JULY 16, 2012

"Summer friends will melt away like summer snows, but winter friends are friends forever."
- George R.R. Martin, *Game of Thrones*

S/A

Dear Investor,

History sure does rhyme. For the third summer in a row, European debt fears have combined with another factor – whether it be an oil spill, the debt ceiling debate, or the US fiscal stand-off and election – to push stock prices back from recent highs. Despite prognostications to the contrary, the prior two pullbacks proved to be very attractive buying opportunities. While we believe fear is once again overstated, there are indeed significant economic and political challenges.

The second quarter sell-off was no surprise. As we discussed in our first quarter letter, the steep climb in equity prices from the fall of 2011 through March of 2012 left very little room for additional short-term gains and made some form of pullback likely. However, the sudden bout of negativity and fatalism was steeper and shriller than we expected. Moreover, the limited direct European exposure in our portfolio seemed not to matter as a general "risk off" approach affected all equity prices.

We continue to believe in fundamental investing, notwithstanding its short-term deficiencies at discounting market emotion. Stock prices are subject to perceptions and ideas, while the ultimate worth of a company is a factor of corporate results and cash flows. We have largely built our portfolio on winter friends – companies that are not faddish or speculative in their appeal, but have time tested and economically hardened business models. These, we believe, provide the greatest risk adjusted returns over a cycle, even as the more popular summer friends melt away.

And while we believe the fundamentals are the ultimate diviner of truth, we recognize market opinion is part of the formula that derives our returns. Great companies can continue to compound earnings, without accruing benefit to their stock price. Microsoft and Comcast are two great companies that have multiplied their earnings over the last decade (and now pay significant dividends) while the stock prices treaded water or worse. Recently, both stocks have been strong performers as fundamentals have outlasted passing theories of irrelevance and obsolescence. Overall, we hold a portfolio today at a lower price-to-earnings multiple and, we believe, with greater earnings growth potential than we have at any time in the last five years (with the exception of the incredible buying opportunity in 2009). While the market has not recognized what we believe to be the full value of the securities we hold, the facts continue to validate our initial analysis and will, we believe, overcome the market's fears and worries.

Our Portfolio

During the quarter, we exited our long-time position in Cooper Industries after it announced a sale of the company to Eaton Corp. The sale price was a 27% premium over the prior close, and approximately an 85% return (over 95% including dividends received) from our initial purchase in 2008. The deal consisted of cash and Eaton stock; as we do not have as much confidence in the combined entity as we did in Cooper, we exited shortly after the deal was announced.

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We made one new significant purchase during the quarter. Schlumberger has long been the gold standard in oil services. We have followed the company and owned it on and off for decades. The recent sell-off in energy commodities, and an even more exaggerated drop in service companies, gave us an attractive entry point. Please see the Appendix for an extended discussion of SLB.

Concluding Thoughts

The greatest paradox of investing is that the best time to buy something always feels like the worst, and the worst time is when it feels like the best. In 1999, notwithstanding many warnings to the contrary, most investors felt the stock market was a reasonable place to have a portion of their assets, and many felt it was a great place to have ALL of their assets. Today, with stocks selling at "half price," most investors are skeptical, and many want nothing to do with it. Doomsday type assets (treasury bonds, gold, put options) are at heavy premiums, while risk assets are at a steep discount.

To be sure, there are reasons for skepticism. We seem to be facing a very poor mix of stagnant growth, political gridlock, challenging demographics, and slowing emerging markets – all combined with a volatile marketplace for public securities. However, we believe that the current combination of politics, fiscal deficits and monetary policy are ultimately negative for the value of passive savings and purchasing power. The hangover from the debt bubble has kept inflation in check as the deflationary effect of deleveraging works its way through the systems – but inflationary pressures will build.

All investors should maintain assets that are liquid and safe enough to provide for several years' worth of spending needs and contingencies – even if they earn little or no return. But, longer term purchasing power needs to be protected through diligent and careful investing. There are an ample number of publicly traded corporations with cash rich balance sheets, nimble management, pricing power, entrenched businesses, strong dividend potential, and reasonable stock prices. The short term may be volatile, but we believe that equity ownership at current levels will be well rewarded with significant long-term returns.

Sincerely,

Spears Abacus

Appendix

Schlumberger (SLB)

Energy exploration and production spending growth, which over the past few years has been focused at the margin on onshore North American shale development, is set to shift increasingly toward exploration, deepwater and international geographies. Schlumberger has by far the most international exposure and expertise among large, broad-based oil service companies and accordingly, is the best positioned to capitalize upon this trend. Further, exploration in general, and deepwater exploration in particular, is highly technical, which plays to Schlumberger's strength as the undisputed technology leader in this high margin market segment.

Despite this favorable positioning, Schlumberger's share price has been in a general downtrend relative to the S&P 500 and S&P Energy sector for a few years and shares currently sell at a lower P/E than at any time in the last five years with the exception of the 2008/2009 bear market trough. This discounted valuation, combined with Schlumberger's sustainable technology leadership and favorable industry trends, make us comfortable that shares will likely perform at least in line with our expectation of mid-to-high teens earnings-per-share growth over the next few years.

Spears Abacus BeeHive Fund Performance (Net)

2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	-2.87%	3.48%	4.59%	0.98%	-7.92%	-4.41%	5.38%	-3.75%	8.77%	4.97%	-0.47%	8.55%	16.90%
S&P 500	-3.60%	3.10%	6.03%	1.58%	-7.99%	-5.23%	7.00%	-4.51%	8.92%	3.81%	0.01%	6.68%	15.06%

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	0.09%	4.57%	1.11%	3.65%	-1.72%	-1.83%	-3.73%	-8.55%	-7.71%	11.38%	-0.94%	0.02%	-5.10%
S&P 500	2.37%	3.43%	0.04%	2.96%	-1.13%	-1.67%	-2.03%	-5.43%	-7.03%	10.93%	-0.22%	1.02%	2.11%

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	6.28%	4.00%	1.31%	-2.24%	-8.30%	3.95%							4.35%
S&P 500	4.48%	4.32%	3.29%	-0.63%	-6.01%	4.12%							9.49%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	3.38%
S&P 500	3.99%

Spears Abacus Municipal Bond Performance (Net)

2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	0.66%	0.60%	-0.09%	0.59%	0.41%	0.33%	0.85%	1.38%	-0.33%	-0.29%	-1.26%	-0.87%	1.98%

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	-0.31%	1.61%	-0.26%	1.19%	0.98%	0.13%	0.80%	1.23%	0.47%	-0.14%	1.46%	1.76%	8.09%

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	1.09%	-0.56%	-0.14%	0.74%	0.41%	0.11%							2.36%

Important Note About Spears Abacus Advisors LLC ("SA") Client Newsletters

Please contact SA if your financial situation or investment objectives have changed in any way or if you wish to impose new restrictions or modify existing restrictions on your accounts. You should be receiving, at least quarterly, a statement from your custodian showing transactions in your accounts. SA urges you to compare your custodial statements to any statements that you receive from SA.

SA BeeHive Fund Performance Information

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. The gross expense ratio of the Fund for 2011 was 1.07%. The adviser has contractually agreed to waive fees and expenses through at least April 30, 2013 so that the net expenses of the fund do not exceed 0.99%. 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 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 capital appreciation by investing in a concentrated portfolio of companies believed to have dynamic businesses with defensible market positions. The BeeHive Fund invests primarily in equity securities. Performance information for The BeeHive Fund is presented for 2010, 2011 and 2012.

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.

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.

SA Municipal Bond Performance

Municipal bond performance information is presented for 2010, 2011 and 2012. The account to which this performance relates was developed to meet the needs of Abacus & Associates Inc., a multi-generation family office that serves high net-worth individuals of varying ages, financial circumstances, and states of residence. SA manages many other tax-exempt fixed-income accounts for which individual portfolio securities are chosen based on the specific characteristics of the client. Because it is difficult to compare the performance of these highly customized accounts to each other or to an index, SA believes that it would be misleading to aggregate the performance of these customized accounts. Upon request, SA will present a model portfolio for a prospective client that is closely customized to his or her individual needs. Returns for other SA accounts may differ from the information presented here. While the performance is based upon the securities actually held in the account, the information does not represent a model portfolio of securities.