FRANK VALUE FUND

UNCONSTRAINED INVESTING IN US EQUITIES

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Q1 20 LETTER TO SHAREHOLDERS

The Frank Value Fund Investor Class returned -1.31% in Q1 2020 compared to -19.60% for the S&P 500 TR Index. Please see the end of this letter for more performance information.

Our significant outperformance and protection of our shareholders' capital in the first quarter is something I am proud of. I am happy our shareholders remained invested in our strategy while it was out of favor and as a result were able to greatly benefit as Frank Value preserved capital while the broader market collapsed. Just a month and a half of "bear market" erased years of trailing the S&P 500. I believe there is still a long way down to attractive valuations, and hopefully the first quarter rejuvenates your ability to be patient and stick to our discipline. There were numerous stocks down more than the S&P 500, and a few made excellent buying opportunities for the Frank Value Fund. More on that below.

In February 2020 I co-wrote a paper on the dangers of US stock market structure due to passive investing called *Slaughterhouse Five (Hundred).* You can read the paper on our website. In the section titled "The Potential Endgame – What is Fair Value" we called for an equity market decline of 50% or more to reach fair value on US stocks. Shortly after the paper's release, US equity markets crashed at one of the fastest rates in history and the Frank Value Fund was the best performing mutual fund in its category. The paper has been updated for an explanation of COVID-19 and how it did not cause passive investors to become net sellers of US stocks. What does this mean? From the perspective of passive buyers being some of the only buyers left of US stocks, it means there is material downside left in stocks. Though the passive investor has not sold yet on a net basis, the largest buyer of US stocks, corporations, are now taking themselves out of the game with announced stock repurchases in 2020 plummeting. The passive buyer is the lonesome buyer of US equities, and that may change in the next few months.

I also wrote an opinion piece in *Marketwatch* about the CARES act and how it will eliminate penalties on loans from 401(k) and IRA accounts. What does this mean? Most of these accounts hold passive investments like index ETF and mutual funds. With the unemployed projected in some cases to reach over 20% of the working population, it is realistic to believe those who lost their jobs will need to tap their retirement accounts in order to pay bills. This shift would be monumentally detrimental to US valuations as passive participants are completely unconcerned with valuation. If you do not care about the price you pay for a stock, on the buy-side you will lift prices, and on the sell-side you will collapse them. Imagine walking into a used-car dealership proclaiming, "I don't care about price, I just want a car!" Do you think you'll get a good deal? The same bad deal will happen on the sell side, "I don't care about price, I just want to sell!" I firmly believe passive investing vehicles are a roach motel – easy to enter but fatal to leave. Even if retirement accounts are not the cause of passive owners becoming net sellers, as detailed in *Slaughterhouse Five (Hundred)*, the eventual net-selling is inevitable. The Frank Value Fund is well-positioned to benefit from this and further disruptions to US equities.

Though stocks only briefly hovered around the lows before rallying, we were able to make several opportunistic long-term investments in the Frank Value Fund. In March we added Twitter and Under Armor, and after the quarter closed, we added two additional high-quality companies trading at attractive valuations. These investments reduced our cash holdings by about 10% and increased the portfolio's expected long-term return. While participants are busy trying to call the short-term direction of the market, we note that the consensus had no idea the market would drop even towards the end of February, and investors calling for the bottom in stocks never use the only metrics proved to be long-term indicators of returns – valuations.

How do valuations look? At the low point, with the S&P 500 index trading around 2200, valuations were just as high as in October 2007 – the point preceding the global financial crisis where stocks then declined over 50% in the next 17 months. As of this writing, with the S&P rallying about 20% off its lows, expected long-term returns are in the 1% range. Despite the pullback, our opinion is this: it is still a terrible time to be indexing. You may ask, "maybe valuations do not matter anymore," as the Federal Reserve is intervening in markets?

As of mid-April, the Federal Reserve has announced much more aggressive intervention than at the height of the Global Financial Crisis in 2008-09. The Fed is actively buying US treasuries across all durations, mortgage-backed securities, investment-grade bonds, and even junk bonds and junk ETFs like iShares High Yield. Investors who had been caught in the March decline desperately cheered the central bank, clamoring for more and more intervention in markets. Whether or not you believe it is the job of the Federal Reserve to bail out risk-takers when risk goes bad, that day is clearly here, and it would be foolish to assume the Fed will stop any time soon. Does this mean US stocks will soon trade at and above all-time highs? I believe it is best to look at Japan for answers.

The Bank of Japan has kept interest rates near 0% since the mid-1990s. Those arguing for There Is No Alternative (TINA) say investors should own stocks because they deserve higher valuations because bonds are paying nothing. This argument is proven false both by the precipitous decline in US stocks in March of 2020, where the US Federal Reserve cut interest rates to zero yet stocks continued falling, and also by the Japanese Nikkei index which has experienced several bear markets while the BoJ has been at zero. In 1996 the Nikkei peaked at roughly 20,000 and bottomed around 14,000 in 1998 for a 30% decline. In 2000-2003 the index made highs of 16,000 and lows of 10,000 for a bear market loss of 38%. The 2008 financial crisis saw a decline of 55%. All the while, at 0% interest rates, Japan suffered recessions and bear markets. Adding an exclamation point to the bad policy, Japan's GDP averaged around 2% growth since 1996. I believe this is because low interest rates allow bad companies to remain a drag to the economy for longer than usual. Debt does not automatically create growth. Did this multi-decade policy failure cause Bank of Japan to stop intervening in markets? No way! The Japanese Central Bank initiated purchases of Japanese *stocks* in 2010. This effectively nationalizes Japanese companies and socializes losses. Did the Nikkei become bear-market proof? No. The Bank of Japan purchasing stock ETFs failed to prevent the Nikkei from dropping from nearly 24,000 to 16,500 in March 2020.

I am baffled why Central Banks continue to double-down on ineffective policies wrought with unintended consequences. But my job is not to figure out why – my job is to protect and grow your wealth. I believe one of the best ways to do this is to maintain our positions in gold miners and physical gold. Every new Fed program is met with an increase in the price of gold. Investors are getting nervous with all the new intervention as the cost of insuring against a US debt default is growing. Even Fed-buying of debt cannot stop the wave of bankruptcies about to engulf the United States. The companies in the Frank Value Fund portfolio fit our time-tested criteria: attractive valuation, strong balance sheet, and high-quality business. These companies will thrive no matter what the Fed does or how bad the debt defaults are.

When our brand of value investing is out of favor, our strategy posted mostly flat results, a far-superior way to be out of favor than suffering large losses. As we have seen in the first quarter, when our type of value investing works, it tends to work spectacularly well. Growth funds collapsed, index funds suffered large losses, and even other value funds were down with the market. The Frank Value Fund strategy is unique and proven. I do not know the extent of investors' continued faith in government intervention, but I do know if we stick to our discipline, the long-term is bright.

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

Performance as of 3/31/20	Average Annualized Total Returns			Total Return		
	5 Yr. %	10 Yr. %	Since 7/21/04 %	1 mo. %	1 Yr. %	Since 7/21/04 %
Frank Value Fund*	-0.60	5.71	5.72	-2.63	1.51	130.55
Russell Midcap Value	-0.76	7.22	6.87	-22.70	-24.13	N/A
S&P 500 Total Return	6.70	10.51	7.76	-12.35	-6.98	223.56

* Represents an estimate based on the performance of the Fund's Institutional 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 1-888-217-5426. Please read it carefully before you invest or send money.

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