



ADAMS HARKNESS  
SMALL CAP GROWTH FUND

SEMI-ANNUAL REPORT  
JUNE 30, 2011  
(UNAUDITED)



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## ADAMS HARKNESS SMALL CAP GROWTH FUND

### A MESSAGE TO OUR SHAREHOLDERS

JUNE 30, 2011

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Dear Shareholder,

The first six months of 2011 proved to be positive ones for the stock market and for the Adams Harkness Small Cap Growth Fund (the “Fund”). The year started off with strong performance from the Fund’s benchmark, the Russell 2000 Growth Index, as investors reacted to strong earnings reports for the fourth quarter of 2010 and good outlooks for 2011 from companies. As we moved through the year, macro-economic concerns began to weigh on investors, and markets entered a trading range during the second quarter. As we write this, we view the domestic markets as engaged in a very classic “tug of war” between a macroeconomic backdrop that contains many unresolved, potentially negative issues (the European debt problem, the U.S. debt problem, unemployment, slowing economic growth, to name a few) and a micro backdrop that is more positive, as corporate earnings appear to be continuing to grow steadily. It is our view that, as long as earnings continue to be positive, the markets will grind higher. Should earnings growth falter, we believe the market will falter as well.

Financial crises are never fun—they are a bit like earthquakes; scary to live through and with after shocks that can continue for quite a while, and sometimes unintended consequences that do not appear until well after the event is over. However, they usually serve to reconnect the investment world firmly with reality, even if that reality is not always pretty. Although many investment pundits compare this period of time with the early 1990’s, it reminds me more of the late 1970’s-early 1980’s, when I began my investment career. From the global economic recession and financial crisis of the mid-1970’s, America’s recovery was slow and uneven as we dealt (ultimately, successfully) with rising inflation, increased regulation, and secularly high unemployment as the corporate sector restructured its labor cost structure to become more competitive globally. Then, it was Japan that was “eating our lunch” competitively. It was not until the early-to-mid 1980’s that the unemployment rate began to decline significantly; we lived with high unemployment—between 5% and 10%—for approximately a decade. Indeed, by the middle 1980’s it had become accepted wisdom that the United States could not achieve a 0% unemployment rate; that 5% would be the best we could do because economic growth was not strong enough. One could argue that all of the hard work we did in restructuring business to make it more competitive and to combat inflation led to the great bull market of 1982-2000. Although today we fight deflation, not inflation, the other similarities are striking. I believe that now, as was true then, extreme pessimism is unwarranted and the issues we are grappling with now—how to deal with our deficit, how to deal with entitlements and not go broke, how to restructure the public sector benefits and pay scales so that we can manage to fund them—will ultimately be resolved successfully because now, as was true then, there is no other option, but it will take time. I also believe that, as a result of all of these headwinds, global and domestic GDP growth will remain somewhat slow for some period of time.

While the environment of the late 1970’s was a difficult one, it was difficult primarily for the large companies that populate the S&P 500® Index (“S&P 500”). That was my world for only a very brief period of time. I came into the business shortly after graduating from college and was asked to do some work on several large, industrial companies, who at the time were having great difficulty. I remember my last conversation with one of those companies: I asked the chief financial officer why they were building more plants because, by my calculations, they were generating a negative return on capital. In my mind, they were making the problem worse. The individual replied “Because, young lady, that is what we do!” I told him I did not think they would be doing it too much longer if they had a negative return on capital. So much for my brilliant career as a large cap industrial analyst. However—thankfully for my continued employment prospects—I did notice that there were some companies that were quietly but consistently growing earnings and sales, even in this difficult environment. What those companies had in common was their size—they were smaller. Shortly after the conversation I cited above, my director of research saw the uselessness of trying to fit a square peg—me—into a round hole—large capitalization companies—and let me turn my efforts to these smaller growth companies. Thus was born an over thirty year love affair with small, higher growth companies.

Again, the similarities between the current environment and that one are quite striking. As I write this, the Russell 2000 Growth Index is only slightly below its all-time high, while the S&P 500 is very far away from its all-time high. Smaller cap, higher growth stocks continue to outperform, despite all the naysayers. They outperform for several very fundamental reasons: They grow earnings and sales at above average rates. In an environment where growth may be scarce, companies that have the ability to grow earnings at above average rates attract the attention of investors. We view that as a stock picker’s market.

The Fund continues to be overweight the consumer discretionary sector. That may strike you as somewhat counterintuitive—after all, isn’t the consumer stretched? Isn’t unemployment high? Our answer is that the consumer is not monolithic; the consumer spending accounts for the majority of our GDP growth and therefore, if the economy is going to grow, however slowly, consumer spending will grow also. While there are parts of the consumer population under great stress, the higher income consumers seem to have rebounded nicely. Companies that have unique products or services to offer them are doing well. Because of these macro concerns, consumer stocks were

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

A MESSAGE TO OUR SHAREHOLDERS

JUNE 30, 2011

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very cheap, and even after strong performance over the past two years, they remain one of the lower price-to-earnings (p/e) to growth sectors of the market. We continue to find good opportunities there.

We are also overweight the health-care sector. That is a change from last year, when we were underweight the sector for most of the year. The health-care sector is in the midst of great change, which will last for a number of years, as the companies adjust to a changing health-care landscape, driven by Obama's health-care plan, demographics, and cost pressures. Change always provides great risk and great opportunity, and there will be winners and losers. At the end of last year, because of concerns over the changing environment for health-care, the sector was at multiyear lows in valuation. Our investment process pushes us to identify the potential winners in this changing environment, and indeed health-care was a major contributor to the Fund's performance in the first half of 2011.

We also continue to overweight the technology sector and underweight the industrial sector. We view technology and industrials together. Given our growth discipline, it is difficult to find enough companies in the industrial sectors to allow us to equal weight the sector, since many of them are pure cyclical companies. Many of our technology holdings have a strong impact on industrial companies and provide products and services that enable them to improve their productivity and lower their cost of doing business—thus in our mind, they are "the new industrials". Having said that, our industrial holdings added to performance in the first half of this year, while our technology holdings detracted from our performance. Technology was the most significant detractor from performance for the first six months of the year.

While we had a lot of success these past six months, we also had some mistakes—companies that missed earnings, or stocks that did not perform up to expectations. We try to keep our mistakes small by cutting positions back if a stock is not performing; if we find that those mistakes center around one sector, we re-examine our thesis on that sector. In other words, we try to have conviction but not stubbornness in managing the Fund, and again, it is always an art as opposed to a science.

We continue to see many good investment opportunities among small cap growth companies. We believe their individual prospects are bright, barring a recession; we believe it will remain a stock picker's market for some time to come.

We thank you for your investment in the Fund; we appreciate your faith in us and we assure you that we continue to work hard on your behalf to uncover good investment opportunities.

Sincerely,



Mary Lisanti, CFA  
President & Portfolio Manager

An investment in the Fund is subject to risk, including the possible loss of principal amount invested. The Fund invests in smaller companies, which carry greater risk than is associated with larger companies for various reasons such as narrower markets, limited financial resources and less liquid stock.

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. 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. One cannot invest directly in an index. Price to earnings (p/e) ratio is the valuation of a company's current share price relative to company earnings.

*The views in this report were those of the Fund manager as of June 30, 2011, and may not necessarily reflect her views on the date this report is first published or anytime thereafter. These views are intended to assist shareholders in understanding the Fund's investment methodology and do not constitute investment advice.*

**ADAMS HARKNESS SMALL CAP GROWTH FUND**

## SCHEDULE OF INVESTMENTS

JUNE 30, 2011

Shares	Security Description	Value	Shares	Security Description	Value
<b>Common Stock - 99.6%</b>			<b>Consumer Services - 3.6%</b>		
<b>Biotechnology - 5.2%</b>			4,200	Ancestry.com, Inc. (a)	\$ 173,838
5,100	Achillion Pharmaceuticals, Inc. (a)	\$ 37,944	3,475	GNC Holdings, Inc. (a)	75,789
7,730	Amarin Corp PLC, ADR (a)	111,853	1,940	HomeAway, Inc. (a)	75,078
19,830	Ariad Pharmaceuticals, Inc. (a)	224,674	9,270	HOT Topic, Inc.	68,969
3,680	Incyte Corp., Ltd. (a)	69,699	3,945	The Finish Line, Inc., Class A	84,423
7,452	Pharmacyclics, Inc. (a)	77,799	775	The Hain Celestial Group, Inc. (a)	25,854
1,865	Pharmasset, Inc. (a)	209,253			503,951
		<u>731,222</u>	<b>Energy - 5.8%</b>		
<b>Business Services - 7.1%</b>			4,880	Basic Energy Services, Inc. (a)	153,574
3,300	American Public Education, Inc. (a)	146,883	6,915	Carrizo Oil & Gas, Inc. (a)	288,701
7,465	Bridgepoint Education, Inc. (a)	186,625	865	Lufkin Industries, Inc.	74,433
6,310	Cornerstone OnDemand, Inc. (a)	111,371	5,855	Rosetta Resources, Inc. (a)	301,767
8,005	Innerworkings, Inc. (a)	66,762			818,475
4,775	Kenexa Corp. (a)	114,504	<b>Financial Services - 3.9%</b>		
3,430	Responsys, Inc. (a)	60,814	7,595	Cardtronics, Inc. (a)	178,103
6,750	Sapient Corp. (a)	101,453	6,443	Dollar Financial Corp. (a)	139,491
5,210	ServiceSource International, Inc. (a)	115,766	4,121	Financial Engines, Inc. (a)	106,816
5,725	ValueClick, Inc. (a)	95,035	1,665	First Cash Financial Services, Inc. (a)	69,913
		<u>999,213</u>	665	Portfolio Recovery Associates, Inc. (a)	56,386
<b>Chemicals - 2.6%</b>					550,709
5,530	Polypore International, Inc. (a)	375,155	<b>Health-Care - 14.9%</b>		
<b>Communications Equipment - 0.8%</b>			13,905	Akorn, Inc. (a)	97,335
3,755	Aruba Networks, Inc. (a)	110,960	13,425	Caliper Life Sciences, Inc. (a)	108,877
<b>Consumer Discretionary - 10.3%</b>			8,480	Cepheid, Inc. (a)	293,747
2,260	BJ's Restaurants, Inc. (a)	118,334	3,041	Complete Genomics, Inc. (a)	46,467
3,065	Bravo Brio Restaurant Group, Inc. (a)	74,878	3,285	Cubist Pharmaceuticals, Inc. (a)	118,227
2,410	Buffalo Wild Wings, Inc. (a)	159,807	8,141	ExamWorks Group, Inc. (a)	206,700
7,465	CROCS, Inc. (a)	192,224	8,355	Insulet Corp. (a)	185,230
670	OpenTable, Inc. (a)	55,690	8,230	MAKO Surgical Corp. (a)	244,678
3,075	Red Robin Gourmet Burgers, Inc. (a)	111,869	7,795	NuVasive, Inc. (a)	256,300
11,045	Select Comfort Corp. (a)	198,589	3,485	NxStage Medical, Inc. (a)	72,558
3,357	Shutterfly, Inc. (a)	192,759	7,900	Volcano Corp. (a)	255,091
2,660	True Religion Apparel, Inc. (a)	77,353	3,931	Zoll Medical Corp. (a)	222,730
10,362	Valuevision Media, Inc., Class A (a)	79,269			2,107,940
5,347	Vera Bradley, Inc. (a)	204,255	<b>Health-Care Services - 3.4%</b>		
		<u>1,465,027</u>	3,250	HealthSpring, Inc. (a)	149,923
<b>Consumer Retail - 4.7%</b>			1,275	HMS Holdings Corp. (a)	98,009
1,295	ANN, Inc. (a)	33,800	3,760	IPC The Hospitalist Co., Inc. (a)	174,276
6,470	Body Central Corp. (a)	152,239	2,012	Molina Healthcare, Inc. (a)	54,565
4,000	The Men's Wearhouse, Inc.	134,800			476,773
2,380	Ulta Salon Cosmetics & Fragrance, Inc. (a)	153,700	<b>Industrials - 10.1%</b>		
4,160	Vitamin Shoppe, Inc. (a)	190,362	9,895	Amerigon, Inc. (a)	171,975
		<u>664,901</u>	2,075	Chart Industries, Inc. (a)	112,009
			3,215	DealerTrack Holdings, Inc. (a)	73,784
			3,221	FARO Technologies, Inc. (a)	141,080
			5,905	Globe Specialty Metals, Inc.	132,390
			3,831	Haynes International, Inc.	237,254
			1,495	Kraton Performance Polymers, Inc. (a)	58,559

See Notes to Financial Statements.

## ADAMS HARKNESS SMALL CAP GROWTH FUND

### SCHEDULE OF INVESTMENTS

JUNE 30, 2011

Shares	Security Description	Value
4,210	Robbins & Myers, Inc.	\$ 222,498
4,535	Titan International, Inc.	110,019
5,895	Titan Machinery, Inc. (a)	169,658
		<u>1,429,226</u>
<b>Materials - 1.0%</b>		
4,495	Kronos Worldwide, Inc.	<u>141,368</u>

#### Software - 4.6%

7,255	Ariba, Inc. (a)	250,080
6,530	BroadSoft, Inc. (a)	248,989
1,725	LogMeIn, Inc. (a)	66,533
1,700	Ultimate Software Group, Inc. (a)	92,531
		<u>658,133</u>

#### Technology - 21.6%

17,340	Aspen Technology, Inc. (a)	297,815
6,635	Calix, Inc. (a)	138,141
3,365	Cavium, Inc. (a)	146,680
6,740	CommVault Systems, Inc. (a)	299,593
10,635	Fortinet, Inc. (a)	290,229
4,315	Fusion-io, Inc. (a)	129,838
17,675	Magma Design Automation, Inc. (a)	141,223
4,455	Mellanox Technologies, Ltd. (a)	132,804
2,710	Netlogic Microsystems, Inc. (a)	109,538
7,140	NetSuite, Inc. (a)	279,888
5,655	Omnivision Technologies, Inc. (a)	196,851
4,700	Opnet Technologies, Inc.	192,418
5,835	QLIK Technologies, Inc. (a)	198,740
4,360	RightNow Technologies, Inc. (a)	141,264
12,800	ShoreTel, Inc. (a)	130,560
2,510	SodaStream International, Ltd. (a)	152,633
4,230	Velti PLC (a)	71,529
		<u>3,049,744</u>

Total Common Stock  
(Cost \$12,123,148)

**14,082,797**

**Total Investments – 99.6%**  
**(Cost \$12,123,148)\***

**\$ 14,082,797**

**Other Assets & Liabilities, Net – 0.4%**  
**Net Assets – 100.0%**

**60,357**

**\$ 14,143,154**

ADR American Depository Receipt  
PLC Public Limited Company  
(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 on investments consists of:

Gross Unrealized Appreciation	\$ 2,063,502
Gross Unrealized Depreciation	<u>(103,853)</u>
Net Unrealized Appreciation	<u>\$ 1,959,649</u>

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2011.

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 Note 2 - Security Valuation section in the accompanying Notes to Financial Statements.

Valuation Inputs	Investments in Securities
Level 1 - Quoted Prices	\$ 14,082,797
Level 2 - Other Significant Observable Inputs	-
Level 3 - Significant Unobservable Inputs	-
<b>Total</b>	<b><u>\$ 14,082,797</u></b>

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

Biotechnology	5.2%
Business Services	7.1%
Chemicals	2.7%
Communications Equipment	0.8%
Consumer Discretionary	10.4%
Consumer Retail	4.7%
Consumer Services	3.6%
Energy	5.8%
Financial Services	3.9%
Health-Care	15.0%
Health-Care Services	3.4%
Industrials	10.1%
Materials	1.0%
Software	4.7%
Technology	21.6%
	<u>100.0%</u>

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

## STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2011

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**ASSETS**

Total investments, at value (Cost \$12,123,148)	\$ 14,082,797
Cash	134,666
Receivables:	
Fund shares sold	2,970
Investment securities sold	34,346
Dividends and interest	65
Prepaid expenses	9,818
Total Assets	<u>14,264,662</u>

**LIABILITIES**

Payables:	
Investment securities purchased	69,994
Fund shares redeemed	23,459
Accrued Liabilities:	
Investment adviser fees	4,397
Trustees' fees and expenses	29
Fund service fees	3,778
Compliance services fees	2,460
Other expenses	17,391
Total Liabilities	<u>121,508</u>

**NET ASSETS**\$ 14,143,154**COMPONENTS OF NET ASSETS**

Paid-in capital	\$ 14,135,014
Distributions in excess of net investment income	(112,070)
Accumulated net realized loss	(1,839,439)
Net unrealized appreciation	1,959,649

**NET ASSETS**\$ 14,143,154**SHARES OF BENEFICIAL INTEREST AT NO PAR VALUE (UNLIMITED SHARES AUTHORIZED)**1,006,758**NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE\***\$ 14.05

\* Shares redeemed or exchanged within 30 days of purchase are charged a 1.00% redemption fee.

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

## STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2011

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**INVESTMENT INCOME**

Dividend income	\$ 8,883
Interest income	300
Total Investment Income	<u>9,183</u>

**EXPENSES**

Investment adviser fees	67,363
Fund service fees	77,908
Shareholder service fees	16,841
Custodian fees	2,577
Registration fees	7,784
Professional fees	24,195
Trustees' fees and expenses	232
Compliance services fees	12,877
Miscellaneous expenses	13,829
Total Expenses	<u>223,606</u>
Fees waived	<u>(102,353)</u>
Net Expenses	<u>121,253</u>

**NET INVESTMENT LOSS**(112,070)**NET REALIZED AND UNREALIZED GAIN (LOSS)**

Net realized gain on investments	1,746,975
Net change in unrealized appreciation (depreciation) on investments	<u>(169,746)</u>

**NET REALIZED AND UNREALIZED GAIN**1,577,229**INCREASE IN NET ASSETS FROM OPERATIONS**\$ 1,465,159

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

	<b><u>For the Six Months Ended June 30, 2011</u></b>	<b><u>For the Year Ended December 31, 2010</u></b>
<b>OPERATIONS</b>		
Net investment loss	\$ (112,070)	\$ (267,365)
Net realized gain	1,746,975	3,437,945
Net change in unrealized appreciation (depreciation)	<u>(169,746)</u>	<u>92,228</u>
Increase in Net Assets Resulting from Operations	<u>1,465,159</u>	<u>3,262,808</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Sale of shares	2,103,408	3,348,366
Redemption of shares	(2,433,937)	(6,007,810)
Redemption fees	<u>1,225</u>	<u>387</u>
Decrease in Net Assets from Capital Share Transactions	<u>(329,304)</u>	<u>(2,659,057)</u>
Increase in Net Assets	<u>1,135,855</u>	<u>603,751</u>
<b>NET ASSETS</b>		
Beginning of Period	<u>13,007,299</u>	<u>12,403,548</u>
End of Period (Including line (a))	<u>\$ 14,143,154</u>	<u>\$ 13,007,299</u>
<b>SHARE TRANSACTIONS</b>		
Sale of shares	154,976	305,740
Redemption of shares	<u>(181,099)</u>	<u>(600,337)</u>
Decrease in Shares	<u>(26,123)</u>	<u>(294,597)</u>
(a) Distributions in excess of net investment income.	<u>\$ (112,070)</u>	<u>\$ -</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 throughout each period.

	For the Six	For the Years Ended December 31,				
	Months Ended June 30, 2011	2010	2009	2008	2007	2006
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 12.59	\$ 9.34	\$ 7.69	\$ 14.38	\$ 12.36	\$ 12.03
<b>INVESTMENT OPERATIONS</b>						
Net investment loss (a)	(0.11)	(0.23)	(0.23)	(0.19)	(0.23)	(0.18)
Net realized and unrealized gain (loss)	1.57	3.48	1.88	(6.23)	2.77	0.51(b)
Total from Investment Operations	1.46	3.25	1.65	(6.42)	2.54	0.33
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>						
Net realized gain	—	—	—	(0.27)	(0.52)	—
<b>REDEMPTION FEES (a)</b>	—(c)	—(c)	—(c)	—(c)	—(c)	—(c)
<b>NET ASSET VALUE, End of Period</b>	<u>\$ 14.05</u>	<u>\$ 12.59</u>	<u>\$ 9.34</u>	<u>\$ 7.69</u>	<u>\$ 14.38</u>	<u>\$ 12.36</u>
<b>TOTAL RETURN</b>	11.60%(d)	34.80%	21.46%	(44.63)%	20.54%	2.74%
<b>RATIOS/SUPPLEMENTARY DATA</b>						
Net Assets at End of Period (000's omitted)	\$14,143	\$13,007	\$12,404	\$13,978	\$28,505	\$27,212
Ratios to Average Net Assets:						
Net investment loss	(1.66%)(e)	(2.25)%	(2.97)%	(1.68)%	(1.70)%	(1.41)%
Net expense	1.80%(e)	2.34%	3.08%	1.90%	1.82%	1.65%
Gross expense (f)	3.32%(e)	3.63%	4.01%	2.78%	2.36%	2.65%
<b>PORTFOLIO TURNOVER RATE</b>	160%(d)	319%	381%	521%	380%	497%

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

(b) 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.

(c) Less than \$0.01 per share.

(d) Not annualized.

(e) Annualized.

(f) Reflects the expense ratio excluding any waivers.

**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 (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 February 27, 2004. The Fund seeks maximum capital appreciation.

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

These financial statements are prepared in accordance with generally accepted accounting principles 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 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 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.)

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

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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The aggregate value by input level, as of June 30, 2011, 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 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 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 qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute all of its taxable income to shareholders. 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 June 30, 2011, 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, 2010, remain subject to examination by the Internal Revenue Service.

**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.

**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.

### **Note 3. Advisory Fees, Servicing Fees and Other Transactions**

**Investment Adviser** – AH Lisanti Capital Growth, LLC (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 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 of 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 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, the Chairman receives a monthly stipend of \$500 to cover certain expenses incurred in connection with his duties to the Trust. 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.

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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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. The Fund's Adviser has voluntarily agreed to waive a portion of its fees and/or reimburse expenses so to cap the expense ratio at 1.80%. These voluntary waivers may be reduced or eliminated at any time. For the six months ended June 30, 2011, fees waived were as follows:

<u>Investment Adviser Fees Waived</u>	<u>Fund Service Fees Waived</u>	<u>Total Fees Waived</u>
\$47,237	\$55,116	\$102,353

**Note 5. Security Transactions**

The cost of purchases and proceeds from sales of investment securities (including maturities), other than short-term investments for the six months ended June 30, 2011, were \$21,580,611 and \$21,840,054, respectively.

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

As of December 31, 2010, distributable earnings (accumulated loss) on a tax basis were as follows:

Unrealized Appreciation	\$	2,071,610
Capital Losses		(3,528,629)
Total	\$	<u>(1,457,019)</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.

As of December 31, 2010, the Fund had capital loss carryforwards to offset future capital gains of \$712,424 and \$2,816,205, expiring in 2016 and 2017, respectively.

**Note 7. Recent Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-06 “Improving Disclosures about Fair Value Measurements.” ASU No. 2010-06 clarifies existing disclosure and requires additional disclosures regarding fair value measurements. ASU No. 2010-06 is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management has evaluated ASU No. 2010-06 and has determined that it did not have a significant impact on the reporting of the Fund’s financial statement disclosures.

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 currently evaluating the impact ASU No. 2011-04 may have on financial statement disclosures.

**Note 8. 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.

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

ADDITIONAL INFORMATION

JUNE 30, 2011

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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, on the Fund's website at [www.ahsmallcap.com](http://www.ahsmallcap.com) and on the SEC's 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 (800) 441-7031, on the Fund's website at [www.ahsmallcap.com](http://www.ahsmallcap.com) 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 (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, 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 January 1, 2011, through June 30, 2011.

**Actual Expenses** – The first line in 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 in 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 cost 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 expenses shown in the table are meant to highlight your ongoing costs only and do not reflect

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**ADAMS HARKNESS SMALL CAP GROWTH FUND**

ADDITIONAL INFORMATION

JUNE 30, 2011

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any transactional costs, such as redemption fees and exchange 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, 2011</b>	<b>Ending Account Value June 30, 2011</b>	<b>Expenses Paid During Period*</b>	<b>Annualized Expense Ratio*</b>
Actual	\$ 1,000.00	\$ 1,115.96	\$ 9.44	1.80%
Hypothetical (5% return before taxes)	\$ 1,000.00	\$ 1,015.87	\$ 9.00	1.80%

\* 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 the most recent fiscal half-year divided by 365 to reflect the half-year period.

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