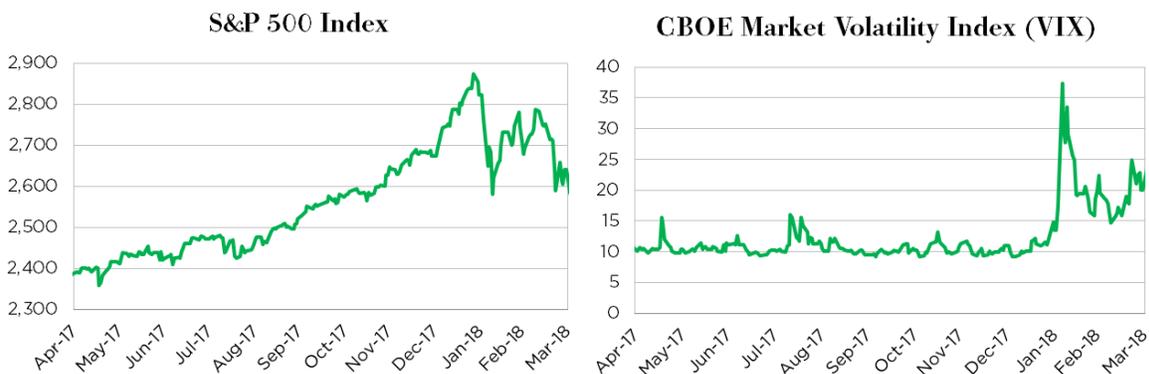


“The report of my death has been grossly exaggerated.” – attributed to Mark Twain

In 1895, Mark Twain embarked on a round-the-world tour of speaking engagements. He hoped to earn enough income to repay debts in the U.S. incurred by the unsuccessful investments of his alter-ego Samuel Clemens. In his lengthy absence, a rumor circulated in early 1897 that he had succumbed to a grave illness. Unsurprisingly, he responded with characteristic wit.

In early 2018, investor beliefs were similarly impacted by a lengthy absence of market volatility; out of sight, out of mind. The S&P 500 had not suffered a decline of 5% or more for 80 consecutive weeks; declines normally occur three to four times per year. In 2017, there were only six days in which the benchmark fluctuated more than 1%. In 2016, there had been 46. Investors were similarly cheered by tax cuts for corporations, strong economic data from all three of the world’s major economic blocs (the U.S., Eurozone and China) and the apparently deft exit from the zero-interest rate policy engineered by the Federal Reserve Board. By the end of January, general market enthusiasm pushed broad benchmarks to well above average valuations. Market darlings such as Amazon, Netflix, Tesla and Nvidia were rewarded with sky-high price-to-earnings multiples, or high stock prices on no earnings.

On February 2, 2018, the release of a stronger than expected jobs report by the Bureau of Labor Statistics stoked inflation fears and jolted the market back to reality. Like Mark Twain, it turned out that volatility was not dead at all. Stock markets around the world declined 10% in a matter of days. The CBOE Market Volatility Index (the most widely followed measure of volatility, known as the VIX), which had hovered in a range of 9 to 16 for over a year, spiked to more than 35.



Figures 1 and 2: FactSet

Though intense, what appeared to be a near panic did not last. Markets quickly regained footing and recouped two-thirds of the decline by early March, just in time for the levying of broad tariffs on steel and aluminum. Another swift decline ensued, and the S&P 500 posted its first negative quarter since 2015 (and only the second in more than five years).

While concern about escalating trade wars may not have been the only culprit, it was the linchpin in a general loss of confidence by investors during the quarter. Investors began to consider the potential negative impact of the return of inflation after a decade-long absence. Worries about a nuclear showdown with North Korea were pushed to the back burner by the unanticipated warming of relations during and after the Winter Olympics. Uneasiness about profits garnered and elections impacted by social media intrusion into private and public lives greased the skids of decline for companies like Facebook and Twitter (and to a lesser extent, the Fund's portfolio holding Alphabet). Markets reacted to headlines; the S&P 500 fluctuated more than 1% 23 times (one out of every three trading days) during the quarter.

Looking Forward (and Backward)

In our 2016 year-end commentary, we wrote the following:

“A new administration always introduces an element of forecasting uncertainty; this one seems less predictable than normal. We do not think that investors have adequately accounted for foreign-policy risks, particularly those arising from trade. Though unlikely, we believe that trade policies that live up to campaign rhetoric could cause a very negative shift in investor sentiment. While we think outright trade wars are improbable, even isolated skirmishes can have unforeseeably negative outcomes.”

In the short term, it is likely that investors will focus on trade policy, and it is likely safe to assume that we have yet to see the worst in terms of headlines. However, we stick with our prediction from January 2017 that outright trade wars are improbable. As seems to be generally true of this administration, this will be a battle of rhetoric versus reality. Odds favor broad compromises with China and NAFTA. Outcomes could range from symbolic victories to substantive improvement in agreements with our most important trading partners. A successful conclusion should be greeted by a huge sigh of relief from global investors. Taking trade off the table will refocus attention on economic growth, interest rates and the prospects for inflation.

Global economies are not yet showing obvious signs of impending slowdown. However, we have noticed creeping disagreement among observers on this subject. We will be keeping a weather eye on economic indicators, particularly in the U.S., which has had the longest expansion.

Impact of Interest Rates

The first quarter was also a volatile period for interest rates. The 10-year Treasury yield, which was virtually unchanged during 2017, increased over 50 basis points to a high of 2.95% before easing somewhat to 2.85% at quarter end. The impact for equity investors is two-fold.

First, the shape of the yield curve has historically been a reliable prognosticator, with a flat or inverted yield curve pointing to imminent recession. Although today's yield curve is "flat" relative to history, it does not seem to be signaling imminent recession. The current low interest-rate environment is also important for equity investors because cheap and available credit has played a major role in rising stock markets since the financial crisis. As we have written before, corporate buyers (stock buybacks, mergers and acquisitions and private equity) have provided a significant source of demand for stocks. The constituents of the S&P 500 alone have spent nearly \$4 trillion since 2008 on their own shares, funded largely by issuing bonds.

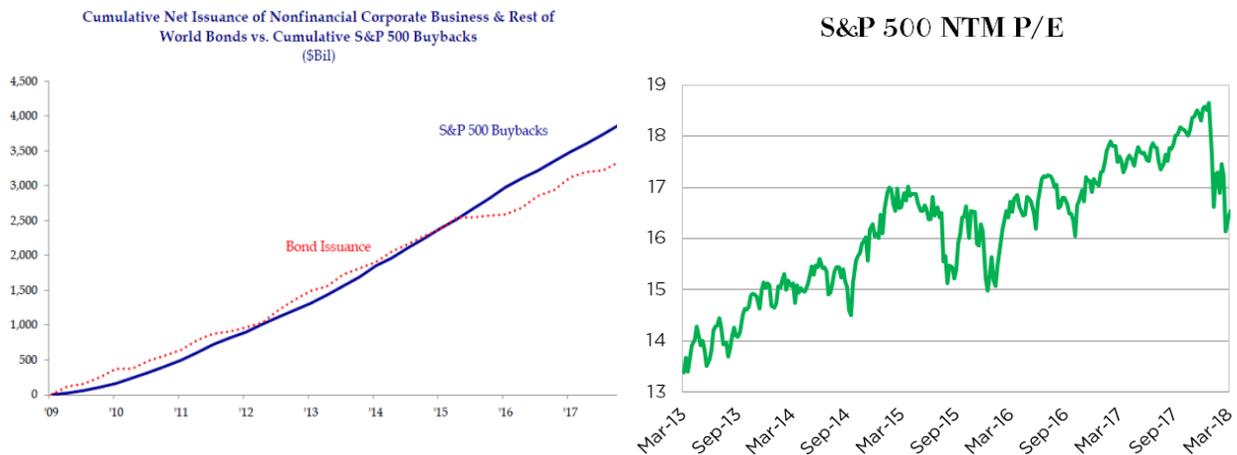


Figure 3: "1Q in Review in Charts: Requiem for the 'New Normal.'" *Strategas*, 2 April 2018.

Figure 4: *FactSet*

This phenomenon relies on a favorable relationship between the cost of borrowing and prices of stocks. That equation seemed less than ideal during January, as both equity valuations and interest rates rose. However, by the end of the first quarter, equity valuations had dropped noticeably from 18.6 times estimated 2018 earnings to a more moderate 16.5 times. In the absence of much higher borrowing costs, we think it is likely that buybacks will continue to provide support for stock prices.

Conclusion

As always, there are risks to a favorable forecast. Incipient signs of inflation in areas such as trucking and import prices could spread more broadly, putting upward pressure on interest rates. The nearly decade-long economic expansion in the U.S. could run out of steam, making current earnings projections too optimistic. Trade talks could break down and tariff wars escalate, resulting in the rare combination of inflation and recession.

In our view, the near future is not as bright as it appeared in January but not nearly as dangerous as it seemed in February. We continue to have faith in The Fund's portfolio of high-quality businesses trading at moderate valuations. If investor enthusiasm leads to speculative excess, we will not hesitate to sell over valued holdings. On the other hand, if markets over react to negative headlines, we are prepared to hunt for bargains.

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%										-2.76%
S&P 500	5.73%	-3.69%	-2.54%										-0.76%

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 (3/31/18)	
The BeeHive Fund	3.43%
S&P 500	13.99%

Five Years	
The BeeHive Fund	8.64%
S&P 500	13.31%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	7.49%
S&P 500	10.23%

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, 2018. 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 (3/31/18)

Microsoft Corp.	6.02%	Ball Corp.	4.40%
Thermo Fisher Scientific, Inc.	4.83%	CIT Group, Inc.	4.28%
American International Group, Inc.	4.74%	Chubb, Ltd.	4.18%
Danaher Corp.	4.71%	Apple, Inc.	3.89%
Oracle Corp.	4.53%	Allergan PLC	3.89%

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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