Second Quarter, 2013

To our fellow shareholders,

The Frank Value Fund Investor Class returned 20.76% YTD as of the end of Q2 2013 versus 13.82% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

We’re pleased to have exceptional performance in the second quarter, with our three and five-year trailing performance numbers in the top 10% of our category. We owe our strong performance YTD in part to four takeover transactions in our portfolio of thirty-two stocks. Over the past nine years, our shareholders have benefitted from robust M&A activity which is partially responsible for our benchmark-beating performance. Frustratingly, the past two calendar years were devoid of any private-market bids. Perhaps this is because of investors’ focus on macro events like European weakness, or the increased obsession with the Federal Reserve. Either way, 2013 is a marked departure from the past two years, and private equity participants appear to be aggressively targeting value companies. We are also happy to replace our sales and takeovers with new value stocks, which is a difficult task in a bull market. Thankfully, our extremely wide net, discipline, and creativity are paying off.

A financial analyst claiming to be creative might make someone like Bob Dylan swallow his harmonica, but perhaps a story about my high school math teacher, who was also an avid fan of the heavy-metal band Metallica, can bridge this gap.

My first day as a freshman in high school was going by unnoticed, with the usual mix of dread, terror, and curiosity, until I arrived at the final class of my day, Geometry with Mr. Robert Sabella. From his physical presence alone, Sabella commanded attention. He was a tall and wiry, with black hair and a thick black beard that made him resemble Abraham Lincoln. Instead of the usual back-to-school speech, we jumped right into The Problem of the Day.

Mr. Sabella’s class always began with The Problem of the Day. Often, he scrawled an equation on the board that had nothing to do with our current lesson. In addition to his Metallica speed-metal hobby, Sabella, an Italian by heritage, ran the Asian American Club. He studied how the Japanese learned math, and he noticed instead of doing things by textbook, students were encouraged to think! Thinking creatively and coming up with one of the many ways to solve an equation helped students embed the process as well as prepare them for the future. Leaving the textbook closed forced students to draw on their experience and figure out the most important elements of the problem. Sabella’s Problem of the Day concluded when five or six students wrote out their work on the whiteboard, and even Sabella was sometimes surprised at the methods kids concocted to solve for X.

Over the next three years, I negotiated, hustled, and downright manipulated my schedule in order to learn as much as possible from Mr. Sabella. I managed to have him for mathematics for three out of my four years—Geometry, Algebra II, and Calculus. Aside from these subjects, I spent before school in his Math Lab, during school on the Math Team, and after school at his Asian American club meetings. He saw my comfort with numbers and helped build my persistence and creativity. I owe much of my critical thinking foundation in mathematics, probability, and statistics to him. Mr. Robert Sabella unfortunately passed away in late 2011, just shortly after he retired from a 37 year career at Parsippany High School. His legacy lives on through me, and the hundreds of other students who had the privilege of calling him teacher.

With every investment case there are mountains of potential information available. To paraphrase Kathryn Staley from *The Art of Short Selling*, where creativity and experience come into play are boiling down the mass of numbers to “the most important thing.” Every buy or sell decision, long or short, should come down to a “most important” set of data, and
the hardest thing about investing is isolating this elusive, always-different, information from the noise. As with Mr. Sabella’s problem of the day, it has nothing to do with the textbook, so you must draw on experience and creativity.

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Summary of Q2 13 activity:

Q2 Sales: AmerisourceBergen, Intel, CA

The Frank Value Fund purchased AmerisourceBergen Corporation (NASDAQ: ABC) on September 28, 2012 at an average of $33.85 and sold on April 3, 2013 at an average of $51.55. This represents a gain of 52.3% plus two dividend payments totaling roughly 0.75%. Rarely do we take a short-term gain, but the parabolic, head-spinning run in this company’s stock forced us to pull the sell trigger. AmerisourceBergen is a fantastic company. It is one-third of the oligopoly on drug delivery and pharmacy management in the United States. This consistent, recession-proof, extremely low-margin business keeps competitors out and profits going to shareholders. Internally, we use the affectionate term “mind-numbingly boring” to describe ABC. This is a very good thing. Unlike consumer technology or cutting-edge green energy, delivering pharmaceuticals is an extraordinarily stable yet not-so-exciting to read about business. By September of last year, ABC’s boring, low-single digit revenue growth had lullled investors to sleep. Exciting to us as value investors, management is clearly in the top 10% in terms of shareholder friendliness. Ten years ago there were 448 million shares outstanding of ABC, and when we bought, there were just 255 million available. By the time we sold just six short months later, management had repurchased an additional 20 million shares. This aggressive repurchase program, in addition to our entry valuation of 7x EBITDA (compared to its historical range of 7 – 10x) proved to be enough to generate large gains. We were just surprised at the speed. Usually value stocks take pain and time to revert to the mean!

Q2 Purchases: Nvidia, Questcor Pharmaceuticals, CST Brands, Janus Capital Group, New Newscrop

New Newscorp (NASDAQ: NWSA)
Near the end of the quarter Newscorp completed its split into two companies, Twenty-first Century Fox and New Newscorp. Most of the financial media attention has gone to Fox, which owns the fast-growing television assets and retains the bulk of Newscorp’s capitalization. However, swept aside in a smaller, $8.8 billion company are a mishmash of global assets in New Newscorp, representing one of the best upside/downside scenarios we have seen in a long time. Simple addition shows why we are excited for this opportunity and have made it one of the Fund’s largest positions. New Newscorp’s interests in the following assets are: Cash $2.56b, Australian Cable Company Foxtel $2.98b, and Real-estate listing company REA.AX $2.16b totaling $7.70b. At $15 per share, New Newscorp’s market capitalization is $8.8b, valuing the remaining income stream from newspaper assets such as The Wall Street Journal at $1.1b. The newspapers produced about $700M of EBITDA in the last twelve months! Competitor Gannett trades at 6x EBITDA, so clearly this portion of New Newscorp’s business is extremely undervalued.

CST Brands (NYSE: CST)
CST Brands spun off of Valero Energy Corporation in the second quarter. Spinoffs CST and New Newscorp collectively represent 7.5% of our portfolio, which is a change from 0% spinoffs in the past several years. The difference is even though the inefficient dynamics of spinoffs are attractive, we believe the word is out, and oftentimes these companies begin trading at unattractive valuations. Thankfully, CST brands is cheap. The company operates gas stations and convenience stores and is one of the largest in the US and Canada. The nature of this business is more recession-proof than consumer discretionary items and we believe the 9x EBITDA to interest expense coverage is adequate. For 10x earnings we purchased a company in a relatively stable industry that now has the corporate independence and executive stock incentives to raise margins akin to its competitors. Buying a company with a low valuation has a plethora of long-term advantages, and if you add in the ability to grow operating income through additional stores and margin expansion, you get an excellent opportunity. In this bull market value is no longer in plain sight like it was in 2009-2011. Our flexible prospectus enables us to track down the value and act opportunistically when we find something like CST.

Very truly yours,
Brian Frank
Frank Value Fund Lead Portfolio Manager
## Performance as of 6/30/13

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<thead>
<tr>
<th>Performance as of 6/30/13</th>
<th>Average Annualized Total Returns</th>
<th>Total Return</th>
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<tbody>
<tr>
<td></td>
<td>1 Yr. %</td>
<td>3 Yr. %</td>
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<tr>
<td>Investor Class (FRNKX)</td>
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<tr>
<td>Class C (FNKCX)</td>
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<td>Institutional Class (FNKIX)</td>
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<td>S&amp;P 500 Total Return</td>
<td>20.59</td>
<td>18.43</td>
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* 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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