Frank Capital Partners LLC

Frank Value Fund
www.FrankFunds.com
Ph: (440)-922-0066
Toll Free: (800)-869-1679
FRNKX, FNKCX, FNKIX

Third Quarter, 2012

To our fellow shareholders,

The Frank Value Fund Investor Class returned 9.88% YTD as of the end of Q3 2012 versus 16.44% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

As we added new positions in the third quarter, we noticed a pattern emerging: every purchase in 2012 has been in a company with a market capitalization of less than $10 billion. Six out of the eight purchases in this calendar year have been smaller than $5 billion! Our process is leading us back to the small- and mid-cap companies that are often takeover targets. Smaller companies are more likely than large businesses to attract management take-outs, larger company acquisitions, and private equity buyouts. This shift in our buying is a by-the-numbers prudent one, just as our process had led us into mega-caps in recent-years past. Since early 2010, small stocks had big valuations and big stocks had small valuations. In select instances lately, the opposite is true, and our flexibility both strategically and structurally allows us to follow the cheap, high-quality stocks down the cap spectrum.

A majority of our small-cap purchases, such as RPX Corporation, (NASDAQ: RPXC) and Quality Systems Inc. (NASDAQ: QSII) have high percentages of insider ownership. This positive trait is difficult to find in mega-cap stocks, and we believe it is a great indicator of shareholder friendliness and a powerful incentive for management to create value for their stockholders. To better understand this dynamic, we relate the story of Brian's grandfather and great-grandfather.

A World War II Navy veteran, Grandpa founded a catering restaurant in northern New Jersey and turned it into a great American success story by working eight-days-a-week keeping an eye on sticky-fingered bartenders and making sure his guests felt they were family. Speaking of family, when his dad, "Pop," retired from a career firing the boilers of the Paterson silk mills, Pop began opening the "Rustic Lodge" early, sweeping up and terrorizing the delivery guys. He was the delivery guy's nemesis, and he would stand silent, broom in hand, and stare at the drivers as they nervously unloaded their trucks. Then, Pop would weigh each order, even if that meant individually weighing 80 pounds of roast beef. If you were a quarter pound light, he would exclaim "you shorted us!" Pop was such a stickler for The Lodge's fair share that deliverymen thought he was the owner and brought him gifts of candy and cigars just to remove the bull's-eye from their backs.

An equity stake is what makes a business your lifeblood as opposed to just another job. All other factors being equal, we will always gravitate toward owner-managers as opposed to executives with trivial equity incentives. Not only do we favor businesses in the hands of owners, but we also run our own management company the same way. The Frank Value Fund's Advisor is 100% employee owned and operated, meaning we navigate this short-term period of relative underperformance alongside our clients, and to our great advantage, we lack the corporate pressures to stray from our process. This process experiences lulls in the short-term, but it is also responsible for our outstanding long-term record.

Q3 Sales: Mastercard, Visa, Cato, Best Buy, DSW.

Mastercard, Visa, and DSW were major contributors to the Frank Value Fund's performance. Best Buy was a painful loser, and Cato was a modest winner. For Mastercard, Visa, and DSW, we purchased high quality companies at low valuations, and the businesses accelerated their growth while also experiencing valuation-multiple expansion. We held onto these winners as long as possible, but the market is now pricing these companies for perfection. Such a high bar is too risky for our shareholders, and we took our long-term gains and have redeployed into companies where the market is setting extremely low expectations.

We are hopeful that Best Buy's ability to create two mistakes with one purchase is rare, and we have learned from these errors. Initiating Best Buy at the height of the cycle in 2007 has made us add a section to our investing checklist detailing the cycles of margins and sectors. Additionally, electing to hold Best Buy after significant appreciation and multiple-expansion in 2009 despite the emergence of Amazon.com as a serious threat is also a mistake we have learned from.

Cato, a specialty retailer of women's fashion and accessories in rural areas in the US, contributed to Frank Value Fund returns through both appreciation and a large quarterly dividend. Though the company's significant cash balances remained underutilized, we applaud the CEO/owner's prudence in a tough retail market. We exited because margins and consumer spending appear to be peaking while the stock and valuation continued to rise.

Q3 Purchases: Humana (HUM) raised, Quality Systems (QSII), RPX Corp (RPXC), True Religion (TRLG).

Humana is a long-time hold and a winner. Amidst a pullback this year due to uncertainty on the implementation of President Obama's healthcare program, we examined all the major health insurers and determined Humana is best positioned to maintain or increase its market-share. At less than 10x earnings Humana is well below the market multiple but, in our view, of higher quality than the average company and deserving of a premium valuation.

Charts detailing the 2012 performance of Quality Systems, RPX Corp, and True Religion tell a bleak story. They are among the worst performing stocks in 2012, but we believe the market, as is typical, has focused on short-term problems and overshot in its pessimism regarding these issues. In all three cases we believe we are buying a high quality business with expansion prospects at valuations that are not only below-market but at or near historical lows relative to where these companies have traded in the past. One of the many advantages of holding excess cash is we can be nimble to take advantage of prices when there is significant selling in a specific name. We are excited to return to the small cap space and look forward to earnings season for further breakdowns in Russell 2000 stocks.

Regarding the Fund trailing the S&P 500 TR, we are extremely frustrated to watch the Fed and the ECB create momentum-driven markets, however we are optimistic that the business behind the stock price will eventually take center-stage. This optimism stems from experience. Changing inflation expectations due to additional quantitative easing programs from central banks, renewed inflows into US equity mutual funds, or special situation events like buyouts and/or material stock buybacks could all refocus investors on fundamentals and away from central bank headlines. Either way, we are bolstered by the fundamentals and by other periods in our history where we have trailed the market averages. As long as we are finding great companies at low valuations we are confident in a bright long-term future.

Thank you for your continued investments and support!

Very truly yours,

Brian Frank
Frank Value Fund Lead Portfolio Manager

Performance as of 9/30/12	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)	22.23	10.90	3.49	6.48	6.50	67.63
Class C (FNKCX)	21.47	10.15*	2.74*	5.73*	5.75*	
Institutional Class (FNKIX)	22.57	11.15*	3.74*	6.73*	6.75*	
S&P 500 Total Return	30.20	13.19	1.05	4.48	5.45	54.51

* 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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