FRANK VALUE FUND

UNCONSTRAINED INVESTING IN US EQUITIES

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Frank Capital Partners LLC

Q4 18 LETTER TO SHAREHOLDERS

The Frank Value Fund Investor Class returned (-2.23%) in 2018 compared to (-4.38%) for the S&P 500 TR Index. Worth noting are the December returns: Frank Value Fund Investor Class (-1.68%), Morningstar Mid-Cap Blend: (-10.12%), Russell 2000 (-11.88%), S&P 500 TR (-9.03%). Please see the end of this letter for more performance information.

After trailing the S&P 500 TR by more than 1000 basis points in mid-2018, the Frank Value Fund ended the year outperforming by over 200 basis points. This significant reversal occurred in the fourth quarter, with the S&P declining over 13% in the three-month period. Our competitors were caught unprepared, with the Frank Value Fund performing in the top 1% of its Morningstar category for the 1-month, 3-month, 6-month, and calendar 2018 periods. Slight downward movement in the markets shows how aggressive most participants are positioned, with cries for help from the Fed already echoing across financial news outlets.

Though the Federal Reserve ignored those pleas and raised rates again in December, there is now widespread expectation for a pause from the steady hikes in 2019. Should the Fed maintain its pace it would be a hawkish surprise and certainly contribute downward pressure on asset prices. However, meeting market expectations or even a dovish surprise would simultaneously confirm an economic slowdown and by our research cause a rush for gold. Our gold miner holdings significantly outperformed in the fourth quarter, with Barrick Gold posting a 20% gain, yet these companies remain attractively undervalued relative to their history and assets in the ground. Finally, a dovish Fed would have a short-lived effect on risk assets, just like easing in 2001 and 2008, because the real problem is risk aversion, not liquidity. Risk aversion is obvious in December's bond market action.

As stated in our Q3 18 letter to shareholders, BBB bonds reached a record high portion of the total corporate market in 2018. With the Fed Funds rate creeping off the zero bound and the Fed's momentous but unpublicized decision to pay interest on excess banking reserves, there is a lot more yield for investors to choose from. Low-grade bonds with below average covenants were no longer attractive at historically low yields. In December there was $0 of high yield bond issuance. This is the first time in a decade this has happened! Investors are questioning these marginal companies' ability to repay, and this has vast consequences.

The high yield market provides fuel for aggressive share repurchases, mergers and acquisitions, and enables zombie companies to stave off bankruptcy filings by "extending and pretending" that the debt will be repaid. Just small increases in the borrowing rates of these companies can slow or stop the stock repurchases and M&A. A freeze like December 2018, can lead to mass bankruptcy filings and contagion if continued. Investors are re-rating marginal equities based on their ability to finance their large debt loads instead of as a present value of cash flows. These companies might still have significant future cash flows, but by stuffing the balance sheets full of debt, executives have promised most of the future cash to bond investors – especially as rates rise. The 10-year US government bond might be coming down in yield as investors question future GDP growth, but the borrowing rates for high yield and investment grade companies continue to increase.

We believe the fourth quarter correction can turn into a bear market on debt alone, but a few additional economic indicators point towards macro weakness adding to undisciplined investors' problems. Cyclical, rate-sensitive companies led the way down, with industrials, energy, and financials the worst performing sectors in December. The price of oil also declined precipitously, as both oversupply and decreasing demand pulled the price down. Systemically important banks like Deutsche Bank (NYSE: DB) are plumbing new lows, while entities like the ECB are out of easing options to plug a potential capital shortfall. FedEx executives cited a surprising slowdown in the European economy, lowering their Q4 guidance just three months after increasing. These are early indicators of a slowdown in the global economy.

With US equities just a few percentage points off their all-time highs, valuations are still hovering at extremely high levels. Profit margins hit a record in 2018, meaning economic weakness will have a two-fold effect on earnings: lower revenue and lower margins. Factors like these are anything but priced-in. Investors using metrics with low long-term correlation to returns like the Price to Earnings ratio will be shocked to see how a 10% decline in a company's revenue can reduce earnings by 30-50% - ballooning the P/E in a period where price is declining. In numerous cases, the P/E ratio will become even more useless than usual as earnings go negative. Finally, the record share repurchases will work in reverse, with fewer shares outstanding to absorb losses, resulting in larger negative Earnings Per Share than normal.

Should the global economy continue to weaken, analysts and investors will struggle to absorb earnings and price declines as companies disappoint lofty 2019 expectations. The Frank Value Fund maintains its positioning in companies that can thrive in periods of macro contraction. We are confident that consumers will continue to use their broadband connections, which will help LiLAC Group maintain its healthy cash flows. Regardless of what the economy does, people pay their taxes, and Liberty Tax will benefit. A prolonged government shutdown means the IRS cannot provide early tax refunds, making Liberty's services even more attractive. Should large institutions get into trouble again like in 2008, Berkshire Hathaway stands ready to invest its highest cash levels in history. Additionally, the Frank Value Fund cash invested in US treasuries and short-term corporate bonds is both earning an acceptable yield and stands ready to be invested in companies that meet our valuation and quality criteria. For most targets, this is still a long way down.

Contrast our positioning with companies like Ferrari (NYSE: RACE) and Marriott International (NYSE: MAR). These are expenses that consumers can easily cut, and the stocks are retreating in anticipation. While some of the more obvious, rate sensitive names have declined, most consumer staples, consumer discretionary, and utilities we research remain at record high valuations with poor growth prospects.

The summer of 2018 priced in perfection. Recall how record stock repurchases, an aggressive, late-cycle corporate tax-cut, and 3% quarterly GDP growth in the third quarter were not enough to maintain the spinning plates of over-valuation. Now, faced with weakness in the economic picture, large adjustments are necessary to entice investors to hold risk assets over treasuries. We stand ready to invest when the risk / reward is finally once again in our favor. It has been a long road and our patience and yours is only beginning to be rewarded.

Thank you for your investments.

Sincerely,

Brian Frank

Frank Value Fund Lead Portfolio Manager

Performance as of 12/31/18	Cumulative Total Returns		Average Annualized Total Returns					Total Return
	1mo Dec 2018	3mo Dec 2018	1 Yr. %	3 Yr. %	5 Yr. %	10 Yr. %	Since 7/21/04 %	Since 7/21/04 %
Investor Class (FRNKX)	-1.68	-2.93	-2.23	-0.54	-0.86	10.12	5.75	124.29
Class C (FNKCX)	-1.73	-3.15	-2.99	-1.28	-1.60			
Institutional Class (FNKIX)	-1.71	-2.87	-2.02	-0.31	-0.61			
S&P 500 Total Return	-9.03	-13.52	-4.38	9.26	8.49	13.11	8.05	206.20

* 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 1-888-217-5426. Please read it carefully before you invest or send money.

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