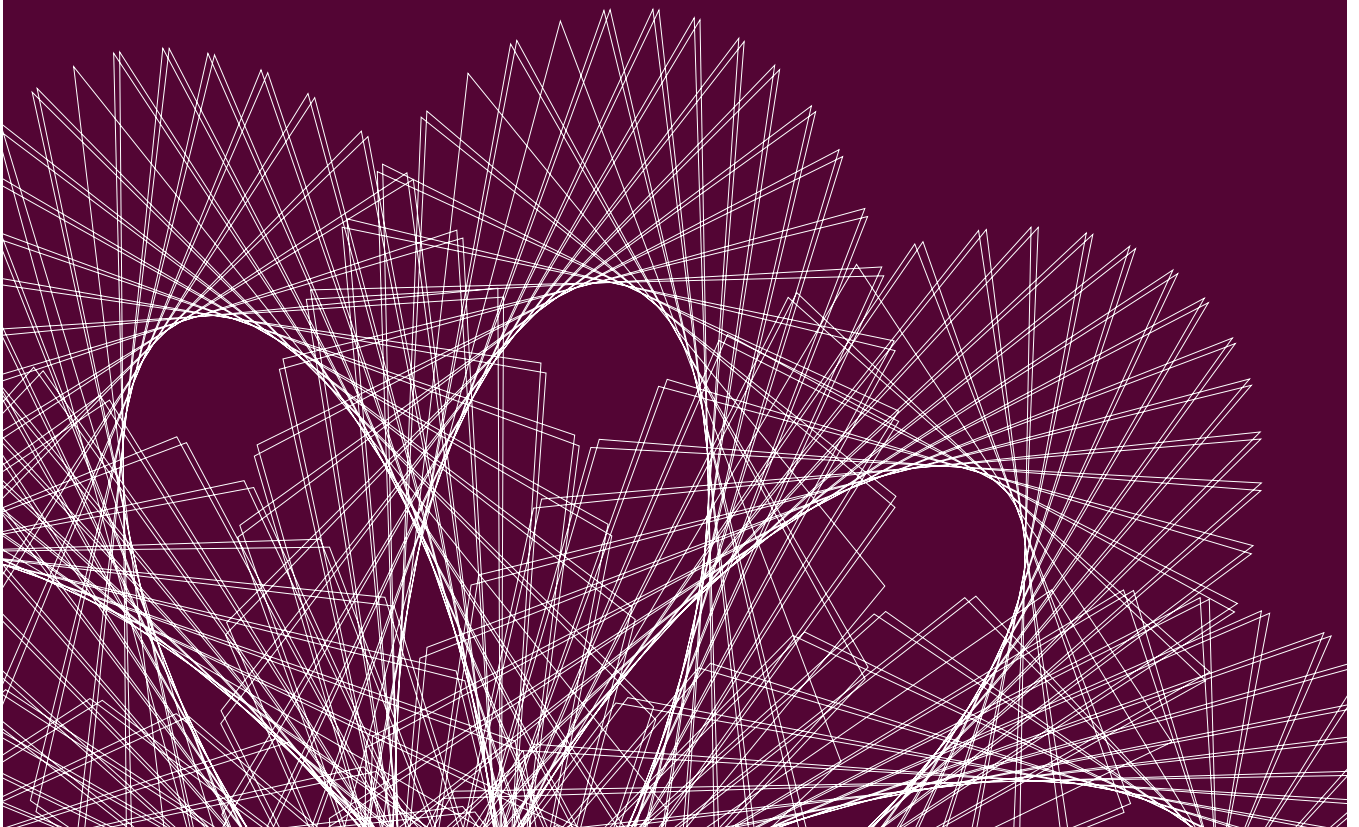


Payson Total Return Fund

ANNUAL REPORT // March 31, 2012



HMPayson

PAYSON TOTAL RETURN FUND

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MARCH 31, 2012

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IMPORTANT INFORMATION

The views in this report were those of the Payson Total Return Fund's (the "Fund") adviser, H.M. Payson & Co. as of March 31, 2012, and may not reflect their views on the date this report is first published or anytime thereafter. This report may contain discussions about investments that may or may not be held by the Fund as of the date of this report. Holdings and allocations are subject to risks and to change. These views are intended to assist shareholders in understanding their investment in the Fund and do not constitute investment advice.

An investment in the Fund is subject to risk, including the possible loss of principal. Other Fund risks include debt securities risk, interest rate risk, credit risk, liquidity risk, inflation-indexed security risk and government securities risk. In addition, the Fund invests in midcap companies which pose greater risks than those associated with larger, more established companies. There is no assurance that the Fund will achieve its investment objective.

The Fund's benchmark, the S&P 500[®] Index, is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks. One cannot invest directly in an index.

PAYSON TOTAL RETURN FUND

A MESSAGE TO OUR SHAREHOLDERS

MARCH 31, 2012

Dear Payson Total Return Fund Shareholder,

The Payson Total Return Fund (the "Fund") provided a total return of 11.35% for the fiscal year ended March 31, 2012, outperforming by 2.81% the S&P 500 Index (the "Index"), which had a total return of 8.54%. The Fund also outperformed the Index over the trailing three and five year periods that ended March 31, 2012. The Fund's annualized three and five year returns were 27.81% and 4.16%, as compared to the Index's three and five year annualized returns of 23.42% and 2.01%.

For a longer-term perspective, the Fund's one-year, five-year and ten-year average annual total returns for the period ended March 31, 2012, were 11.35%, 4.16% and 3.57%, respectively. 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 an investor's shares, when redeemed, may be worth more or less than original cost. As stated in the current prospectus, the Fund's annual gross operating expense ratio is 1.31%. For the most recent month end performance, please call (800) 805-8258. Total returns include reinvestment of dividends and capital gains. For the period reported, some of the Fund's fees were waived or expenses reimbursed, otherwise total return would have been lower.

The fiscal year began with stocks trading in a relatively narrow range. Beginning in July of 2011, concerns about the financial stability of the European Community and future economic growth in the U.S. and the rest of the world led to sharp declines in the general level of stock prices. From its peak reached on April 29, 2011, the Index declined more than 19%, reaching a bottom on October 3, 2011. The market seemed to be fixated on the daily news from Europe, with stocks gyrating up and down much in sync with good or bad news regarding possible bond defaults from Greece and other weaker members of the European Community. Fear of defaults led investors to seek the perceived safety of U.S. treasury bonds, driving already low interest rates to even lower levels. The yields on ten and thirty year bonds issued by the U.S. treasury dipped below 2% and 3%, respectively.

As often happens when fear and volatility are elevated and stock prices are in decline, any marginally good news can spur a recovery. Indeed, late in 2011, modestly improving economic reports from the U.S. and around the world as well as hope that Europe would avert a crisis, prompted a reversal. Stock prices began to rise in the fourth quarter of the calendar year and after a brief dip in November of 2011, regained momentum that carried the rally to the end of the Fund's fiscal year on March 31, 2012. From the low reached on October 3, 2011, to the end of the Fund's fiscal year, the Index gained over 28% in value. Interest rates rose although they remained very low by historical standards. For the fiscal year, ten and thirty year U.S. treasury bond yields declined from 3.5% to 2.2% and from 4.5% to 3.3%, respectively.

Volatility and fear in the markets present opportunity. Our research effort focuses on companies trading at reasonable valuations and possessed of strong balance sheets, positive economic margins, and growing streams of cash flow, earnings, and dividends. With in depth research, we believe buying good companies at reasonable valuations will likely lead to better than market performance. At the same time, by becoming modestly more aggressive with stock selection when fear is high and more defensive when fear is low, we believe we can further add to investment performance. The outperformance of the Fund as compared to the Index and most of its peer group of mutual funds is in large part due to our research effort and careful security

PAYSON TOTAL RETURN FUND

A MESSAGE TO OUR SHAREHOLDERS

MARCH 31, 2012

selection, along with modest adjustments to the portfolio to take advantage of the opportunities presented by high levels of volatility.

During the past year and relative to the Index, we maintained the Fund with a modest over weighting in the technology sector and under weighting in the financial services, telecommunications, and utilities sectors. We generally increased the Fund's weighting in the consumer discretionary, industrial and materials sectors during periods of higher volatility and declining market prices, while decreasing this sector exposure in favor of the more defensive consumer staples and health care sectors during periods of higher equity market prices and elevated optimism.

The best performing stocks for the fiscal year in the Fund portfolio included Apple (+72%), Pep Boys (+64%), Whirlpool (+63%), TJX Companies (+62%), Intel (+44%), Wells Fargo (+42%), Cummins (+34%) and Microsoft (+30%). The worst performing stocks for the fiscal year in the Fund portfolio include JPMorgan Chase (-24%), Flowserve (-17%), Freeport-McMoran Copper & Gold (-16%), Owens-Illinois (-15%), Oshkosh (-15%), Western Union (-15%), Berkshire Hathaway (-14%), and Walgreen (-14%). Returns shown are the full year total return if the stock was held for the full year in the Fund portfolio, or if the stock was held for less than the full year then the total return from the stock while held in the Fund's portfolio is shown above.

The equity markets staged an impressive recovery following their selloff in the middle of 2011. Of course, it is still a very uncertain world, with a long list of issues to cause investors angst. The overhang from excessive debt levels is likely to inhibit economic growth for years to come. Record corporate profit margins have given investors reason to cheer, but these will be difficult to sustain. Then there is the ongoing unrest in the Middle East, high gasoline prices, and a U.S. presidential election.

With the market recovering so strongly since the financial crisis, returns going forward may be more difficult to generate. While we are modest with our expectations, we believe stock returns have the potential to exceed what we might reasonably expect from other asset classes (bonds and cash), so we continue to invest primarily in equities. Furthermore, we strive to position the Fund's portfolio to achieve slightly higher returns by staying with our valuation discipline and focusing on dividends and dividend growth. To mitigate the risk of a decline in profit margins, we are emphasizing companies with strong competitive positions in industries where profitability tends to be more stable and predictable.

After such a strong recovery, it would stand to reason that stocks may be vulnerable to a correction of some magnitude; yet these are notoriously difficult to predict – as is good news which could propel the market higher. Therefore, the Fund's portfolio remains more or less fully invested, with a somewhat defensive posture.

As always, we thank you for your continued investment in the Payson Total Return Fund and confidence in H.M. Payson & Co.

PAYSON TOTAL RETURN FUND

PERFORMANCE CHART AND ANALYSIS (Unaudited)

MARCH 31, 2012

The following chart reflects the change in the value of a hypothetical \$10,000 investment, including reinvested dividends and distributions, in the Payson Total Return Fund (the "Fund") compared with the performance of the benchmark, S&P 500 Index ("S&P 500"), over the past ten fiscal years. 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 total return of the S&P 500 includes the reinvestment of dividends and income. The total return of the Fund includes operating expenses that reduce returns, while the total return of the S&P 500 does not include expenses. The Fund is professionally managed while the S&P 500 is unmanaged and is not available for investment.

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 (800) 805-8258. As stated in the Fund's prospectus, the annual operating expense ratio (gross) is 1.31%. 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.

**Comparison of Change in Value of a \$10,000 Investment
Payson Total Return Fund vs. S&P 500 Index**

Average Annual Total Returns

Periods Ended March 31, 2012

Payson Total Return Fund

S&P 500 Index

One Year

11.35%

8.54%

Five Years

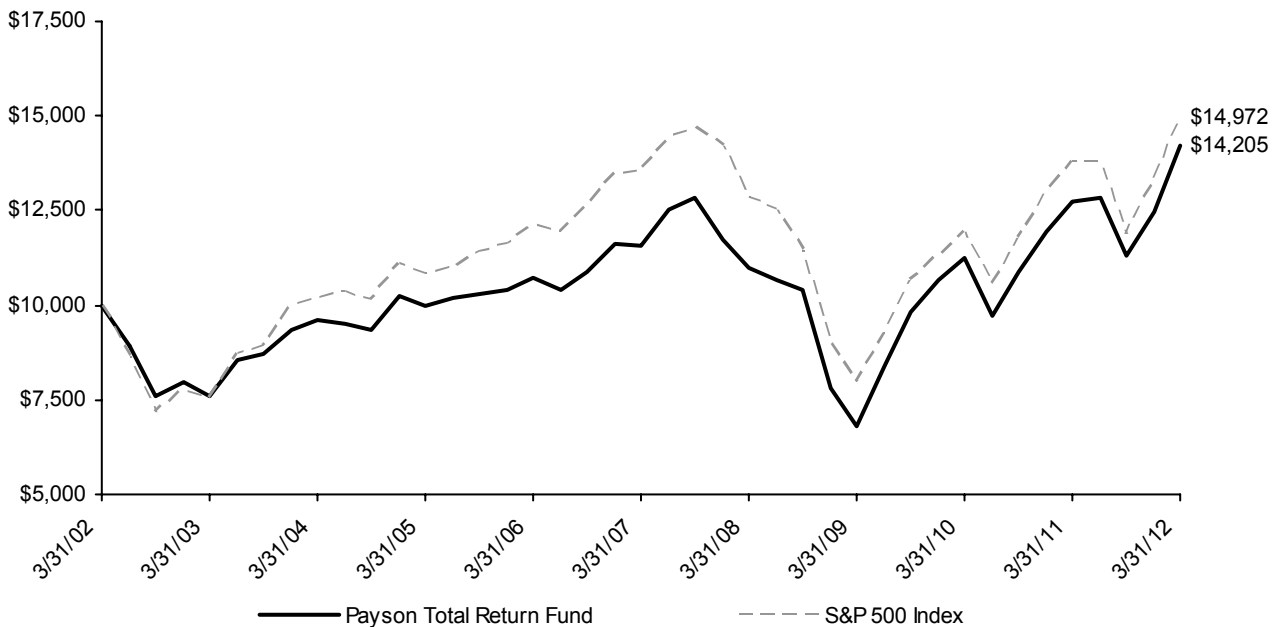
4.16%

2.01%

Ten Years

3.57%

4.12%



PAYSON TOTAL RETURN FUND
SCHEDULE OF INVESTMENTS
MARCH 31, 2012

Shares	Security Description	Value	Shares	Security Description	Value
Common Stock – 99.6%			Materials – 2.0%		
Consumer Discretionary – 15.1%			50,100	Pan American Silver Corp.	\$ 1,105,206
	17,945 Autoliv, Inc.	\$ 1,203,212	Technology – 27.0%		
	84,380 H&R Block, Inc.	1,389,739	3,000	Apple, Inc. (a)	1,798,410
	30,200 Hasbro, Inc.	1,108,944	24,866	Comtech Telecommunications Corp.	810,134
	87,600 PEP Boys-Manny Moe & Jack	1,306,992	55,000	CSG Systems International, Inc. (a)	832,700
	24,788 TJX Cos., Inc.	984,331	1,975	Google, Inc., Class A (a)	1,266,449
	29,500 Whirlpool Corp.	2,267,370	32,887	Harris Corp.	1,482,546
		<u>8,260,588</u>	56,775	Hewlett-Packard Co.	1,352,948
Consumer Staples – 10.8%			65,500	Intel Corp.	1,841,205
	85,600 Avon Products, Inc.	1,657,216	62,000	Microsoft Corp.	1,999,500
	16,000 Diageo PLC, ADR	1,544,000	36,200	Oracle Corp.	1,055,592
	21,020 PepsiCo, Inc.	1,394,677	57,330	The Western Union Co.	1,009,008
	19,850 The Procter & Gamble Co.	1,334,119	163,660	Xerox Corp.	1,322,373
		<u>5,930,012</u>			<u>14,770,865</u>
Energy – 13.8%			Total Common Stock		
	31,330 BP PLC, ADR	1,409,850	(Cost \$44,706,354)		
	15,585 ConocoPhillips	1,184,616	<u>54,523,690</u>		
	11,710 Exxon Mobil Corp.	1,015,608	Total Investments – 99.6%		
	33,600 The Williams Cos., Inc.	1,035,216	(Cost \$44,706,354)*		
	21,000 Transocean, Ltd.	1,148,700	Other Assets & Liabilities, Net – 0.4%		
	98,133 WPX Energy, Inc. (a)	1,767,375	<u>219,148</u>		
		<u>7,561,365</u>	Net Assets – 100.0%		
Financial – 10.3%			<u>\$ 54,742,838</u>		
	12,000 Aflac, Inc.	551,880	ADR	American Depositary Receipt	
	21,490 American Express Co.	1,243,411	PLC	Public Limited Company	
	18,300 Berkshire Hathaway, Inc., Class B (a)	1,485,045	(a)	Non-income producing security.	
	12,957 JPMorgan Chase & Co.	595,763	* Cost for federal income tax purposes is \$44,706,354 and net unrealized appreciation consists of:		
	15,438 The Travelers Cos., Inc.	913,930	Gross Unrealized Appreciation		
	24,800 Wells Fargo & Co.	846,672	\$ 9,937,147		
		<u>5,636,701</u>	Gross Unrealized Depreciation		
Health Care – 9.3%			<u>(119,811)</u>		
	27,284 Abbott Laboratories	1,672,237	Net Unrealized Appreciation		
	13,918 Johnson & Johnson	918,031	<u>\$ 9,817,336</u>		
	9,500 Laboratory Corp. of America Holdings (a)	869,630			
	10,400 Life Technologies Corp. (a)	507,728			
	28,200 Sanofi-Aventis SA, ADR	1,092,750			
		<u>5,060,376</u>			
Industrials – 11.3%					
	48,325 CSX Corp.	1,039,954			
	12,725 Cummins, Inc.	1,527,509			
	3,615 General Dynamics Corp.	265,269			
	16,000 Parker Hannafin Corp.	1,352,800			
	55,000 The Geo Group, Inc. (a)	1,045,550			
	11,665 United Technologies Corp.	967,495			
		<u>6,198,577</u>			

PAYSON TOTAL RETURN FUND
SCHEDULE OF INVESTMENTS
MARCH 31, 2012

The following is a summary of the inputs used to value the Fund's investments as of March 31, 2012.

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 tables below, please refer to the Security Valuation section in Note 2 of the accompanying Notes to Financial Statements.

<u>Valuation Inputs</u>	<u>Investments in Securities</u>
Level 1 - Quoted Prices	\$ 54,523,690
Level 2 - Other Significant Observable Inputs	-
Level 3 - Significant Unobservable Inputs	-
Total	<u>\$ 54,523,690</u>

The Level 1 inputs displayed in this table are Common Stock. Refer to the Schedule of Investments for a further breakout of each security by type.

There were no significant transfers between Level 1 and Level 2 for the year ended March 31, 2012.

PORTFOLIO HOLDINGS
% of Total Investments

Consumer Discretionary	15.1%
Consumer Staples	10.9%
Energy	13.9%
Financial	10.3%
Health Care	9.3%
Industrials	11.4%
Materials	2.0%
Technology	27.1%
	<u>100.0%</u>

PAYSON TOTAL RETURN FUND
STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2012

ASSETS

Total investments, at value (Cost \$44,706,354)	\$	54,523,690
Cash		455,157
Receivables:		
Fund shares sold		29,743
Dividends and interest		48,071
Prepaid expenses		8,310
Total Assets		<u>55,064,971</u>

LIABILITIES

Payables:		
Fund shares redeemed		70,988
Distributions payable		183,355
Accrued Liabilities:		
Investment adviser fees		27,563
Fund services fees		12,623
Compliance services fees		2,083
Other expenses		25,521
Total Liabilities		<u>322,133</u>

NET ASSETS

\$ 54,742,838

COMPONENTS OF NET ASSETS

Paid-in capital	\$	42,859,066
Undistributed net investment income		1,707
Accumulated net realized gain		2,064,729
Net unrealized appreciation		9,817,336

NET ASSETS

\$ 54,742,838

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

3,782,556

NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE

\$ 14.47

PAYSON TOTAL RETURN FUND
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2012

INVESTMENT INCOME

Dividend income (Net of foreign withholding taxes of \$253)	\$	1,238,569
Interest income		<u>516</u>
Total Investment Income		<u>1,239,085</u>

EXPENSES

Investment adviser fees		286,174
Fund services fees		154,089
Custodian fees		5,125
Registration fees		10,727
Professional fees		41,700
Trustees' fees and expenses		1,574
Compliance services fees		25,010
Miscellaneous expenses		<u>22,460</u>
Total Expenses		<u>546,859</u>

NET INVESTMENT INCOME

692,226

NET REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain on investments		2,058,413
Net change in unrealized appreciation (depreciation) on investments		<u>2,766,131</u>

NET REALIZED AND UNREALIZED GAIN

4,824,544

INCREASE IN NET ASSETS FROM OPERATIONS

\$ 5,516,770

PAYSON TOTAL RETURN FUND
STATEMENTS OF CHANGES IN NET ASSETS

	For the Years Ended March 31,	
	2012	2011
OPERATIONS		
Net investment income	\$ 692,226	\$ 433,095
Net realized gain	2,058,413	4,886,053
Net change in unrealized appreciation (depreciation)	2,766,131	194,894
Increase in Net Assets Resulting from Operations	<u>5,516,770</u>	<u>5,514,042</u>
DISTRIBUTIONS TO SHAREHOLDERS FROM		
Net investment income	(673,881)	(433,068)
Net realized gain	(2,688,807)	-
Total Distributions to Shareholders	<u>(3,362,688)</u>	<u>(433,068)</u>
CAPITAL SHARE TRANSACTIONS		
Sale of shares	8,734,645	10,707,254
Reinvestment of distributions	2,920,214	162,833
Redemption of shares	(6,051,356)	(6,573,744)
Increase in Net Assets from Capital Share Transactions	<u>5,603,503</u>	<u>4,296,343</u>
Increase in Net Assets	<u>7,757,585</u>	<u>9,377,317</u>
NET ASSETS		
Beginning of Year	<u>46,985,253</u>	<u>37,607,936</u>
End of Year (Including line (a))	<u>\$ 54,742,838</u>	<u>\$ 46,985,253</u>
SHARE TRANSACTIONS		
Sale of shares	645,702	852,430
Reinvestment of distributions	230,729	12,668
Redemption of shares	(449,955)	(523,490)
Increase in Shares	<u>426,476</u>	<u>341,608</u>
(a) Undistributed (distributions in excess of) net investment income.	<u>\$ 1,707</u>	<u>\$ (10,113)</u>

PAYSON TOTAL RETURN FUND
FINANCIAL HIGHLIGHTS

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

	For the Years Ended March 31,				
	2012	2011	2010	2009	2008
NET ASSET VALUE, Beginning of Year	<u>\$ 14.00</u>	<u>\$ 12.48</u>	<u>\$ 7.59</u>	<u>\$ 12.48</u>	<u>\$ 13.57</u>
INVESTMENT OPERATIONS					
Net investment income (a)	0.20	0.13	0.09	0.10	0.11
Net realized and unrealized gain (loss)	<u>1.25</u>	<u>1.52</u>	<u>4.87</u>	<u>(4.82)</u>	<u>(0.76)</u>
Total from Investment Operations	<u>1.45</u>	<u>1.65</u>	<u>4.96</u>	<u>(4.72)</u>	<u>(0.65)</u>
DISTRIBUTIONS TO SHAREHOLDERS FROM					
Net investment income	(0.19)	(0.13)	(0.07)	(0.10)	(0.12)
Net realized gain	<u>(0.79)</u>	<u>—</u>	<u>—</u>	<u>(0.07)</u>	<u>(0.32)</u>
Total Distributions to Shareholders	<u>(0.98)</u>	<u>(0.13)</u>	<u>(0.07)</u>	<u>(0.17)</u>	<u>(0.44)</u>
NET ASSET VALUE, End of Year	<u>\$ 14.47</u>	<u>\$ 14.00</u>	<u>\$ 12.48</u>	<u>\$ 7.59</u>	<u>\$ 12.48</u>
TOTAL RETURN	11.35%	13.33%	65.44%	(38.05)%	(5.06)%
 RATIOS/SUPPLEMENTARY DATA					
Net Assets at End of Year (000's omitted)	\$54,743	\$46,985	\$37,608	\$16,011	\$27,577
Ratios to Average Net Assets:					
Net investment income	1.45%	1.08%	0.83%	0.94%	0.80%
Net expense	1.15%	1.28%	1.59%	1.77%	1.46%
Gross expense	1.15%	1.29%(b)	1.61%(b)	1.78%(b)	1.46%
PORTFOLIO TURNOVER RATE	101%	72%	79%	109%	57%

(a) Calculated based on average shares outstanding during each year.

(b) Reflects the expense ratio excluding any waivers and/or reimbursements.

Note 1. Organization

The Payson Total Return 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 November 25, 1991. The Fund seeks a combination of high current income and capital appreciation.

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 increase and decrease 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 sale 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. Shares of open-end mutual funds are valued at net asset value ("NAV"). 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. 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

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

PAYSON TOTAL RETURN FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

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 March 31, 2012, for the Fund's investments is included at the end of 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, if any, are declared and paid at least quarterly. Distributions to shareholders of net capital gains, if any, are declared and paid annually. 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 continue to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue 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 March 31, 2012, 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.

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 – H.M. Payson & Co. (the "Adviser") is the investment adviser to the Fund. Pursuant to

PAYSON TOTAL RETURN FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

an investment advisory agreement, the Adviser receives an advisory fee from the Fund at an annual rate of 0.60% of the Fund's average daily net assets.

Distribution – Foreside Fund Services, LLC serves as the Fund's distributor (the "Distributor"). The Distributor receives no compensation from the Fund for its distribution services. The Distributor is not affiliated with the Adviser or Atlantic Fund Administration, LLC (d/b/a Atlantic Fund Services) ("Atlantic") or their affiliates.

Other Service Providers – Atlantic provides fund accounting, fund administration, 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 \$45,000 for service to the Trust (\$66,000 for the Chairman). In addition, for the year ended March 31, 2012, the Chairman received a monthly stipend of \$500 to cover certain expenses incurred in connection with his duties to the Trust. The stipend was discontinued April 1, 2012. 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. Security Transactions

The cost of purchases and proceeds from sales of investment securities (including maturities), other than short-term investments during the period ended March 31, 2012, were \$51,675,642 and \$48,566,901, respectively.

Note 5. Federal Income Tax and Investment Transactions

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

	<u>2012</u>	<u>2011</u>
Ordinary Income	\$ 915,810	\$ 377,321
Long-Term Capital Gain	2,425,945	-
	<u>\$ 3,341,755</u>	<u>\$ 377,321</u>

PAYSON TOTAL RETURN FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

As of March 31, 2012, distributable earnings (accumulated loss) on a tax basis were as follows:

Undistributed Ordinary Income	\$	185,062
Undistributed Long-Term Gain		2,064,729
Unrealized Appreciation		9,817,336
Other Temporary Differences		<u>(183,355)</u>
Total	\$	<u>11,883,772</u>

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to distributions payable that are deductible when paid for tax purposes.

On the Statement of Assets and Liabilities, as a result of permanent book to tax differences, certain amounts have been reclassified for the year ended March 31, 2012. The following reclassification was the result of Real Estate Investment Trust distribution reclassifications and has no impact on the net assets of the Fund.

Accumulated Net Investment Income (Loss)	\$	(6,525)
Undistributed Net Realized Gain (Loss)		6,525

Note 6. Recent Accounting Pronouncements

In May 2011, FASB issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU No. 2011-04 establishes common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRSs"). ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011. Management is evaluating the impact ASU No. 2011-04 may have on financial statement disclosures.

In December 2011, FASB issued ASU No. 2011-11 "Disclosures about Offsetting Assets and Liabilities" requiring disclosure of both gross and net information related to offsetting and related arrangements enabling users of its financial statements to understand the effect of those arrangements on the entity's financial position. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRSs. ASU No. 2011-11 is effective for interim and annual periods beginning on or after January 1, 2013. Management is evaluating any impact ASU No. 2011-11 may have on the Fund's financial statements.

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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of Forum Funds and the Shareholders of Payson Total Return Fund

We have audited the accompanying statement of assets and liabilities of Payson Total Return Fund, a series of shares of beneficial interest in the Forum Funds, including the schedule of investments, as of March 31, 2012, 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 four year period then ended. 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. The financial highlights for the year ended March 31, 2008 were audited by other auditors whose report dated May 28, 2008, expressed an unqualified opinion on such financial highlights.

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 March 31, 2012 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 Payson Total Return Fund as of March 31, 2012, 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 its financial highlights for each of the years in the four year period then ended, in conformity with accounting principles generally accepted in the United States of America.

BBD, LLP

BBD, LLP

Philadelphia, Pennsylvania
May 23, 2012

PAYSON TOTAL RETURN FUND

ADDITIONAL INFORMATION (Unaudited)

MARCH 31, 2012

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 (800) 805-8258 and on the U.S. Securities and Exchange Commission's (the "SEC") website at 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 (800) 805-8258 and on the SEC's website at 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 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 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 October 1, 2011, through March 31, 2012.

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. 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.

PAYSON TOTAL RETURN FUND

ADDITIONAL INFORMATION (Unaudited)

MARCH 31, 2012

	Beginning Account Value October 1, 2011	Ending Account Value March 31, 2012	Expenses Paid During Period*	Annualized Expense Ratio*
Actual	\$ 1,000.00	\$ 1,257.62	\$ 6.38	1.13%
Hypothetical (5% return before taxes)	\$ 1,000.00	\$ 1,019.35	\$ 5.70	1.13%

* 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 365 to reflect the half-year period.

Federal Tax Status of Dividends Declared during the Tax Year

For federal income tax purposes, dividends from short-term capital gains are classified as ordinary income. The Fund designates 97.78% 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 Internal Revenue Code. The Fund also designates 0.08% as qualified interest income exempt from U.S. tax for foreign shareholders (QII) and 28.70% as short-term capital gain dividends exempt from U.S. tax for foreign shareholders (QSD).

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 (800) 805-8258.

Name and Year of Birth	Position with the Trust	Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Series of Trust Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees					
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.	21	0
Costas Azariadis Born: 1943	Trustee; Chairman, Valuation Committee	Since 1989	Professor of Economics, Washington University since 2006.	21	0

PAYSON TOTAL RETURN FUND

ADDITIONAL INFORMATION (Unaudited)

MARCH 31, 2012

Name and Year of Birth	Position with the Trust	Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Series of Trust Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees - continued					
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.	21	0
David Tucker Born: 1958	Trustee	Since 2011	Director, Blue Sky Experience since 2008, Senior Vice President & General Counsel, American Century Companies 1998-2008.	21	0
Interested Trustee					
John Y. Keffer ¹ Born: 1942	Trustee; Vice Chairman	Since 1989	Chairman, Atlantic since 2008; 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.	21	Director, Wintergreen Fund, Inc.; Director, Forum ETF Trust
Officers					
Stacey E. Hong Born: 1966	President; Principal Executive Officer	Since 2008	President, Atlantic since 2008; Director, Consulting Services, Foreside Fund Services 2007.	N/A	N/A
Karen Shaw Born: 1972	Treasurer; Principal Financial Officer	Since 2008	Senior Vice President, Atlantic since 2008; Vice President, Citigroup 2003-2008.	N/A	N/A
David Faherty Born: 1970	Vice President	Since 2009	Senior Counsel, Atlantic since 2009; Vice President, Citi Fund Services Ohio, Inc. 2007-2009; Associate Counsel, Investors Bank & Trust Co. 2006-2007.	N/A	N/A
Michael J. McKeen Born: 1971	Vice President	Since 2009	Senior Vice President, Atlantic since 2008; Vice President, Citigroup 2003-2008.	N/A	N/A
Joshua LaPan Born: 1973	Vice President	Since 2009	Manager, Atlantic since 2008; Vice President, Citigroup 2003-2008.	N/A	N/A
Timothy Bowden Born: 1969	Vice President	Since 2009	Manager, Atlantic since 2008; Vice President, Citigroup 2005-2008.	N/A	N/A
Lina Bhatnagar Born: 1971	Secretary	Since 2008	Senior Administration Specialist, Atlantic since 2008; Regulatory Administration Specialist, Citigroup 2006-2008.	N/A	N/A

¹Atlantic is a subsidiary of Forum Holdings Corp. I, a Delaware corporation that is wholly owned by Mr. Keffer.

FOR MORE INFORMATION

PAYSON TOTAL RETURN FUND

P.O. Box 588
Portland, Maine 04112
(800) 805-8258 (toll free)
www.hmpayson.com

TRANSFER AGENT

Atlantic Fund Services
P.O. Box 588
Portland, ME 04112

DISTRIBUTOR

Foreside Fund Services, LLC
Three Canal Plaza, Suite 100
Portland, ME 04101
www.foreside.com

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.

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