Like a perfectly normal teenager, markets experienced exhilarating highs and devastating lows in 2018. The year started with a bang but ended with a sickening thud. From an all-time high of 2940.91 on September 21st, the S&P 500 dropped 13.96%. For the year, the most widely followed index of U.S. stocks declined 4.38%. For most investors, actual results were worse, as the average U.S. stock declined more than twice as much.[1] Those who sought opportunity abroad found even more pain instead. When measured in dollar terms, most developed markets fell about 20%. Chinese stocks fared worse. Most commodities fell into negative territory, led by a 40% decline in the price of oil over just the last three months of the year.

Unlike the placid and profitable markets of 2017, 2018 was marked by petulance and volatility. The number of days in which stocks fluctuated more than 1% (in either direction) skyrocketed. A year ago, there were a total of eight days in which stocks were either up or down more than 1%. In 2018, there were 64 (about one every four trading days). On six separate occasions, the S&P moved more than 3%. Unfortunately, five of those moves were negative. The two obvious questions are: What changed, and what does it mean for the future?

In our view, the most significant culprit has been the combination of rising interest rates and the early signs that the U.S. economy may finally be slowing down.

The Federal Reserve has raised interest rates five times over the past 13 months, increasing the Fed Funds rate by 125 bps. The lagged effect of tighter monetary conditions on the economy is starting to become visible in the form of a decline in new home sales and construction, a slight softening of auto sales, and a pullback in consumer confidence from record highs. Whether the Fed's actions are meant to soften a potentially overly exuberant economy, or they are using a strong economy as cover to "normalize" interest rates and policy is irrelevant. The impact has been the same and not helpful for short-term asset prices.

Lurking just beneath the surface is the fear that we might be in the process of reliving the market debacle of 2007/2008. We strongly believe that concern to be unfounded.

We have commented before that the gradual nature of this economic recovery has also contributed to its duration. The pain of the 2008 collapse was lasting, and the excesses that have historically been associated with an overheating economy have been slow to form. New home starts at their peak in early 2018 were running at 1,334,000, only 2% above the 30-year average and 41% below the 2006 peak. Despite an unemployment rate of 3.7%, wage growth is barely in excess of 2%. And stock market valuations after a nearly ten year bull run are nowhere near the nosebleed levels observed in 2000. This does not mean that there are not pockets of "irrational exuberance" but it is difficult to identify large bubbles waiting to pop.

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[1] Russell 1000 Equal Weighted Index

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There is also no denying that our banking system stands better prepared to weather a storm than it did a decade ago. This is vividly illustrated by the below balance sheet which aggregates the balance sheets of Bank of America, JP Morgan, and Citigroup and compares the 2007 figures to today. Equity has risen by almost 50%, from 7% to 10.5% of assets. Conservative measures, such as cash held and deposit funding, have increased significantly, while indicators of risk (debt and trading assets) have been meaningfully reduced. In short, Fed supervision and annual stress tests have accomplished the intended goal.

	2007	Q3 2018
Cash	211,617	815,958
Loans	2,285,543	2,602,293
Trading Assets	1,197,356	951,966
Securities, Fed Funds Sold and Other Assets	1,775,950	2,509,044
Total Assets	**5,470,466**	**6,879,261**
Deposits	2,373,303	3,809,785
Trading and Other Liabilities	1,453,964	1,414,193
Debt	1,250,954	936,073
Total Liabilities	**5,078,221**	**6,160,051**
Equity	**392,245**	**719,210**
Cash % of Assets	4%	12%
Deposits as a % of Loans	104%	146%
Debt as a % of Equity	319%	130%
Trading Assets % of Assets	22%	14%

The BeeHive Fund

Throughout this bull market, we have avoided the siren song of asset class diversification. Making an active decision to concentrate the Fund's portfolio almost exclusively on large U.S. equities and cash has been a significant benefit, especially in 2018. As we noted earlier, international markets, both developed and emerging, have lagged the U.S. by more than 10% during 2018. Since 2009, they have provided less than half the return. Advocates for global equity diversification promised a reduction of risk but delivered only a reduction of returns. We believe that one should venture abroad only in search of superior returns, not in response to an academic theory on reducing volatility.

Your Fund has benefitted somewhat from a greater-than-usual level of cash. Although the Fund underperformed the S&P 500, it was roughly in line with the average stock in the U.S.[2] Because

[2] Russell 1000 Equal Weighted Index

the Fund's portfolio is reasonably concentrated, we can attribute relative performance to both stocks we own and those we do not.

Though healthcare technology has been a bright spot, the Fund's investments in pharmaceutical producers have been disappointing. Allergan, Gilead and Celgene are stable businesses with significantly above-average returns on capital and trade at meaningful discount to the market as a whole. Usually, stocks with these characteristics are defensive during a market decline. Not so in 2018, especially during the fourth quarter. However, we are not alone in finding value in this segment. On January 3rd, Celgene announced that it has agreed to be acquired by Bristol-Myers at a significant premium to its then market price. Celgene shares advanced more than 25% on the news.

There was a similar narrative in the financial sector. The BeeHive Fund's cheapest holdings (those that trade at a discount to tangible book value) meaningfully underperformed both market and sector, especially in the fourth quarter. Those that trade at a premium, performed better. Not what one would expect in times of stress.

It also bears noting that Apple, one of the Fund's more profitable long-term holdings, performed very poorly in the fourth quarter on the heels of disappointing sales of its latest generation of iPhones. After the New Year, the company announced that sales in emerging markets, particularly China, continue to be softer than expected. However, the installed base of phones hit an all-time high and non-iPhone revenue continues to grow at close to a 20% annual rate. We feel that these are healthy indicators for future growth.

We have and will continue to be bystanders to the fad of momentum investing (buying last year's best performers on the theory that they will continue to find favor in the market). According to a recent study, "quantitative hedge funds, or those that rely on computer models rather than research and intuition, account for 28.7% of trading in the stock market…a share that's more than doubled since 2013. They now trade more than retail investors, and everyone else."[3] Momentum is a primary tool of quantitative investors, and they are pushing yesterday's winners to valuations we find unappealing and unsustainable. We prefer to hunt for bargains.

Looking Forward

As noted earlier, the U.S. economy shows signs of at least a marginal slow down. The rest of the world looks worse. Despite extraordinary monetary stimulus, neither Europe nor Japan have managed to escape their malaise. China, always a wild card because of the opaque nature of its economic reporting, has the most at stake in an environment of escalating tariffs. It is possible that an easier than expected Brexit, a constructive trade agreement between the U.S. and China and/or a more stable and predictable U.S. policy provide an upside surprise. However, the more likely outcome is reduced global growth.

[3] Zuckerman, Levy, Timiraos and Bannerji. "Behind the Market Swoon: The Herdlike Behavior of Computerized Trading." *The Wall Street Journal*, 25 December 2018.

That 2019 would be a challenge for the economy was not our base case at the beginning of 2018, but the Fund's moves during the year reflected the growing possibility. In addition to maintaining an elevated cash balance, we trimmed your position in Aptiv and exited positions in UPS and Adient, all three relatively sensitive to economic activity. We also added positions in Mondelez (the maker of Oreo cookies among other snack foods) and Crown Holdings (a food and beverage can maker) partially due to the stability of their core businesses. Lastly, we initiated a positon in General Motors, a cyclical business, but one where we deemed that the shares already discounted the possibility of a near-term severe recession.

We think we may be on the cusp of an important shift in market dynamics. If we are right on our call that 2019 will be characterized by slow growth or even a mild recession, we believe that currently cheap stocks will handily outperform the market for two powerful reasons: The next recession will prove that fears of another financial crisis are vastly exaggerated, and a more difficult economic condition will highlight the significant operational improvements many cyclical companies have made. Certain businesses that historically hemorrhaged cash during a slowdown appear to be positioned to remain profitable throughout the cycle. When this becomes apparent to other investors, we strongly believe valuations will rise.

With almost half of the companies held by the Fund trading at single digit price-to-earnings multiples on our estimates of 2019 earnings, we believe that your portfolio is extremely well-positioned to withstand and potentially profit from a more challenging environment.

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%

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 (12/31/18)	
The BeeHive Fund	-10.98%
S&P 500	-4.38%

Five Years	
The BeeHive Fund	2.21%
S&P 500	8.49%

Ten Years	
The BeeHive Fund	9.39%
S&P 500	13.12%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	6.02%
S&P 500	9.06%

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 (12/31/18)

Microsoft Corp.	7.19%	Apple, Inc.	4.22%
Thermo Fisher Scientific, Inc.	6.03%	Ball Corp.	3.98%
Danaher Corp.	5.71%	American International Group, Inc.	3.95%
Chubb, Ltd.	4.55%	Nestle SA, ADR	3.84%
Oracle Corp.	4.51%	Delta Airlines, Inc.	3.65%

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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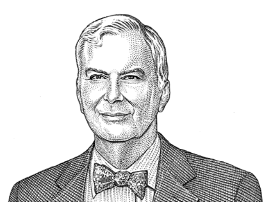
Principal & President



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