



ADAMS HARKNESS  
SMALL CAP GROWTH FUND

SEMI-ANNUAL REPORT  
JUNE 30, 2009  
(UNAUDITED)



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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

SHAREHOLDER LETTER

JUNE 30, 2009

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Dear Shareholder,

The second quarter of 2009 saw the long awaited rally off the bottom materialize as many investors gained confidence the banking system of our country was staved from destruction and the overall economy could start to see “green shoots” emerging from the 18 month recession that has gripped the world. By the end of June, the fundamentals of many industries indeed started to improve and the capital markets that long had been shut down reemerged with surprising force. Investors sought out the most economically sensitive industries and issues and drove their stock prices higher throughout the quarter.

Unfortunately, the Adams Harkness Small Cap Growth Fund (the “Fund”) underperformed its benchmark, the Russell 2000 Growth Index, in the quarter for a variety of reasons. First and foremost, our Fund was in the process of repositioning itself from a defensive standpoint to an offensive standpoint, but we simply didn’t do it fast enough in all the industry sub-sectors. We were well-positioned in the consumer discretionary, energy, and technology sectors, but too defensively positioned in the industrial, healthcare, and financials sectors. Second, that almost every beaten down issue, one with business or balance sheet risk, rallied greater than the average issue in the index. Our discipline simply does not invest in substandard companies, and many of these issues rallied off of their lows quite substantially which negatively affected our relative performance for the quarter. Last but not least, one of our larger over weighted sectors, the consumer discretionary group, started to correct in June after a very strong run off the bottom. Names that had strong runs were the first to start to correct after a very impressive relative run. Our technology names, most notably our semiconductor issues, had the best performance in the quarter as they are very economically sensitive and exhibited strong fundamental performance during the quarter.

Year to date our Fund is underperforming its benchmark for many of the same reasons outlined above. We continue to position the portfolio from a defensive to offensive standpoint and believe the traditional growth sectors, namely technology and consumer discretionary will have the best relative performance long-term as the world economy starts to improve.

We remain constructive on the overall market environment. We believe that the massive amount of stimulus — more, really, from the Federal Reserve than from the government stimulus bill — and the subsequent easing of the lockup in credit, will position the economy for a recovery sometime in the next several quarters, though the strength of the recovery is still open to debate.

The biggest over weights in the portfolio remain technology and consumer discretionary. We are essentially market weight health care, materials and energy and underweight industrials and financials. These bets arise out of our fundamental work with our investment process, although they do dovetail with a modest economic recovery. What we see, when we delve into these companies, is that there are an enormous number of cross currents in the economy, and those companies that can identify them and use them to their advantage become market share takers. Additionally, we have tried to identify companies that have unique characteristics — strong product cycles, new management, restructuring, etc., — that strengthen them somewhat during the economic environment.

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In the consumer arena, rather than bet on a consumer recovery, we have focused on companies that provide a strong value message to a penny-pinching consumer. For instance, our largest consumer holding, Aeropostale, Inc. (ARO) provides a value-oriented teenager with fashion-right product at a great price. The company is in the second year of a major initiative to improve and enhance its products while improving its margins. As a result, ARO is one of the few retailers that continues to deliver strong positive comps<sup>1</sup> while delivering earnings growth in the 25-30% range. Due to general concerns about consumer spending in this economy, the stock sells at a Price to earnings (p/e)<sup>2</sup> ratio of about 11 times this year's earnings. Our largest restaurant holding is BJ's Restaurants, Inc. (BJRI), which is growing its earnings at a 25% compounded annual rate, despite having about 35% of its stores in California. BJRI offers a newer, casual bar and dining concept with a strong value bent (average ticket is about \$12.50), and sells at a discount to its growth rate on 12 months forward earnings.

We have many sub-themes that comprise our technology sector, because there are a lot of crosscurrents in technology. Among the most significant is the convergence of Personal Digital Assistants (PDAs)/cellphones and computers. As computers get smaller, and handhelds get more powerful (à la the Apple iPhone or the Palm Pre), this theoretical convergence becomes an increasing reality, driven in part by telecom service companies who see an opportunity to sell highly profitable subscription services to this potentially vast new market. This convergence was the driver behind our identification of RF Micro Devices, Inc. (RFMD) and Skyworks Solutions, Inc. (SWKS), and Cypress Semiconductor Corp. (CY), all of which are semiconductor component suppliers to handsets. All of these companies are used to making parts smaller, more powerful, and much cheaper than the computer chip makers. We can easily see a scenario — and recent sales trends bear it out — where these three companies, in addition to benefiting from this trend in handsets, are well-positioned to move into the smaller computer applications and even industrial applications over time. Presently, they are all in very strong new product cycles and experiencing significant demand for their products and are benefiting from restructuring and cost-cutting initiatives implemented over the past year. Another trend is Cloud computing — the advent of the Internet and Software as a Service model has made us comfortable with the idea that our files can be safe and protected if they reside someplace other than in our physical location (out there on the “cloud”). The move towards Cloud computing is a move towards outsourcing and viewing technology as a utility — one pays for what one uses, in a very similar manner to water or power — and it is always available. The cost benefit of this trend for corporations is quite powerful and is driving quick uptake of this trend. Companies in the portfolio that benefit from this trend range from Riverbed Technology, Inc. (RVBD), with its Wide Area Network solutions, to Rackspace Hosting, Inc. (RAX) which provides Cloud computing services to small and mid-size businesses.

In the healthcare arena, we have focused on companies that have strong business models now, such as Conceptus, Inc. (CPTS) and Nuvasive, Inc. (NUVA). Both of these are medical device companies that are experiencing very strong growth because of the uniqueness and strength of their products. Conceptus provides a cheaper and better alternative to tubal ligations and is one of the few companies that offer the doctors the

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<sup>1</sup> Comps compare the degree of revenue growth/decline that a firm's stores achieve relative to their sales in previous years.

<sup>2</sup> Price-to-earnings (p/e) ratio of a company's current share price compared to its per-share earnings.

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ability to make more money on the procedure but saves the insurance companies money — a true win/win in the existing environment that becomes even more powerful if healthcare reform is enacted. Nuvasive offers a unique minimally-invasive platform to spinal procedures; its combination of biologics and mechanics and its minimally invasive platform has the potential to transform the manner in which spinal procedures are performed as they provide a better, cheaper and faster alternative to current technologies. Both of these companies are at an inflection point in their business models where they are experiencing very strong growth in profitability, which should continue over the next several years, regardless of what occurs with healthcare reform, as well as some that potentially can benefit from health care reform, if it is enacted. One such holding is HMSY Holdings Corp., (HMSY), which provides cost recovery services to Medicaid programs and Medicare reimbursement services to public and private hospitals. Currently, HMSY has grown at a rate close to 40%, sells at a discount to that growth rate on a P/E basis, and has the opportunity to close to double its business should the government address health care for the uninsured population in any substantive manner.

Again, in the energy arena, our investments are focused on “transformational” companies, as opposed to a distinct bet that energy prices will recover (our view is actually that they will stay in a wide trading range for the rest of the year). In fact, we are fairly negative on smaller and mid sized domestically focused exploration and production companies, as they employed a high degree of leverage during the boom times which is now limiting their flexibility and lowering their return on investment. Regardless of what happens to the price of the commodity, the two resource companies we own, Brigham Exploration Co. (BEXP) and Rosetta Resources, Inc. (ROSE) are seeking to increase the value of the company through major restructuring and redeployment of assets into new areas. BEXP is transforming itself into a major oil developer in the US through its investment in the Bakken Shale area; ROSE, under its new management (formerly from Burlington Resources, which we rank as among the best managements in the energy space) is in the early stages of transforming itself into a major oil and gas developer, utilizing its debt-free, cash rich balance sheet to take advantage of other companies’ misfortunes.

In the materials space, we have focused on steel providers, as the steel industry has sharply lowered its capacity (unlike the domestic natural gas industry) and is seeing a return of pricing power and an up tick in utilization; it shall also benefit from stimulus and an increase in auto production which industry analysts believe will occur in the second half of this year.

While we believe that the companies in which we have invested are resilient to slow economic growth, we believe there might be some risk if the overall economy were to go into another severe decline, similar to what we saw last fall. If the market were to experience another sharp, quick move upward that focused on lower-priced, lower-quality stocks, regardless of their fundamental outlook, the portfolio might lag. We do not believe that the next move upward in the market will have that focus; that kind of move is usually seen in the initial phases of a credit recovery cycle, which has already occurred. The next phase of the credit recovery cycle in equities is usually more discriminating, and we believe could benefit our portfolio. Also, if individual stock picking becomes more the market’s focus, we believe that this would play to the strengths of our investment process.

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

SHAREHOLDER LETTER

JUNE 30, 2009

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Sincerely,



Mary Lisanti, CFA  
President & Portfolio Manager

**The Fund invests in smaller companies which generally carry greater risk than is customarily associated with larger companies for various reasons such as narrower markets, limited financial resources, and less liquid stock.** Growth stocks emphasize companies that are believed to offer above-average prospects for capital growth due to their strong earnings and revenue potential. Growth stocks tend to offer relatively low dividend yields.

The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index.

*The views in this report were those of the Fund manager as of June 30, 2009 and may not reflect her views on the date this report is first published or anytime thereafter. These views are intended to assist shareholders in understanding their investments in the Fund and do not constitute investment advice.*

**ADAMS HARKNESS SMALL CAP GROWTH FUND**
**SCHEDULE OF INVESTMENTS**

JUNE 30, 2009

Shares	Security Description	Value	Shares	Security Description	Value
<b>Common Stock - 97.3%</b>			<b>Energy (Continued)</b>		
<b>Communications Equipment - 3.5%</b>			17,922	Rosetta Resources, Inc.(a)	\$ 156,818
3,265	Aruba Networks, Inc.(a)	\$ 28,536	1,840	Walter Energy, Inc.	66,682
3,205	F5 Networks, Inc.(a)	110,861			<u>653,495</u>
10,865	Riverbed Technology, Inc.(a)	251,959	<b>Financials - 1.9%</b>		
		<u>391,356</u>	4,090	First Horizon National Corp.(a)	49,081
<b>Computers and Peripherals - 4.0%</b>			23,455	GFI Group, Inc.	<u>158,087</u>
4,495	Compellent Technologies, Inc.(a)	68,549			<u>207,168</u>
4,795	Novatel Wireless, Inc.(a)	43,251	<b>Health-Care Services - 16.8%</b>		
1,970	Palm, Inc.(a)	32,643	3,565	Air Methods Corp.(a)	97,538
6,230	Macrovision Solutions Corp.(a)	135,876	3,575	AMAG Pharmaceuticals, Inc.(a)	195,445
5,795	Rackspace Hosting, Inc.(a)	80,319	3,020	athenahealth, Inc.(a)	111,770
3,020	Rosetta Stone, Inc.(a)	82,869	6,655	Conceptus, Inc.(a)	112,469
		<u>443,507</u>	13,910	ev3, Inc.(a)	149,115
<b>Consumer Discretionary - 13.5%</b>			10,365	Health Management Associates, Inc., Class A(a)	51,203
5,265	Ameristar Casinos, Inc.	100,193	5,660	HMS Holdings Corp.(a)	230,475
1,720	Bally Technologies, Inc.(a)	51,462	3,735	Inverness Medical Innovations, Inc.(a)	132,891
9,115	BJs Restaurants, Inc.(a)	153,770	3,175	IPC The Hospitalist Co., Inc.(a)	84,741
2,620	Buffalo Wild Wings, Inc.(a)	85,202	2,095	Natus Medical, Inc.(a)	24,176
5,085	Central Garden & Pet Co.(a)	55,884	7,400	Nektar Therapeutics(a)	47,952
9,060	Cheesecake Factory, Inc.(a)	156,738	5,825	NuVasive, Inc.(a)	259,795
965	Chipotle Mexican Grill, Inc.(a)	77,200	410	Orthofix International N.V.(a)	10,254
6,595	Citi Trends, Inc.(a)	170,679	12,644	POZEN, Inc.(a)	97,106
2,853	Green Mountain Coffee Roasters, Inc.(a)	168,640	3,140	Salix Pharmaceuticals, Ltd.(a)	30,992
2,325	Gymboree Corp.(a)	82,491	6,015	SXC Health Solutions Corp.(a)	152,901
2,700	Life Time Fitness, Inc.(a)	54,027	1,020	United Therapeutics Corp.(a)	84,997
7,510	lululemon athletica, Inc.(a)	97,855			<u>1,873,820</u>
9,775	Smart Balance, Inc.(a)	66,568	<b>Health-Care Technology - 3.0%</b>		
3,605	Texas Roadhouse, Inc.(a)	39,331	11,730	Allscripts Misys Healthcare Solutions, Inc.(a)	186,038
885	The Buckle, Inc.	28,116	1,945	Eclipsys Corp.(a)	34,582
1,640	The Warnaco Group, Inc.(a)	53,136	7,125	Medidata Solutions, Inc.(a)	116,707
1,610	Under Armour Inc., Class A(a)	36,032			<u>337,327</u>
1,095	United Natural Foods, Inc.(a)	28,744	<b>Industrials - 13.3%</b>		
		<u>1,506,068</u>	2,280	ArcSight, Inc.(a)	40,516
<b>Consumer Retail - 7.0%</b>			4,870	Badger Meter, Inc.	199,670
4,690	Aeropostale, Inc.(a)	160,726	1,725	Bucyrus International, Inc.	49,266
2,735	AnnTaylor Stores Corp.(a)	21,825	2,880	Chart Industries, Inc.(a)	52,358
13,765	Charming Shoppes, Inc.(a)	51,206	1,190	Fuel Systems Solutions, Inc.(a)	24,026
18,395	Chico's FAS, Inc.(a)	178,983	7,135	GrafTech International, Ltd.(a)	80,697
7,310	Coldwater Creek, Inc.	24,708	8,030	Houston Wire & Cable Co.	95,637
5,185	J. Crew Group, Inc.(a)	140,099	4,290	ICF International, Inc.(a)	118,361
5,080	Kirkland's Inc.(a)	61,011	3,265	Intrepid Potash, Inc.(a)	91,681
5,135	The Dress Barn, Inc.(a)	73,430	1,925	Itron, Inc.(a)	106,010
5,685	Ulta Salon, Cosmetics & Fragrance, Inc.(a)	63,217	1,430	Portfolio Recovery Associates, Inc.(a)	55,384
		<u>775,205</u>	4,935	Steel Dynamics, Inc.	72,693
<b>Energy - 5.9%</b>			5,755	Taleo Corp, Class A(a)	105,144
40,310	Brigham Exploration Co.(a)	140,682	4,675	Titan Machinery, Inc.(a)	59,326
1,880	Concho Resources, Inc.(a)	53,937	5,650	VistaPrint, Ltd.(a)	240,973
1,915	Dril-Quip, Inc.(a)	72,961	3,500	Wright Express Corp.(a)	89,145
1,280	Oceaneering International, Inc.(a)	57,856			<u>1,480,887</u>
11,255	Quicksilver Resources, Inc.(a)	104,559			

## ADAMS HARKNESS SMALL CAP GROWTH FUND

### SCHEDULE OF INVESTMENTS

JUNE 30, 2009

Shares	Security Description	Value
<b>Materials - 2.4%</b>		
6,385	AK Steel Holding Corp.	\$ 122,528
4,685	Polypore International, Inc.(a)	52,097
1,860	Schnitzer Steel Industries, Inc.	98,320
		<u>272,945</u>
<b>Semiconductors and Semiconductor Equipment - 18.6%</b>		
4,860	Cavium Networks, Inc.(a)	81,697
24,610	Cypress Semiconductor Corp.(a)	226,412
9,710	Diodes, Inc.(a)	151,864
8,360	Monolithic Power Systems, Inc.(a)	187,348
6,170	Netlogic Microsystems, Inc.(a)	224,958
32,515	ON Semiconductor Corp.(a)	223,053
28,000	PMC-Sierra, Inc.(a)	222,880
66,805	RF Micro Devices, Inc.(a)	251,187
6,420	Silicon Laboratories, Inc.(a)	243,575
15,015	Skyworks Solutions, Inc.(a)	146,847
8,370	Volterra Semiconductor Corp.(a)	109,982
		<u>2,069,803</u>
<b>Technology - 4.6%</b>		
9,190	Aspen Technology, Inc.(a)	78,437
1,960	Coinstar, Inc.(a)	52,332
4,570	Constant Contact, Inc.(a)	90,669
1,845	DealerTrack Holdings, Inc.(a)	31,365
6,315	STEC, Inc.(a)	146,445
3,050	Synaptics, Inc.(a)	117,882
		<u>517,130</u>
<b>Telecommunications Services - 2.1%</b>		
3,580	Neutral Tandem, Inc.(a)	105,682
5,235	Starent Networks, Corp.(a)	127,786
		<u>233,468</u>
<b>Utilities - 0.7%</b>		
3,890	EnerNOC, Inc.(a)	84,296
<b>Total Common Stock (Cost \$9,508,236)</b>		<b><u>10,846,475</u></b>
<b>Total Investments - 97.3%</b>		
<b>(Cost \$9,508,236)*</b>		<b><u>\$10,846,475</u></b>
<b>Other Assets and Liabilities, Net - 2.7%</b>		<b><u>298,932</u></b>
<b>Total Net Assets - 100.0%</b>		<b><u>\$11,145,407</u></b>

(a) Non-income producing security.

\* Cost of investments for Federal income tax purposes is substantially the same as for financial statement purposes and net unrealized appreciation (depreciation) on investments consists of:

Gross Unrealized Appreciation	\$1,600,179
Gross Unrealized Depreciation	(261,940)
Net Unrealized Appreciation (Depreciation)	<u>\$1,338,239</u>

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2009:

The inputs or methodology used for valuing securities are not necessarily an indication of the risk 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 Note 2 — Security Valuation section in the accompanying Notes to Financial Statements.

Valuation Inputs	Investments in Securities
Level 1 — Quoted Prices	\$10,846,475
Level 2 — Other Significant Observable Inputs	—
Level 3 — Significant Unobservable Inputs	—
Total Investments	<u>\$10,846,475</u>

In accordance with the adoption of FSP 157-4, 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.

#### PORTFOLIO HOLDINGS

% of Total Investments	
Communications Equipment	3.6%
Computers and Peripherals	4.1%
Consumer Discretionary	13.9%
Consumer Retail	7.1%
Energy	6.0%
Financials	1.9%
Health-Care Services	17.3%
Health-Care Technology	3.1%
Industrials	13.6%
Materials	2.5%
Semiconductors and Semiconductor Equipment	19.1%
Technology	4.8%
Telecommunications Services	2.2%
Utilities	0.8%
	<u>100.0%</u>

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

## STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2009

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**ASSETS**

Total investments, at value (Cost \$9,508,236)	\$10,846,475
Cash	94,753
Receivables:	
Investment securities sold	254,254
Fund shares sold	8,239
Dividends and interest	403
Prepaid Expenses	<u>7,509</u>
Total Assets	<u>11,211,633</u>

**LIABILITIES**

Payables:	
Investment securities purchased	43,469
Fund shares redeemed	5,182
Accrued Liabilities:	
Investment adviser fees	9,323
Compliance services fees	176
Fund service fees	6,085
Other expenses	<u>1,991</u>
Total Liabilities	<u>66,226</u>

**NET ASSETS**\$11,145,407**COMPONENTS OF NET ASSETS**

Paid-in capital	\$18,771,745
Accumulated net investment income (loss)	(160,632)
Accumulated net realized gain (loss) from investments	(8,803,945)
Unrealized appreciation (depreciation) on investments	<u>1,338,239</u>

**NET ASSETS**\$11,145,407**NET ASSET VALUE, OFFERING PRICE PER SHARE**

Based on net assets of **\$11,145,407** and **1,443,927** shares outstanding at **\$0.000** par value (unlimited shares authorized)

\$ 7.72

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

## STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2009

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**INVESTMENT INCOME**

Dividend income	\$ 8,811
Interest income	<u>32</u>
Total Investment Income	<u>8,843</u>

**EXPENSES**

Investment adviser fees	58,166
Fund service fees (Note 3)	73,551
Shareholder services fees	14,542
Custodian fees	12,132
Professional fees	24,502
Trustees' fees and expenses	231
Compliance services fees	13,632
Registration fees	8,817
Reports to shareholders	8,317
Miscellaneous expenses	<u>6,334</u>
Total Expenses	220,224
Fees waived and expenses reimbursed	<u>(50,749)</u>
Net Expenses	<u>169,475</u>

**NET INVESTMENT INCOME (LOSS)** (160,632)

**NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS**

Net realized gain (loss) on investments	(549,053)
Net change in unrealized appreciation (depreciation) on investments	<u>471,904</u>

**NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS** (77,149)

**INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS** \$(237,781)

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**STATEMENTS OF CHANGES IN NET ASSETS

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	Six Months Ended June 30, 2009	Year Ended December 31, 2008
<b>OPERATIONS</b>		
Net investment income (loss)	\$ (160,632)	\$ (351,551)
Net realized gain (loss) on investments	(549,053)	(8,175,439)
Net change in unrealized appreciation (depreciation) on investments	<u>471,904</u>	<u>(3,687,980)</u>
Increase (Decrease) in Net Assets from Operations	<u>(237,781)</u>	<u>(12,214,970)</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Net realized gain on investments	<u>—</u>	<u>(478,127)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Sale of shares	1,127,096	5,587,220
Reinvestment of distributions	—	474,064
Redemption of shares	(3,721,593)	(7,896,942)
Redemption fees	<u>34</u>	<u>1,467</u>
Increase (Decrease) from Capital Transactions	<u>(2,594,463)</u>	<u>(1,834,191)</u>
Increase (Decrease) in Net Assets	(2,832,244)	(14,527,288)
<b>NET ASSETS</b>		
Beginning of period	<u>13,977,651</u>	<u>28,504,939</u>
End of period (Including accumulated net investment income (loss) of \$(160,632) and \$0, respectively)	<u>\$11,145,407</u>	<u>\$ 13,977,651</u>
<b>SHARE TRANSACTIONS</b>		
Sale of shares	162,254	486,173
Reinvestment of distributions	—	62,957
Redemption of shares	<u>(536,818)</u>	<u>(713,128)</u>
Increase (Decrease) in Shares	<u>(374,564)</u>	<u>(163,998)</u>

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**ADAMS HARKNESS SMALL CAP GROWTH FUND****FINANCIAL HIGHLIGHTS**

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

	Six Months Ended June 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005	February 27, 2004 (a) through December 31, 2004
<b>NET ASSET VALUE, Beginning of Period</b>	<u>\$ 7.69</u>	<u>\$ 14.38</u>	<u>\$ 12.36</u>	<u>\$ 12.03</u>	<u>\$10.65</u>	<u>\$10.00</u>
<b>INVESTMENT OPERATIONS</b>						
Net investment income (loss)	(0.10)(b)	(0.19)(b)	(0.23)(b)	(0.18)(b)	(0.16)(b)	(0.07)
Net realized and unrealized gain/(loss) on investments	<u>0.13</u> (c)	<u>(6.23)</u>	<u>2.77</u>	<u>0.51</u> (c)	<u>1.67</u>	<u>0.72</u>
Total from Investment Operations	<u>0.03</u>	<u>(6.42)</u>	<u>2.54</u>	<u>0.33</u>	<u>1.51</u>	<u>0.65</u>
Redemption Fees (b)	– (d)	– (d)	– (d)	– (d)	– (d)	–
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>						
Net realized gain on investments	–	<u>(0.27)</u>	<u>(0.52)</u>	–	<u>(0.13)</u>	–
<b>NET ASSET VALUE, End of Period</b>	<u>\$ 7.72</u>	<u>\$ 7.69</u>	<u>\$ 14.38</u>	<u>\$ 12.36</u>	<u>\$12.03</u>	<u>\$10.65</u>
<b>TOTAL RETURN (e)</b>	0.39%	(44.63)%	20.54%	2.74%	14.18%	6.50%
<b>RATIO/SUPPLEMENTARY DATA:</b>						
Net Assets at End of Period (000's omitted)	\$11,145	\$13,978	\$28,505	\$27,212	\$9,381	\$3,668
Ratios to Average Net Assets (f):						
Net expenses	2.91%	1.90%	1.82%	1.65%	1.65%	1.63%
Gross expenses (g)	3.79%	2.78%	2.36%	2.65%	5.17%	13.58%
Net investment income (loss)	(2.76)%	(1.68)%	(1.70)%	(1.41)%	(1.44)%	(1.51)%
<b>PORTFOLIO TURNOVER RATE (e)</b>	234%	521%	380%	497%	307%	500%

(a) Commencement of operations.

(b) Calculated based on average shares outstanding during the period.

(c) Per share amount does not reflect the actual net realized and unrealized gain/loss for the period because of the timing of sales of the fund shares and the amount of per share realized and unrealized gains and losses at such time.

(d) Less than \$0.01 per share.

(e) Not annualized for periods less than one year.

(f) Annualized for periods less than one year.

(g) Reflects the expense ratio excluding any waivers.

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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**Note 1. Organization**

The Adams Harkness Small Cap Growth 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, as amended. As of June 30, 2009, the Trust had twenty-seven investment portfolios. 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 February 27, 2004. The Fund seeks maximum 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 period. 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 asked prices 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 asked prices provided by independent pricing services. Shares of open-end mutual funds are valued at net asset value. Short-term investments that mature in sixty 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 net asset value (“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.)

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

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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 June 30, 2009, for the Fund's investments is included at the end of the Fund's schedule of investments.

**Securities Transactions, Investment Income and Realized Gain and Loss** – Investment transactions are accounted for on 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 practical 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 and discount is amortized and accreted in accordance with GAAP. 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 capital gains, if any, are declared and paid at least 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 qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute all its taxable income. In addition, by distributing in each calendar year substantially all 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.

As of December 31, 2008, there are no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. The Fund's Federal tax returns filed in the three-year period ended December 31, 2008, remain subject to examination by the Internal Revenue Service.

**Income & 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 30 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.

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**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. Advisory Fees, Servicing Fees and Other Transactions**

**Investment Adviser** – AH Lisanti Capital Growth Fund, LLC (the "Adviser") is the investment adviser of the Fund. Pursuant to an investment advisory agreement, the Adviser receives an advisory fee from the Fund at an annual rate of 1.00% of the Fund's average daily net assets.

**Shareholder Service Plan** – The Trust has adopted a shareholder service plan for the Fund under which the Fund may reimburse the Fund's administrator for amounts paid by the administrator for providing shareholder service activities that are not otherwise provided by the Transfer Agent. The Fund's administrator may make such payments to various financial institutions, including the Adviser, that provide shareholder servicing to their customers invested in the Fund in amounts up to 0.25% annually of the average daily net assets of the shares held by such customers.

**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 with Atlantic Fund Administration, LLC ("Atlantic") or their affiliates.

**Other Service Providers** – Atlantic provides fund accounting, fund administration and transfer agency services to the Fund. Pursuant to an Atlantic services agreement, the Fund pays Atlantic a bundled fee for administration, fund accounting and transfer agency services at an annual rate of: 0.12% on the first \$150 million in Fund assets, 0.075% on the next \$150 million in Fund assets, 0.05% on the next \$300 million in Fund assets, 0.03% on the next \$400 million in Fund assets and 0.02% on Fund assets exceeding \$1 billion. The base fee is subject to an annual minimum. The fee is accrued daily by the Fund and is paid monthly based on the average net assets, transactions and positions for the previous month. The Fund's transfer agent and fund accountant also receive certain shareholder account fees, surcharges and out-of-pocket expenses.

Atlantic provides a Principal Executive Officer, Principal Financial Officer, 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 \$16,000 for service to the Trust (\$20,000 for the chairman), plus \$1,500 for each regular Board meeting attended (\$2,500 for the chairman), \$500 for each short special Board meeting attended (\$750 for the chairman) and \$1,500 for each major special Board meeting attended (\$2,250 for the chairman). In addition, a \$3,000 annual stipend will be paid to each Trustee that serves as Chairman of one or more Board committees. 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.

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**Note 4. Fees Waived**

During the period, certain Fund service providers have voluntarily agreed to waive a portion of their fees. These voluntary waivers may be reduced or eliminated at any time. For the period ended June 30, 2009, fees waived were as follows:

<u>Fund Service Fees Waived</u>	<u>Other Waivers</u>	<u>Total Fees Waived</u>
\$47,915	\$2,834	\$50,749

**Note 5. Security Transactions**

The cost of purchases and proceeds from sales of investment securities (including maturities), other than short-term investments for the period ended June 30, 2009, were \$27,148,513 and \$30,089,668, respectively.

**Note 6. Federal Tax Information and Investment Transactions**

As of December 31, 2008, distributable earnings (accumulated loss) on a tax basis were as follows:

Unrealized Appreciation (Depreciation)	\$ 210,902
Capital and Other Losses	<u>(7,599,459)</u>
Total	<u><u>\$(7,388,557)</u></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 wash sales.

**Note 7. Recent Accounting Pronouncement**

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162" ("SFAS 168"). On the effective date of this standard, FASB Accounting Standards Codification™ ("Codification") will become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission. All guidance contained in the Codification carries an equal level of authority. On the effective date of SFAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Management is currently evaluating the impact the adoption of SFAS 168 will have on the reporting of the Fund's financial statements.

**Note 8. Subsequent Events**

Subsequent events occurring after the date of this report have been evaluated for potential impact to this report through August 14, 2009, and the Fund has noted no such events.

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

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JUNE 30, 2009

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**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) 441-7031 and on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's proxy voting records for the twelve-month period ended June 30, is available, without charge and upon request, by calling (800) 441-7031 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. The Fund's Forms N-Q 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 1-800-SEC-0330.

**Shareholder Expense Example**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees and exchange fees; (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 January 1, 2009, through June 30, 2009.

**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 a Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not a 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 cost of investing in a 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 expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) for certain share classes, redemption fees or exchange

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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 had been included, your costs would have been higher.

	<b>Beginning Account Value January 1, 2009</b>	<b>Ending Account Value June 30, 2009</b>	<b>Expenses Paid During Period*</b>	<b>Annualized Expense Ratio*</b>
Actual	\$1,000.00	\$1,003.90	\$14.46	2.91%
Hypothetical (5% return before expenses)	\$1,000.00	\$1,010.36	\$14.51	2.91%

\* Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by the number of days in most recent fiscal half-year divided by 365 to reflect the half-year period.



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