

APRIL 11, 2019

Who flipped the switch? When markets closed on December 24 for the Christmas holiday, investor gloom was palpable. At the risk of reopening old wounds, the fourth quarter of 2018 was one of the worst on record. Negative sentiment was a three-legged stool: slowing economy, simmering trade wars and, worst of all, rising interest rates courtesy of the Federal Reserve Board. However, by the first trading day of the New Year, investors began to embrace a more optimistic view, especially about future Fed policy moves. Markets turned on a dime.

Stocks posted their sharpest quarterly advance since 2009. According to mutual fund tracker Morningstar, the average investor produced returns in line with exceptionally strong broad market averages. The BeeHive Fund performed better, thanks to robust results in virtually every sector. Investments in technology, consumer related businesses and the newly designated “communications services” were uniformly strong. Financials and healthcare were mixed, though virtually every position produced a positive return during the quarter.

As noted in our year-end letter, Celgene received a takeover bid at a meaningful premium from Bristol Myers on January 3. Core holdings Thermo Fisher Scientific and Danaher continued to outpace averages in both financial results and stock performance. The latter benefited from the announcement of its opportunistic acquisition of the BioPharma business of GE. The acquired assets are a perfect fit for Danaher’s expanding participation in a growing field. Though far less glamorous, the Fund’s investments in aluminum beverage can manufacturers Ball Corp and Crown Holdings also provided well above-average returns. Aluminum is gaining share from plastic bottles for environmental reasons and from glass bottles for cost and transportation advantages. Ball and Crown are the two largest players in a three-player market.

While lower long-term interest rates provided a boost for stocks in general, the current environment is not considered positive for all businesses. Banks typically use low cost daily deposits to fund multi-year loans at higher rates. Insurance companies collect premiums from their customers and invest in longer dated assets. When short and long-term rates are roughly the same (a “flat yield curve”), these practices are less profitable. We believe that the Fund’s holdings in the financial services sector are less exposed than average to generic spread-lending. However, we grew concerned about the potential negative impact on MetLife, which we therefore sold.

Late in the quarter, we added Berkshire Hathaway, which we think has become a misunderstood company. It is categorized in the financial services sector because of its core property casualty insurance business. However, insurance represents a relatively small percentage of its operations. Of course, in investors’ minds it is inextricably tied to Warren Buffet. We have historically steered clear because the stock traded at a premium to its intrinsic value based on Buffet’s widely recognized acumen. Today, it trades at a discount as investors worry about how it will fare after the inevitable leadership transition. We like the discount, but we are even more intrigued by the more than \$100 billion in cash available for value-enhancing acquisitions.



We also added Brightview Holdings, which, unlike Berkshire, is not exactly a household name. Brightview is becoming the dominant player in the commercial landscaping business. The industry is truly fragmented with over 500 participants. Brightview is by far the largest and roughly ten times the size of its next biggest competitor. Its strategy is to grow through acquisition (targeting five to seven deals per year) at the same time realizing the benefits of scale. While it is a small position in the Fund, we believe it has the potential to generate outsized returns. It also gives us a reason to be enthusiastic about snow storms, which create a nice profit opportunity in the off-season for Brightview!

As we move forward, investor sentiment should continue to be defined by the opposing forces of concern about slowing growth and enthusiasm for low rates. Forecasters are starting to call for a U.S. recession. Europe and Japan are in worse economic shape, and China clearly appears to be feeling strained. BREXIT is difficult to handicap given the range of outcomes; however businesses should be less affected than the headlines might suggest given many have already implemented contingency plans for a “hard BREXIT”, which would probably be the most disruptive scenario. A successful conclusion to trade negotiations would be viewed as a positive. In the meantime, markets will keep a close eye on the release of every economic statistic. Interest rates around the world are even lower than in the U.S. Incredibly, some foreign maturities are being issued with *negative* rates:

	U.S.	Germany	Japan
2 Year	2.26%	-0.61%	-0.18%
10 Year	2.41%	-0.07%	-0.09%
30 Year	2.81%	0.57%	0.50%

As of 3/29/2019

While this environment continues, it is hard to imagine that U.S. rates will move meaningfully higher. Facing at best paltry returns in their home markets, foreign investors have been an increasingly enthusiastic source of demand for U.S. bonds.

As we have stated previously, we cannot predict the timing of the next recession, but we are confident it will be a shallow one. We recognize that this view may be at odds with more popular (and emotional) concerns about the potential for another crisis. Absent an exogenous shock (a China meltdown for instance), we believe that consumers and businesses alike are currently well positioned to withstand a period of economic retrenchment. However, we acknowledge that markets are likely to over-react and the ride may be bumpy.

We feel we are well prepared for just such an environment. The Fund has an ample cash reserve to help cushion the ride. Your Fund’s holdings have been characterized by strong market positions, high profit margins and conservative balance sheets. Most may benefit in the long run from short-term stress by taking share from weaker competitors. We believe that the

Fund's more cyclical holdings (GM, Aptiv and Delta Airlines, for instance) will likely fare significantly better than expected and will be accorded commensurately higher valuations.

Your portfolio of high-quality businesses has proven valuable in two ways. Critically, by owning strong companies, we were able to stay invested in December when markets were sending frightening signals. Just as importantly, individual stocks outperformed as investors recognized strong fundamentals. We believe this is the most appropriate way to invest in the current economic and geopolitical environment.

Spears Abacus BeeHive Fund Performance (Net)

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	10.69%	3.24%	2.40%										17.02%
S&P 500	8.01%	3.21%	1.94%										13.65%

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	5.71%	-5.34%	-2.82%	0.34%	0.00%	-0.81%	5.84%	0.90%	0.19%	-7.48%	2.95%	-9.74%	-10.98%
S&P 500	5.73%	-3.69%	-2.54%	0.38%	2.41%	0.62%	3.72%	3.26%	0.57%	-6.84%	2.04%	-9.03%	-4.38%

2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	1.33%	2.77%	0.27%	1.07%	1.40%	2.29%	0.70%	-0.25%	1.40%	-0.94%	1.33%	-0.76%	11.07%
S&P 500	1.90%	3.97%	0.12%	1.03%	1.41%	0.62%	2.06%	0.31%	2.06%	2.33%	3.07%	1.11%	21.83%

Trailing 12 Months (3/31/2019)	
The BeeHive Fund	7.12%
S&P 500	9.50%

Five Years	
The BeeHive Fund	5.39%
S&P 500	10.91%

Ten Years	
The BeeHive Fund	12.01%
S&P 500	15.92%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	7.46%
S&P 500	10.16%

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment in The BeeHive Fund will fluctuate so that the shares in The BeeHive Fund owned by an investor, when redeemed, may be worth more or less than their original cost. The current performance of The BeeHive Fund may be lower or higher than the performance data quoted. Investors who would like to obtain performance data for The BeeHive Fund that is current to the most recent month-end should call 866-684-4915 (toll free).

The total annual operating expense ratio (gross) was 1.00% for the year ended December 31, 2018. SA has contractually agreed to waive its fee and/or reimburse fund expenses to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding taxes, interest, portfolio transaction expenses and extraordinary expenses) to 0.99% through April 30, 2019. SA may be reimbursed by the fund for fees waived and expenses reimbursed by SA pursuant to the expense cap if such payment is made within three years of the fee waiver or expense reimbursement and does not cause total annual fund operating expenses after fee waiver and/or expense reimbursement of the fund to exceed the lesser of (i) the then-current expense cap and (ii) the expense cap in place at the time the fees or expenses were waived or reimbursed.

Important Note About SA Shareholder Newsletters

This letter and the performance information set forth herein should not be relied upon as investment advice. Any mention of particular stocks or companies does not constitute and should not be considered an investment recommendation by SA. Any forward-looking statement is inherently uncertain. If you would like to learn more about SA and its investment program, please contact us at 212-230-9853 or www.thebeehivefund.com.

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BeeHive Fund Performance Information

The fund performance information shown is for The BeeHive Fund, a series of Forum Funds, an investment company registered under the Investment Company Act of 1940. The BeeHive Fund, which is managed by SA, seeks to generate superior long-term capital appreciation through a focused portfolio of companies that SA believes to have dynamic businesses with leading and defensible market positions. The BeeHive Fund invests primarily in equity securities. Performance information for The BeeHive Fund is presented for 2019, 2018, and 2017.

The performance information set forth indicates the corresponding return of the Standard & Poor's 500 Total Return Index. The volatility of the S&P 500 Total Return Index (as well as any other index used by SA from time to time) may be materially different from the volatility of The BeeHive Fund. In addition, the securities holdings in The BeeHive Fund differ significantly from the securities that are referenced in the index. The S&P 500 Total Return Index has been selected not to represent an appropriate benchmark to compare results but rather to allow for comparison to the performance of a widely recognized index. SA is not responsible for the accuracy or completeness of any information contained here that was obtained from or compiled by third parties.

Risks: The BeeHive Fund is subject to various forms of risk, including the possible loss of principal. Investing in foreign securities entails risks not associated with domestic equities, including economic and political instability and currency fluctuations. Investing in fixed-income securities includes the risk that rising interest rates will cause a decline in values. Concentration in particular industries or market sectors can cause increased volatility and market risk than is the case with more broadly diversified investments. Investments in securities of small and mid-capitalization companies involve the possibility of greater volatility than investments in larger capitalization companies. Investments in American Depository Receipts involve many of the same risks as investing in foreign securities. Please see the prospectus for a more detailed explanation of these risks.

TOP TEN HOLDINGS (3/31/19)

Microsoft Corp.	7.26%	Ball Corp.	4.36%
Thermo Fisher Scientific, Inc.	6.42%	Chubb, Ltd.	4.29%
Danaher Corp.	6.36%	Nestle SA, ADR	3.93%
Oracle Corp.	4.67%	American International Group, Inc.	3.76%
Apple, Inc.	4.42%	CIT Group, Inc.	3.45%

Investors should consider the investment objectives, risks and charges and expenses of The BeeHive Fund carefully before investing. The prospectus and, if available, the summary prospectus of The BeeHive Fund, which may be obtained by telephoning 866-684-4915 (toll free), contain this and other information about The BeeHive Fund. Investors should read the prospectus and, if available, the summary prospectus carefully before investing.

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