JANUARY 16, 2018

Overview

For better or worse, this is the time of year to reflect on decisions made (or not made), opinions held, positions taken, and events unforeseen. Before embarking on a self-critique, we should point out that 2017 was a good time to be invested in stocks. Your fund advanced over 11%.

While we would love to take credit for predicting such beneficial markets, we cannot. One year ago, we wrote "higher than average current valuations…argue for somewhat greater than usual caution." We echoed that view in our "Investment Perspectives" throughout the year. We would have had better results had we jumped on the bandwagon of optimism.

In the short run, momentum can be a far more accurate indicator than valuation, and it ruled the roost in 2017. Investors exhibited a distinct preference for stocks that had already outperformed. This can be starkly illustrated by the return disparity between the USA Momentum Factor Fund, which "targets stocks with strong recent performance,"[1] and the Russell 1000 Value Index, which is comprised of those stocks that are cheaper than average.

	2017 Return
USA Momentum Factor Fund	37.47%
Russell 1000 Value	11.86%

This performance anomaly is often a symptom of speculation. There is some of that in the marketplace, to be sure. But it is also the result of changing investor preferences that give this trend a thick veneer of rational behavior. Since the financial crisis, nearly $1.5 trillion has been invested in funds that mimic stock indexes.[2] By definition, more money has flowed to stocks that have outperformed, regardless of valuation. This cannot last indefinitely. When sentiment sours, as it ultimately must, high-priced stocks will not be able to sustain their valuations. Those that have been rewarded the most will have the farthest to fall.

The BeeHive Fund

The fourth quarter was perhaps the most challenging we can remember. In an otherwise strong market, your fund declined marginally (-.39%). The shortfall relative to the benchmark can be attributed directly to three longstanding positions: Celgene, Allergan and General Electric.

GE started off as a promising investment. Over the first year your fund owned shares, its value increased by roughly one-third. But there were troubles within the company that would soon come to light. The stock was a dismal performer throughout 2017. However, we feel there is good reason to believe that the company can once again produce healthy shareholder returns.

[1] Morningstar
[2] Investment Company Institute

GE continues to be the market leader in some very good businesses (aircraft engines, for instance). A new CEO took over the reins in August and has made it clear that he intends to drastically reduce bloated overhead. An activist investor was awarded a seat on the board of directors and will be in a good position to see that promises made are kept. We have had an opportunity to meet with the new director, who has given us confidence that GE's problems can and will be fixed.

Celgene and Allergan have each faced specific challenges regarding competition for key drugs. In general, investors seem disenchanted with pharmaceutical companies because they represent the most visible example of rising health-care costs and their competitive advantage (in the form of patents that expire) has a finite lifespan. We see this glass as half full. Both companies possess exceptional science and produce drugs that generate better outcomes for patients. Both trade at significant discounts to the average stock and to their own history.

Looking Forward

Since the market bottom at the depths of the financial crisis, stocks have advanced smartly despite tenuous global economic conditions. With the notable exception of China, gross domestic product (GDP) growth around the world has been anemic and inflation below levels considered healthy. Investors anticipated more robust growth and patiently awaited its arrival. That time finally seems to have come.

Growth in the U.S. seems to be accelerating. Corporate decision makers are upbeat about lessening regulation and the new tax code (to some extent). Some consumers are anticipating more in their weekly paychecks (they will have to wait until February or March to find out for sure). Europe is finally exhibiting an upward trajectory. Even Japan seems to be emerging from its decades long slump. Ironically, this may create more challenges than benefits for equity investors. Market participants may become concerned that historically low unemployment will lead to inflationary wage growth. Stronger economic statistics will give central bankers the political cover necessary to curtail expansionary monetary policies. Interest rates, at least on short instruments, could continue to rise.

As we have remarked frequently over the last year or so, low interest rates and cheap and readily available credit have enabled significant demand for stocks in the forms of corporate buybacks, mergers and acquisitions and leveraged buyouts. Each of these activities was slightly less frequent in 2017 than the previous year. But the numbers are still large. U.S. mergers were 11% lower, year over year, but still a massive $1.44 trillion. Stock buybacks are down for the second year in a row, but still totaled about $500 billion.[3] Private equity firms like Carlyle, Apollo, BlackRock and KKR have raised enormous funds.

If stocks were cheap, we would say that the backdrop was more than attractive. But with valuations at their highest since the fiscal crisis and at the high-end of historical ranges, we are not inclined to chase the momentum trend. We like what we own. Our holdings in the technology sector may have slightly greater short term risk, but we think each has terrific long

[3] Wall Street Journal Market Data

term prospects so we are not currently tempted to take profits. We will continue to focus on individual opportunities, and feel that we are appropriately positioned for a potentially more difficult market environment.

All of us at Spears Abacus wish you and your family a happy, healthy and prosperous New Year. We look forward to speaking with you soon.

Spears Abacus BeeHive Fund Performance (Net)

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%

2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	-4.88%	6.62%	-1.46%	0.99%	1.26%	-0.28%	4.25%	-6.99%	-4.16%	9.90%	0.28%	-3.73%	-1.42%
S&P 500	-3.00%	5.75%	-1.58%	0.96%	1.29%	-1.94%	3.35%	-6.03%	-2.47%	8.44%	0.30%	-1.58%	1.38%

Trailing 12 months (12/31/17)	
The BeeHive Fund	11.07%
S&P 500	21.83%

5 Year	
The BeeHive Fund	11.11%
S&P 500	15.79%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	8.02%
S&P 500	10.61%

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, 2016. The Fund's advisor has agreed to contractually waive its fees 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. The Fund may repay the advisor for fees waived and expenses reimbursed, if such payment is made within three years of the fees waived or expense reimbursement and the resulting expenses do not exceed 0.99%.

Important Note About SA Shareholder Newsletters

This letter and the performance information set forth therein should not be relied upon as investment advice. Any mention of particular stocks or companies does not constitute and should not be considered investment recommendations by SA. Any forward-looking statement is inherently uncertain and cannot be relied upon as a statement of actual performance. 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 2017, 2016, and 2015.

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 (12/31/17)

Microsoft Corp.	5.22%	Chubb, Ltd.	4.13%
Comcast Corp., Class A	5.13%	Danaher Corp.	4.12%
American International Group, Inc.	4.79%	Thermo Fisher Scientific, Inc.	4.10%
Oracle Corp.	4.33%	CIT Group, Inc.	3.78%
Aptiv PLC	4.20%	Apple, Inc.	3.63%

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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