Frank Capital Partners LLC

Frank Value Fund

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Ticker: FRNKX

Second Quarter, 2010

To our fellow shareholders,

The Frank Value Fund returned (-10.26%) as of 6/30/2010 versus (-6.65%) for the S&P 500. Please refer to the back of this letter for more detailed performance information.

Sparks from the Greek budget crisis reignited fears of European debt contagion and double-dip recessions. Investors with 2008 losses branded in their brains, fled equity markets in a risk-averse frenzy leading to an 8% drop in the S&P 500 in May alone! The Fund trailed the market in Q2 partly by deploying cash into out-of-favor stocks – just as we did in late 2008. The bargains we found throughout the first and second quarter of 2010 we believe will lead to significant outperformance, just like our purchases in 2008 drove an exceptionally successful 2009 and beyond.

Legions of professionals and individuals today are investing in the style of Ebenezer Scrooge – hoarding cash, gold, and gold-mining stocks. With gold prices at record highs and a currently negative return for the stock market, this “Humbug Investing” style has posted great short-term results. In many short time periods, especially when stocks are down, holding cash will appear to be a brilliant decision. However, given the extremely low rates on money market accounts and government bonds, we think the long-term implications of a heavy cash allocation are dire. By comparing the rates on cash and bonds to the amount of operating income and free cash flow from stocks, now seems to be a fantastic time to buy and hold equities.

Cash currently has a negative real-return, meaning near-zero rates on money market accounts are lower than the rate of inflation. Over time, consumers’ ability to purchase less goods and services will diminish because the cost of living is going up faster than money market cash balances. To avoid these low interest payments but still remain risk-averse, some investors are purchasing government bonds. The ten-year government bond is paying less than 3%. This return is not without sacrifices.

First, the government bond investor is assuming less than 3% inflation per year for the next ten years otherwise they too will realize negative real-returns. Second, if bond rates are rising in the future, this means bond prices are falling, and someone selling bonds could be forced to sell at a loss. Finally, 3% per year over ten years makes it quite difficult to meet long-term goals! Coupon payments on bonds remain the same throughout their lifetimes with no opportunity for higher payments on the same bond.

This leads us to stocks. Our portfolio is paying about 13% in operating income and 11% in free cash flow. Our businesses are the best of the best, meaning they are growing – in bond terms, our companies are increasing their coupon payments. Embedded in our research process are requirements for competitive advantages, meaning portfolio holdings have pricing power, or the ability to raise prices to offset inflation. In addition to pricing power, great businesses also dominate their competition in any environment – growth, decline, double-dip, or contagion crisis. Therefore a great business should win market-share regardless of the broader economic direction.

Rarely do we have a portfolio with such high operating income and free cash flow relative to government bond rates. Even more exciting is the degree of quality with these valuations – we have fierce competitors growing faster than their peers while trading below stock-market average multiples. Finally, with higher taxes on income and capital gains on the horizon, our shareholders can rest easy because our low-turnover strategy enables a long-term holding period resulting in more tax efficiency. While we look forward to greater returns, we are content to capitalize on the investing community's current fear and aversion to the stock market, which in fact enables us to build a portfolio of superior caliber.
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Very truly yours,
Brian Frank
Frank Value Fund Portfolio Manager

Time Period	Frank Value Fund	S&P 500 Total Return	FRNKX Vs. S&P 500
Six Months Ended 6/30/2010	(-10.26%)	(-6.65%)	-3.61%
One Year Ended 6/30/2010	13.51%	14.35%	-0.84%
Average Annual Return for the Three Years Ended 6/30/2010	(-7.68%)	(-9.83%)	+2.15%
Average Annual Return for the Five Years Ended 6/30/10	1.33%	(-0.81%)	+2.14%
Average Annual Return Since Inception 7/21/2004 (as of 6/30/2010)	2.37%	0.88%	+1.49%
Total Return Since Inception 7/21/2004 (as of 6/30/2010)	14.97%	5.35%	+9.62%

The Frank Value Fund paid a dividend of $0.29 on December 20, 2005, a dividend of $0.58 on December 27, 2006, a dividend of $1.41 on December 27, 2007, and a dividend of $0.83 on December 29, 2008. 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 1-866-706-9790 or visiting our website at www.frankfunds.com. Returns include reinvestment of any dividends and capital gain distributions.

The information in this portfolio manager letter represents the opinions of the individual portfolio managers and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Also, please note that any discussion of the Fund’s holdings, the Fund’s performance, and the portfolio managers’ views are as of June 30, 2010, and are subject to change without notice.