



Frank Capital Partners LLC

Frank Value Fund

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FRNKX, FNKCX, FNKIX

Third Quarter, 2014

To our fellow shareholders,

The Frank Value Fund Investor Class returned -0.68% YTD at the end of Q3 2014 versus 8.34% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

The difficult trends we outlined in our second quarter letter continued in the third, but small caps as a whole appear to have changed direction. The Russell 2000 index is now 10% below its peak. We are cautiously optimistic seeing our portfolio's small caps remain flat while the Russell 2000 declined by more than six percent in September alone. Outperformance over the entire portfolio remains elusive, but experience, as well as simple math, emboldens us to stay the course. The EBIT/EV valuation on the invested portion of our portfolio is roughly 12%. Compare this to the median of our universe which is roughly 3%. Additionally, we believe the growth prospects of our business are far greater than the average company. Therefore, as we have seen in every significant winner over our track record, our shareholders will make money from both reversion to the mean valuation as well as profit growth – a two-pronged, slingshot effect resulting in significant outperformance versus the market averages. The valuation difference between our portfolio and our universe is at a historically wide level! We reiterate the belief that there is more outperformance baked into this current portfolio than the past ten years of our record combined. The only force preventing realization of this is the current trend.

The old adage “markets can remain irrational longer than you can remain solvent” is wise and one of the primary reasons why we do not use leverage. While our stock performance suffers, behind the stock price our portfolio businesses are growing, producing cash, and becoming cheaper by the day. This is all the conviction we need to say a resounding “No” to momentum bubble stocks (which go up seemingly every day) and to keep holding our cheap quality companies (which relatively languish seemingly every day.) Our short-term relative performance has suffered, but we are able to maintain our positions without the fear of margin calls, and time is on our side.

Time has tested our strategy and we are proud to say, the Frank Value Fund celebrated its ten year anniversary in the third quarter. Our website has a press release with more details. <http://frankfunds.com/2014tenyears.pdf> We are thrilled and humbled to have outperformed the S&P 500 over the past ten years! We believe our track record is a testament to the strength active managers executing sound, consistent processes can add in the long-term. With the financial crisis as well as two of our ten calendar years resulting in greater than 40% returns for shareholders, we have seen our share of volatility. Our quantitative, patient strategy has been our compass over our history and continues to be a prosperous, long-term guide.

Mergers and acquisition activity is elevated in this aging bull market. However, we remind our shareholders, do not let the bull market lull your sense of caution, and please remain patient with our short-term struggles. Our method is mandating a conservative stance, and we trust the numbers above ours or any investor's sense of timing and market prognosis. In the meantime, M&A activity is spiking and rumors are swirling on some of our holdings. Additionally, portfolio holding Conversant received a takeover offer in September. We would not be surprised to see additional takeovers in our portfolio at premium prices.

Summary of Q3 14 activity:

Q3 Sales: CST Brands, Conversant

CST Brands (NYSE: CST)

We acquired CST brands in late April / early May of 2013 at an average price of \$30.09. We sold CST in late August 2014 for an average price of \$35.00 and a gain of 16.3% excluding dividends. In the same time period the S&P 500 TR returned 25.2%. Our original thesis of margin expansion at CST had yet to play out, but we were unable to wait any further due to a complex transaction CST initiated by purchasing the general partner of an MLP. We are unsure how this transaction will add value, and we are also wary of the vagaries associated with MLPs. Therefore, we took the long-term gain.

Conversant (NASDAQ: CNVR)

In September, Alliance Data Systems Corporation (NYSE: ADS) announced the takeover of Conversant for \$2.3 billion or \$35 per share. Frank Value Fund shareholders made roughly 90% on CNVR, with almost half the gain coming from the takeover. We added to Conversant several times over our long-term holding period, as the stock was much more volatile than the business, sometimes dropping 20% after earnings reports. As the takeover offer is partly in shares of ADS stock, we sold CNVR before the closing. Shares of ADS trade at a premium multiple and we would rather hold cash than ADS stock.

Q3 Purchases: None

After purchasing one stock in Q2 we have dropped to an all-time low of zero purchases in Q3. Out of the roughly 3,500 profitable companies with greater than \$100M market capitalizations, there are only twenty that meet our criteria. We own all twenty, and we are stunned and excited at the high return expectations for this small group relative to the market indexes. When the momentum falters in the market, we are confident the value of our portfolio will prove significant. Cash from the CNVR transaction is welcome and guarded. Our internal target price for CNVR was \$30. A buyout at \$35 is bonus appreciation as well as more cash to deploy should the Russell continue to weaken or the S&P change trend.

Thank you for your investments.

Very truly yours,

Brian Frank

Frank Value Fund Portfolio Manager

Performance as of 9/30/14	Average Annualized Total Returns						Total Return
	1 Yr. %	3 Yr. %	5 Yr. %	7 Yr. %	10 Yr. %	Since 7/21/04 %	Since 7/21/04 %
Investor Class (FRNKX)	6.75	19.26	13.61	7.39	9.01	8.64	132.65
Class C (FNKCX)	5.93	18.39	12.86*	6.64*	8.26*	7.89*	
Institutional Class (FNKIX)	7.11	19.60	13.86*	7.64*	9.26*	8.89*	
S&P 500 Total Return	19.74	22.97	15.69	6.02	8.10	8.07	120.79

* 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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