



Frank Capital Partners LLC

## Frank Value Fund

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FRNKX, FNKCX, FNKIX

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### Third Quarter, 2015

To our fellow shareholders,

The Frank Value Fund Investor Class returned -5.76% YTD at the end of Q3 2015 versus -5.29% for the S&P 500 Total Return Index. In the third quarter, the Frank Value Fund Investor Class returned -3.10% compared to -6.44% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

Early August marked the second takeover offer in 2015 for a top ten position in the Frank Value Fund. Team Health Holdings (NYSE:TMH) offered to buy IPC Healthcare (NASDAQ: IPCM) for \$80.25 per share. This offer price is 100% above our \$40 average cost for IPCM that we paid in November of 2014. Also in the quarter, credit spreads between high yield debt and US treasuries widened significantly. Though the Federal Reserve decided to keep the rate it controls at 0-25bps, the bond market raised interest rates on lower quality borrowers, signaling a shift towards risk aversion. Since the IPCM acquisition is being financed with debt, and debt investors have a lower appetite for risk, we sold our shares as they traded very near the takeout price. The risk/reward skewed heavily towards selling due to the uncertainty of financing.

Risk aversion also leaked into the stock market in the third quarter. Not only did the broader markets decline, but some of the frothier areas like Biotechnology and momentum stocks posted losses well in excess of the market averages. Valuations remain extremely stretched, however, as the decline is still the size of the Geico gecko, rather than the ghostly Godzilla the financial media is reporting. Initially, when the stock market changes direction, there is panic and high correlation among stocks. As time goes on and investors' attempts to reignite the momentum in previously favored names fails, new leadership must emerge. Since this is a time of increasing risk aversion, as equity investors in unprofitable companies will be severely diluted through additional share offerings or wiped out completely in chapter 11 reorganizations, we believe investors will turn towards stable, reasonably priced issues. We believe the next step in the market cycle is for value to outperform.

To give you an idea of the chasm between growth and value, see the Russell Indices YTD as of 10/5/15:

Russell 1000 Value: -5.59  
Russell 1000 Growth: 1.77

Russell 2000 Value: -6.84  
Russell 2000 Growth: -1.77

Value stocks have been shunned and outright punished in both 2014 and 2015. However the businesses behind these stock prices are doing fine. Particularly in the Frank Value Fund, evergreen businesses like RPX Corp, Vitamin Shoppe, and Microsoft have been churning out profits while keeping their balance sheets strong. Market participants sold these names as momentum ruled the day, but clearly things are changing, and we are happy to hang onto these issues until their valuations are significantly higher. This reminds us of 1999, where the bear market for momentum stocks wiped out countless speculators, yet numerous value stocks generated absolute returns while the market declined 40% from 2000-2002. We believe something similar is on the horizon, and we are pleased to be positioned in solid value stocks.

Summary of Q3 15 activity:

Q3 Sales: Blackhawk Network (Reduced) (NASDAQ: HAWK) IPC Healthcare (NASDAQ: IPCM)

Blackhawk Network (NASDAQ: HAWK)

We reduced our position in Blackhawk during the third quarter due to position size restrictions and significant multiple expansion. Blackhawk continues to execute and dominate their niche in the gift card market, but just like XOOM and IPCM, growth companies like HAWK are in demand and commanding high valuation multiples.

Q3 Purchases: Goldcorp (Raised) (NYSE:GG); Teradata (Raised) (NYSE:TDC)

We added capital to value stocks GG and TDC in the quarter. We stand by our initial research of both companies and the strong underlying fundamentals of both give us confidence to add at lower prices.

Thank you for your investments.

Very truly yours,  
Brian Frank  
Frank Value Fund Portfolio Manager

Performance as of 9/30/15	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)	-1.56	10.96	11.92	9.82	7.81	7.68	129.02
Class C (FNKCX)	-2.27	10.11	11.14	9.07*	7.06*	6.93	
Institutional Class (FNKIX)	-1.34	11.26	12.14*	10.07*	8.06*	8.68*	
S&P 500 Total Return	-0.61	12.40	13.33	9.75	6.80	7.27	119.43

\* 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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