

# **MONONGAHELA ALL CAP VALUE FUND**

**Annual Report  
April 30, 2016**

Dear Shareholder,

We are pleased to offer the annual report for the Monongahela All Cap Value Fund (the "Fund") for the time period from May 1, 2015 to April 30, 2016 ("Period"). Since our mid-year report on October 31, 2015, the Fund was up 4.12% while the S&P 500 Index (the "S&P 500") was up 0.43% and the Russell 2000 Value Index (the "Russell 2000 Value") was up 1.18%. For the year ending April 30, 2016 the Fund was down 0.59% while the S&P 500, its benchmark, was up 1.21% and the Russell 2000 Value, its secondary benchmark, was down 3.71%.

### Limitations of Monetary Policy

As most students learn in Economics 101, the US Government has two divergent tools at its disposal for managing the pace of economic activity: fiscal policy and monetary policy. In an oversimplification, fiscal policies manage budgeting and taxes while monetary policies manage the supply of money. Historically, the government has utilized a mix of fiscal and monetary policy to promote sustainable growth and stable prices.

Towards the end of the 20<sup>th</sup> century, the primary task of managing the economy shifted from managing budgeting and taxes to managing the supply of money. The Federal Reserve Bank (the Fed), created in 1913 to supervise the banking system, directs United States monetary policy. In an effort to stimulate the economy, the Fed and their worldwide counterparts began to aggressively lower interest rates, particularly after the financial crisis of 2008. This extraordinary process has culminated in negative interest rates throughout much of the world. Negative interest rates occur when central banks or commercial banks charge depositors for the privilege of keeping their money in the bank. This is intended to incentivize banks to lend money more freely, and businesses and individuals to invest and spend money rather than pay a fee to keep it safe. The five year German Bund yields a negative 0.35% while two-thirds of Japanese debt has negative yields. If held to maturity, bonds with negative yields guarantee a loss of principal.

Monetary policy is not symmetrical: stimulus provided at the depth of a financial crisis (as occurred in 2008) has a far greater impact than stimulus or negative rates have on a recovering economy (albeit a slow one). As the limitations of monetary policy become more apparent, we typically see investors transition from growth and momentum stocks to the relative stability of value investing.

### Portfolio Additions

As deep value investors, we often become the Patron Saint of unloved sectors. In early 2016, institutions were stumbling over each other to indiscriminately exit the Industrial sector and in the stampede we found value. We believe that fears of a slowing economy exacerbated the institutional stampede out of industrials and we had the opportunity to add *Cummins Inc.* at a significant discount to our intrinsic value estimates. The stock had fallen from a high of \$161 in June of 2014 and at \$94.36, where it was purchased, had a dividend yield of 4.1%. Cummins closed at \$117.03 on April 30, 2016. Finding value in disrupted markets is the essence of our value style.

*Hubbell Inc.* was founded in 1888 and has evolved into a designer and manufacturer of electrical and electronic products serving a broad range of residential, industrial and utility applications. Consistent revenue and earnings growth initially attracted us to Hubbell. However, we were reluctant to purchase the equity over the years because a dual classification gave Class A shareholders a disproportionate share of votes. Late in 2015, the board proposed a reclassification resulting in one class of stock with one vote per share. We subsequently purchased Hubbell at \$93.56 with a 2.8% dividend. Hubbell closed our April 30, 2016 year end at \$105.76.

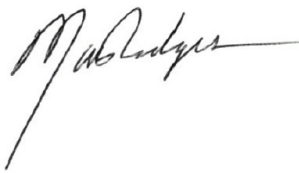
### Portfolio Deletions

The discipline of selling above intrinsic value is extremely difficult. These companies are usually performing well, receiving positive coverage in the financial news, and selling an appreciating asset runs counter to behavioral psychology.

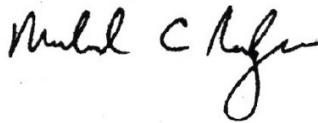
*Campbell Soup Company* was a position that we exited this year. While it had performed well, up over 40% for the portfolio, we viewed the insatiable search for safe haven securities driven by easy monetary policy and low interest rates to have pushed Campbell's stock price above what we believed to be its intrinsic value. In addition to Campbell Soup, the following stocks moved significantly above their intrinsic value and were sold: *Edwards Lifesciences, Eli Lilly & Co, Walgreen Boots Alliance, ConAgra Foods, Badger Meter and CH Robinson Worldwide.*

In the prevailing low interest rate environment, three positions received merger proposals and were sold: *Airgas, SanDisk and Baxalta.* A combination of low valuations, low interest rates and a search for augmenting growth seemed to provide fertile grounds for mergers. We would expect these conditions to stay in place for the foreseeable future.

Although the timing of a return to a better balance between fiscal and monetary policy is unknown, we believe that we are at a junction where monetary policy has reached its limits. We are well positioned for the eventual migration to a more normalized policy.



Mark Rodgers  
Co-Manager



Michael C. Rodgers  
Co-Manager

**IMPORTANT RISKS AND DISCLOSURES:**

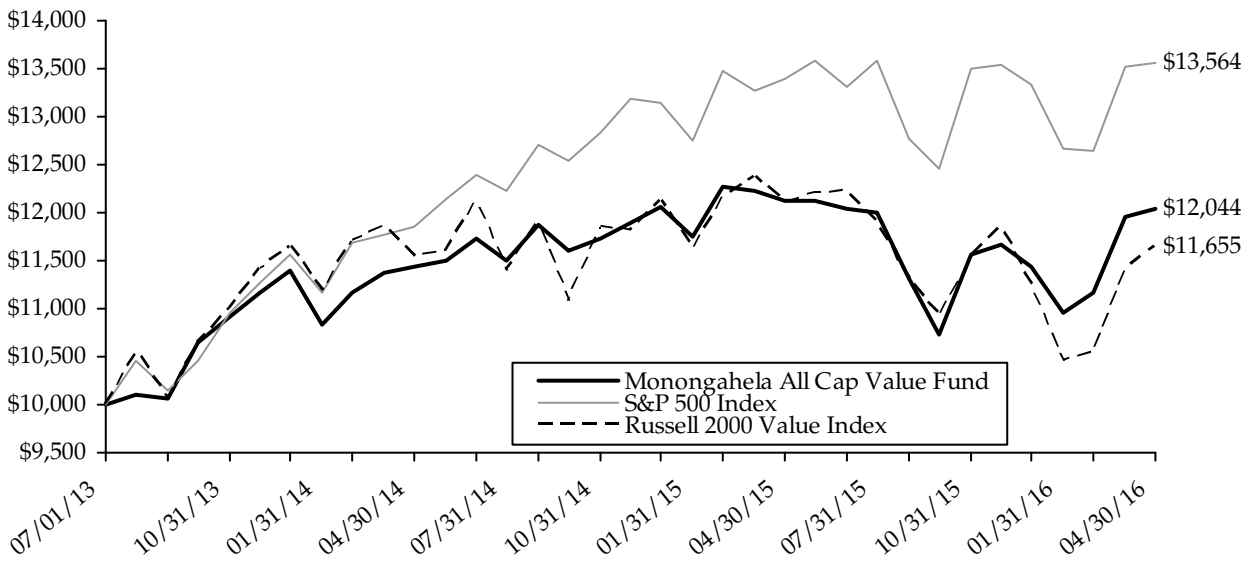
Mutual fund investing involves risk, including possible loss of principal. A value investing strategy involves the risk that undervalued securities may not appreciate as anticipated or will remain undervalued for long periods of time. Securities of micro-, small- and mid-capitalization companies may be more volatile and less liquid than those of large-cap companies due to limited resources or product lines and greater sensitivity to adverse economic conditions.

The views in this report were those of the Fund managers as of April 30, 2016, and may not reflect their views on the date this report is first published or any time thereafter. These views are intended to assist shareholders in understanding their investment in the Fund and do not constitute investment advice. This letter may contain discussions about certain investments both held and not held in the portfolio. All current and future holdings are subject to risk and to change.

**MONONGAHELA ALL CAP VALUE FUND**  
**PERFORMANCE CHART AND ANALYSIS (Unaudited)**  
**APRIL 30, 2016**

The following chart reflects the change in the value of a hypothetical \$10,000 investment, including reinvested dividends and distributions, in the Monongahela All Cap Value Fund Fund (the "Fund") compared with the performance of the primary benchmark, the S&P 500 Index (the "S&P 500"), and the secondary benchmark, the Russell 2000 Value Index (the "Russell 2000 Value") since inception. The S&P 500 is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks. The Russell 2000 Value measures the 2,000 smallest of the 3,000 largest U.S. Companies (based on total market capitalization) that have lower price-to-book ratios and lower forecasted growth values. The total returns of both the S&P 500 and the Russell 2000 Value include the reinvestment of dividends and income. The total return of the Fund includes operating expenses that reduce returns, while the total returns of the S&P 500 and the Russell 2000 Value does not include expenses. The Fund is professionally managed while the S&P 500 and the Russell 2000 Value are unmanaged and are not available for investment.

**Comparison of Change in Value of a \$10,000 Investment**  
**Monongahela All Cap Value Fund vs. S&P 500 Index vs. Russell 2000 Value Index**



<b>Average Annual Total Returns</b>			
<b>Periods Ended April 30, 2016</b>	<b>6 Month</b>	<b>1 Year</b>	<b>Since Inception 07/01/13</b>
Monongahela All Cap Value Fund	4.12%	-0.59%	6.79%
S&P 500 Index	0.43%	1.21%	11.37%
Russell 2000 Value Index	1.18%	-3.71%	5.56%

*Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than original cost. For the most recent month-end performance, please call (855) 392-9331. As stated in the Fund's prospectus, the annual operating expense ratio (gross) is 7.76%. However, the Fund's adviser has agreed to contractually waive a portion of its fees and to reimburse certain expenses to limit total operating expenses to 0.85% (excluding all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, proxy expenses and extraordinary expenses), through September 1, 2016. During the period, certain fees were waived and/or expenses reimbursed; otherwise, returns would have been lower. Shares redeemed or exchanged within 60 days of purchase will be charged a 1.00% redemption fee. The performance table and graph do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Returns greater than one year are annualized.*

**MONONGAHELA ALL CAP VALUE FUND**  
**SCHEDULE OF INVESTMENTS**  
**APRIL 30, 2016**

Shares	Security Description	Value
<b>Common Stock - 79.3%</b>		
<b>Consumer Discretionary - 13.5%</b>		
5,500	Coach, Inc.	\$ 221,485
11,000	El Pollo Loco Holdings, Inc. <sup>(a)</sup>	145,090
3,500	Harley-Davidson, Inc.	167,405
4,000	Williams-Sonoma, Inc.	235,120
		<u>769,100</u>
<b>Consumer Staples - 15.8%</b>		
5,000	Alico, Inc.	144,550
700	Dr. Pepper Snapple Group, Inc.	63,637
1,700	Mead Johnson Nutrition Co.	148,155
2,500	The Coca-Cola Co.	112,000
2,250	The Procter & Gamble Co.	180,270
3,000	Unilever PLC, ADR	134,580
4,000	Whole Foods Market, Inc.	116,320
		<u>899,512</u>
<b>Energy - 3.2%</b>		
1,000	Chevron Corp.	102,180
3,000	Western Refining, Inc.	80,280
		<u>182,460</u>
<b>Financials - 8.8%</b>		
2,500	American Express Co.	163,575
6,000	Federated Investors, Inc., Class B	189,600
2,000	MetLife, Inc.	90,200
3,000	Old Republic International Corp.	55,470
		<u>498,845</u>
<b>Health Care - 7.6%</b>		
3,000	Baxter International, Inc.	132,660
1,000	Johnson & Johnson	112,080
1,000	PerkinElmer, Inc.	50,420
900	Teleflex, Inc.	140,202
		<u>435,362</u>
<b>Industrials - 17.1%</b>		
2,500	American Airlines Group, Inc.	86,725
3,500	Cubic Corp.	145,495
2,000	Cummins, Inc.	234,060
2,500	Emerson Electric Co.	136,575
1,500	General Electric Co.	46,125
1,250	Hubbell, Inc.	132,200
4,000	MSA Safety, Inc.	192,360
		<u>973,540</u>
<b>Materials - 1.5%</b>		
3,000	The Mosaic Co.	83,970
<b>Technology - 9.9%</b>		
7,500	Corning, Inc.	140,025
11,000	II-VI, Inc. <sup>(a)</sup>	229,570
1,000	Microsoft Corp.	49,870
16,000	Schmitt Industries, Inc. <sup>(a)</sup>	37,280
5,000	Seagate Technology PLC	108,850
		<u>565,595</u>
<b>Utilities - 1.9%</b>		
2,000	National Fuel Gas Co.	111,000
Total Common Stock (Cost \$4,326,820)		<u>4,519,384</u>
<b>Money Market Fund - 17.9%</b>		
1,020,640	Dreyfus Treasury Prime Cash Management, 0.15% <sup>(b)</sup> (cost \$1,020,640)	1,020,640
<b>Total Investments - 97.2%</b>		
<b>(Cost \$5,347,460)*</b>		<b>\$ 5,540,024</b>
<b>Other Assets &amp; Liabilities, Net - 2.8%</b>		<b>158,163</b>
<b>Net Assets - 100.0%</b>		<b>\$ 5,698,187</b>

ADR American Depositary Receipt  
PLC Public Limited Company  
(a) Non-income producing security.  
(b) Variable rate security. Rate presented is as of April 30, 2016.

\* Cost for federal income tax purposes is \$5,347,460 and net unrealized appreciation consists of:

Gross Unrealized Appreciation	\$ 422,549
Gross Unrealized Depreciation	(229,985)
Net Unrealized Appreciation	<u>\$ 192,564</u>

The following is a summary of the inputs used to value the Fund's investments as of April 30, 2016.

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used in the table below, please refer to the Security Valuation section in Note 2 of the accompanying Notes to Financial Statements.

Valuation Inputs	Investments in Securities
Level 1 - Quoted Prices	\$ 4,519,384
Level 2 - Other Significant Observable Inputs	1,020,640
Level 3 - Significant Unobservable Inputs	-
<b>Total</b>	<b>\$ 5,540,024</b>

The Level 1 value displayed in this table is Common Stock. The Level 2 value displayed in this table is a Money Market Fund. Refer to this Schedule of Investments for a further breakout of each security by industry.

The Fund utilizes the end of period methodology when determining transfers. There were no transfers among Level 1, Level 2 and Level 3 for the year ended April 30, 2016.

**PORTFOLIO HOLDINGS**

% of Total Investments	
Consumer Discretionary	13.9%
Consumer Staples	16.2%
Energy	3.3%
Financials	9.0%
Health Care	7.9%
Industrials	17.6%
Materials	1.5%
Technology	10.2%
Utilities	2.0%
Money Market Fund	18.4%
	<u>100.0%</u>

**MONONGAHELA ALL CAP VALUE FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**APRIL 30, 2016**

**ASSETS**

Total investments, at value (Cost \$5,347,460)	\$ 5,540,024
Receivables:	
Fund shares sold	25,000
Investment securities sold	141,632
Dividends	6,264
From investment adviser	7,217
Prepaid expenses	5,644
Total Assets	<u>5,725,781</u>

**LIABILITIES**

Accrued Liabilities:	
Fund services fees	6,735
Other expenses	20,859
Total Liabilities	<u>27,594</u>

**NET ASSETS**

\$ 5,698,187

**COMPONENTS OF NET ASSETS**

Paid-in capital	\$ 5,454,320
Undistributed net investment income	19,550
Accumulated net realized gain	31,753
Net unrealized appreciation	192,564
<b>NET ASSETS</b>	<u>\$ 5,698,187</u>

**SHARES OF BENEFICIAL INTEREST AT NO PAR VALUE (UNLIMITED SHARES AUTHORIZED)**

498,146

**NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE\***

\$ 11.44

\* Shares redeemed or exchanged within 60 days of purchase are charged a 1.00% redemption fee.

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**MONONGAHELA ALL CAP VALUE FUND**  
STATEMENT OF OPERATIONS  
YEAR ENDED APRIL 30, 2016

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**INVESTMENT INCOME**

Dividend income (Net of foreign withholding taxes of \$698)	\$ 99,180
Total Investment Income	<u>99,180</u>

**EXPENSES**

Investment adviser fees	36,326
Fund services fees	165,662
Custodian fees	5,000
Registration fees	6,029
Professional fees	34,443
Trustees' fees and expenses	2,777
Miscellaneous expenses	15,111
Total Expenses	<u>265,348</u>
Fees waived and expenses reimbursed	<u>(224,179)</u>
Net Expenses	<u>41,169</u>

<b>NET INVESTMENT INCOME</b>	<u>58,011</u>
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**NET REALIZED AND UNREALIZED GAIN (LOSS)**

Net realized gain on investments	78,380
Net change in unrealized appreciation (depreciation) on investments	<u>(121,540)</u>

<b>NET REALIZED AND UNREALIZED LOSS</b>	<u>(43,160)</u>
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<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$ 14,851</u>
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**MONONGAHELA ALL CAP VALUE FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	<u>For the Year Ended April 30, 2016</u>	<u>For the Year Ended April 30, 2015</u>
<b>OPERATIONS</b>		
Net investment income	\$ 58,011	\$ 23,016
Net realized gain (loss)	78,380	(7,072)
Net change in unrealized appreciation (depreciation)	(121,540)	173,796
Increase in Net Assets Resulting from Operations	<u>14,851</u>	<u>189,740</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net investment income	(47,625)	(20,387)
Net realized gain	(39,259)	(40,281)
Total Distributions to Shareholders	<u>(86,884)</u>	<u>(60,668)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Sale of shares	1,494,598	1,606,250
Reinvestment of distributions	86,799	60,637
Redemption of shares	(35,099)	(50,570)
Increase in Net Assets from Capital Share Transactions	<u>1,546,298</u>	<u>1,616,317</u>
Increase in Net Assets	<u>1,474,265</u>	<u>1,745,389</u>
<b>NET ASSETS</b>		
Beginning of Year	<u>4,223,922</u>	<u>2,478,533</u>
End of Year (Including line (a))	<u>\$ 5,698,187</u>	<u>\$ 4,223,922</u>
<b>SHARE TRANSACTIONS</b>		
Sale of shares	132,585	139,583
Reinvestment of distributions	7,979	5,325
Redemption of shares	(3,241)	(4,323)
Increase in Shares	<u>137,323</u>	<u>140,585</u>
(a) Undistributed net investment income	<u>\$ 19,550</u>	<u>\$ 9,164</u>



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**MONONGAHELA ALL CAP VALUE FUND**  
**FINANCIAL HIGHLIGHTS**

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These financial highlights reflect selected data for a share outstanding throughout each period.

	<u>For the Year Ended April 30, 2016</u>	<u>For the Year Ended April 30, 2015</u>	<u>For the Period July 1, 2013 (a) through April 30, 2014</u>
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 11.71	\$ 11.25	\$ 10.00
<b>INVESTMENT OPERATIONS</b>			
Net investment income (b)	0.13	0.08	0.06
Net realized and unrealized gain (loss)	<u>(0.21)</u>	<u>0.59</u>	<u>1.36</u>
Total from Investment Operations	<u>(0.08)</u>	<u>0.67</u>	<u>1.42</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>			
Net investment income	(0.10)	(0.07)	(0.03)
Net realized gain	<u>(0.09)</u>	<u>(0.14)</u>	<u>(0.14)</u>
Total Distributions to Shareholders	<u>(0.19)</u>	<u>(0.21)</u>	<u>(0.17)</u>
<b>REDEMPTION FEES (b)</b>	<u>—</u>	<u>—</u>	<u>—</u> (c)
<b>NET ASSET VALUE, End of Period</b>	<u>\$ 11.44</u>	<u>\$ 11.71</u>	<u>\$ 11.25</u>
<b>TOTAL RETURN</b>	(0.59)%	6.01%	14.29%(d)
<b>RATIOS/SUPPLEMENTARY DATA</b>			
Net Assets at End of Period (000's omitted)	\$5,698	\$4,224	\$2,479
Ratios to Average Net Assets:			
Net investment income	1.20%	0.71%	0.64%(e)
Net expenses	0.85%	0.85%	0.85%(e)
Gross expenses (f)	5.49%	7.76%	14.84%(e)
<b>PORTFOLIO TURNOVER RATE</b>	95%	71%	32%(d)

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- (a) Commencement of operations.  
(b) Calculated based on average shares outstanding during each period.  
(c) Less than \$0.01 per share.  
(d) Not annualized.  
(e) Annualized.  
(f) Reflects the expense ratio excluding any waivers and/or reimbursements.

### **Note 1. Organization**

The Monongahela All Cap Value Fund (the “Fund”) is a diversified portfolio of Forum Funds (the “Trust”). The Trust is a Delaware statutory trust that is registered as an open-end, management investment company under the Investment Company Act of 1940 (the “Act”), as amended. Under its Trust Instrument, the Trust is authorized to issue an unlimited number of the Fund’s shares of beneficial interest without par value. The Fund commenced operations on July 1, 2013. The Fund seeks total return through long-term capital appreciation and income.

### **Note 2. Summary of Significant Accounting Policies**

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of increases and decreases in net assets from operations during the fiscal year. Actual amounts could differ from those estimates. The following summarizes the significant accounting policies of the Fund:

**Security Valuation** – Exchange-traded securities and over-the-counter securities are valued using the last quoted trade or official closing price, provided by independent pricing services as of the close of trading on the market or exchange for which they are primarily traded, on each Fund business day. In the absence of a sale, such securities are valued at the mean of the last bid and ask price provided by independent pricing services. Non-exchange-traded securities for which quotations are available are valued using the last quoted sales price, or in the absence of a sale, at the mean of the last bid and ask prices provided by independent pricing services. Short-term investments that mature in 60 days or less may be valued at amortized cost.

The Fund values its investments at fair value pursuant to procedures adopted by the Trust’s Board of Trustees (the “Board”) if (1) market quotations are insufficient or not readily available or (2) the adviser believes that the values available are unreliable. The Trust’s Valuation Committee, as defined in the Fund’s registration statement, performs certain functions as they relate to the administration and oversight of the Fund’s valuation procedures. Under these procedures, the Valuation Committee convenes on a regular and ad-hoc basis to review such investments and considers a number of factors, including valuation methodologies and significant unobservable inputs, when arriving at fair value.

The Valuation Committee may work with the adviser to provide valuation inputs. In determining fair valuations, inputs may include market-based analytics which may consider related or comparable assets or liabilities, recent transactions, market multiples, book values and other relevant investment information. Adviser inputs may include an income-based approach in which the anticipated future cash flows of the investment are discounted in determining fair value. Discounts may also be applied based on the nature or duration of any restrictions on the disposition of the investments. The Valuation Committee performs regular reviews of valuation methodologies, key inputs and assumptions, disposition analysis and market activity.

Fair valuation is based on subjective factors and, as a result, the fair value price of an investment may differ from the security’s market price and may not be the price at which the asset may be sold. Fair valuation could result in a different NAV than a NAV determined by using market quotes.

The Fund has a three-tier fair value hierarchy. The basis of the tiers is dependent upon the various “inputs” used to determine the value of the Fund’s investments. These inputs are summarized in the three broad levels listed below:

Level 1 — quoted prices in active markets for identical assets and liabilities

Level 2 — other significant observable inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

The aggregate value by input level, as of April 30, 2016, for the Fund's investments is included in the Fund's Schedule of Investments.

**Security Transactions, Investment Income and Realized Gain and Loss** – Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as possible after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. Income and capital gains on some foreign securities may be subject to foreign withholding taxes, which are accrued as applicable. Interest income is recorded on an accrual basis. Premium is amortized and discount is accreted using the effective interest method. Identified cost of investments sold is used to determine the gain and loss for both financial statement and federal income tax purposes.

**Distributions to Shareholders** – Distributions to shareholders of net investment income and net capital gains, if any, are declared and paid at least annually. Distributions to shareholders are recorded on the ex-dividend date. Distributions are based on amounts calculated in accordance with applicable federal income tax regulations, which may differ from GAAP. These differences are due primarily to differing treatments of income and gain on various investment securities held by the Fund, timing differences and differing characterizations of distributions made by the Fund.

**Federal Taxes** – The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended ("Code") and to distribute all of its taxable income to shareholders. In addition, by distributing in each calendar year substantially all of its net investment income and capital gains, if any, the Fund will not be subject to a federal excise tax. Therefore, no federal income or excise tax provision is required. The Fund files a U.S. federal income and excise tax return as required. A fund's federal income tax returns are subject to examination by the Internal Revenue Service for a period of three fiscal years after they are filed. As of April 30, 2016, there are no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure.

**Income and Expense Allocation** – The Trust accounts separately for the assets, liabilities and operations of each of its investment portfolios. Expenses that are directly attributable to more than one investment portfolio are allocated among the respective investment portfolios in an equitable manner.

**Redemption Fees** – A shareholder who redeems or exchanges shares within 60 days of purchase will incur a redemption fee of 1.00% of the current net asset value of shares redeemed or exchanged, subject to certain limitations. The fee is charged for the benefit of the remaining shareholders and will be paid to the Fund to help offset transaction costs. The fee is accounted for as an addition to paid-in capital. The Fund reserves the right to modify the terms of or terminate the fee at any time. There are limited exceptions to the imposition of the redemption fee.

**Commitments and Contingencies** – In the normal course of business, the Fund enters into contracts that provide general indemnifications by the Fund to the counterparty to the contract. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

### **Note 3. Fees and Expenses**

**Investment Adviser** – Rodgers Brothers, Inc. d/b/a Monongahela Capital Management (the "Adviser") is the investment adviser to the Fund. Pursuant to an investment advisory agreement, the Adviser receives an advisory fee from the Fund at an annual rate of 0.75% of the Fund's average daily net assets.

**Distribution** – Foreside Fund Services, LLC serves as the Fund's distributor (the "Distributor"). The Distributor is not affiliated with the Adviser or Atlantic Fund Administration, LLC (d/b/a Atlantic Fund Services) ("Atlantic") or their affiliates. The Fund does not have a distribution (12b-1) plan; accordingly, the Distributor does not receive compensation from the Fund for its distribution (12b-1) services. The Adviser compensates the Distributor directly for its services.

**Other Service Providers** – Atlantic provides fund accounting, fund administration, compliance and transfer agency services to the Fund. Atlantic also provides certain shareholder report production, and EDGAR conversion and filing services. Pursuant to an Atlantic services agreement, the Fund pays Atlantic customary fees for its services. Atlantic provides a Principal Executive Officer, a Principal Financial Officer, a Chief Compliance Officer, and an Anti-Money Laundering Officer to the Fund, as well as certain additional compliance support functions.

**Trustees and Officers** – The Trust pays each independent Trustee an annual retainer fee of \$50,000 for service to the Trust (\$66,000 for the Chairman), and the Audit Committee Chairman and Vice Chairman receive an additional \$6,000 annually. The Trustees and Chairman may receive additional fees for special Board meetings. Each Trustee is also reimbursed for all reasonable out-of-pocket expenses incurred in connection with his duties as a Trustee, including travel and related expenses incurred in attending Board meetings. The amount of Trustees’ fees attributable to the Fund is disclosed in the Statement of Operations. Certain officers of the Trust are also officers or employees of the above named service providers, and during their terms of office received no compensation from the Fund.

**Note 4. Expense Reimbursements and Fees Waived**

The Adviser has contractually agreed to waive a portion of its fee and reimburse certain expenses through September 1, 2016, to limit annual operating expenses to 0.85% (excluding all taxes, interest, portfolio transaction expenses, dividend and interest expenses on short sales, acquired fund fees and expenses, proxy expenses and extraordinary expenses). Other Fund service providers have voluntarily agreed to waive a portion of their fees. The contractual waivers may be changed or eliminated at any time with the consent of the Board and voluntary fee waivers and expense reimbursements may be reduced or eliminated at any time. For the fiscal year ended April 30, 2016, fees waived and expenses reimbursed were as follows:

<u>Investment Adviser Fees Waived</u>	<u>Investment Adviser Expenses Reimbursed</u>	<u>Other Waivers</u>	<u>Total Fees Waived and Expenses Reimbursed</u>
\$ 36,326	\$ 102,853	\$ 85,000	\$ 224,179

**Note 5. Security Transactions**

The cost of purchases and proceeds from sales of investment securities (including maturities), other than short-term investments during the fiscal year ended April 30, 2016, were \$4,989,308 and \$4,172,294, respectively.

**Note 6. Federal Income Tax**

Distributions paid during the fiscal years ended as noted were characterized for tax purposes as follows:

	<u>2016</u>	<u>2015</u>
Ordinary Income	\$ 47,625	\$ 60,668
Long-Term Capital Gain	39,259	-
	<u>\$ 86,884</u>	<u>\$ 60,668</u>

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**MONONGAHELA ALL CAP VALUE FUND**  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016

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As of April 30, 2016, distributable earnings (accumulated loss) on a tax basis were as follows:

Undistributed Ordinary Income	\$	19,550
Undistributed Long-Term Gain		31,753
Unrealized Appreciation		<u>192,564</u>
Total	\$	<u><u>243,867</u></u>

**Note 7. Subsequent Events**

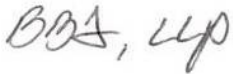
Subsequent events occurring after the date of this report through the date these financial statements were issued have been evaluated for potential impact and the Fund has had no such events.

To Shareholders of Monongahela All Cap Value Fund  
and the Board of Trustees of Forum Funds

We have audited the accompanying statement of assets and liabilities of Monongahela All Cap Value Fund, a series of shares of beneficial interest in Forum Funds, including the schedule of investments, as of April 30, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the two-year period then ended and for the period July 1, 2013 (commencement of operations) through April 30, 2014. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of April 30, 2016 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Monongahela All Cap Value Fund as of April 30, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the two-year period then ended and the period July 1, 2013 through April 30, 2014, in conformity with accounting principles generally accepted in the United States of America.



BBD, LLP  
Philadelphia, Pennsylvania  
June 13, 2016

## Investment Advisory Agreement Approval

At the March 23, 2016 Board meeting, the Board, including the Independent Trustees, considered the approval of the continuance of the investment advisory agreement between the Adviser and the Trust pertaining to the Fund (the "Advisory Agreement"). In preparation for its deliberations, the Board requested and reviewed written responses from the Adviser to a due diligence questionnaire circulated on the Board's behalf concerning the Adviser's personnel, operations, financial condition, performance, and services provided by the Adviser. The Board also discussed the materials with Fund counsel and, as necessary, with the Trust's administrator, Atlantic Fund Services. During its deliberations, the Board received an oral presentation from the Adviser, and was assisted by the advice of Trustee counsel.

At the meeting, the Board reviewed, among other matters: (1) the nature, extent and quality of the services provided to the Fund by the Adviser, including information on the investment performance of the Fund and Adviser; (2) the costs of the services provided and profitability to the Adviser of its relationship with the Fund; (3) the advisory fee and total expense ratio of the Fund compared to a relevant peer group of funds; (4) the extent to which economies of scale may be realized as the Fund grows and whether the advisory fee enables the Fund's investors to share in the benefits of economies of scale; and (5) other benefits received by the Adviser from its relationship with the Fund.

### *Nature, Extent and Quality of Services*

Based on written materials received, a presentation from senior representatives of the Adviser and a discussion with the Adviser about the Adviser's personnel, operations and financial condition and with the Trust's CCO about the Adviser, the Board considered the quality of services provided by the Adviser under the Advisory Agreement. In this regard, the Board considered information regarding the experience, qualifications and professional background of the portfolio manager at the Adviser with principal responsibility for the Fund, as well as the investment philosophy and decision-making process of the portfolio manager and the capability and integrity of the Adviser's senior management and staff.

The Board considered also the adequacy of the Adviser's resources. The Board noted the Adviser's representations that the firm is in stable financial condition, that the firm's financial condition would not impair its ability to provide high-quality advisory services to the Funds. Based on the presentation and the materials provided by the Adviser in connection with the Board's consideration of the renewal of the Advisory Agreement, the Board concluded that, overall, it was satisfied with the nature, extent and quality of services to be provided to the Funds under the Advisory Agreement.

### *Performance*

In connection with a presentation by the Adviser regarding its approach to managing the Fund, the Board reviewed the performance of the Fund compared to its benchmark. The Board observed that the Fund underperformed the S&P 500 Index, the Fund's primary benchmark, for the one-year period ended December 31, 2015. The Board also considered the Fund's performance relative to its Lipper, Inc. ("Lipper") peer group, noting that, based on the information provided by Lipper, the Fund outperformed the median of its Lipper peer group for the one-year period ended February 29, 2016. The Board noted the Adviser's representation that the Fund's underperformance relative to its benchmark could be attributed, in part, to the fact that the Fund employs a conservative, value-biased investment strategy, and that value investments underperformed growth investments during the period. The Board also noted the Adviser's representation that the market had begun trending in favor of value style investing in 2016. Based on the foregoing, the Board determined that the Adviser's management of the Fund could benefit the Fund and its shareholders.

### *Compensation*

The Board evaluated the Adviser's compensation for providing advisory services to the Fund and analyzed comparative information on actual advisory fee rates and actual total expenses of the relevant Lipper peer group of the Fund. The Board noted that the Adviser's actual advisory fee rate and actual total expenses for the Fund were each the lowest in the applicable Lipper peer group. Based on the foregoing, the Board concluded that the Adviser's advisory fee rate charged to the Fund was reasonable.

#### *Cost of Services and Profitability*

The Board considered information provided by the Adviser regarding the costs of services and its profitability with respect to the Fund. In this regard, the Board considered the Adviser's resources devoted to the Fund, as well as the Adviser's discussion of the costs and profitability of its Fund activities. In this regard, the Board noted that the Adviser was currently waiving its entire advisory fee in an effort to keep Fund expenses at a desired level. Based on these and other applicable considerations, the Board concluded that the Adviser's profits attributable to management of the Fund were reasonable in the context of all factors considered.

#### *Economies of Scale*

The Board considered whether the Fund would benefit from any economies of scale. In this respect, the Board noted the Adviser's representation that the Fund could benefit from economies of scale as assets grow, but that the Adviser had determined that breakpoints were not appropriate at this time, particularly in light of the low assets currently in the Fund. Based on the foregoing information, the Board concluded that economies of scale were not a material factor in approving the continuation of the Advisory Agreement.

#### *Other Benefits*

The Board noted the Adviser's representation that, aside from its contractual advisory fees, it does not benefit in a material way from its relationship with the Fund. Based on the foregoing representation, the Board concluded that other benefits received by the Adviser from its relationship with the Fund were not a material factor in approving the continuation of the Advisory Agreement.

#### *Conclusion*

The Board did not identify any single factor as being of paramount importance, and different Trustees may have given different weight to different factors. The Board reviewed a memorandum from Fund Counsel discussing the legal standards applicable to its consideration of the Advisory Agreement. Based on its review, including consideration of each of the factors referenced above, the Board determined, in the exercise of its reasonable business judgment, that the advisory arrangement, as outlined in the Advisory Agreement, was fair and reasonable in light of the services performed or to be performed, expenses incurred or to be incurred and such other matters as the Board considered relevant.

#### **Proxy Voting Information**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling (855) 392-9331 and on the U.S. Securities and Exchange Commission's (the "SEC") website at [www.sec.gov](http://www.sec.gov). The Fund's proxy voting record for the most recent twelve-month period ended June 30 is available, without charge and upon request, by calling (855) 392-9331 and on the SEC's website at [www.sec.gov](http://www.sec.gov).

#### **Availability of Quarterly Portfolio Schedules**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. These filings are available, without charge and upon request on the SEC's website at [www.sec.gov](http://www.sec.gov) or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

#### **Shareholder Expense Example**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees, and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand



your ongoing costs (in dollars) of investing in the Fund, and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from November 1, 2015, through April 30, 2016.

**Actual Expenses** – The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during the period.

**Hypothetical Example for Comparison Purposes** – The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value November 1, 2015	Ending Account Value April 30, 2016	Expenses Paid During Period*	Annualized Expense Ratio*
Actual	\$ 1,000.00	\$ 1,041.20	\$ 4.31	0.85%
Hypothetical (5% return before taxes)	\$ 1,000.00	\$ 1,020.64	\$ 4.27	0.85%

\* Expenses are equal to the Fund’s annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year divided by 366 to reflect the half-year period.

**Federal Tax Status of Dividends Declared during the Fiscal Year**

For federal income tax purposes, dividends from short-term capital gains are classified as ordinary income. The Fund designates 100.00% of its income dividend distributed as qualifying for the corporate dividends-received deduction (DRD) and 100.00% for the qualified dividend rate (QDI) as defined in Section 1(h)(11) of the Code.

**MONONGAHELA ALL CAP VALUE FUND**

ADDITIONAL INFORMATION (Unaudited)

APRIL 30, 2016

**Trustees and Officers of the Trust**

The Board is responsible for oversight of the management of the Trust's business affairs and of the exercise of all the Trust's powers except those reserved for the shareholders. The following table provides information about each Trustee and certain officers of the Trust. Each Trustee and officer holds office until the person resigns, is removed, or is replaced. Unless otherwise noted, the persons have held their principal occupations for more than five years. The address for all Trustees and officers is Three Canal Plaza, Suite 600, Portland, Maine 04101. Mr. Keffer is considered an Interested Trustee due to his affiliation with Atlantic. The Fund's Statement of Additional Information includes additional information about the Trustees and is available, without charge and upon request, by calling (855) 392-9331.

Name and Year of Birth	Position with the Trust	Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Series of Fund Complex <sup>1</sup> Overseen by Trustee	Other Directorships Held by Trustee
<b>Independent Trustees</b>					
J. Michael Parish Born: 1943	Chairman of the Board; Trustee; Chairman, Nominating Committee and Qualified Legal Compliance Committee	Since 1989 (Chairman since 2004)	Retired since 2003; formerly, Partner, Wolf, Block, Schorr and Solis-Cohen, LLP (law firm) 2002-2003; Partner, Thelen Reid & Priest LLP (law firm) 1995-2002.	26	None
Costas Azariadis Born: 1943	Trustee	Since 1989	Professor of Economics, Washington University since 2006.	26	None
James C. Cheng Born: 1942	Trustee; Chairman, Audit Committee	Since 1989	President, Technology Marketing Associates (marketing company for small- and medium-sized businesses in New England) since 1991.	26	None
David Tucker Born: 1958	Trustee; Vice Chairman	Since 2011 (Vice Chairman since 2015)	Director, Blue Sky Experience (a charitable endeavor) since 2008; Senior Vice President & General Counsel, American Century Companies (an investment management firm) 1998-2008.	48	Trustee, Forum Funds II, Forum ETF Trust and U.S. Global Investors Funds
<b>Interested Trustee</b>					
John Y. Keffer <sup>2</sup> Born: 1942	Trustee; Vice Chairman	Since 1989	Chairman, Atlantic since 2008; President, Forum Investment Advisors, LLC since 2011; President, Forum Foundation (a charitable organization) since 2005; President, Forum Trust, LLC (a non-depository trust company chartered in the State of Maine) since 1997.	48	Director, Wintergreen Fund, Inc.; Trustee, Forum Funds II, Forum ETF Trust and U.S. Global Investors Funds

<sup>1</sup>The Fund Complex includes the Trust, Forum Funds II, Forum ETF Trust and U.S. Global Investors Funds and is overseen by different Boards of Trustees.

<sup>2</sup>Atlantic is a subsidiary of Forum Holdings Corp. I, a Delaware corporation that is wholly owned by Mr. Keffer.

**MONONGAHELA ALL CAP VALUE FUND**

ADDITIONAL INFORMATION (Unaudited)

APRIL 30, 2016

<b>Name and Year of Birth</b>	<b>Position with the Trust</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Number of Series of Fund Complex<sup>1</sup> Overseen by Trustee</b>	<b>Other Directorships Held by Trustee</b>
<b>Officers</b>					
Jessica Chase Born: 1970	President; Principal Executive Officer	Since 2015	Senior Vice President, Atlantic since 2008.	N/A	N/A
Karen Shaw Born: 1972	Treasurer; Principal Financial Officer	Since 2008	Senior Vice President, Atlantic since 2008.	N/A	N/A
Zachary Tackett Born: 1988	Vice President; Secretary; Anti-Money Laundering Compliance Officer	Since 2014	Associate Counsel, Atlantic since 2014; Intern Associate, Coakley & Hyde, PLLC, 2010-2013.	N/A	N/A
Michael J. McKeen Born: 1971	Vice President	Since 2009	Senior Vice President, Atlantic since 2008.	N/A	N/A
Timothy Bowden Born: 1969	Vice President	Since 2009	Manager, Atlantic since 2008.	N/A	N/A
Geoffrey Ney Born: 1975	Vice President	Since 2013	Manager, Atlantic since 2013; Senior Fund Accountant, Atlantic, 2008-2013.	N/A	N/A
Todd Proulx Born: 1978	Vice President	Since 2013	Manager, Atlantic since 2013; Senior Fund Accountant, Atlantic, 2008-2013.	N/A	N/A

<sup>1</sup>The Fund Complex includes the Trust, Forum Funds II, Forum ETF Trust and U.S. Global Investors Funds and is overseen by different Boards of Trustees.

# MONONGAHELA ALL CAP VALUE FUND

## FOR MORE INFORMATION:

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[mcmvalue.ta@atlanticfundservices.com](mailto:mcmvalue.ta@atlanticfundservices.com)

[www.Moncapfund.com](http://www.Moncapfund.com)

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Harmony, PA 16037

## TRANSFER AGENT

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This report is submitted for the general information of the shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus, which includes information regarding the Fund's risks, objectives, fees and expenses, experience of its management, and other information.

211-ANR-0416