OCTOBER 14, 2014

"The lamps are going out all over Europe, we shall not see them lit again in our life-time"
– Sir Edward Grey, 1914

S/A

Dear Investor,

The above words were reportedly said by Sir Edward Grey on the eve of the First World War, almost exactly 100 years ago today. Unfortunately for Grey, he proved all too prescient; at his death in 1933, the lamps were only getting darker throughout Europe and the world.

Post war Europe, however, has been nothing short of a miracle as most economies (the non-communist ones) have thrived after reconstruction. Eventually, nearly all European nations put aside past grievances and combined much of their political, economic, and financial resources to make the European Union a major economic region to rival – or balance – the significance of the U.S. and Asia.

These past few years the European miracle has been put to the test, as the economic and fiscal disparities among the constituents reached a crisis state, and the central actions were uneven and slow. While the third quarter equity performance, as measured by the major U.S. indexes, was mildly positive, there was much more turbulence under the surface.

Much of this, especially in September, can be attributed to a concern over weakening economic conditions in Europe and the strength in the dollar versus the euro (which reached a multi-year low) as well as many other global currencies. The major European indexes were down significantly in the quarter, as were many U.S. companies with real or perceived exposure to the European economy. Commodity producers, especially oil and energy related companies, also fell dramatically, at least in part because of the strong dollar.

The continued anemic economic growth within Europe, its dependence on a slowing China, the internal debate between austerity and stimulus, and the possibility (or reality) of a renewed conflict, cold or hot, with Russia have put a very serious pall over what appeared to be a blooming recovery in Europe. In a connected global economy, it is hard for any area of the investment market to completely escape these fears. When investors rapidly recalibrate their assumptions about macro-economic factors, short term market behavior is both harder to predict and, fortunately, relatively insignificant in the long run.

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Our Portfolios

In the third quarter, the performance of our equity portfolios diverged from the underlying results of the businesses in which we are invested. With only a small handful of exceptions, both good and bad, our companies reported solid second quarter results, generally in line with the earnings we had forecast and better than the market as a whole. Yet, their stock prices did not keep up with the broader averages. This was not driven by any one position or specific reason; rather shares declined due to several isolated concerns distributed among our positions and perhaps a common theme of worry about the weakening European economy and its effect on our global businesses.

We do not manage our positions and their performance from month to month or quarter to quarter. We manage a portfolio to earn exceptional returns over a client's relevant timeframe; the myopia of financial markets sometimes conflicts with this goal. That being said, we are never complacent, so we continue to intensely analyze our positions and rebalance the portfolio as necessary. Over the last 18 months, our portfolios, although conservatively managed, have essentially kept pace with a very ebullient market.

We believe a portfolio needs to be built from the ground up. Individual securities that earn a significant future stream of cash – whether through a share of profits and dividends or an increase in value on the ultimate sale – are the basis for successful investing. As an illustration, we forecast the equity positions we currently hold will have a weighted average earnings growth of 11.7% in 2014, and 13.1% in 2015, both in excess of consensus projections for the S&P 500. At the writing of this letter, our positions trade at 15.0 times their projected 12 months earnings, while the S&P 500 is more expensive at 15.8 times consensus. In addition, our portfolio will return 3.9% of current market value to shareholders over the next year, in the form of dividends and share buybacks, based on our forecasts. We feel very comfortable holding this portfolio for any significant period of time.

During the quarter, we made one new investment in a high quality company that we intend to be a core holding of our portfolios. Danaher is a classic "multi-industry industrial" with businesses ranging from machine motion systems (Kollmorgen) to mass spectrometers (AB Sciex) and a management team that has earned a reputation as disciplined capital allocators. An M&A drought has left Danaher with more cash than debt for the first time in over a decade. We believe that between unlevered balance sheet capacity and free cash flow, Danaher can deploy $12 billion over the next three years. And, in our view the prudent use of this capital will result in future earnings power, well in excess of current market expectations.

Concluding Thoughts

On the same front pages of 1914 that were so intently focused on what would become World War I, you could find articles discussing the appointment of Paul Warburg to the recently created Federal Reserve Board. Warburg, of the German Warburg banking family, had already achieved a significant stature on Wall Street as a partner of Kuhn, Loeb & Company. Since the panic of 1907, Warburg had been a leading advocate for central control of currency and monetary reserves. The Federal Reserve Act, signed into law by Woodrow Wilson at the end of 1913, paved the way for the strong central bank actions and policies of today.

In great contrast to 1907, the Federal Reserve in 2008 took historic actions to ensure liquidity in the financial system: it lowered interest rates to near zero, accepted a wide variety of collateral, opened the discount windows to an expanding array of firms, brokered mergers, and began a massive program of security buying. Six years later, the Federal Reserve's balance sheet exceeds $4 trillion and short-term interest rates remain near zero. The Federal Reserve has thus far staved off depression, promoted employment, and promoted expansion of credit. The question facing economists and investors is: at what ultimate cost?

As we have been writing this year, we believe the well-deserved enthusiasm in share prices of the last five years will level off now and in the coming years. This is not a bearish call, but a realistic and conservative one. This year's mixed results are symptomatic of a market that has recognized the benign, but uninspiring conditions of steady, but slow, economic growth, a controlled inflation environment, and a continued policy of zero percent deposit rates. We think the point of rising rates in the U.S. is approaching and that turbulence in asset prices will continue as the markets digest the implications of higher rates here, and uneven growth abroad. In time, we believe that well selected investments with excellent growth prospects and reasonable valuations will continue to generate significant returns.

Regards,

Spears Abacus

Spears Abacus BeeHive Fund Performance (Net)

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%	0.65%	3.40%	2.67%	-2.08%	0.97%	1.10%	11.50%
S&P 500	4.48%	4.32%	3.29%	-0.63%	-6.01%	4.12%	1.39%	2.25%	2.58%	-1.85%	0.58%	0.91%	16.44%

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	5.28%	-0.09%	3.43%	1.28%	3.87%	-1.78%	6.10%	-1.01%	4.78%	1.80%	4.26%	2.92%	35.13%
S&P 500	5.18%	1.36%	3.75%	1.93%	2.34%	-1.34%	5.09%	-2.90%	3.14%	4.60%	3.05%	2.53%	32.39%

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	-4.22%	4.86%	0.00%	-0.36%	2.83%	3.67%	-3.07%	3.73%	-3.86%				3.13%
S&P 500	-3.46%	4.57%	0.84%	0.74%	2.35%	2.07%	-1.38%	4.00%	-1.40%				8.34%

Trailing 12 months (9/30/14)	
The BeeHive Fund	12.65%
S&P 500	19.73%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	9.02%
S&P 500	9.80%

Spears Abacus Municipal Bond Performance (Net)

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%	0.89%	0.20%	0.42%	0.13%	0.41%	-0.41%	4.06%

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	0.09%	0.12%	-0.09%	0.48%	-0.56%	-1.15%	-0.20%	-0.46%	1.08%	0.28%	-0.24%	-0.13%	-0.70%

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	1.10%	0.63%	0.15%	0.96%	1.04%	0.17%	0.34%	0.79%	0.48%				5.79%

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. Spears Abacus Advisors LLC ("SA") has contractually agreed to waive fees and expenses through at least April 30, 2015 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).

1.04%: The total annual fund operating expense ratio, gross of any fee waivers or expense reimbursements, as stated in the fee table of the fund's prospectus, pursuant to FINRA Rule 2210(d)(5).

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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 2012, 2013 and 2014.

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.

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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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SA Municipal Bond Performance

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