employs. We delight in purchasing a company at 7 times earnings, but we refuse to accept paying 15.5 times, even if this valuation is present in the cheapest 10% of all equities. Therefore, over time, our return expectations stay the same, with low valuations continuously replacing the higher valuation stocks in the portfolio. By indexing today, you are buying at 15.5 times earnings, and you must accept lower returns in the future. It takes 7 years to get your purchase price back in net income with a 7 P/E versus 15 and half years for payback with a 15.5 P/E. That is definitely something that should worry indexers!

The one caveat is active management return expectations decline if we are unable to redeploy our capital into companies at acceptable, low valuations. Thankfully, this is not the case today. The Frank Value Fund ended the quarter with 12.2% cash which is slightly above our long-term average. Our pipeline of ideas has somewhat slowed, but we are still finding plenty of ideas that fit our metrics to replace our stock sales with high quality companies. There are large disparities between value and momentum stocks, and simple mathematics precludes this chasm from existing permanently. We have been patiently waiting through a tough three year period for value to come back into favor, and we are highly confident that those looking for higher returns will soon find value stocks are the best opportunities available. After underperforming the S&P 500 for nine months in a row ending in October 2012, the Frank Value Fund has outperformed for five months in a row ending March 31, 2013. We believe the gap is still wide open between value and momentum but this shows things may be beginning to turn in our favor.

Summary of Q1 13 activity:

Q1 Sales: Dell, H&R Block, Pfizer

We purchased Pfizer in October of 2008 at around $15 and added significantly to our stake in April of 2009 at $13.62. In our holding period we collected $3.76 worth of dividends and our sale price was around $27.30. This is a gain on the stock of 82 – 100% plus a dividend return of 25 – 27%.Aside from the immense return, there was also an immense amount of public dislike for Pfizer at the time of purchase. With blockbuster drug Lipitor going off-patent and big pharmaceutical companies decidedly out of favor, analysts and money managers shunned Pfizer and made us question our own analysis. Luckily we saw the extremely low valuation discounted Lipitor and the negativity, and by focusing on the numbers and remaining patient, we were rewarded. We sold because Pfizer hit our valuation targets.

Q1 Purchases: Apple, Crocs, Calamos Asset Management

In 2007 when Crocs was at a bubbly $75 per share yet burning cash and trading at a dizzying 24x EV/EBITDA, we were on the sidelines, mouths agape, questioning our sanity and fashion sense. In 2008 the Crocs fad ended, the company lost $100 million in operations, and the stock declined 99%. Normally, this is the end of the story, but Crocs then fought like Rocky Balboa and became a great American comeback story. CROX began producing operating income and free cash flow in 2009, and surpassed its 2007 sales peak in 2011. The stock has recovered somewhat from its 2008 near-extinction, but looking at the business behind the stock price and the consistent free cash flow shows a growth story trading at a value price.

Apple has gone from the most loved to the most hated stock in about nine months. Due to the highly competitive nature of the consumer electronics industry, we initiated Apple at our standard position size of 2.5%. However the valuation, balance sheet, and cash production all provide a robust margin of safety. We are building in a significant decline in gross margin as well as a loss of market share. Our thesis also ignores potential new product categories, as well as growth in tablet and smartphone markets. Apple may not return to grace any time soon, but we are highly confident our entry point in Q1 2013 has the potential to outperform the market averages.

Calamos Asset Management marks the return to special situation investing in the Frank Value Fund. Our earlier years before the financial crisis benefitted from numerous spinoffs, emerging from Chapter 11 bankruptcies, and other mis-priced opportunities. The well dried up for some time after the financial crisis, and we are happy to return to this lucrative, less-correlated arena. Calamos is an institutional and retail asset manager investing in convertible bonds, long-short equities, and long-only equities. That is the easy part of the equation. The remainder of the case requires picks, shovels, and head-lamps as you mine through a confusing corporate structure where the public equity owns 22.1% of the management company. However, on the balance sheet, in the "cash" line alone, are three types of cash, 100% shareholder-owned public equity cash, 22.1% shareholder-owned management-company cash, and 77.9% management-company management-owned cash. Confused yet? You should see pages 25 and 26 of the 10-K! The bottom line, however, is quite clear: almost 100% of the market capitalization of CLMS is in cash, investments, and tax assets. The ongoing operations of the asset manager are nearly free. The asset manager is stemming its recent outflows, acquiring new fund managers, and re-opening closed funds to attract new investors. All of these actions are high reward and low risk. Over time, through dividends, special dividends, and continued share repurchases, and stock price increases, we will be significantly rewarded for our efforts.

Very truly yours,

Brian Frank
Frank Value Fund Lead Portfolio Manager

Performance as of 3/31/13	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)	9.41	11.31	8.09	6.36	7.46	86.87
Class C (FNKCX)	8.61	10.56*	7.34*	5.61*	6.71*	
Institutional Class (FNKIX)	9.67	11.56*	8.34*	6.61*	7.71*	
S&P 500 Total Return	13.96	12.66	5.81	5.01	6.31	70.25

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

Please see our website for distribution information: www.frankfunds.com/distribution-history. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. You may obtain performance data current to the most recent month-end by calling the Fund at 1-800-869-1679 or visiting our website at www.frankfunds.com. Returns include reinvestment of any dividends and capital gain distributions.

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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