FRANK VALUE FUND

UNCONSTRAINED INVESTING IN US EQUITIES

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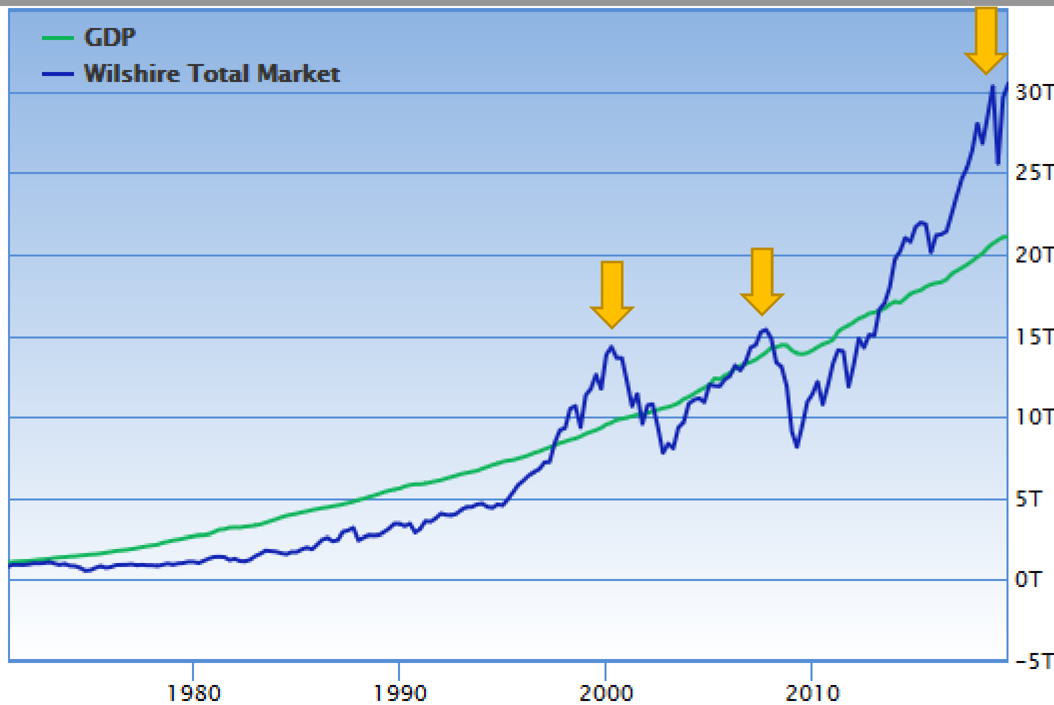
Q2 19 LETTER TO SHAREHOLDERS

The Frank Value Fund Investor Class returned -0.25% in Q2 2019 compared to 4.30% for the S&P 500 TR Index. Please see the end of this letter for more performance information.

During the second quarter we expanded our positioning in gold and gold mining stocks, as the miners traded near historical lows relative to assets in the ground. The price of gold has also languished for years near the industry's cost of production. Once the Fed retreated to an easy-money policy, we increased gold-related positions to 10% of the Fund's assets. As interest rates trend towards zero and negative, this means "real" yields, or interest rates after inflation is considered, are profoundly negative. This is a boom-case for gold, and prices advanced over 10% from the lows in May to the end of the second quarter. There are certainly no signs of future interest rate increases, and the US government is running its largest late-cycle deficit in history. When people lose confidence in a government's ability to be fiscally responsible, significant inflation can result. Higher inflation would cause even lower real yields which again translates into much higher gold prices. Our gold position is an excellent hedge against asset inflation, low and negative interest rates, and irresponsible government spending. Gold performed well during the only down month in the quarter, but even more promising, gold continued to rise as stocks increased in June. This breaks the trend of the past few years.

Additionally in the second quarter, we re-established holdings in Amerisource Bergen (NYSE: ABC) and McKesson (NYSE: MCK), dominant members of the pharmaceutical-delivery oligarchy in the United States. We previously owned ABC in 2012, when it met our value metrics due to pessimism from Obamacare and this resulted in significant outperformance for our shareholders. Both companies have been their own worst enemies in the past two years, suffering in the aftermath of taking advantage of run-away branded-pharmaceutical inflation to artificially increase profits and margins. Both share prices suffered, but due to the positive demographic trends investors often tout about healthcare stocks, revenues continued to increase. Our research indicates that profit margin pressure is bottoming, and the companies are reserving for litigation due to their past misdeeds. We expect the US to enter a recession in the next twelve months, but we are comfortable holding ABC and MCK as their revenue has been completely recession-proof in the past. Though we are still bearish on most stocks, purchasing ABC and MCK shows if there is value out there, we will act.

We have been talking about record valuations for several quarters now. How do they look today? The three yellow arrows below[1] show where total stock market value was more than the US Gross Domestic Product (value of all goods and services produced.) The previous two times this occurred were 1999 and 2007, and both periods of hyper-valuation were completely unsustainable and resulted in a collapse in stock prices. We expect stocks to lose 50-60% from here. Can we make up for our flat returns while stocks have zoomed higher? Absolutely! If fundamental analysis says something is worth $50 but the market price is $100, even if the price goes to $150 it will eventually collapse to $50. The higher prices move away from fundamentals, the greater the collapse back to reality will be. There is no limit on speculation, just as there is no limit on the retreat necessary to return to reality. The only thing that can change this is tremendous GDP and earnings growth. However, numerous indicators point towards slowing growth at the GDP level and contraction for company earnings.



Looking below at the company level, these valuations translate to decades and decades before owners receive their price in after-tax cash.

Company	Free Cash Flow	Stock Comp	Adj FCF/EV Yield
Google	26b	10b	2.1%
Amazon	23b	5b	1.9%
Facebook	16b	4b	2.3%
Johnson & Johnson	19b	1b	4.4%
Visa	12b	400M	2.5%
Disney	9b	1b	3.0%
Source: SEC Filings, Frank Capital Partners LLC			

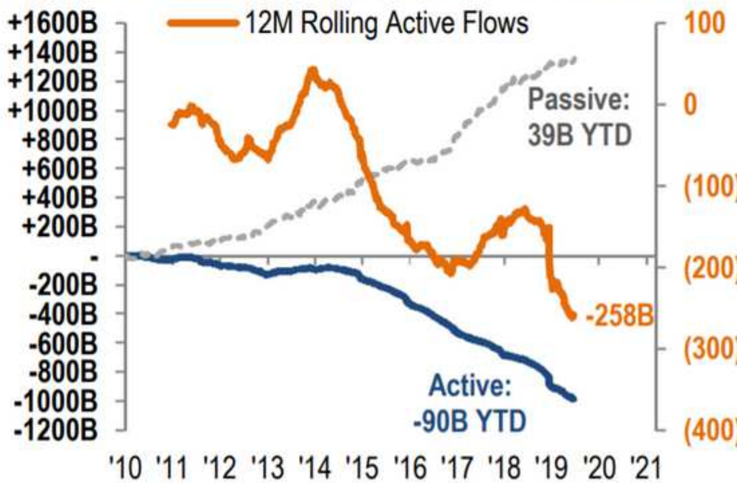
Over the Frank Value Fund's history, we have regularly purchased companies with 10% free-cash-flow yields. Most investments with this margin of safety show spectacular returns, but even at the 10% level some losses can result. With the above chart showing valuations up to 5x higher than our normal requirements, you can imagine the degree of perfection required to result in positive long-term returns. Yet, numerous quarters have lumbered by where stocks continue to power higher and away from fundamentals. How can something so fundamentally unsound persist for so long? It's because less and less investors research the fundamentals! See the below from CNBC.com:

> It's no secret that machines are taking up a bigger and bigger share of investing, but the extent of their influence is approaching shocking proportions. It is as high as 80%, according to one major investing firm. Passive investments such as index funds and exchange-traded funds control about 60% of the equity assets, while quantitative funds, those which rely on trend-following models instead of

> fundamental research from humans, now account for 20% of the market share, according to estimates from J.P. Morgan.[2]

If 80% of participants are ignoring fundamentals, what is driving stock prices higher? To achieve extreme valuations in the top 2.5% of history it takes many factors, but I believe one with an expiration date is the flow of money out of fundamental strategies and into non-fundamental strategies. The orange line and right scale in the below chart show that flows out of fundamental have been negative since 2014 and have accelerated in 2019. This is astounding given that less than 20% of total stock market assets are left in fundamental! You would think flows into non-fundamental would slow as the pool of fundamental assets shrinks. Instead, through fear of missing out, investors are selling fundamental strategies at the fastest pace on record.

Figure 2: 12M Active Outflows at Record



Source: J.P. Morgan US Equity Strategy, J. P. Morgan Prime Brokerage, EPFR

While I believe it is folly to try and call the top of the market, I think it will be extremely difficult for stocks to maintain these valuations as fundamental market share trends towards zero. Non-fundamental strategies have enjoyed billions of flows from fundamental, which has pushed the indices back to record highs. Continuing this trend for much longer is a mathematical impossibility. Despite the significant advance of stocks in 2019 and off the lows from December of 2018, I remain 100% confident our strategy will again produce superior returns. Watching stocks at the end of this cycle is like watching my youngest son play with balloons. He loves to blow up a balloon and then release it, letting the air escape and sending the balloon sputtering all over the room. The balloon is the stock market, soaring crazily higher, the air is money coming out of fundamentals providing the fuel for advance, and the inevitable thud on the ground is provided by a fundamental force – gravity.

Thank you for your investments.
Sincerely,
Brian Frank
Frank Value Fund Lead Portfolio Manager

1 https://www.gurufocus.com/stock-market-valuations.php

2 https://www.cnbc.com/2019/06/28/80percent-of-the-stock-market-is-now-on-autopilot.html

Performance as of 6/30/19	Average Annualized Total Returns			Total Return
	5 Yr. %	10 Yr. %	Since 7/21/04 %	Since 7/21/04 %
Investor Class (FRNKX)	-0.79	8.40	5.64	126.96
Class C (FNKCX)	-1.67	8.07		
Institutional Class (FNKIX)	-0.68	9.10		
S&P 500 Total Return	10.71	14.70	9.00	262.80

* 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 1-888-217-5426 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 1-888-217-5426. Please read it carefully before you invest or send money.

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