

## Fund Commentary

### Hoover Investment Management Market Review and Outlook Second Quarter 2007

#### Forward Hoover Mini-Cap Fund and Forward Hoover Small Cap Equity Fund

During the second quarter of 2007, our composite advanced 6.63% versus the Russell 2000 of 4.42%, bringing our year-to-date performance to 12.74% vs. the Russell 2000 of 6.45%. During the second quarter of 2007, small caps as measured by the Russell 2000 Index, underperformed both the Dow Jones Industrial Average and the S&P 500, which has happened periodically over the last two years. The Russell 2000 gained 4.42% during the quarter, the S&P 500 advanced 6.28%, while The Dow Jones Industrial Average advanced 9.11% for the quarter. For the year-to-date performance, the Russell 2000 and the S&P 500 are about even at 6.45% for the Russell 2000 and 6.96% for the S&P 500, while the Dow Jones Industrial Average is ahead at 8.76%.

| Average annual returns as of 06/30/07                                    | 1YR    | 3YR    | 5YR    | Since Inception |
|--|--------|--------|--------|-----------------|
| Forward Hoover Mini-Cap Fund – Investor Share Class (01/01/2003)         | 14.37% | 14.69% | N/A    | 19.99%          |
| Russell 2000 Index   | 16.43% | 13.45% | N/A    | 20.29%          |
| Forward Hoover Small Cap Equity Fund – Investor Share Class (10/01/1998) | 16.94% | 14.41% | 14.07% | 12.27%          |
| Russell 2000 Index   | 16.43% | 13.45% | 13.88% | 11.33%          |

|   | Gross Expense | Net/Actual Expense |
|---|---------------|--------------------|
| Forward Hoover Mini-Cap Fund (Investor Share Class)         | 1.78%         | 1.78%              |
| Forward Hoover Small Cap Equity Fund (Investor Share Class) | 1.71%         | 1.71%              |

*The performance quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance quoted. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance quoted does not reflect the non-recurring redemption fee of 2% that may be charged if shares are sold or exchanged within 180 days of the purchase date. If these fees were reflected, the performance quoted would be lower. Investment performance reflects fee waivers in effect. In the absence of fee waivers, total return would be lower. Total return is based on NAV, assuming reinvestment of all distributions. Performance does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Performance data current to the most recent month end may be obtained at [www.forwardfunds.com](http://www.forwardfunds.com).*

During the second quarter and the entire first half of 2007, our investment themes helped drive performance. In the materials and processing and the producer durables sectors we selected investments which benefited from (1) strong global growth driven by India, China, and the Asian economy as well as the recovery of Europe; (2) the replenishment of the U.S. highway, telecommunications, and power infrastructure, and (3) aerospace suppliers. These investment themes are not dependent on a strong U.S. economy. In health care we have carefully selected companies with innovative medical devices which also require recurring purchases (the razor razor blade model); service companies which contain medical costs. We have avoided companies relying on binary events (i.e., FDA approval) and government price controls. Our energy portfolio includes U.S. natural gas producers which use new technologies to extract gas from previously inaccessible reservoirs such as shale, coal bed methane, tight rocks, etc., as well as service companies with specialized niches or proprietary products. In technology we are focused on suppliers in the race to bring the triple play (video, voice, and data) to the home as well as specialized niche-dominant technology companies. In the consumer sector we continue to avoid the value consumer, who we believe is stretched financially, and remain focused on special situations where internal margin improvement substantially augments top line growth, or definite turnarounds. In the financial sector, we have maintained serious underweighting in regional banks where interest rate margin pressure, as well as rising non-performing loans, lower earnings. We have also reduced our weighting in REITs and other financial services companies due to our concern over interest rates. We dramatically reduced our utility weighting, as the stocks had reached our price targets.

In summary, successful themes for early 2007 have included consumer turnaround companies, domestic security, aerospace and defense suppliers, health care cost containment, infrastructure, and suppliers to the telecom industry. We are also looking for opportunities in energy. We are focused on company-specific stocks with accelerating growth catalysts, strong management teams, improving margins, and companies whose dividends increase in line with earnings. In 2007, we believe investors will increasingly seek quality companies with stock specific investment rationales as the rapid sector rotation of 2007 keeps rendering sector rotation strategies ineffective.

## **PORTFOLIO REVIEW**

In the autos and transportation sector, we maintained our weighting for the quarter. We had strong performance from Bristow Corp., which provides helicopter transportation services to the offshore oil and gas industry; Gentex, a supplier to the auto industry; and AAR Corp., which provides products and services to the worldwide aviation/aerospace industry. We sold our positions in Winnebago, which had lower-than-expected earnings during the fourth quarter, and Skywest, a regional airline, which had significant cost increases.

Our Consumer Discretionary sector, although achieving positive performance for the quarter, underperformed the Index. We decreased our weighting from 25.9% to 22.0% versus the Index weighting of 19.6%, particularly in retail and apparel where we see weakness. Stocks in the Portfolio that advanced double digits during the quarter include special situations Warnaco Group, The Geo Group, RadioShack, Corrections Corp. of America, Callaway Golf, and Vail Resorts. We took profits in Aeropostale, Hibbett Sports Inc., and Teletech Holdings. Several of our growth retailers had positive performance once again during this quarter including, Men's Wearhouse and Phillips-Van Heusen. New purchase Tween Brands performed well for the quarter.

In the consumer staples sector we took profits in Hain Celestial Group Inc., a supplier of consumer products for a healthy lifestyle, and lowered our weighting to 1.5%. We maintained our weighting in Longs Drug Stores due to our anticipation of better-than-expected margin improvement as well as strong same-store sales in the second half of 2007.

We further lowered our weighting in the financial services sector from 16% to 11%. We took profits in KBW Inc. and SL Green Realty, which had returned double digits since purchase. We continue to hold asset managers, which were strong performers for the quarter and since initial purchase, including

Affiliated Managers and Waddell & Reed, Sotheby's and the Hanover Insurance Group also have had strong performance for the quarter and since initial purchase. We lowered our weighting further in REITs, selling Eastgroup Properties Inc. and Realty Income, due to our concern over interest rates, stretched valuations and possible investor concern over increasing taxes on dividends. Modest disappointments for the quarter included Alexandria Real Estate and Digital Realty REIT which are moving up in Q3 and have performed very well since purchase.

Our health care sector outperformed the Index in the second quarter due to strong stock performance from Parexel International, Amedisys, and Analogic, all up double digits. We took double-digit profits in Viasys Healthcare, which was bought out during the quarter, and Psychiatric Solutions. New purchase, ArthroCare, which develops, manufactures, and markets surgical products for use in soft-tissue surgery, contributed positively to performance. We continue to seek companies providing cost containment while avoiding companies reliant on binary events like FDA approval or congressional actions, and plan to increase our weighting here in the second half of 2007.

We increased our weighting during the quarter in materials and processing, ending the quarter at 9.4%. Our stocks in this sector contain a mix of homeland security, steel, and building materials companies. We took double-digit profits in Armor Holdings and Washington Group International, both of which were bought out, as well as Texas Industries Inc. and Metal Management. We maintained our position in our infrastructure plays, Quanex Corporation, Quanta Services, Dycom Industries, and Chaparral Steel, all of which advanced over 15% for the quarter. New purchases included Barnes Group, which manufactures and distributes metal parts, industrial supplies, and aerospace parts; and Granite Construction Inc., which provides civil construction services. Both of these stocks advanced after purchase.

Our producer durables sector outperformed as we increased our weighting from 9.3% to 14.1% adding Tektronics Inc., Kennametal Inc., and Bucyrus International—reinforcing our global growth theme. We took profits in FEI Co., Polycom, and AGCO Corp. We maintained our positions in Andrew Corp., Manitowoc, BE Aerospace, and Ametek, all up over double digits for the quarter and since initial purchase. Andrew has since been purchased by ADC Telecom, another portfolio holding.

We increased our energy weighting for the quarter from 6.5% to 10.2% and remain overweight versus the Index weighting of 4.9%. We maintained our positions in Dresser-Rand Group, Oil States International, Petrohawk Energy—all up over 20% for the quarter—and Tetra Technologies and Bill Barrett—up over 10% for the quarter. We sold our position in Whiting Petroleum as the stock did rebound during the quarter but was down slightly since initial purchase. New purchases include Unit Corp. and Forest Oil Corp., both up over 10% for the quarter.

In technology we increased our weighting from 12.1% to 14.2% during the quarter and are now slightly ahead of the Index weighting of 13.1%. We added Cree Inc., which develops and manufactures compound semiconductor materials and electronic devices and was up over 25% for the quarter. Strong performance during the quarter also came from CommScope, Cypress Semiconductor, and Fairchild Semiconductor all up double digits. We sold Digital River and Harmonic which were disappointments. We continue to seek companies generating solid earnings growth in the tech sector, selling at reasonable prices and, most importantly, companies that are niche leaders and not secondary suppliers to large companies. Specific industries include semiconductors, semi capital equipment, and suppliers to the telecom industry.

We sold our two holdings in the utilities sector, South Jersey Industries and PNM Resources, based on a first quarter earnings disappointment and the potential for higher interest rates and because the upside potential for the stock had been reached. We will continue to look for companies in this sector that we believe have specific advantages such as strong population growth, positive regulatory environment, low cost fuel sources such as hydro power, and special projects to enhance earnings.

## **MARKET OUTLOOK:**

During a period of economic uncertainty such as the current one, we have traditionally found that the best-performing companies and stocks are those which do not require an answer to the U.S. Economic question, i.e., growth, recession or stagnation?

We have been in the camp that the U.S. economy would not drift into recession, and now with the latest positive data points such as the ISM report; Federal Reserve comments; and strong growth of China, India, and Europe, we maintain that view. Of course the caveat remains the continuing housing collapse and a potential that the sub-prime debacle will precipitate a financial crisis which seriously impacts "main street."

We see no reason currently to change the underlying direction of the portfolio that participates in global economic growth as well as specific domestic themes such as those mentioned above. Our industrial stocks have already made big moves and are approaching our price targets. We do anticipate a possible recovery in the consumer sector toward the fourth quarter if our economy improves. We like to find investments in industries which have been underperforming such as housing, banks, and the financials; however we remain sidelined on these groups.

We believe our process and strategy will continue to benefit from Private Equity buy-outs as our strategy positions us as the pre-LBO or private equity owner. During the quarter we had seven buyouts bringing the total to 13 for 2007, and 21 since Q1 of 2006.

As always our investment process focuses on exploring stock specific inefficiencies in valuation when our process, which relies on rising cash flow, balance sheet, and income statement analysis has identified positive change in underlying fundamentals not yet recognized by investors. However, as you know, we also employ top down methodology utilizing our screens to place industries within their relative valuation parameters as well as economic sector and market analysis to identify industries which should outperform in any given economic and market scenario. We believe that the increased volatility in the market (driven by the Reg. FD difficulty in obtaining information from companies, the myriad of hedge and alternative strategies, the proliferation of ETF's, the democratization of information, to mention a few) can help the truly fundamental investor seeking long term capital gains who has an investment strategy and process to which they adhere. This volatility can be utilized to find great companies at reasonable prices and to sell them later at premiums or to the private equity buyer.

Why can small caps continue to perform, and more importantly why can specific small-cap managers outperform in a market where large caps are finally working? Because (1) in the small-cap universe of more than 6,000 stocks there are always special situations poised for large gains, (2) projected earnings growth for small caps remains higher than that of large caps while PEG ratios are less than one-half that of large caps in the aggregate, and (3) relative valuations for large vs. small have reached average levels but not extended levels. As we have written previously, small-cap stocks could not have carried the averages higher without the participation of large-cap companies. We believe volatility will increase during the remainder of 2007, and also believe we will see higher prices for the market, although both industry and stock selectivity are increasingly important.

## **NEWS AT HOOVER INVESTMENTS**

Kathleen Bailey, one of our research analysts, has left Hoover Investment Management to move with her family to Utah where her husband has accepted a new job and she plans to stay at home with their three young children. We wish Kathleen well in this new phase of her life. Kathleen will be available to us for special research projects. Michele Lynch, CFA, who is an expert in retail and apparel with over 12 years of experience, will continue consulting full time as she has been since January.

Irene G. Hoover, CFA\*

Forward Hoover Mini-Cap Fund—Top Ten holdings as of 06/30/07:

| Top Ten Holdings                | % Fund with Cash |
|---------------------------------|------------------|
| PriceSmart, Inc.                | 2.12%            |
| Hurco Cos., Inc.                | 2.05%            |
| LSB Industries, Inc.            | 1.71%            |
| T-3 Energy Services, Inc.       | 1.71%            |
| AAON, Inc.                      | 1.66%            |
| Columbus McKinnon Corp.         | 1.66%            |
| Innerworkings, Inc.             | 1.65%            |
| A.S.V., Inc.                    | 1.64%            |
| Taser International, Inc.       | 1.57%            |
| Healthcare Services Group, Inc. | 1.55%            |

These holdings may not reflect the current or future positions in the portfolio. Portfolio holdings are subject to change.

Forward Hoover Small Cap Equity Fund—Top Ten holdings as of 06/30/07:

| Top Ten Holdings                        | % Fund with Cash |
|---|------------------|
| Callaway Golf Co.                       | 1.92%            |
| The Warnaco Group, Inc.                 | 1.59%            |
| Silicon Laboratories, Inc.              | 1.47%            |
| Tween Brands, Inc.                      | 1.47%            |
| AMETEK, Inc.                            | 1.46%            |
| AAR Corp.                               | 1.43%            |
| Waddell & Reed Financial, Inc., Class A | 1.40%            |
| Dresser-Rand Group, Inc.                | 1.39%            |
| Bucyrus International, Inc., Class A    | 1.36%            |
| Anixter Internationals, Inc.            | 1.31%            |

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*You should consider the investment objectives, risks, charges, and expenses carefully before investing. A prospectus with this and other information about the Fund may be obtained by calling (800) 999-6809 or by downloading one from [www.forwardfunds.com](http://www.forwardfunds.com). It should be read carefully before investing.*

**Small company stocks are generally riskier than large company stocks due to greater volatility and less liquidity. There are risks involved with investing, including loss of principal. Past performance does not guarantee future results.**

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index represents approximately 98% of the investable U.S. equity market. The index figures do not reflect any deduction for fees, expenses, or taxes. It is not possible to invest directly in an index.

The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value-weighted index and one of the most widely used benchmarks of U.S. stock performance.

Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue chip stocks, primarily industrials.

\*Irene G. Hoover has earned the right to use the Chartered Financial Analyst designation.

Forward Funds are distributed by ALPS Distributors, Inc.

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As of June 30, 2007, the Funds held the following positions in the portfolio. (These holdings may not reflect the current or future positions in the portfolio. Portfolio holdings are subject to change.):

**Forward Hoover Mini-Cap Fund**

**As of 06/30/2007**

| <b>Security ID</b> | <b>Ticker</b> | <b>Security Name</b>            | <b># of<br/>Shares</b> | <b>Market Price</b> | <b>Market Value</b> | <b>% of Total<br/>Net Assets</b> | <b>Currency<br/>Code</b> |
|--------------------|---------------|---------------------------------|------------------------|---------------------|---------------------|----------------------------------|--------------------------|
| 741511109          | PSMT          | PriceSmart, Inc.                | 97,200                 | \$ 24.73            | \$ 2,403,756        | 2.12%                            | USD                      |
| 447324104          | HURC          | Hurco Cos., Inc.                | 46,500                 | 49.98               | 2,324,070           | 2.05%                            | USD                      |
| 502160104          | LXU           | LSB Industries, Inc.            | 90,700                 | 21.38               | 1,939,166           | 1.71%                            | USD                      |
| 87306E107          | TTES          | T-3 Energy Services, Inc.       | 57,900                 | 33.45               | 1,936,755           | 1.71%                            | USD                      |
| 000360206          | AAON          | AAON, Inc.                      | 59,000                 | 31.85               | 1,879,150           | 1.66%                            | USD                      |
| 199333105          | CMCO          | Columbus McKinnon Corp.         | 58,300                 | 32.20               | 1,877,260           | 1.66%                            | USD                      |
| 45773Y105          | INWK          | Innerworkings, Inc.             | 116,700                | 16.02               | 1,869,534           | 1.65%                            | USD                      |
| 001963107          | ASVI          | A.S.V., Inc.                    | 107,700                | 17.28               | 1,861,056           | 1.64%                            | USD                      |
| 87651B104          | TASRE         | Taser International, Inc.       | 127,800                | 13.96               | 1,784,088           | 1.57%                            | USD                      |
| 421906108          | HCSG          | Healthcare Services Group, Inc. | 59,675                 | 29.50               | 1,760,413           | 1.55%                            | USD                      |
| 739363109          | PWAV          | Powerwave Technologies, Inc.    | 259,400                | 6.70                | 1,737,980           | 1.53%                            | USD                      |
| 237266101          | DAR           | Darling International, Inc.     | 184,200                | 9.14                | 1,683,588           | 1.49%                            | USD                      |
| 901166108          | TWB           | Tween Brands, Inc.              | 37,400                 | 44.60               | 1,668,040           | 1.47%                            | USD                      |
| 90333L102          | RMIX          | U.S. Concrete, Inc.             | 190,600                | 8.69                | 1,656,314           | 1.46%                            | USD                      |
| 06985P100          | BAS           | Basic Energy Services, Inc.     | 63,600                 | 25.57               | 1,626,252           | 1.44%                            | USD                      |
| P8744Y102          | STNR          | Steiner Leisure, Ltd.           | 32,900                 | 49.12               | 1,616,048           | 1.43%                            | USD                      |
| 92845H108          | VSCN          | Visual Sciences, Inc.           | 101,600                | 15.47               | 1,571,752           | 1.39%                            | USD                      |
| 09534T508          | BCSI          | Blue Coat Systems, Inc.         | 30,400                 | 49.52               | 1,505,408           | 1.33%                            | USD                      |
| 488879107          | KNXA          | Kenexa Corp.                    | 39,300                 | 37.71               | 1,482,003           | 1.31%                            | USD                      |
| 046224101          | ASTE          | Astec Industries, Inc.          | 35,100                 | 42.22               | 1,481,922           | 1.31%                            | USD                      |
| 023436108          | AMED          | Amedisys, Inc.                  | 40,467                 | 36.33               | 1,470,166           | 1.30%                            | USD                      |
| 913483103          | UEIC          | Universal Electronics, Inc.     | 40,000                 | 36.32               | 1,452,800           | 1.28%                            | USD                      |
| 632347100          | NATH          | Nathan's Famous, Inc.           | 82,200                 | 17.30               | 1,422,060           | 1.25%                            | USD                      |
| 483548103          | KAMN          | Kaman Corp.                     | 45,000                 | 31.19               | 1,403,550           | 1.24%                            | USD                      |
| 091935502          | BBBB          | Blackboard, Inc.                | 33,100                 | 42.12               | 1,394,172           | 1.23%                            | USD                      |
| 880915103          | TRA           | Terra Industries, Inc.          | 54,800                 | 25.42               | 1,393,016           | 1.23%                            | USD                      |
| 63227W203          | NTG           | NATCO Group, Inc.               | 27,800                 | 46.04               | 1,279,912           | 1.13%                            | USD                      |
| 744375205          | PMD           | Psychemedics Corp.              | 62,500                 | 20.41               | 1,275,625           | 1.13%                            | USD                      |
| 671044105          | OSIS          | OSI Systems, Inc.               | 46,600                 | 27.35               | 1,274,510           | 1.12%                            | USD                      |
| 71721R406          | PFWD          | Phase Forward, Inc.             | 75,000                 | 16.83               | 1,262,250           | 1.11%                            | USD                      |
| 84760C107          | SPNC          | Spectranetics Corp.             | 109,100                | 11.52               | 1,256,832           | 1.11%                            | USD                      |
| 36159R103          | GEO           | The GEO Group, Inc.             | 42,900                 | 29.10               | 1,248,390           | 1.10%                            | USD                      |
| 86837X105          | SWSI          | Superior Well Services, Inc.    | 48,300                 | 25.41               | 1,227,303           | 1.08%                            | USD                      |
| 64118B100          | NETL          | NetLogic Microsystems, Inc.     | 38,500                 | 31.84               | 1,225,840           | 1.08%                            | USD                      |
| 723655106          | PDC           | Pioneer Drilling Co.            | 81,700                 | 14.91               | 1,218,147           | 1.07%                            | USD                      |
| 890786106          | TOPP          | The Topps Company, Inc.         | 115,800                | 10.51               | 1,217,058           | 1.07%                            | USD                      |
| 281347104          | EDO           | EDO Corp.                       | 37,000                 | 32.87               | 1,216,190           | 1.07%                            | USD                      |
| 293306106          | ENG           | ENGlobal Corp.                  | 100,000                | 12.15               | 1,215,000           | 1.07%                            | USD                      |
| 48880L107          | KNDL          | Kendle International, Inc.      | 33,000                 | 36.77               | 1,213,410           | 1.07%                            | USD                      |
| 412324303          | HDNG          | Hardinge, Inc.                  | 34,800                 | 34.03               | 1,184,244           | 1.05%                            | USD                      |
| 82669G104          | SBNY          | Signature Bank, Inc.            | 34,700                 | 34.10               | 1,183,270           | 1.04%                            | USD                      |
| 267888105          | BOOM          | Dynamic Materials Corp.         | 31,300                 | 37.50               | 1,173,750           | 1.04%                            | USD                      |

**Forward Hoover Mini-Cap Fund**

As of 06/30/2007

| Security ID | Ticker | Security Name                        | # of Shares | Market Price | Market Value | % of Total Net Assets | Currency Code |
|-------------|--------|--------------------------------------|-------------|--------------|--------------|-----------------------|---------------|
| 032657207   | ALOG   | Analogic Corp.                       | 15,900      | 73.51        | 1,168,809    | 1.03%                 | USD           |
| 184496107   | CLHB   | Clean Harbors, Inc.                  | 23,600      | 49.42        | 1,166,312    | 1.03%                 | USD           |
| 285229100   | ESIO   | Electro Scientific Industries, Inc.  | 55,300      | 20.80        | 1,150,240    | 1.02%                 | USD           |
| 12811R104   | CLMS   | Calamos Asset Management, Inc.       | 45,000      | 25.55        | 1,149,750    | 1.02%                 | USD           |
| 12709P103   | CCMP   | Cabot Microelectronics Corp.         | 32,200      | 35.49        | 1,142,778    | 1.01%                 | USD           |
| 44930G107   | ICUI   | ICU Medical, Inc.                    | 26,600      | 42.94        | 1,142,204    | 1.01%                 | USD           |
| 118759109   | BUCY   | Bucyrus International, Inc., Class A | 16,100      | 70.78        | 1,139,558    | 1.01%                 | USD           |
| G4388N106   | HELE   | Helen of Troy, Ltd.                  | 42,000      | 27.00        | 1,134,000    | 1.01%                 | USD           |
| 88830M102   | TWI    | Titan International, Inc.            | 35,800      | 31.61        | 1,131,638    | 1.00%                 | USD           |
| 539451104   | LOJN   | LoJack Corp.                         | 50,700      | 22.29        | 1,130,103    | 1.00%                 | USD           |
| 502079106   | LMIA   | LMI Aerospace, Inc.                  | 46,400      | 24.29        | 1,127,056    | 1.00%                 | USD           |
| 000886309   | ADCT   | ADC Telecommunications, Inc.         | 61,400      | 18.33        | 1,125,462    | 0.99%                 | USD           |
| 37250W108   | GEOY   | GeoEye, Inc.                         | 51,700      | 21.73        | 1,123,441    | 0.99%                 | USD           |
| 46612K108   | JDAS   | JDA Software Group, Inc.             | 56,800      | 19.63        | 1,114,984    | 0.98%                 | USD           |
| 608507109   | MFLO   | Moldflow Corp.                       | 50,600      | 21.98        | 1,112,188    | 0.98%                 | USD           |
| 46270W105   | IRIS   | IRIS International, Inc.             | 65,500      | 16.84        | 1,103,020    | 0.97%                 | USD           |
| 88224Q107   | TCBI   | Texas Capital Bancshares, Inc.       | 49,300      | 22.35        | 1,101,855    | 0.97%                 | USD           |
| 267475101   | DY     | Dycom Industries, Inc.               | 36,700      | 29.98        | 1,100,266    | 0.97%                 | USD           |
| 78463B101   | SONE   | S1 Corp.                             | 137,200     | 7.99         | 1,096,228    | 0.97%                 | USD           |
| 219141108   | CRN    | Cornell Cos., Inc.                   | 44,600      | 24.56        | 1,095,376    | 0.97%                 | USD           |
| 162825103   | CKP    | Checkpoint Systems, Inc.             | 43,300      | 25.25        | 1,093,325    | 0.96%                 | USD           |
| 144577103   | CRZO   | Carrizo Oil & Gas, Inc.              | 26,300      | 41.47        | 1,090,661    | 0.96%                 | USD           |
| 382410405   | GDP    | Goodrich Petroleum Corp.             | 31,200      | 34.63        | 1,080,456    | 0.95%                 | USD           |
| 60740F105   | MINI   | Mobile Mini, Inc.                    | 36,800      | 29.20        | 1,074,560    | 0.95%                 | USD           |
| 910671106   | UIC    | United Industrial Corp.              | 17,900      | 59.98        | 1,073,642    | 0.95%                 | USD           |
| 514606102   | LNCE   | Lance, Inc.                          | 45,100      | 23.56        | 1,062,556    | 0.94%                 | USD           |
| 989817101   | ZUMZ   | Zumiez, Inc.                         | 27,900      | 37.78        | 1,054,062    | 0.93%                 | USD           |
| 579793100   | MSSR   | McCormick & Schmick's Seafood        | 40,100      | 25.94        | 1,040,194    | 0.92%                 | USD           |
| 619430101   | MRT    | Morton's Restaurant Group, Inc.      | 56,400      | 18.11        | 1,021,404    | 0.90%                 | USD           |
| 19624P100   | CLRK   | Color Kinetics, Inc.                 | 28,700      | 33.41        | 958,867      | 0.85%                 | USD           |
| 110394103   | BRS    | Bristow Group, Inc.                  | 18,800      | 49.55        | 931,540      | 0.82%                 | USD           |
| 846819100   | SPAR   | Spartan Motors, Inc.                 | 53,700      | 17.02        | 913,974      | 0.81%                 | USD           |
| 572901106   | MATK   | Martek Biosciences Corp.             | 34,900      | 25.97        | 906,353      | 0.80%                 | USD           |
| 576323109   | MTZ    | MasTec, Inc.                         | 55,800      | 15.82        | 882,756      | 0.78%                 | USD           |
| 253868103   | DLR    | Digital Realty Trust, Inc.           | 22,900      | 37.68        | 862,872      | 0.76%                 | USD           |
| 19259P300   | CSTR   | Coinstar, Inc.                       | 26,700      | 31.48        | 840,516      | 0.74%                 | USD           |
| 356108100   | FRED   | Fred's, Inc.                         | 51,800      | 13.38        | 693,084      | 0.61%                 | USD           |
| 98975W104   | ZOLT   | Zoltek Cos., Inc.                    | 16,500      | 41.53        | 685,245      | 0.60%                 | USD           |
| 13054D109   | CPKI   | California Pizza Kitchen, Inc.       | 25,750      | 21.48        | 553,110      | 0.49%                 | USD           |
| 034164103   | ANDE   | The Andersons, Inc.                  | 12,100      | 45.33        | 548,493      | 0.48%                 | USD           |
| 19247A100   | CNS    | Cohen & Steers, Inc.                 | 11,500      | 43.45        | 499,675      | 0.44%                 | USD           |
| 227483104   | CCRN   | Cross Country Healthcare, Inc.       | 23,200      | 16.68        | 386,976      | 0.34%                 | USD           |
|             |        | Net Cash & Cash Equivalents          |             |              | 7,635,737    | 6.74%                 |               |

**Forward Hoover Small Cap Equity Fund**  
**As of 06/30/2007**

| <b>Security ID</b> | <b>Ticker</b> | <b>Security Name</b>                    | <b># of<br/>Shares</b> | <b>Market Price</b> | <b>Market Value</b> | <b>% of Total<br/>Net Assets</b> | <b>Currency<br/>Code</b> |
|--------------------|---------------|---|------------------------|---------------------|---------------------|----------------------------------|--------------------------|
| 131193104          | ELY           | Callaway Golf Co.                       | 658,200                | \$ 17.81            | \$ 11,722,542       | 1.92%                            | USD                      |
| 934390402          | WRNC          | The Warnaco Group, Inc.                 | 245,400                | 39.34               | 9,654,036           | 1.59%                            | USD                      |
| 826919102          | SLAB          | Silicon Laboratories, Inc.              | 258,400                | 34.61               | 8,943,224           | 1.47%                            | USD                      |
| 901166108          | TWB           | Tween Brands, Inc.                      | 200,500                | 44.60               | 8,942,300           | 1.47%                            | USD                      |
| 031100100          | AME           | AMETEK, Inc.                            | 224,150                | 39.68               | 8,894,272           | 1.46%                            | USD                      |
| 000361105          | AIR           | AAR Corp.                               | 264,500                | 33.01               | 8,731,145           | 1.43%                            | USD                      |
| 930059100          | WDR           | Waddell & Reed Financial, Inc., Class A | 328,800                | 26.01               | 8,552,088           | 1.40%                            | USD                      |
| 261608103          | DRC           | Dresser-Rand Group, Inc.                | 213,900                | 39.50               | 8,449,050           | 1.39%                            | USD                      |
| 118759109          | BUCY          | Bucyrus International, Inc., Class A    | 116,850                | 70.78               | 8,270,643           | 1.36%                            | USD                      |
| 035290105          | AXE           | Anixter International, Inc.             | 105,800                | 75.21               | 7,957,218           | 1.31%                            | USD                      |
| 488879107          | KNXA          | Kenexa Corp.                            | 210,200                | 37.71               | 7,926,642           | 1.30%                            | USD                      |
| 78486Q101          | SIVB          | SVB Financial Group                     | 147,100                | 53.11               | 7,812,481           | 1.28%                            | USD                      |
| 073302101          | BEAV          | BE Aerospace, Inc.                      | 188,500                | 41.30               | 7,785,050           | 1.28%                            | USD                      |
| 232806109          | CY            | Cypress Semiconductor Corp.             | 332,000                | 23.29               | 7,732,280           | 1.27%                            | USD                      |
| 563571108          | MTW           | The Manitowoc Co., Inc.                 | 93,100                 | 80.38               | 7,483,378           | 1.23%                            | USD                      |
| 714046109          | PKI           | PerkinElmer, Inc.                       | 275,200                | 26.06               | 7,171,712           | 1.18%                            | USD                      |
| 023436108          | AMED          | Amedisys, Inc.                          | 193,300                | 36.33               | 7,022,589           | 1.15%                            | USD                      |
| 034425108          | ANDW          | Andrew Corp.                            | 473,700                | 14.44               | 6,840,228           | 1.12%                            | USD                      |
| 909218109          | UNT           | Unit Corp.                              | 107,000                | 62.91               | 6,731,370           | 1.11%                            | USD                      |
| 36159R103          | GEO           | The GEO Group, Inc.                     | 230,000                | 29.10               | 6,693,000           | 1.10%                            | USD                      |
| 879131100          | TEK           | Tektronix, Inc.                         | 197,400                | 33.74               | 6,660,276           | 1.09%                            | USD                      |
| 346091705          | FST           | Forest Oil Corp.                        | 155,900                | 42.26               | 6,588,334           | 1.08%                            | USD                      |
| 008252108          | AMG           | Affiliated Managers Group, Inc.         | 50,900                 | 128.76              | 6,553,884           | 1.08%                            | USD                      |
| 371901109          | GNTX          | Gentex Corp.                            | 331,500                | 19.69               | 6,527,235           | 1.07%                            | USD                      |
| 88162F105          | TTI           | TETRA Technologies, Inc.                | 230,800                | 28.20               | 6,508,560           | 1.07%                            | USD                      |
| 06846N104          | BBG           | Bill Barrett Corp.                      | 176,600                | 36.83               | 6,504,178           | 1.07%                            | USD                      |
| 067806109          | B             | Barnes Group, Inc.                      | 204,400                | 31.68               | 6,475,392           | 1.06%                            | USD                      |
| 48880L107          | KNDL          | Kendle International, Inc.              | 175,600                | 36.77               | 6,456,812           | 1.06%                            | USD                      |
| 63227W203          | NTG           | NATCO Group, Inc.                       | 139,900                | 46.04               | 6,440,996           | 1.06%                            | USD                      |
| 35063R100          | FDRY          | Foundry Networks, Inc.                  | 386,500                | 16.66               | 6,439,090           | 1.06%                            | USD                      |
| 928298108          | VSH           | Vishay Intertechnology, Inc.            | 405,000                | 15.82               | 6,407,100           | 1.05%                            | USD                      |
| 302445101          | FLIR          | Flir Systems, Inc.                      | 137,100                | 46.25               | 6,340,875           | 1.04%                            | USD                      |
| 716495106          | HK            | PetroHawk Energy Corp.                  | 398,900                | 15.86               | 6,326,554           | 1.04%                            | USD                      |
| 267888105          | BOOM          | Dynamic Materials Corp.                 | 167,700                | 37.50               | 6,288,750           | 1.03%                            | USD                      |
| 74762E102          | PWR           | Quanta Services, Inc.                   | 204,700                | 30.67               | 6,278,149           | 1.03%                            | USD                      |
| 718592108          | PVH           | Phillips-Van Heusen Corp.               | 103,400                | 60.57               | 6,262,938           | 1.03%                            | USD                      |
| 22025Y407          | CXW           | Corrections Corp. of America            | 98,250                 | 63.11               | 6,200,558           | 1.02%                            | USD                      |
| 043136100          | ARTC          | Arthrocare Corp.                        | 141,000                | 43.91               | 6,191,310           | 1.02%                            | USD                      |
| 203372107          | CTV           | CommScope, Inc.                         | 106,000                | 58.35               | 6,185,100           | 1.02%                            | USD                      |
| 45773Y105          | INWK          | Innerworkings, Inc.                     | 384,800                | 16.02               | 6,164,496           | 1.01%                            | USD                      |
| 747620102          | NX            | Quanex Corp.                            | 125,800                | 48.70               | 6,126,460           | 1.01%                            | USD                      |
| 44930G107          | ICUI          | ICU Medical, Inc.                       | 142,600                | 42.94               | 6,123,244           | 1.01%                            | USD                      |

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|--------------------|---------------|---------------------------------------|--------------------|---------------------|---------------------|------------------------------|----------------------|
| 91879Q109          | MTN           | Vail Resorts, Inc.                    | 100,500            | 60.87               | 6,117,435           | 1.00%                        | USD                  |
| 694873100          | PSUN          | Pacific Sunwear Of California         | 277,100            | 22.00               | 6,096,200           | 1.00%                        | USD                  |
| 421906108          | HCSG          | Healthcare Services Group, Inc.       | 205,700            | 29.50               | 6,068,150           | 1.00%                        | USD                  |
| 000886309          | ADCT          | ADC Telecommunications, Inc.          | 326,800            | 18.33               | 5,990,244           | 0.98%                        | USD                  |
| 82669G104          | SBNY          | Signature Bank                        | 174,600            | 34.10               | 5,953,860           | 0.98%                        | USD                  |
| 879360105          | TDY           | Teledyne Technologies, Inc.           | 129,200            | 45.95               | 5,936,740           | 0.97%                        | USD                  |
| 543162101          | LDG           | Longs Drug Stores Corp.               | 113,000            | 52.52               | 5,934,760           | 0.97%                        | USD                  |
| 980745103          | WGOV          | Woodward Governor Co.                 | 110,500            | 53.67               | 5,930,535           | 0.97%                        | USD                  |
| 684010101          | OXPS          | optionsXpress Holdings, Inc.          | 230,300            | 25.66               | 5,909,498           | 0.97%                        | USD                  |
| 267475101          | DY            | Dycom Industries, Inc.                | 196,600            | 29.98               | 5,894,068           | 0.97%                        | USD                  |
| 162825103          | CKP           | Checkpoint Systems, Inc.              | 233,300            | 25.25               | 5,890,825           | 0.97%                        | USD                  |
| 695156109          | PKG           | Packaging Corp of America             | 232,400            | 25.31               | 5,882,044           | 0.97%                        | USD                  |
| 750438103          | RSH           | RadioShack Corp.                      | 176,600            | 33.14               | 5,852,524           | 0.96%                        | USD                  |
| 678026105          | OIS           | Oil States International, Inc.        | 140,400            | 41.34               | 5,804,136           | 0.95%                        | USD                  |
| 387328107          | GVA           | Granite Construction, Inc.            | 90,400             | 64.18               | 5,801,872           | 0.95%                        | USD                  |
| P8744Y102          | STNR          | Steiner Leisure, Ltd.                 | 118,100            | 49.12               | 5,801,072           | 0.95%                        | USD                  |
| 910671106          | UIC           | United Industrial Corp.               | 96,400             | 59.98               | 5,782,072           | 0.95%                        | USD                  |
| 382410405          | GDP           | Goodrich Petroleum Corp.              | 166,000            | 34.63               | 5,748,580           | 0.94%                        | USD                  |
| 499005106          | NITE          | Knight Capital Group, Inc., Class A   | 342,700            | 16.60               | 5,688,820           | 0.93%                        | USD                  |
| 057741100          | BEZ           | Baldor Electric Co.                   | 113,700            | 49.28               | 5,603,136           | 0.92%                        | USD                  |
| 80874P109          | SGMS          | Scientific Games Corp., Class A       | 160,200            | 34.95               | 5,598,990           | 0.92%                        | USD                  |
| 705324101          | PDX           | Pediatrix Medical Group, Inc.         | 100,800            | 55.15               | 5,559,120           | 0.91%                        | USD                  |
| 144577103          | CRZO          | Carrizo Oil & Gas, Inc.               | 132,800            | 41.47               | 5,507,216           | 0.90%                        | USD                  |
| 989817101          | ZUMZ          | Zumiez, Inc.                          | 145,100            | 37.78               | 5,481,878           | 0.90%                        | USD                  |
| 032657207          | ALOG          | Analogic Corp.                        | 73,900             | 73.51               | 5,432,389           | 0.89%                        | USD                  |
| 917047102          | URBN          | Urban Outfitters, Inc.                | 223,900            | 24.03               | 5,380,317           | 0.88%                        | USD                  |
| 955306105          | WST           | West Pharmaceutical Services, Inc.    | 112,900            | 47.15               | 5,323,235           | 0.87%                        | USD                  |
| G67743107          | OEH           | Orient-Express Hotels, Ltd.           | 96,000             | 53.40               | 5,126,400           | 0.84%                        | USD                  |
| 015271109          | ARE           | Alexandria Real Estate Equities, Inc. | 52,500             | 96.82               | 5,083,050           | 0.83%                        | USD                  |
| 110394103          | BRS           | Bristow Group, Inc.                   | 100,600            | 49.55               | 4,984,730           | 0.82%                        | USD                  |
| 572901106          | MATK          | Martek Biosciences Corp.              | 187,200            | 25.97               | 4,861,584           | 0.80%                        | USD                  |
| 036115103          | ANN           | AnnTaylor Stores Corp.                | 131,700            | 35.42               | 4,664,814           | 0.77%                        | USD                  |
| 922206107          | VARI          | Varian, Inc.                          | 83,700             | 54.83               | 4,589,271           | 0.75%                        | USD                  |
| 707882106          | PVA           | Penn Virginia Corp.                   | 112,800            | 40.20               | 4,534,560           | 0.74%                        | USD                  |
| 576323109          | MTZ           | MasTec, Inc.                          | 283,200            | 15.82               | 4,480,224           | 0.74%                        | USD                  |
| 19259P300          | CSTR          | Coinstar, Inc.                        | 138,500            | 31.48               | 4,359,980           | 0.72%                        | USD                  |
| 31983B101          | FCBP          | First Community Bancorp               | 75,100             | 57.21               | 4,296,471           | 0.71%                        | USD                  |
| 12709P103          | CCMP          | Cabot Microelectronics Corp.          | 118,600            | 35.49               | 4,209,114           | 0.69%                        | USD                  |
| 35039W100          | FCL           | Foundation Coal Holdings, Inc.        | 103,000            | 40.64               | 4,185,920           | 0.69%                        | USD                  |
| 285229100          | ESIO          | Electro Scientific Industries, Inc.   | 197,300            | 20.80               | 4,103,840           | 0.67%                        | USD                  |
| 835898107          | BID           | Sotheby's Holdings, Inc., Class A     | 85,300             | 46.02               | 3,925,506           | 0.64%                        | USD                  |
| 225447101          | CREE          | Cree, Inc.                            | 150,800            | 25.85               | 3,898,180           | 0.64%                        | USD                  |
| 466367109          | JBX           | Jack in the Box, Inc.                 | 50,000             | 70.94               | 3,547,000           | 0.58%                        | USD                  |

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|--------------------|---------------|--|------------------------|---------------------|---------------------|----------------------------------|--------------------------|
| 356108100          | FRED          | Fred's, Inc.                           | 264,300                | 13.38               | 3,536,334           | 0.58%                            | USD                      |
| 98975W104          | ZOLT          | Zoltek Cos, Inc.                       | 84,300                 | 41.53               | 3,500,979           | 0.57%                            | USD                      |
| 251893103          | DV            | DeVry, Inc.                            | 101,500                | 34.02               | 3,453,030           | 0.57%                            | USD                      |
| 74439H108          | PSYS          | Psychiatric Solutions, Inc.            | 95,000                 | 36.26               | 3,444,700           | 0.57%                            | USD                      |
| 489170100          | KMT           | Kennametal, Inc.                       | 41,400                 | 82.03               | 3,396,042           | 0.56%                            | USD                      |
| 159423102          | CHAP          | Chaparral Steel Co.                    | 45,500                 | 71.87               | 3,270,085           | 0.54%                            | USD                      |
| 671044105          | OSIS          | OSI Systems, Inc.                      | 117,600                | 27.35               | 3,216,360           | 0.53%                            | USD                      |
| 12811R104          | CLMS          | Calamos Asset Management, Inc.         | 120,300                | 25.55               | 3,073,665           | 0.50%                            | USD                      |
| 79377W108          | SKS           | Saks, Inc.                             | 143,100                | 21.35               | 3,055,185           | 0.50%                            | USD                      |
| 699462107          | PRXL          | Parexel International Corp.            | 72,400                 | 42.06               | 3,045,144           | 0.50%                            | USD                      |
| 253868103          | DLR           | Digital Realty Trust, Inc.             | 79,300                 | 37.68               | 2,988,024           | 0.49%                            | USD                      |
| 587118100          | MW            | The Men's Wearhouse, Inc.              | 58,100                 | 51.07               | 2,967,167           | 0.49%                            | USD                      |
| 619430101          | MRT           | Morton's Restaurant Group, Inc.        | 162,500                | 18.11               | 2,942,875           | 0.48%                            | USD                      |
| 303726103          | FCS           | Fairchild Semiconductor International, | 152,100                | 19.32               | 2,938,572           | 0.48%                            | USD                      |
| 034164103          | ANDE          | The Andersons, Inc.                    | 64,300                 | 45.33               | 2,914,719           | 0.48%                            | USD                      |
| 90262T308          | UCBH          | UCBH Holdings, Inc.                    | 159,500                | 18.27               | 2,914,065           | 0.48%                            | USD                      |
| 97650W108          | WTFC          | Wintrust Financial Corp.               | 66,100                 | 43.85               | 2,898,485           | 0.48%                            | USD                      |
| 690732102          | OMI           | Owens & Minor, Inc.                    | 82,300                 | 34.94               | 2,875,562           | 0.47%                            | USD                      |
| 835451105          | SONC          | Sonic Corp.                            | 128,200                | 22.12               | 2,835,784           | 0.47%                            | USD                      |
| 163072101          | CAKE          | The Cheesecake Factory, Inc.           | 114,200                | 24.52               | 2,800,184           | 0.46%                            | USD                      |
| 345203202          | FRPT          | Force Protection, Inc.                 | 130,200                | 20.64               | 2,687,328           | 0.44%                            | USD                      |
| 19247A100          | CNS           | Cohen & Steers, Inc.                   | 61,100                 | 43.45               | 2,654,795           | 0.44%                            | USD                      |
| 227483104          | CCRN          | Cross Country Healthcare, Inc.         | 123,100                | 16.68               | 2,053,308           | 0.34%                            | USD                      |
| 140781105          | CRR           | CARBO Ceramics, Inc.                   | 19,200                 | 43.81               | 841,152             | 0.14%                            | USD                      |
|                    |               | Net Cash & Cash Equivalents            |                        |                     | 8,573,215           | 1.41%                            |                          |