

Fourth Quarter 2007

Forward Global Emerging Markets Fund

Sub-Advised by Pictet Asset Management

Performance as of December 31, 2007	4Q07	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross/Net [†] Expenses
Forward Global Emerging Markets Fund—Institutional	2.35%	39.00%	39.00%	34.83%	38.93%	15.14%	11.40%	1.90%/1.39%
MSCI Emerging Markets Index	3.66%	39.78%	39.78%	35.60%	37.48%	15.75%	11.67%	

Returns for periods greater than one year are annualized.

*10/04/95

[†]The Fund's investment advisor has contractually agreed to waive a portion of its fees until January 31, 2008, in amounts necessary to limit the Fund's operating expenses (exclusive of brokerage costs, interest, taxes, dividends and extraordinary expenses) for the Institutional Class shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.39%.

The Institutional Class of the Pictet Global Emerging Markets Fund was reorganized into the Institutional Class of the Forward Global Emerging Markets Fund on September 15, 2004. Performance figures shown for periods prior to September 15, 2004, represent performance of the Institutional Class of Pictet Global Emerging Markets Fund.

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. The returns assume reinvestment of dividends and distributions, if any. Performance current to the most recent month-end may be obtained at www.forwardfunds.com or by calling (800) 999-6809.

MARKET REVIEW

Emerging markets managed a small gain over the final quarter of the year. This result was a credible achievement in the context of the on-going credit issues and the subsequent growth concerns surrounding major economies. We underperformed, producing a 2.35% gain. Latin America and EMEA (Europe, the Middle East, and Asia) produced positive gains while Asia underperformed, largely due to an underweight position in India.

EMEA (+60 bps) produced a solid result. **Russian** performance (+71 bps) was strong due to overweight positions in the mobile telecom operators, MTS and Vimpelcom, and gas giant, Gazprom. In the rest of EMEA, **Turkey** was a mild positive contributor (+3 bps), where we have concentrated our holdings to one attractively valued bank, Turkiye Is Bank. **South Africa** (-6 bps) was a negative contributor, but we established a position in the pan-African telcom, MTN. Underweights, **Israel** (-19 bps), **Poland** (+4 bps), and **Hungary** (+11 bps), had a muted effect on the portfolio. **Egypt's** (+8 bps) performance has been derived from our sole position in Orascom Construction.

Latin America produced positive performance (+49 bps). **Brazil's** market was strong (+23 bps) and our overweight market position delivered. In **Mexico** (+10 bps), our half-weight position delivered a contribution as the market suffered heavily from fears of a U.S. slowdown. Our sole position is now America Moviles.

The portfolio's worst performance came from **Asia** (-155 bps), particularly **India**. In **Korea** (+91 bps), stock selection was positive because we added to the market and established new positions in the financial sector, including Mirae. NHN again delivered robust returns. In **Taiwan** (-23 bps), we underperformed due to stock selection. **China** (+17 bps) delivered positive performance, but the market became increasingly difficult as investors took profits on the massive gains of previous quarters. Our positions in **Hong Kong** (-97 bps) detracted from performance, especially as bulk shipper Pacific Basin suffered due to declining Baltic Dry Index rates ahead of the iron ore negotiations.

South East Asia (+6 bps) performance was positive as **Thailand** (+6 bps), the **Philippines** (+6 bps), **Malaysia** (+1 bps), and **Indonesia** (+9 bps) netted mild contribution.

In **India** (-148 bps), performance continued to suffer due to an underweight position in the market and poor stock selection.

Emerging markets managed to record a small (+3.6%) gain over the final quarter of the year. This was a credible achievement in the context of the on-going credit issues and the subsequent growth concerns surrounding major developed economies. Emerging markets did not escape, however, the volatility that has affected most equity classes over recent months and the MSCI Emerging

Markets Index suffered a fall of 11.3% from the end of October to mid November—the third double digit “correction” recorded this year. For the year as a whole, the Fund finished with an impressive annual gain of 39.0%—the fifth straight year of returns in excess of 25% and the sixth consecutive year of out performance relative to developed markets. Inflows into the asset class accelerated markedly following the first rate cut by the Federal Reserve in September. An estimated U.S. \$40 billion of net inflows were recorded for 2007—more than twice the level recorded in 2006.

At a regional level, **EMEA** (+9.0%) produced the best performance over the quarter driven by **Russia** (+17.4%) which benefited from gains in energy and material stocks and the nomination of the presidential candidate for the 2008 election. In the parliamentary elections, Vladimir Putin's party, United Russia, won over two-thirds of the vote amidst allegations of widespread, if totally unnecessary, ballot-rigging. More surprisingly, Putin announced that he will support the current first deputy prime minister, Dimitry Medvedev, as the presidential candidate for his United Russia Party. As Medvedev is perceived to be much more market friendly than his main rival Sergei Ivanov, this news was received enthusiastically by the market. Four successive interest rate cuts totaling 150 bps (to 15.75%) continued to support **Turkey** (+5.9%) despite the rising threat of retaliatory incursions into the Kurdish areas of Iraq by the Turkish army. Ironically, given the relatively high exposure of the financial sector to the subprime crisis, **Israel** (+5.7%) proved to be defensive. On a more positive note, Israeli and Palestinian leaders agreed to begin formal peace talks under the aegis of the United States. With the exception of the **Czech Republic** (+14.9%) where unemployment fell below 6%, central Europe was subdued with both **Poland** (+1.7%) and **Hungary** (-6.2%) lagging the benchmark. In the case of the latter the government passed market unfriendly legislation designed to prevent the take-over of Hungarian companies like MOL by foreigners, and then compounded the misery by raising local business tax in an attempt to add HUF 400 billion (U.S.\$2.4 billion) to revenues. **South Africa** (+1.3%) was also an underperformer as investors focused on rising inflation—up 8.4% year on year (YoY) in November—prompting fears of aggressive interest rate increases. The election of Jacob Zuma to be its new leader by the African National Congress, making him the frontrunner to replace Mbeki as president, also depressed the market.

Asia underperformed (+0.2%) reflecting falls in the major markets of **China** (-3.7%), **Korea** (-4.6%), and **Taiwan** (-7.7%). Performance in China suffered as investors took profits following the strong gains earlier in the year and the central bank accelerated the process of tightening monetary and lending policy, increasing the reserve requirement to 14.5%, a twenty-year high. Higher food prices propelled inflation to 6.9% YoY in November making further interest rate hikes increasingly likely. The under performance in Korea and Taiwan reflected their higher-than-average trade exposure to the U.S. economy. In Korea, the market bellwether, POSCO, reported a decline in net profits for the third quarter 2007 of KRW 871 billion (U.S. \$949 million) as iron ore and coal costs increased. In an attempt to fend off rising international competition and suppress iron ore price increases the company announced a joint venture with Nippon Steel to recycle iron products. **Taiwan**, like its neighbor China, also saw interest rate increases albeit to only 3.375% and further share buy backs by the blue chip companies led by TSMC, neither of which helped thoroughly moribund investor sentiment. Despite the finance ministry creating a degree of confusion regarding participatory notes and capital inflows, **India** (+23.3%) continued to attract high levels of foreign fund flows due to the attractive secular economic growth outlook which saw industrial production grow more than 10% YoY during the final quarter of the year. **Indonesia** (+18.0%) was another good performer on the basis of the strong demand for coal. Easing inflation enabled the central bank to reduce interest rates to 8%. Strong GDP growth of 6.5% in the third quarter also added to the attractiveness of the country stimulating further capital inflows. Elsewhere in South East Asia, **Malaysia** (+12.3%), the **Philippines** (+7.6%) and **Thailand** (+5.6%) all outperformed the index supported by rising portfolio flows and currency appreciation.

Latin America (+7.0%) was led higher by good gains in **Brazil** (+13.2%) and from Petrobras in particular following the announcement of a 5-8 billion boe (barrels of oil equivalent) offshore field. Brazil's other major global player, CVRD, announced major increases in its capital expenditure plans (U.S. \$11 billion in 2008 alone) to take advantage of surging Chinese demand for iron ore, nickel and coal. The macro-economic picture in Brazil took a slight turn for the worse with rising inflation halting anticipated further cuts to interest rates. More seriously, the government's failure to renew the CPMF tax (a tax on financial transactions) resulted in a R \$40 billion financing shortfall. Stock prices in **Mexico** (-2.1%) were much more subdued reflecting the high dependence on trade (86% exports go to the U.S.) and declining remittances from the U.S. economy. Cemex announced they will increase cement prices by 10% ostensibly in response to rising demand due to the government U.S. \$5 billion infrastructure investment program, but more likely in reality in an attempt to pay for their ill-advised U.S. \$14.2 billion purchase of the Rinker group earlier in the year (the majority of Rinker's operations are in the U.S.). In **Argentina** (-10.8%), Christina Kirchner was elected the country's first woman president with 45% of the vote. Unfortunately, since her inauguration in December there has been no sign of a retreat from the current heterodox economic policies, which have propelled inflation to above 20%, although official government figures still claim it to be around 8%.

At a sector level, energy, telecom, and health care stocks out performed over the quarter while the global cyclically sensitive material and IT sectors under performed. The latter in particular suffering from declining demand in the U.S.

MARKET OUTLOOK

Emerging markets have weathered well the global credit and economic growth concerns that have developed over 2007. This situation is in stark contrast to previous periods of financial crisis that have seen the emerging asset class take the first and the hardest performance hit. This performance resilience is testament to the favorable liquidity conditions and the increasingly domestic driven growth dynamics of the emerging economies. While these secular pillars remain, performance of emerging

stocks may be tested more severely over the coming months when the economic impact of the recent credit crises becomes more apparent and the “de-coupling” thesis comes under greater scrutiny. Given the growth in global trade and higher correlations with developed markets as a result, such a theory may prove difficult to sustain. While the technology sector and countries heavily oriented towards U.S. GDP growth, such as Taiwan and Mexico, look interesting in terms of valuation, the timing of an entry point is still uncertain given the strong possibility of U.S. recession. Emerging market valuations are above developed markets’ on most metrics and this, combined with the magnitude of recent fund flows into the asset class, may also signal that a period of consolidation is overdue. In short, we expect further volatility and more subdued returns from emerging equities over the coming months.

Forward Global Emerging Markets Fund—Top Ten holdings as of 12/31/07:

Top Ten Holdings	% Fund with Cash
Petroleo Brasileiro SA, ADR	5.71%
OAD Gazprom, Sponsored ADR	5.25%
Cia Vale do Rio Doce	3.92%
China Mobile, Ltd.	3.59%
America Movil SA de CV, ADR, Series L	2.80%
Sberbank	1.99%
Mobile TeleSystems, Sponsored ADR	1.90%
Unibanco-Uniao de Bancos Brasileiros SA, GDR	1.86%
State Bank of India, GDR	1.82%
Shinsegae Co., Ltd.	1.53%

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

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

The Baltic Dry Index is a shipping and trade index created by the London-based Baltic Exchange that measures changes in the cost to transport raw materials such as metals, grains, and fossil fuels by sea. The Baltic Exchange directly contacts shipping brokers to assess price levels for a given route, product to transport, and time to delivery (speed).

Investing in foreign securities, especially emerging markets, will involve certain additional risks, including exchange rate fluctuation, less liquidity, greater volatility, and less regulation.

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. It should be read carefully before investing.

Forward Funds are distributed by ALPS Distributors, Inc.

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As of December 31, 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 Global Emerging Markets Fund

As of 12/31/2007

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
71654V101	PBR/A	Petroleo Brasileiro SA, ADR	51,501	\$ 96.22	\$ 4,955,426	5.71%	USD
368287207	OGZD LI	OAO Gazprom, Sponsored ADR	80,419	56.70	4,559,757	5.25%	USD
2196286	VALE3 BZ	Cia Vale do Rio Doce	102,201	33.32	3,405,360	3.92%	BRL
6073556	941 HK	China Mobile, Ltd.	176,500	17.69	3,121,470	3.59%	HKD
02364W105	AMX	America Movil SA de CV, ADR, Series L	39,553	61.39	2,428,159	2.80%	USD
4767981	SBER RU	Sberbank	409,525	4.22	1,728,196	1.99%	USD
607409109	MBT	Mobile TeleSystems, Sponsored ADR	16,200	101.79	1,648,998	1.90%	USD
90458E107	UBB	Unibanco-Uniao de Bancos Brasileiros SA, GDR	11,574	139.64	1,616,193	1.86%	USD
856552203	SBID LI	State Bank of India, GDR	12,952	122.00	1,580,144	1.82%	USD
6805049	004170KS	Shinsegae Co., Ltd.	1,708	775.60	1,324,724	1.53%	KRW
B03MYS8	ISCTR TI	Turkiye Is Bankasi, Class C	206,522	6.27	1,294,892	1.49%	TRL
B0LMTQ3	939 HK	China Construction Bank Corp.	1,460,662	0.85	1,238,230	1.43%	HKD
6419365	060000KS	Kookmin Bank	15,655	73.71	1,153,993	1.33%	KRW
B00G0S5	883 HK	CNOOC, Ltd.	670,000	1.70	1,141,098	1.31%	HKD
7131431	GMKN RU	MMC Norilsk Nickel	4,253	265.00	1,127,045	1.30%	USD
68554N106	ORSO LI	Orascom Construction Industries Co.	5,344	210.00	1,122,240	1.29%	USD
B0T4J94	3393 HK	Wasion Meters Group, Ltd.	1,852,000	0.60	1,116,321	1.29%	HKD
B125TD5	ML209EWL	Bharti Airtel (Merrill), Warrants	44,370	24.76	1,098,601	1.27%	USD
16941R108	SNP	China Petroleum & Chemical Corp.	7,310	148.20	1,083,342	1.25%	USD
B1FFT76	IMP SJ	Impala Platinum Holdings, Ltd.	30,845	34.71	1,070,764	1.23%	ZAR
6438564	2317 TT	Hon Hai Precision Industry Co., Ltd.	171,756	6.23	1,069,685	1.23%	TWD
6771601	000830KS	Samsung Corp.	13,412	76.92	1,031,637	1.19%	KRW
6810010	363 HK	Shanghai Industrial Holdings, Ltd.	222,000	4.36	968,015	1.11%	HKD
876568502	TTM	Tata Motors, Ltd., Sponsored ADR	51,102	18.86	963,784	1.11%	USD
6043485	BUMI IJ	PT Bumi Resources Tbk	1,505,000	0.64	961,405	1.11%	IDR
6693233	005490KS	POSCO	1,562	614.28	959,511	1.10%	KRW
6537030	003550KS	LG Corp.	12,332	74.68	920,898	1.06%	KRW
904688207	UESD LI	RAO Unified Energy System, GDR, Registered Shares	7,070	130.00	919,100	1.06%	USD
6621580	1303 TT	Nan Ya Plastics Corp.	336,000	2.65	890,903	1.03%	NTS
68370R109	VIP	OAO Vimpel-Communications, Sponsored ADR	21,390	41.60	889,824	1.02%	USD
B09N7M0	1088 HK	China Shenhua Energy Co., Ltd.	148,500	5.98	887,488	1.02%	HKD
6402428	012630KS	Hyundai Development Co.	9,061	97.75	885,724	1.02%	KRW
6288190	2409 TT	AU Optronics Corp.	449,477	1.96	879,982	1.01%	TWD
34415V109	FMCN	Focus Media Holding, Ltd., ADR	15,339	56.81	871,409	1.00%	USD
6771720	005930KS	Samsung Electronics Co., Ltd.	1,455	593.99	864,249	1.00%	KRW
2328595	BBAS3 BZ	Banco do Brasil SA	50,433	17.08	861,328	0.99%	BRL
6109439	1722 TT	Taiwan Fertilizer Co., Ltd.	344,000	2.45	844,237	0.97%	TWD
B07J656	2727 HK	Shanghai Electric Group Co., Ltd.	989,037	0.85	837,157	0.96%	HKD
6568610	069960KS	Hyundai Department Store Co., Ltd.	6,546	127.13	832,193	0.96%	KRW
6520739	066570KS	LG Electronics, Inc.	7,302	106.83	780,087	0.90%	KRW
6359881	GAM MK	Gamuda Berhad	532,700	1.46	776,418	0.89%	MYR
6420390	PTT/F TB	PTT Public Co., Ltd.	68,400	11.16	763,497	0.88%	THB

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As of 12/31/2007

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
6372480	2454 TT	MediaTek, Inc.	58,700	12.98	761,926	0.88%	TWD
6560393	035420KS	NHN Corp.	3,103	241.55	749,520	0.86%	KRW
45104G104	IBN	ICICI Bank, Ltd., ADR	12,100	61.50	744,150	0.86%	USD
6155250	000810KS	Samsung Fire & Marine Insurance Co., Ltd.	2,689	270.28	726,796	0.84%	KRW
6075745	BCHB MK	Bumiputra-Commerce Holdings Berhad	216,400	3.33	719,806	0.83%	MYR
67812M207	OJSCF	Rosneft Oil Co.	72,900	9.65	703,485	0.81%	USD
6888794	KBANK/F	Kasikornbank Public Co., Ltd.	257,654	2.60	669,281	0.77%	THB
6263830	762 HK	China Unicom, Ltd.	285,579	2.30	655,586	0.75%	HKD
6563206	MTN SJ	MTN Group, Ltd.	34,772	18.74	651,547	0.75%	ZAR
B1Q2FV2	GVTT3 BZ	Global Village Telecom Holding SA	32,310	20.08	648,923	0.75%	BRL
5263251	KGH PW	KGHM Polska Miedz SA	14,659	43.02	630,623	0.73%	PLN
B0CGYD6	LREN3 BZ	Lojas Renner SA	31,078	20.22	628,544	0.72%	BRL
16943C109	NPD	China Nepstar Chain Drugstore, Ltd.	35,679	17.58	627,237	0.72%	USD
B01RQM3	2343 HK	Pacific Basin Shipping, Ltd.	387,000	1.61	624,370	0.72%	HKD
B232R05	096770KS	SK Energy Co.	3,157	193.37	610,456	0.70%	KRW
6600879	323 HK	Maanshan Iron & Steel	912,000	0.66	604,694	0.70%	HKD
6972459	291 HK	China Resources Enterprise, Ltd.	140,000	4.30	601,483	0.69%	HKD
B0B8Z18	1919 HK	China COSCO Holdings Co., Ltd.	217,500	2.76	601,114	0.69%	HKD
559189204	MMK LI	Magnitogorsk Iron & Steel Works	35,700	16.75	597,975	0.69%	USD
6868398	T MK	Telekom Malaysia Berhad	175,900	3.39	595,730	0.69%	MYR
6263766	203 HK	Denway Motors, Ltd.	926,000	0.64	594,975	0.69%	HKD
B0Y91C1	3323 HK	China National Building Material Co., Ltd.	147,514	3.85	568,497	0.65%	HKD
6425663	2882 TT	Cathay Financial Holding, Co., Ltd.	272,485	2.08	567,913	0.65%	TWD
40052A209	GCLA LI	Grupo Clarin	31,142	18.10	563,670	0.65%	USD
6192150	688 HK	China Overseas Land & Investment, Ltd.	267,250	2.07	552,501	0.64%	HKD
B0WD5H8	037620KS	Mirae Asset Securities Co., Ltd.	2,978	183.75	547,210	0.63%	KRW
B1YBRG0	CMIG4 BZ	Cia Energetica de Minas Gerais, Preference	29,754	18.26	543,261	0.63%	BRL
6056074	2311 TT	Advanced Semiconductor Engineering, Inc.	541,391	1.00	542,484	0.62%	TWD
7320154	OTP HB	OTP Bank Nyrt	10,571	50.84	537,391	0.62%	HUF
715684106	TLK	PT Telekomunikasi Indonesia, Sponsored ADR	12,713	42.01	534,073	0.62%	USD
88706P106	TSU	Tim Participacoes SA, ADR	15,270	34.95	533,687	0.61%	USD
40330W106	GU	Gushan Environmental Energy, Ltd.	56,292	9.35	526,330	0.61%	USD
804098101	SAY	Satyam Computer Services, Ltd., ADR	19,584	26.72	523,284	0.60%	USD
6489261	011160KS	Doosan Construction & Engineering Co., Ltd.	30,270	17.20	520,642	0.60%	KRW
6709099	BBRI IJ	PT Bank Rakyat Indonesia	657,813	0.79	518,266	0.60%	IDR
6808877	2325 TT	Siliconware Precision Industries Co.	267,458	1.80	480,747	0.55%	TWD
6877071	TRUE/F	True Corporation Public Co., Ltd.	2,803,300	0.17	478,521	0.55%	THB
6654586	071050KS	Korea Investment Holdings Co., Ltd.	5,562	85.36	474,765	0.55%	KRW
6116246	754 HK	Hopson Development Holdings, Ltd.	170,457	2.76	471,099	0.54%	HKD
B1W0JF2	998 HK	China Citic Bank	726,000	0.63	455,298	0.52%	HKD
6651048	BMRI IJ	PT Bank Mandiri	1,203,415	0.37	448,438	0.52%	IDR
6246574	015940KS	LG Dacom Corp.	19,560	22.76	445,092	0.51%	KRW
6527666	2891 TT	Chinatrust Financial Holding, Co., Ltd.	603,600	0.71	428,956	0.49%	TWD

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As of 12/31/2007

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
6249584	000210KS	Daelim Industrial Co.	2,239	191.23	428,162	0.49%	KRW
B27WYK0	SULA11	Sul America SA	24,726	16.99	420,064	0.48%	BRL
6425395	2600 HK	Aluminum Corporation of China, Ltd.	203,380	2.06	419,937	0.48%	HKD
6565655	ANG SJ	AngloGold Ashanti, Ltd.	9,587	42.87	411,011	0.47%	ZAR
6055112	ALI PM	Ayala Land, Inc.	1,174,655	0.35	405,544	0.47%	PHP
6777007	SAP SJ	Sappi, Ltd.	27,772	14.24	395,387	0.46%	ZAR
B23S952	097230KS	Hanjin Heavy Industries & Construction Co., Ltd.	5,190	73.61	382,021	0.45%	KRW
B291WY5	DPW DU	DP World, Ltd.	316,625	1.19	376,784	0.43%	USD
B01H2V4	VIETNGF	Vietnam Growth Fund, Ltd.	12,556	29.50	370,402	0.43%	USD
VIETRES		Dragon Capital - Vietnam Resource Investments Holdings, Ltd.	26,000	10.40	270,400	0.31%	USD
B29HDW8	FWD SJ	Freeworld Coatings, Ltd.	35,582	1.54	54,927	0.06%	ZAR
05961W105	BMA	Banco Macro SA, ADR	100	24.74	2,474	0.01%	USD
6718255	2333 HK	Great Wall Motor Co., Ltd.	400	1.44	576	0.00%	HKD
718252109	TEL PM	Philippine Long Distance Telephone Co.	3	76.92	231	0.00%	PHP
B24FZ32	3998 HK	Bosideng International Holdings, Ltd.	443	0.32	142	0.00%	HKD
6496818	003480KS	Hanjin Heavy Industries & Construction Co., Ltd.	1	44.76	45	0.00%	KRW
4176996	CHPR CP	Chirana Prema AS	525	0.00	0.00	0.00%	SKK
R6877071	TRUE RTS	True Corporation Public Co., Ltd., Rights Net Cash & Cash Equivalents	47,704	0.00	0.00	0.00%	THB
					414,726	0.48%	