Frank Capital Partners LLC

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

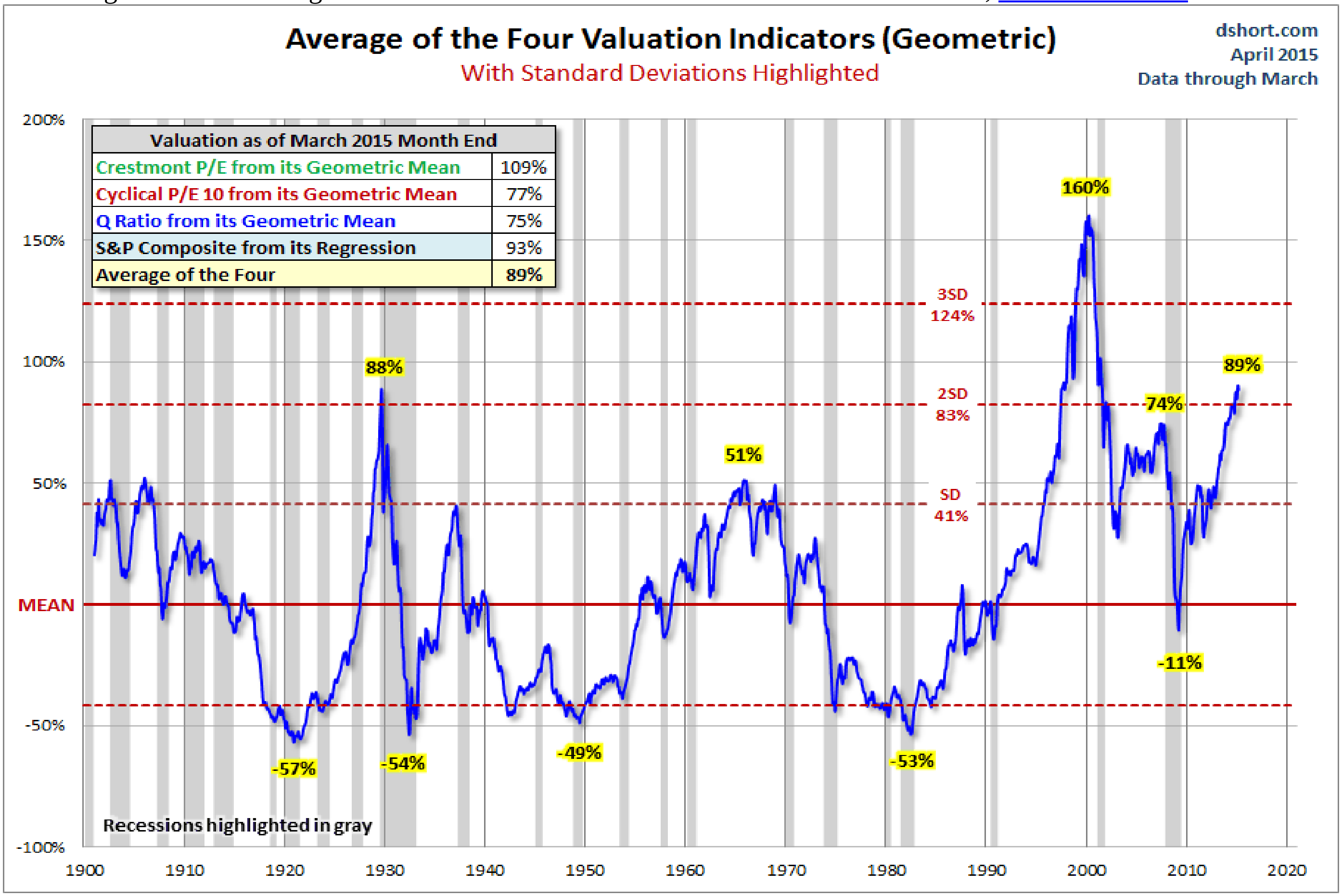
First Quarter, 2015

To our fellow shareholders,

The Frank Value Fund Investor Class returned -3.36% in Q1 2015 versus 0.95% for the S&P 500 Total Return Index. Please refer to the end of this letter for more detailed performance information.

With superior investment opportunities extremely limited due to high valuations getting higher, our focus on the downside is sounding the same alarms day after day. That's what made Q1 2015 such an agonizing quarter. We feel like the main character from the academy award-winning movie *Whiplash*, where the market is a daily source of torment yet all the while increasing our determination. Our resolve is just as high as the persistent jazz drummer in *Whiplash*. Though our portfolio declined in market value, its long-term intrinsic value grew. On average, stocks we did not own increased in market value, while the businesses behind the stock prices slowed or had earnings declines. This cannot continue indefinitely, but while value remains out of favor it will continue to test our patience. We believe we have set up our shareholders for outsized gains in the future by holding onto these great businesses while they are out of favor. Additionally, we are avoiding large potential losses by adhering to our strict discipline at a time when excess is not only outperforming value, but excess is also being rewarded handsomely.

How dangerous is the average stock valuation? Here is a chart from the excellent website, www.dshort.com.



The average of the four valuation indicators on the chart show valuations today are 89% higher than the mean over the last 115 years. For perspective, in 1929 just before the stock market crashed, valuations were 88% higher than the mean. The "roaring 20s" also benefitted from rapid economic growth, quite unlike 2015. In the late 1960s, with the "Nifty 50" craze where advisors put their clients into the top 50 blue chip stocks without regards to valuation, the market topped out at 51% above the mean and two consecutive years of 20% declines in the S&P 500 resulted. In my opinion you could substitute the "Nifty 50" for S&P 500 indexing today.

In 2007, valuations reached 74% above the mean and the S&P 500 lost 50% peak to trough in the financial crisis. Finally, in 1999 valuations rocketed to 160% above the mean, showing that once the market gets overvalued, it can continue to climb into nosebleed territory before correcting. Those who tried "ride the wave" ended up with catastrophic losses as the market corrected faster than they could sell. The prudent thing to do is sell into the exuberance. Regardless, the end result was still the same, with a bear market in the early 2000s that was the worst in 30 years.

How do you defend against irrational valuations in the market as a whole? Consider that concentrated value investors avoided the decline in 2000-2002 by sidestepping bubble-valuation technology and telecom issues. In the aftermath of the tech bubble, those who were invested in tech lost nearly everything, and those indexed to the S&P 500 lost 40%. Those who avoided the bubble and did not look like the indices made money. The Frank Value Fund looks less like the indices that represent the stock market today than at any point in our eleven year history. In Q1 15 this was a detriment to our short-term performance. Over the next half cycle we believe it will be the most important thing we have done for our shareholders since our aggressive buying during the financial crisis. For reference, at the depths of early 2009, the stock market traded at an -11% discount to its mean and the Frank Value Fund was fully invested, returning 49.76% compared to 26.46% for the S&P 500.

Today though, is not a mirror-image of 1999. There are no obvious bubble stocks trading at 500x earnings. Back then, technology, telecom, and utilities stocks declined by over 40% in calendar year 2000 compared to gains in the consumer staples, energy, and healthcare sectors. That was just the beginning of the bubble bursting with two more years of declines for indexers and momentum-chasers. Today, we believe the over-valuation is extremely widespread with every sector requiring a mean-reversion to become investible as a whole. This is bad news for indexers (who are part of the cause of widespread over-valuation) and great news for a concentrated, go-anywhere fund like our own.

There are no cheap sectors, no cheap market caps, no cheap style boxes, and no cheap groups of correlated ideas. Our portfolio looks nothing like the S&P 500, the Russell 2000 or any other index. This will be a very good thing when value comes back in favor and fundamentals matter again. Our research is leading us to hold more cash, and when we do invest there is no theme. We believe to create outsized returns in the next few years we must exploit our go-anywhere abilities to their absolute limits. We are part of an extremely small handful of money managers able to do this. We are positioned today in the few remaining bargains and the quantitative and qualitative metrics of our portfolio give us confidence to suffer a tough Q1 alongside our shareholders because we know the future will inevitably turn the present on its head.

The aforementioned diatribe on valuation in no way requires a recession or large negative catalyst like an inflationary spike or interest rate rise to revert to the mean. A decrease in profit margins alone, while still posting revenue growth, is enough in our opinion, to support a massive revaluation of most stocks lower. In constructing the Frank Value Fund portfolio we have valued our companies based on historical profit margins, not the all-time highs we are seeing today. Unfortunately, real-time indicators of Q1 2015 GDP appear to be slowing and approaching 0% growth. Should the economy roll into recession, this usually contracts profit margins in addition to causing large declines in revenues of cyclical companies. In this case, we are much better positioned relative to the market because we own companies that do significantly better than average in economic contractions.

One of the numerous ironies active managers experience is suffering worse relative short-term performance while making great long-term decisions. The ability to manage and stay on course in periods like these is what separates those who outperform and create value for shareholders from those that do not. We believe the Frank Value Fund will be one of the few strategies that will generate excellent returns in the next 5-10 years.

Sources: Standard and Poor's Corporation; www.dshort.com
Summary of Q1 15 activity:

Q1 Sales: Mantech, Apple (reduced), SAIC (reduced)

Mantech (NASDAQ: MANT)

We purchased MANT in March of 2012 for an average price of $33.16 and sold in February 2015 for an average price of $33.05 for a loss of 0.33%. We also collected about 2.50% per year in dividends. The S&P 500 increased about 50% in the same time period making MANT a painful relative purchase. All things considered, this is the type of mistake we would rather make – one where the business does not perform to our expectations, but the downside is extremely limited. Mantech's EBIT decreased by a significant amount during our holding period, but since we paid such low price for the shares, we did not lose money.

SAIC (NASDAQ: SAIC)

Happily, our research into defense contractors due to MANT paid off, as it led us to spinoff SAIC. In October 2013 we significantly upped our stake in SAIC at $34.35 as it split into two companies. We sold half our position in February 2015 for $55.10 per share or a gain of 60.41%. The S&P returned about 23% in the same time period. We believe SAIC is still cheap, but its large return made it too high a percentage of our portfolio.

Q1 Purchases: None

Not one stock met our combination of value and quality criteria in the entire first quarter. Oil stocks have lower trailing valuations but look expensive based on $50-70 oil prevailing the next year or two. High quality companies are sporting the highest valuations we have seen in over ten years. Having cash when no one wants it usually results in the ability to make opportunistic investments when no one else can.

Thank you for your investments.

Very truly yours,
Brian Frank
Frank Value Fund Portfolio Manager

Performance as of 3/31/15	**Average Annualized Total Returns**						**Total Return**
	1 Yr. %	**3 Yr. %**	**5 Yr. %**	**7 Yr. %**	**10 Yr. %**	**Since 7/21/04 %**	**Since 7/21/04 %**
Investor Class (FRNKX)	-0.08	11.20	11.63	9.22	8.28	8.31	134.85
Class C (FNKCX)	-0.79	10.39	10.88*	8.47*	7.53*	7.61*	
Institutional Class (FNKIX)	0.12	11.49	11.88*	9.47*	8.53*	8.61*	
S&P 500 Total Return	12.73	16.11	14.46	8.95	8.01	8.27	133.88

* 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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