Frank Capital Partners LLC

Frank Value Fund

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

Second Quarter, 2014

To our fellow shareholders,

The Frank Value Fund Investor Class returned 0.82% YTD at the end of Q2 2014 versus 7.14% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

Trailing the market averages in a short-term time period is frustrating and difficult. We check out premises, search for beaten-down value opportunities we do not already own, and draw confidence from our long-term record of outperformance. Our struggles YTD relative to the S&P 500 and Russell 3000 stem from three sources: 1) A major mistake, Liquidity Services, which is detailed below, 2) Double-digit stock price declines in numerous high-quality, low valuation small-cap holdings, and 3) Our record-high and increasing cash position. Only #1 above is within our control, yet #2 and #3 account for about 4 points of the 6% relative underperformance. We see the continued march upward in the top 50 names in the Russell 2000 as well as the extreme low-volatility readings as a dangerous environment where investors are plowing money into the stock market without regard for valuation. Only active managers with wide mandates and flexible cash positions will thrive when valuation returns to the forefront, as it always does. As a result of this disciplined positioning, we believe we will make money over the next cycle whereas the market averages may not! Valuation marks an immense difference between our portfolio and the indexes.

Valuations at both the macro and micro level are stretched to risky extremes, and we absolutely refuse to invest on these terms. As our process mandated, we continued our net-selling in the second quarter, yet we simultaneously searched for buys that fit within our process. This was a tough task. About 95% of today's stocks exceed our absolute valuation metrics, compared to about 20% in 2012. Stock prices have grown significantly faster than fundamentals, thus driving up valuations to, what are in many cases, ten year highs. Even if US GDP were guaranteed to grow at 5% plus, we would avoid most companies trading at these terms.

Thankfully, there are still some companies left trading at low valuations, also with excellent competitive advantages and large potential for profit growth. However, there is a complete lack of "theme" in our portfolio, as our quest for value has led us away from heavy sector weightings and outside of index holdings, and into conservative, low-downside companies, special situations, and cash. As of June 30, 2014, the Frank Value Fund has never looked more different than the indexes that represent the stock market. The Fund is 24.88% cash, 10.58% insurance companies with significant downside protection (Berkshire Hathaway, Greenlight Re,) 15.92% undervalued, high quality spinoffs (Blackhawk Network, CST Brands, News Corp, Science Applications International,) and 3.69% gold miners (Goldcorp.) These beaten-down, tough-to-find positions represent more than 55% of the portfolio and traditionally have had a low correlation to the market averages. This is an exceptional degree of protection to what we see as dangerously overvalued conditions in most other stocks. Rounding out the remaining 45% of the portfolio are the only undervalued stocks left on the entire exchanges. New names like Teradata are detailed below, but some of our older positions are entrenched, stalwart mega-caps like Cisco, Apple, and Microsoft. All are significantly undervalued, and should the market as a whole depreciate, we believe these names could appreciate.

To sum up our battle-plan, we believe there is more outperformance baked into our current portfolio relative to the market indexes than all of our history combined! Compare this to the 18% alpha we have added since inception almost ten years ago. The environment today is markedly different than Frank Value Fund inception in 2004, as well as any other year since. We also believe this alpha will be realized over the next few years, but until the market breaks its current trend, our cash position and large active share will drag down relative performance. There is a penalty for prudence today but we believe it is of the utmost importance to approach this market with caution. Virtually all of our companies continue to grow their earnings, but the vast majority of the money flow coming into stocks today is from retail investors chasing performance in passive indexes. Thus, our issues suffer relative to the averages despite great business performance.

As always, this process makes us look stupid about 20% of the time, with the second quarter of 2014 certainly filling that quota, but we also know the process will lead to significant gains in the future. We believe there is no better time in the past ten years to flee indexes for our strategy than today. There are very few places to hide that have significantly positive real return expectations over the next 3-5 years, and we believe we own all of these opportunities. Further, anytime an individual company experiences a large decline in stock price, we are there with cash at the ready to snap up the opportunity. By avoiding high valuation stocks we hope to avoid the permanent, long-term losses that the market averages appear to be lurching towards. By holding and opportunistically deploying cash into businesses with significant price declines, we hope to add to our already robust return expectations over the next 3-5 years and beyond.

Summary of Q2 14 activity:

Q2 Sales: Herbalife, Janus Capital Group, Liquidity Services, Wellcare Healthplans

Liquidity Services (NASDAQ: LQDT)
In addition to employing a rigid process applied across all types of market environments, we end each company's research by filling out an investment checklist. This checklist contains all types of risks the quantitative process may miss, as well as mistakes we have made in the past and hope to avoid. Liquidity Services sailed through our quantitative process, appearing to show great growth over the past ten years, yet trading at an appealing valuation. Our checklist highlighted one risk in particular, a single revenue source greater than 10% of all revenues. The SEC filings showed this source to be the US government. Liquidity Services does not disclose the amount of EBIT this large block of revenue produces, and we should have ended our research there and moved on. However, anxious to buy a fast-growing, high-return on capital company at a low valuation, we broke out Commercial and US Government revenues as well as total company EBIT margins. This spreadsheet appeared to show Commercial contributing the vast majority of EBIT. This spreadsheet was embarrassingly wrong. When LQDT lost a major government contract in early 2014, the EBIT forecasts cratered, as most of the profits come from government contracts. We believe the remainder of the EBIT is at risk and will not rebound next year as the rest of the government contracts are up for bid. Thus, we sold in May at a 50% loss. Overruling our process and checklist is a dangerous mistake and we are furious at the oversight. Mitigating some of the damage, however, was our process on position sizing. We do not contribute more than 5% of assets to any position, and LQDT hit this max a few months after initiation. Though we wanted to invest more in the decline, our process prohibited it, saving us from additional losses.

Wellcare Healthplans (NYSE: WCG)
Wellcare was the final health insurance company left in the portfolio from the bonanza in 2009. Previously, we had sold all of our WCG in February of 2012 at $69 per share and 15x forward earnings, only to buy back WCG in November 2012 at $46 after some short-term disappointment. Wellcare management delivered again, successfully turning around a money-losing Medicaid operation acquired in Kentucky, and adding to their dominance in the Florida market. The market responded with cheers, and we exited WCG in June at $77, 15x forward earnings, and for a gain of 67%. Perhaps the next round of short-term disappointment will enable an attractive buy price in this niche cash-machine.

Q2 Purchase: Teradata

Teradata (NYSE:TDC)
Due to great growth and tremendous hype over the "Big Data" revolution, TDC ran up to $80 per share in 2012, capping a risky trailing EBIT/EV yield of 4.3%.Then, growth at the company stalled as its top 50 customers in the Americas reset their data warehouse budgets and open-source opportunities like Hadoop attracted industry attention. TDC stock then declined by 50% while the market averages rallied. Teradata met our valuation hurdle rate in Q2 of 2014, and it is the only position we initiated during that time. Management believes as its top 50 customers resume budget growth in the next few years, this, combined with existing healthy growth in smaller customers, will drive the bottom line to grow at double-digit rates. At the current low valuation, this implies significant upside to TDC stock, however, should growth

continue to be elusive, we believe the downside is limited due to expectations being wildly reset in the stock's multi-year decline.

As you can see the buy side is extremely limited in the second quarter. There are almost zero charts like Teradata's, and for the ones you can find, the companies are in real trouble. Teradata is a great exception, which is why we purchased it. This company has already had its bear market, and we believe the business behind the stock price is strong. Just as Teradata stock can decline 50% amidst a raging bull market, we believe its price can appreciate while the market averages decline. At market extremes is where active management truly shines and it is easy to see this potential when comparing the fundamentals of the Frank Value Fund portfolio with the market averages. We believe there are very bright times ahead for our shareholders.

Thank you for your investments.

Very truly yours,
Brian Frank
Frank Value Fund Portfolio Manager

Performance as of 6/30/14	**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)	17.60	14.19	18.45	7.10	9.03	136.17
Class C (FNKCX)	16.69	13.38	17.70*	6.35*	8.28*	
Institutional Class (FNKIX)	17.83	14.45	18.70*	7.35*	9.28*	
S&P 500 Total Return	24.61	16.57	18.82	6.15	8.17	118.32

* 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.

This publication does not constitute an offer or solicitation of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors.
Information contained in this publication has been obtained from sources we believe to be reliable, but cannot be guaranteed.

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, 2014**, and are subject to change without notice.