Frank Capital Partners LLC

Frank Value Fund

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FRNKX, FNKCX, FNKIX

Second Quarter, 2012

To our fellow shareholders,

The Frank Value Fund Investor Class returned 6.16% YTD as of the end of Q2 2012 versus 9.49% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

As the 2012 Olympic Games approach, one of the most inspirational examples of grace-under-fire and psychological fortitude comes from an American beach volleyball player, Misty May-Treanor. Along with teammate Keri Walsh, Misty has two gold medals in her repertoire, and she and Keri will try for a third in London. Back in the 2008 Beijing games, Misty was spotted sporting a garish, neon-blue, conical rice hat as she toured the Great Wall of China. When the cameras were on, she spontaneously launched into dance steps cued by music only she could hear. This was the gold-medal favorite, an elite athlete with the entire beach volleyball world gunning for her, seemingly oblivious to the pressure or perhaps relishing in the moment by doing the Watusi on one of the wonders of the world! This image prevailed as I watched her and Keri in the final, fighting the hometown favorites from China in a gripping match. Then, after the American women had prevailed, the cameras found Misty among the crowd during the men's final, and despite having won gold, she remained unflappable as ever, cheering on her countrymen while again donning the blatant blue headgear. As the flailing French say, she has that extra *je ne sais quoi,* a natural eye-of-the-tiger emotional makeup allowing her to ignore pressure and excel through adversity. When stress increases, we attempt to find our horrendous blue hats as well, cutting out the hype and emotion, focusing on our training and discipline, and remembering the time to buy and be bullish is when investors are fearful.

We in the investing world consistently attempt the above far-reaching sports analogies for two reasons – sports are chock-full of relatable glory-moments, and there are only so many times you can talk about the wonders of low EV/EBITDA and high returns on capital! In investing though, there is no climactic hoist of the Stanley Cup. Double-overtime in game seven never arrives, and unlike a fading star in the final days of a hall-of-fame career, failing to bring our "A" game at any moment can erase all the good we have done in the past. Oftentimes, in periods when market participants are bearish, fundamentals are ignored, and investors are losing patience, we equate the experience less to sports and more to Forrest Gump's forays into the shrimping business.

In the movie *Forrest Gump*, the eponymous character armed with only a shrimping boat and knowledge from his killed-in-action friend Bubba, attempts to become a successful shrimp boat captain. After months of sparse catches due to intense competition from other boats, a hurricane hits and wipes out every other boat in the industry. Gump is the survivor, the only game left in town, and bountiful catches and amazing success result. He remained unchanged in his process yet the environment had been significantly altered! During the first quarter of 2012, as well as portions of the second quarter, there were lots of other boats out there snapping up shares at what we perceived to be unattractive prices. Should the market decline, we will rely on our portfolio companies' quality to outlast the competition, and we also will deploy our cash at the right price, made possible by a lack of bids from competing investors.

Utilizing the emotional makeup of Misty May to apply our consistent process to all market environments, and setting-up long-term performance with the survivorship model integral to Forrest Gump's success, these two unlikely investing heroes help explain and power our career-spanning trek of attempting to buy low and sell high.

Despite the Frank Value Fund's three-year annualized return of over 15% and a positive 5-year return in an extremely difficult environment, it is impossible to ignore investor aversion to the stock market. Even with our continued bearish stance on Europe and developed country sovereign debt, we believe the drumbeat of safety-seeking money into fixed income is misguided and reaching a dangerous crescendo. We will let bond guys like Bill Gross appropriately lament the “return-free risk” of lending to any entity at near-zero rates, and instead we will detail our impassioned case for equities leading the way in the long-term.

As European crisis summits number into the twenties, and the typical market cycle of hope, euphoria, then reality-induced disappointment shortens, our research indicates the most likely end to the madness is central banks materially increasing the money supply. When nations default on their debt, banks suffer, and when banks face steep losses and failure, central banks must create and inject capital to ensure depositors retain access to their money. Over longer-term periods, history shows countries in financial distress tend to experience recessions and bank runs right before defaulting, and significant inflation afterwards. Using history as our guide, we have found within our process businesses engaged in essential services like prescription drugs and credit card payments, and also these companies have the ability to raise their prices in an environment where the money supply is increasing materially.

Businesses are dynamic. They adapt to changing environments by expanding or restructuring, raising or lowering prices, developing new products or discontinuing unprofitable ones, and entering or leaving markets. Stockholders receive these benefits via their claim on earnings. Bonds are static. They pay the same coupon even if the business or government they back has increasing income or if the coupon has a negative real return. Even in a world with little inflation but extremely low rates, it is our view that lenders are not nearly being compensated for the risk of default. Would you loan money to an extremely indebted person who will earn less money in the future? This is exactly what many banks and investors are doing by buying the sovereign debt of numerous G20 nations. Countries like Spain have high debt loads yet are in recession meaning the amount of taxes they collect is going down, not up. We would rather own the equity of companies like Google that grew throughout the last US recession in 2008-2009, are in front of a powerful and lengthy trend (less ad dollars for newspapers and television, more for the Internet), and have excellent competitive advantages and pricing power. Google also has $49 billion of cash and $5 billion of debt – a fortress balance sheet most developed countries can only dream of. Our opinion is our high quality businesses will make it through the ensuing wave of defaults, but a frighteningly large amount of bondholders will either experience a major loss or reduction in their purchasing power.

If you believe in intelligently going against the crowd, there is no better time to allocate away from fixed income and into equities. According to the Investment Company Institute, there have been more investors selling US equity mutual funds than buying for five straight years going back to 2007. Even within the Frank Value Fund, we have trailed the S&P 500 for five consecutive months, something that has never happened in our history. This is a great indication that fundamentals are far from investors’ minds. Valuations on our holdings are among the most compelling we have ever seen, and company management teams are well-aware of this disparity and are aggressively returning money to shareholders through stock buy backs and dividend initiations and increases. The short-term will be bumpy, as always, and the stock market will be volatile, as always, but looking out a few years, there is no place we would rather have our money than in our own portfolio. We will continue take advantage of volatility and equities aversion and avoid the peer pressure to lend money to a shaky entity at unacceptable rates.

Thank you for your continued investments and support!

Very truly yours,

Brian Frank
Frank Value Fund Lead Portfolio Manager

Performance as of 6/30/12	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)	2.10	16.92	2.07	6.01	6.25	61.96
Class C (FNKCX)	1.49	16.17*	1.32*	5.26*	5.50*	
Institutional Class (FNKIX)	2.28	17.17*	2.32*	6.26*	6.50*	
S&P 500 Total Return	5.45	16.38	0.22	4.09	4.81	45.28

* 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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