FRANK VALUE FUND

UNCONSTRAINED INVESTING IN US EQUITIES

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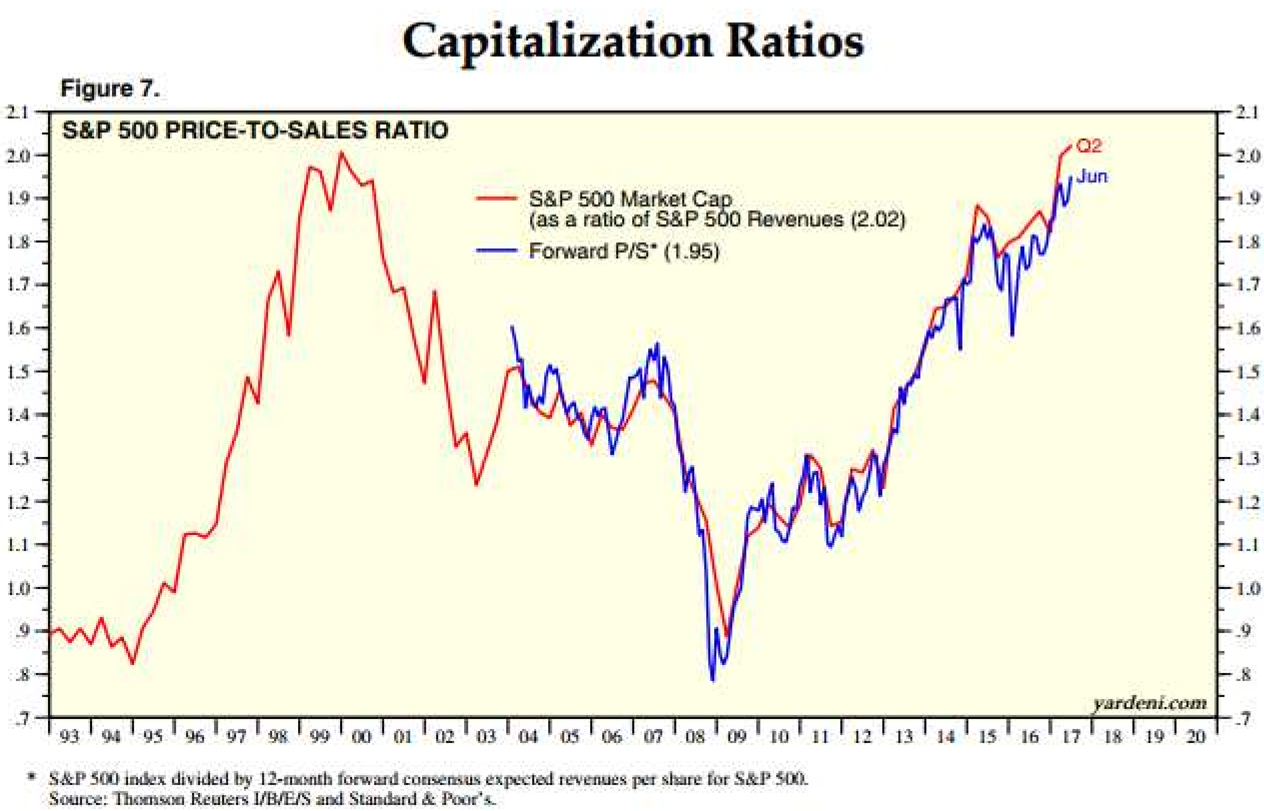
Q2 17 LETTER TO SHAREHOLDERS

The Frank Value Fund Investor Class returned -1.41% as of 6/30/17 compared to 9.34% for the S&P 500 TR Index. Please see the end of this letter for more performance information.

We have preserved capital in the past three years, yet these have been the toughest three years of relative performance in our history. Still, our process shows the indices and most stocks will destroy long-term wealth over the next cycle. By sticking to our strategy while it makes us frustrated and appear foolish in the short-term, we are ensuring superior long-term returns for our shareholders. There are major distortions lurking in the plumbing of the stock market responsible for the daily index bid and sideways drift of our holdings, but instead of technical details I will present just one macro chart and comment.

You either believe that valuing assets matters or not to discovering great investments. Valuation goes in and out of favor, and today it has never been more out of favor, but we believe valuation cannot be permanently rescinded just like the law of gravity as it is a constant in the end. At a restaurant do you consider how good a $40 steak will taste vs. the $12 hamburger? Do you calculate how much you can rent your house or apartment versus buying it? Valuing things based on risk and reward is how capitalism works. Price influences supply, demand, and future returns. In the long-term, fundamental valuation works 100% of the time for public companies, but in the short-term, in periods like 1999 and today, it both fails to work and actively harms those using it. As difficult as it is to watch the markets rise while our holdings do not, when this bubble pops we will be thankful how little we have in common with the indices and our peers.



As you can see from the red line in the above yardeni.com chart, the Price/Sales ratio for the S&P 500 is at an all-time high. The last peak was in 2007, when the US market subsequently declined over 50% from peak to tough, but today you can see we are well above the 2007 valuation peak. The previous all-time record holder was in early 2000. In early 2000 the US economy had just printed a 7% quarterly growth rate and earnings on the S&P 500 grew 16% in the prior year. Even these robust growth numbers, the Internet revolution achieving critical mass, and declining interest rates were not enough to prevent the S&P 500 and NASDAQ from collapsing over the next two years.

Currently, with the all-time high in valuations, rising interest rates, and without the impressive growth numbers of the late 1990s, we believe the danger is much higher than in 2000 or 2007. Bullish investors have no shortage of justification for these extreme valuations, but the sharp reversion in highly correlated long-term metrics like Price/Sales show the cost of ignoring history is painfully high. Thankfully, Frank Value Fund holdings are trading at some of the largest discounts to the market indices we have ever seen. Finding these discounts requires the full weight of our active flexibility, and holding onto these companies requires patience and perseverance. The remainder of this letter will detail our holdings, which are purposely concentrated in ten companies that have all the markings of material long-term wealth-building.

Company	Upside to fair value	Comments
Berkshire Hathaway	20%	Over $100 billion of cash on balance sheet and will opportunistically invest in next downturn
Liberty Tax	100%	Management expects growth this year, which would significantly increase upside to fair value
Shutterfly	50%	Successful turnaround plan could raise fair value materially
Greenlight Re	50%	Long/short portfolio will protect on downside. When value investing back in favor we expect to trade at a premium to book value (currently trades below 1.0x)
LiLAC Group	200%	Newest addition to portfolio, stable broadband revenue with international exposure growing faster than US peers
Apple	30%	Growth accelerating in 2018, much more cash flow than other NASDAQ darlings
Blackhawk Network	30%	Significant discount to growth companies
Goldcorp	100%	Large discount to book value, negative correlation during times of stress
Barrick Gold	30%	Earning power increases with uncertainty
Francesca's Holdings	100%	Growing retailer producing 17% FCF/EV yield while expanding. Unique, small-store concept and zero debt on balance sheet will weather Amazon storm

In addition to these holdings we maintain a large, temporary defensive position in cash. We are now earning something on this cash thanks to the rise in Fed rates, but the bulk the value of this cash comes from its option value. When stock prices decline, investors tend to panic, and having cash when others are selling without regards to value can substantially boost long-term returns. This ability to take advantage of opportunity when others are paralyzed represents the large option value of our cash. Our valuation process shows the S&P faces a potential decline of 50%. Cash protects us against a steep decline and we can then deploy it at much more favorable valuations while other investors struggle on the sidelines.

Investment Highlight:

LiLAC Group (NASDAQ: LILA, LILAK)

LiLAC stands for Liberty Latin America and Caribbean. This soon to be spun-off company operates the #1 or #2 cable company in numerous Latin American and Caribbean markets. Their largest market by revenue is Chile, arguably the most stable South American economy. Broadband penetration in Latin America and the Caribbean is less than half of US and European markets. There is a long runway for growth in these markets, yet LiLAC trades at a discount to cable companies in more saturated markets.

As the company builds out its network, free cash flow will increase significantly and help attract the premium multiple LiLAC deserves. We believe the significant discount is present because as a tracking stock, LiLAC Group is excluded from indices like the S&P 500, forcing passive holders of the parent company, Liberty Global, to sell LiLAC without regards to value. This created an opportunity for Frank Value Fund shareholders that is exceedingly rare in today's high valuation environment.

Companies like LiLAC Group and Liberty Tax will drive our performance in the next cycle. Even with a large allocation to cash, the Frank Value Fund can significantly outperform the market averages for two main reasons. First, our investments are materially undervalued both on an absolute and relative basis, and second, the market averages are trading at all-time highs, indicating disappointing, below average expected long-term returns. Although we are fully confident in our long-term approach and positioning, we do not know the answer to the most important question, "when will our pain end?" Until valuation matters again, fundamentals are clearly furthest from investors' minds. Our stocks are cheap for a reason. They are either underweighted in their respective indices due to ETF and passive incompatibility, or they are completely excluded from this universe of inflows. This is the very reason why our holdings can outperform in a reversal and will attract capital when valuation comes back in vogue, however it is also the reason why we drift sideways as the averages bask in their daily bid.

I know periods like this only "appear" to last forever. I have seen several cycles already in my career and I know there is never a clear indication that a cycle has ended. At the top of the market in March of 2000 there was no great catalyst, no ringing bell that indicated the NASDAQ would lose over 80% of its value in the next half cycle. Instead, the trend just ran out of buyers. Something similar will happen here also, and all the gains index investors are currently enjoying will be erased. The higher it goes in the boom, the lower the bust will be. Only the laughable irrationality of the stock market can warrant a statement as odd as this: math will come back into favor.

Why avoid bubbles? To illustrate, take a $100 investment in a bubble versus $100 in a conservative allocation. The bubble returns 40% and then loses 50% in the pop. At the top it is worth $140 and then at the bottom $70 ($100 *1.4 = $140; $140 *0.5 = $70.) The conservative investment returns 5% in the bubble and stays flat during the bubble burst. At the top it is worth $105 and at the bottom $105 ($100 *1.05 = $105; $105 *1.00 = $105.) Though you did not ride the 50% bubble wave, in the long-term you were far better off to avoid a steep loss.

Below is the most important statistic for our portfolio, as seen versus our universe of profitable companies above $100 million in market capitalization.

Metric	Frank Value Fund	All profitable companies	Frank Value Fund Discount
Median EBIT/EV*	10.8%	4.2%	61%

*EV, or Enterprise Value, is a measure of a company's total value, calculated as: market cap + debt - cash.

Additionally, the Frank Value Fund is invested in companies that are largely recession resistant, whereas the average company is not. With the Fed engaged in tightening and credit conditions following, we believe it prudent to discount a recession in the next 1-3 years. This will result in double-digit revenue declines in most companies, as well as a reversion to the mean in profit margins, which in turn will reduce operating income by an even larger amount. Stocks currently valued as if current profits will not only persist indefinitely but also grow in the future will be hastily rerated downwards.

The pieces are all there for our portfolio, as they have been there for several quarters now. We are waiting for psychology to change and investors to become risk averse. Historically these changes happen violently and without warning. I expect a similar tidal change this time around as well. Until then, the businesses we are invested in are growing and producing cash, slowly adding long-term value that will be recognized.

Thank you for your investments.

Sincerely,

Brian Frank

Lead Portfolio Manager

Frank Value Fund

Performance as of 6/30/17	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)	-1.01	-0.49	7.52	10.60	4.76	6.74	132.73
Class C (FNKCX)	-1.71	-1.22	6.72	9.85*	4.01*		
Institutional Class (FNKIX)	-0.77	-0.22	7.81	10.85*	5.01*		
S&P 500 Total Return	17.90	9.60	14.62	15.40	7.18	8.50	187.54

* Represents an estimate based on the performance of the fund's oldest share class, adjusted for fees.

1 - http://www.cnbc.com/2017/03/31/stocks-had-a-solid-first-quarter-thanks-to-record-flows-into-etfs.html

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