

OCTOBER 14, 2011

“There is nothing more likely to start disagreement among people or countries than an agreement.”

- E.B. White



Dear Investor,

In recent months the European debt crisis worsened as policy makers seemed hopelessly behind the actual events. Fear of financial instability, bank failures, and a sharp contraction of credit has paralyzed investors. Since these risks are well known, they are factored into equity valuations, though whether fully or not only time will tell. Our view is that the negatives have already done most of their damage as valuations are low under any likely scenario, but headlines will continue to move the markets in the short run.

Macro factors are important due to their effect on the economy and its ability to grow profits and create jobs. Worries run high about a double dip recession. If indeed economic activity declines from this point it would, in our opinion, prove to be a continuation of the recession begun in 2008 – not a discrete new event. Joblessness has remained fitfully high and housing prices fitfully low all through these last few years. Yes, the stock market has made a great recovery off of the irrational despondent lows of 2009. But this has not been a typical recovery cycle. And while disheartening, the silver lining may be the smaller the boom, the smaller the bust.

Corporate America seems to have done all of the right things during this cycle. Balance sheets have been shored up. Borrowings have been paid off, cash returned to shareholders, and there is prudence – or even hesitancy - in capital spending. There has been some merger and acquisition activity, but prices have been conservative and deals have largely been accretive to earnings. All of this may be cold comfort if our collective worst fears materialize – but we are by no means falling from dizzying heights of either corporate or investor hubris and greed.

Our Portfolio

On September 8th, Perkin Elmer announced its intention to acquire Caliper Life Science for \$10.50 per share. This pending all cash purchase is expected to close in December with a 42% gain over the share price before the announced deal, and more than a 50% gain over our initial purchase price.

During the quarter we exited one position, Axis Capital Holdings, a Bermuda-based reinsurer. We first purchased Axis back in March 2009, because of an experienced management team and a very low valuation relative to peers. We had a reasonable gain in the stock and became concerned that its market position was just not as strong as others in the group.



Concluding Thoughts

For our portfolio, pessimism is a necessary ingredient to finding worthwhile investments. Single digit P/E multiples and fractional book value ratios are common today. And while next year's earnings may be less than previously expected, earnings capability will ultimately be more important to investment results. Valuation by itself will not turn the market around in the short term, but our portfolio holdings, in our opinion, present compelling and historic values in a world with few alternatives for real investment returns.

Sincerely,

Spears Abacus

Note: The foregoing represents a summarized version of the Spears Abacus client letter, which is available on request.

Spears Abacus BeeHive Fund Performance (Net)

2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	-2.82%	-11.62%	7.51%	11.65%	4.43%	3.87%	5.17%	2.97%	2.00%	-1.31%	3.42%	4.37%	31.59%
S&P 500	-8.43%	-10.65%	8.76%	9.57%	5.59%	0.20%	7.56%	3.61%	3.73%	-1.86%	6.00%	1.93%	26.46%

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%				-14.00%
S&P 500	2.37%	3.43%	0.04%	2.96%	-1.13%	-1.67%	-2.03%	-5.43%	-7.03%				-8.68%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	-0.45%
S&P 500	-1.70%

Spears Abacus Municipal Bond Performance (Net)

2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	2.32%	0.90%	-0.40%	0.71%	0.71%	-0.11%	0.86%	0.53%	1.71%	-0.62%	-0.24%	0.23%	6.74%

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%				5.99%

Important Note About Spears Abacus Advisors LLC ("SA") Client 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 212-230-9844 or www.spearsabacus.com.

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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 is 1.22%. The adviser has contractually agreed to waive fees and expenses through at least May 1, 2012 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 that is managed by SA. The BeeHive Fund 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 2009, 2010, and 2011.

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 2009, 2010, and 2011. 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.