JULY 9, 2013

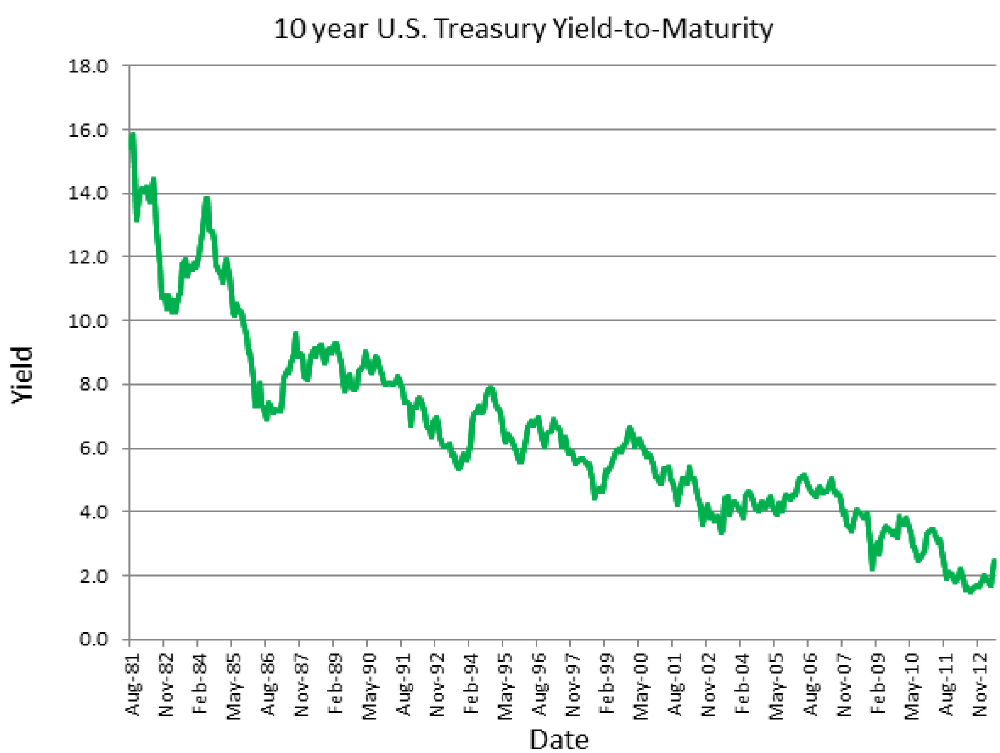
"There is no terror in the bang, only in the anticipation of it."

- Alfred Hitchcock

Dear Investor,

Despite a dismal June, the U.S. stock markets continued their advance through the second quarter. In our last quarterly update we expressed our views that market conditions were not perfect, but were reasonably good for further stock market gains. Both were proven true. The first half advances (13.8% gain in the S&P 500) were consistent with hopes for continued economic recovery. However, the gyrations of June indicate a growing uncertainty surrounding an economic bang of rising interest rates whose anticipation will, we believe, be much more terrifying than its eventual realization.

For over thirty years, there has been a consistent trend in U.S. interest rates. The chart below illustrates the 10 year Treasury note market rate from its peak in 1981 through today. While not a straight line, as there are indeed brief interruptions of increasing rates, it is undeniable that investors were best served over the last three decades assuming an environment of declining interest rates and lower costs of borrowing.



On June 19th, Ben Bernanke held a press conference that included the following phrasing when discussing the Federal Reserve's current policy of purchasing $85 billion in mortgage and Treasury securities per month:

> *"The Committee currently anticipates that it would be appropriate to moderate the monthly pace of purchases later this year. And if the subsequent data remain broadly aligned with our current expectations for the economy, we would continue to reduce the pace of purchases in measured steps through the first half of next year, ending purchases around midyear . . . . I would like to emphasize once more the point that our policy is in no way predetermined and will depend on the incoming data and the evolution of the outlook as well as on the cumulative progress toward our objectives. If conditions improve faster than expected, the pace of asset purchases could be reduced somewhat more quickly. If the outlook becomes less favorable, on the other hand, or if financial conditions are judged to be inconsistent with further progress in the labor markets, reductions in the pace of purchases could be delayed."*

Within minutes, and continuing for several days, stock and bond markets dropped in nervous trading. Although a Federal Reserve Chairman's words always carry more meaning than the literal translation, it seems very hard to interpret the words to be so negative for both stocks and bonds. After all, in discussing asset purchases Bernanke did not even begin to address a Fed Funds rate that is virtually zero, or any of the other accommodative measures that are in place and would remain in place until the economic data gains strength: Is a strong economy something for the stock market to be concerned about?

There is no debate that the Federal Reserve has taken extraordinary actions over the last five years. There is also no doubt that these actions will have to reverse themselves sometime in the future. Our opinion is that this can turn out to be a healthy and gradual transition from central bank support to private bank credit creation, and we do not feel therefore that our portfolio of equity holdings is suddenly or unexpectedly at risk.

That being said, we think there will soon be a major sea change from declining interest rates (as shown above) to a major trend of increasing rates. Investment portfolios that have been based upon declining rates – ranging from the largest bond mutual funds to highly leveraged hedge funds – will feel the pain of this transition – as will the marginal borrower of capital. Wider pain will likely be contained as long as the rise in rates is controlled and normal in light of a stronger economy. While sub-4% mortgages are a strong incentive for home-buyers; higher employment levels and easier credit standards will be more than enough to offset somewhat higher interest rates. Likewise, even a significant increase in Treasury rates should not trigger capital flows out of equities. Instead, we believe that bond fund price declines due to higher rates will encourage further redemptions and more capital will flow back into the stock markets.

Our Portfolio

Our stock positions had a strong quarter, both on an absolute and relative basis. We exited two long held positions, both with significant gains.

On April 15th, Life Technologies announced it had reached a definitive agreement to be acquired at $76 per share. The buyer? Thermo Fisher Scientific, another of our long held positions. Normally, you will see the target company rise in price, and the acquirer drop. In this case, we experienced significant gains in both positions. Thermo has a reputation as a savvy acquirer and Life's business is an excellent fit. We have long been attracted to the assets these companies each held within the life sciences industry. We continue to like them under the strong, consolidated leadership of Thermo. We sold our Life position after the deal was announced, but will continue to hold a significant position in the combined company.

We also sold our Baxter position as the stock is fully priced, in our view, and there seems to be no major catalysts on the horizon. We identified more compelling opportunities in the healthcare sector. Please see the appendix for a further discussion of Gilead.

We initiated new positions in AutoNation (AN) and eBay. AN is poised to benefit from the continued recovery in U.S. automobile sales and increasing consolidation of new car dealerships that should result in both increased economies of scale and service revenue. Please see the Appendix for further discussion. eBay is a global technology company that is a leading enabler of online commerce. While their Marketplaces business continues to grow at impressive rates, we are even more excited by the possibilities for their PayPal division, which occupies a very important position in the global move to e-commerce.

There is one other item worth mentioning. As we discussed in our last update, our Boeing position had performed well during the first quarter of 2013, despite the grounding of the 787 fleet. During the second quarter the fleet was back in the air, and Boeing stock increased an additional 19.9%.

Firm Update

During the second quarter of 2013, we made one other type of important investment. Michele Cleary joined our firm to strengthen our operations and client service function. Michele was most recently Director of Operations at Lazard Wealth Management, and spent much of her career at Ark Asset Management. She will manage our trade, settlement, and compliance operations as we further invest in our "back-office" capabilities. Michele is an addition to our team that remains fully committed to providing you the best service and responsiveness.

Concluding Thoughts

Despite a very skeptical investing public, the first half of 2013 has been beneficial to the U.S. stock markets. Other asset classes have not fared as well: Gold has declined 25%, the broad commodity index declined over 10%, emerging market stocks fell 9%, and the Barclays Aggregate Bond Index fell over 2%.

We believe that the investing environment is changing along with central bank policies over the next few months and years. This does not deter us from the same strategy we have previously employed; a portfolio of well-managed and reasonably valued companies and, where appropriate, high quality fixed income securities (which can be held to maturity). We remain available to discuss your questions and comments at any time.

Sincerely,

Spears Abacus

Appendix

Gilead Sciences

Gilead Sciences (GILD) is a leading biopharmaceutical company focused on developing therapies in areas of high unmet medical need. Although best known for its antiviral products that treat HIV/AIDS, Gilead has a range of products that treat liver, cardiovascular, respiratory and inflammatory diseases. In addition to its global market leading HIV/AIDS franchise, Gilead is on the cusp of having another dominant franchise in Hepatitis C (HCV). In January 2012, Gilead acquired Pharmasset for $11 billion as a way to gain access to its HCV clinical pipeline. It appears that Gilead shareholders' will be rewarded from this acquisition, as Pharmasset's compounds are emerging as the front runners in a much improved regimen for the treatment for HCV. Sofosbuvir received a priority review from the FDA and could be approved and launched as early as the fourth quarter of this year. The HCV infected patient population is enormous (estimated to be over 13 million in the US and Europe alone) and we believe that the market is underestimating the success that Gilead will have in penetrating this population. We believe that the successful launch of Sofosbuvir will lead to a period of rapid revenue and earnings growth for Gilead.

eBay

eBay is a global technology company focused on enabling commerce through its three complementary businesses: Marketplaces, Payments (PayPal) and GSI Commerce. eBay has a substantial and growing global user base in both the Marketplaces and Payments business segments, with over 116 million and 127 million active users. eBay provides consumers and merchants the commerce platforms, tools and services that enable them to be more successful in online, offline and mobile commerce. eBay enabled $175 billion in commerce in 2012 and targets $300 billion in 2015. Marketplaces and PayPal are benefiting from the rapid adoption of smartphones and tablets, as these devices have changed consumers shopping behavior by allowing them to shop anywhere and anytime. Mobile shopping is growing rapidly and reached $13 billion or 17% of Marketplaces Gross Merchandise Volume (GMV), up 100% in 2012. For PayPal, mobile payments were $14 billion or 10% of PayPal's total payment volume (TPV) last year, up 250% over 2012. As the line between online and offline commerce blurs, eBay's total addressable market has expanded from the $1 trillion ecommerce market to the entire $10 trillion commerce market. eBay is well positioned to grow its annual revenue and earnings at 15% or greater over the next three to five years.

AutoNation

AutoNation operates a network of 265 new car dealerships and as such has benefited from a recovery in new car sales from the 2009 lows. We believe that this uptrend is likely to continue owing to improving employment levels, a few years of below replacement sales and a record number of new vehicle introductions over the next two years. However, AutoNation will also benefit from the sales recovery that has already occurred. The Parts & Service business, which represents 40% of company gross profit, is more heavily influenced by trends in the volume of vehicles sold by the dealership in the last five years (i.e. on warranty). Given the dramatic decline in sales volumes in 2008 and early 2009, AutoNation's zero-to-five year old car base is only now starting to stabilize and will turn to growth in 2014. We do not believe that this tailwind is fully appreciated and further believe that additional upside is possible from continued strong execution by AutoNation in growing their "customer pay" service business.

In the longer-term large dealership groups have structural advantages over their single franchise competitors because they are able to invest in customer service, consistent quality standards and online infrastructure. This should lead to further consolidation of what remains a very fragmented industry. AutoNation is well positioned to continue rolling up dealerships, but the company will also repurchase their own stock if attractive franchise acquisition opportunities do not exist.

Spears Abacus BeeHive Fund Performance (Net)

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%	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%							12.41%
S&P 500	5.18%	1.36%	3.75%	1.93%	2.34%	-1.34%							13.82%

Trailing 12 months (6/30/13)	
The BeeHive Fund	20.07%
S&P 500	20.60%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	6.64%
S&P 500	7.23%

Spears Abacus Municipal Bond Performance (Net)

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%	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%							-1.10%

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

SA 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 Spears Abacus Advisors LLC ("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 2011, 2012 and 2013.

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 2012 was 1.04%. SA has contractually agreed to waive fees and expenses through at least April 30, 2014 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 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.

The BeeHive Fund is distributed by Foreside Fund Services, LLC.

SA Municipal Bond Performance

Municipal bond performance information is presented for 2011, 2012 and 2013. 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.