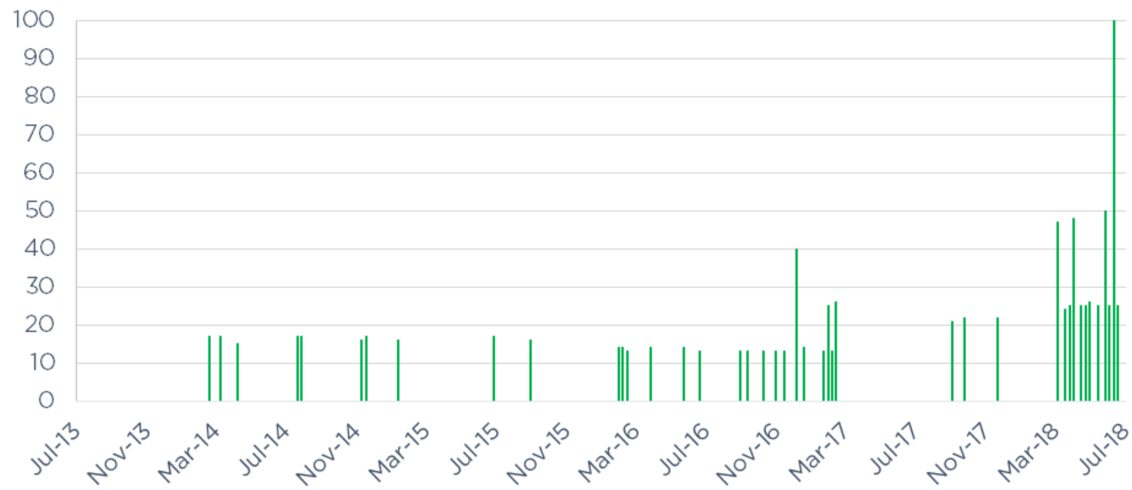
JULY 17, 2018

The News

As we have noted previously, it is our strong belief that interest rates have been and will continue to be a dominant force for financial markets. U.S. equities generally moved higher during the second quarter as interest rates were deceptively stable. Despite a fair amount of inflammatory rhetoric, stocks had less volatility than during the winter months. Daily price fluctuations returned to more normal patterns, even though trade dominated headlines. Once relegated to the study of American history, the word tariff has made a comeback. It has suddenly become a popular term for Google searches (see chart below) as investors, business leaders and consumers try to make sense of the tug of war of trade negotiations.

Frequency of the word "tariff" in Google searches in the United States



Source: *Google Trends*

Though escalating trade tensions have yet to produce broad market impact, as the year unfolds we feel it is important to understand how a trend toward protectionism might affect investors. So far, the consequences have been isolated and specific. Winners and losers are few in number and easily identified. U.S. producers of steel and aluminum (only a handful of companies) have been beneficiaries of the first round of tariffs. Manufactures of products that require steel, aluminum or lumber (RV's, airplanes and single-family homes) are seeing a small rise in their input costs. Retaliation from our trading partners has hurt soy bean farmers (China), Harley-Davidson (Europe) and maple syrup producers (Canada). These are not likely to be the cause of significant stock market risk.

If negotiating tactics evolve into broad protectionist policy, the effects will be more widespread. Once touted as a prime beneficiary of a strong stance on trade, Harley-Davidson is a perfect illustration of the unintended costs of protectionism (it is *not* a holding in the Fund). It faces dual challenges. Motorcycles are largely made of steel, so their costs have already begun to rise modestly. The European Union increased the tariff on motorcycles from 6% to 31% (an average of $2200 per "Hog"). Harley feels that it will not be able to pass that along to the consumer through higher prices. The company has made no secret that it will be forced to move at least some manufacturing overseas (it sold 16% of its bikes in Europe last year). This will result in jobs lost in the U.S. There will also likely be a subtler response. Over the last five years, Harley-Davidson has used excess cash flow to reduce its shares outstanding by 25% for the benefit of existing shareholders. Moving production to Europe and laying off U.S. workers will require a meaningful capital expenditure, as well as severance costs. At the very least, this cash outlay will reduce the potential for stock buybacks.

It is not difficult to understand why broader applications of protectionist policies could have negative implications for global economies and unnerve investors.

The BeeHive Fund

In the U.S., investors seemed willing to embrace a bit more risk during the second quarter. Small stocks, as measured by the Russell 2000 Index, outperformed large stocks. Once steady consumer staples and financials lost ground, while consumer discretionary and technology built on first quarter gains. Energy, which had been a laggard throughout 2017 and the first quarter of 2018, bounced back to be the top-performing sector during the period.

As in the first quarter, investors were not rewarded for diversifying portfolios with non-U.S. equities. Developed market stocks, as measured by the MSCI EAFE Index, lagged the S&P 500 Index by more than 9%, although the UK, India and Australia were notable outperformers (perhaps a positive response to the second season of "The Crown"?). Emerging markets were weak in general in response to a rising U.S. dollar, as China, Brazil and Turkey had double-digit declines. The Fund benefitted from lower-than-average allocations to foreign stocks, though, as a group your non-U.S. stocks (Royal Dutch Petroleum, Nestle and Naspers) outperformed the S&P 500.

Impact of Interest Rates

Absent an unexpected shock to the economy, we generally see rates acting orderly and the yield curve flattening at a slow pace over the next 12 to 24 months. We believe supply/demand imbalances, as well as the Federal Reserve's intentions to continue to increase short rates, will allow shorter maturing bond yields to increase. This should not come as a shock, as it has been well telegraphed by the Fed. Longer rates are dampened by strong demand, especially from U.S. pension funds and foreign investors. The difference between U.S. 10-year rates and German 10-year rates is over 2.5%, while inflation expectations for the two economies are only 0.80% apart. This should lead to continued strong foreign demand for U.S. Treasuries until Eurozone rates increase.

In the longer term, as the Federal Reserve approaches the neutral rate for the Fed Funds rates, somewhere around 3.0%-3.50%, the yield curve should flatten completely. In an orderly environment, we would expect this to occur over the next two to three years. However, in the real world, the timing of this flattening is subject to global political policies as well as continued domestic growth.

Looking Forward

While it is always tempting to forecast change or to identify an inflection point as it is occurring, it is often more useful to recognize stability. In an environment of low interest rates and easy credit terms, corporations should continue to provide steady demand for stocks. Mergers and acquisitions, leveraged buyouts and stock buybacks show no signs of slowing down. If anything, the new tax law provides a boost to these activities.

The combination of rising earnings and relatively steady stock prices means that valuations are no longer stretched. At quarter end, the S&P 500 Index was valued at about 16.5 times estimated earnings for the next 12 months. The average valuation for the last 20 years is 16.3. By this measuring stick, we feel particularly constructive about the Fund's portfolio, which is selling for 14.2 times average estimated earnings.

If the trade environment worsens, which is by no means guaranteed, we plan to take appropriate steps as necessary. In the current environment, we have confidence in the Fund's portfolio of strong businesses trading at compelling valuations.

Spears Abacus BeeHive Fund Performance (Net)

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%							-3.22%
S&P 500	5.73%	-3.69%	-2.54%	0.38%	2.41%	0.62%							2.65%

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%

2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	-7.99%	-0.40%	6.16%	-1.28%	2.29%	-2.46%	4.59%	0.66%	0.00%	-1.09%	4.70%	1.57%	6.11%
S&P 500	-4.96%	-0.14%	6.78%	0.39%	1.80%	0.26%	3.69%	0.14%	0.02%	-1.82%	3.70%	1.98%	11.96%

Trailing 12 Months (6/30/18)	
The BeeHive Fund	-1.81%
S&P 500	14.37%

Five Years	
The BeeHive Fund	7.83%
S&P 500	13.42%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	7.24%
S&P 500	10.34%

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, 2017. 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 2018, 2017, and 2016.

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 (6/30/18)

Microsoft Corp.	6.65%	Apple, Inc.	4.39%
Thermo Fisher Scientific, Inc.	4.95%	CIT Group, Inc.	4.28%
Danaher Corp.	4.85%	Ball Corp.	4.03%
American International Group, Inc.	4.72%	Chubb, Ltd.	3.97%
Oracle Corp.	4.46%	Allergan PLC	3.94%

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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