

First Quarter 2008

Forward Emerald Banking and Finance Fund*Sub-Advised by Emerald Mutual Fund Advisers Trust*

Performance as of March 31, 2008	1Q08	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross/Net Expenses
Forward Emerald Banking and Finance Fund—A (NAV) ¹	-9.84%	-9.84%	-26.77%	-4.92%	6.57%	6.09%	9.21%	1.62%/1.62%
Forward Emerald Banking and Finance Fund—A (MOP) ²	-15.04%	-15.04%	-30.98%	-6.78%	5.31%	5.47%	8.62%	
Russell 2000 Index	-9.90%	-9.90%	-13.00%	5.06%	14.90%	4.96%	7.33%	

Returns for periods greater than one year are annualized.

*02/18/97

¹Excludes sales charge²Reflects effects of the Fund's maximum sales charge of 5.75%

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. 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 current to the most recent month-end may be obtained at www.forwardfunds.com.

FIRST QUARTER REVIEW

Emerald started the year with the understanding that the economy was slowing as a result of the subprime crisis and a marketplace expecting the Fed to deliver it from its inherent inability to control risk. Hedge funds, brokerage firms and money center banks all had built their houses on leverage and asset-backed securities (ABS, CDO, RMBS, etc.). Not that leverage is inherently negative, but like many things if used in excess, has the ability to become toxic. This leverage trade became so overcrowded, that when the market shouted “fire,” no one could get to the exit, liquidity evaporated and valuations collapsed.

Paralyzed by securities that nobody wanted (mortgage-backed), securities the market didn't know how to value (CDOs, etc.), and securities that couldn't find a home (auction rate notes) activity in the bond market came to a standstill. This action led to the downfall of Bear Stearns as well as a huge capital infusion for the rest of Wall Street, continuing the unprecedented response by the Fed. Since August of 2007, the Federal Reserve has cut interest rates by 300 basis points (including a drop of 175 basis points in the first quarter); provided \$30 B of liquidity for the JPMorgan takeover of Bear Stearns; facilitated the creation of the PDCF (Primary Dealer Credit Facility), which opens the discount window to Primary Government Dealers; and introduced the TSLF (Term Securities Lending Facility), which could auction \$200 B in Treasuries in 28 days.

Without question while the Fed's activity was unprecedented, the most notable event for the financial markets was the rescue of Bear Stearns. Not that we haven't been here before—as a matter of fact, there have been four significant incidents within the last 25 years. While one may question the relative impact of each, the market reaction post fallout has historically been very similar. According to a recent J.P. Morgan report, in each instance after the last four big Wall Street collapses (Continental-Illinois in 1984, Drexel Burnham in 1990; Kidder Peabody in 1994; and Long-Term Capital Management in 1998), the S&P 500 was up a year later by an average of 10%.

The financial sector continued under severe pressure, which started with the subprime crisis in August 2007. While Emerald invests in the small cap segment of the financial services industry, the problems of Citi, Bear Stearns and

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Lehman Brothers infected the market so badly that a pall was cast over all the market. The collapse of Bear Stearns would have devastated the market causing a financial meltdown unless the Federal Reserve and JPMorgan came to its rescue.

Community banks truly reflect the local economy. Therefore, our overweighting in Texas is easily determined because the oil industry continues to bring petro dollars into the entire state. Where subprime problems have devastated the local economies of California's inland empire, Michigan, Ohio, Arizona (Phoenix) and Nevada (Las Vegas), the local banks have been severely impacted. Our adjustments over the last year have been to continue to avoid Michigan and Ohio, leave Las Vegas and continue to decrease our California exposure. Subprime problems will be a significant deterrent to growth through 2008 and into 2009, but the market knows this and valuations have corrected for the inevitable residential slowdown and its multiple effects on the local community.

Combine this general malaise with almost non-existent Merger and Acquisition activity, and we have a market that investors continue to ignore. The process now is separating the wheat from the chaff and determining a bottom. Deep-value investors have already made the call that large cap banks may have bottomed—if so, then the small cap banks wouldn't be far behind.

Forward Emerald Banking and Finance Fund—Top Ten holdings as of 03/31/08:

Top Ten Holdings	% Fund with Cash
Texas Capital Bancshares, Inc.	4.58%
Philadelphia Consolidated Holding Corp.	3.95%
Prosperity Bancshares, Inc.	3.81%
SVB Financial Group	3.37%
Smithtown Bancorp, Inc.	3.34%
Navigators Group, Inc.	3.32%
Stifel Financial Corp.	3.11%
United America Indemnity, Ltd., Class A	2.79%
First Regional Bancorp	2.42%
Amtrust Financial Services, Inc.	2.14%

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

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.

Funds that concentrate in a particular industry will involve a greater degree of risk than funds with a more diversified portfolio. 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.

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 March 31, 2008, the Fund 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 Emerald Banking and Finance Fund

As of 03/31/2008

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
88224Q107	TCBI	Texas Capital Bancshares, Inc.	266,711	\$ 16.88	\$ 4,502,082	4.58%	USD
717528103	PHLY	Philadelphia Consolidated Holding Corp.	120,622	32.20	3,884,028	3.95%	USD
743606105	PRSP	Prosperity Bancshares, Inc.	130,701	28.66	3,745,891	3.81%	USD
78486Q101	SIVB	SVB Financial Group	75,980	43.64	3,315,767	3.37%	USD
832449102	SMTB	Smithtown Bancorp, Inc.	157,286	20.91	3,288,850	3.34%	USD
638904102	NAVG	Navigators Group, Inc.	60,000	54.40	3,264,000	3.32%	USD
860630102	SF	Stifel Financial Corp.	68,233	44.90	3,063,662	3.11%	USD
90933T109	INDM	United America Indemnity, Ltd., Class A	142,518	19.26	2,744,897	2.79%	USD
33615C101	FRGB	First Regional Bancorp	145,081	16.40	2,379,328	2.42%	USD
032359309	AFSI	Amtrust Financial Services, Inc.	129,700	16.21	2,102,437	2.14%	USD
740367107	PFBC	Preferred Bank	125,231	16.69	2,090,105	2.12%	USD
008252108	AMG	Affiliated Managers Group, Inc.	22,000	90.74	1,996,280	2.03%	USD
591650106	MCBI	MetroCorp Bancshares, Inc.	153,063	12.79	1,957,676	1.99%	USD
72346Q104	PNFP	Pinnacle Financial Partners, Inc.	70,800	25.60	1,812,480	1.84%	USD
336312103	FSGI	First Security Group, Inc.	192,638	9.08	1,749,153	1.78%	USD
82669G104	SBNY	Signature Bank	67,045	25.50	1,709,648	1.74%	USD
92778Q109	VCBI	Virginia Commerce Bancorp, Inc.	146,366	11.48	1,680,282	1.71%	USD
147272108	CASB	Cascade Financial Corp.	136,527	12.20	1,665,629	1.69%	USD
320841109	FMR	First Mercury Financial Corp.	95,500	17.41	1,662,655	1.69%	USD
14808P109	CASS	Cass Information Systems, Inc.	51,633	31.56	1,629,534	1.66%	USD
302520101	FNB	F.N.B. Corp.	102,900	15.61	1,606,269	1.63%	USD
97186T108	WIBC	Wilshire Bancorp, Inc.	198,638	7.64	1,517,594	1.54%	USD
063904106	OZRK	Bank of The Ozarks, Inc.	63,319	23.90	1,513,324	1.54%	USD
459044103	IBOC	International Bancshares Corp.	63,100	22.58	1,424,798	1.45%	USD
46145F105	ITG	Investment Technology Group, Inc.	30,000	46.18	1,385,400	1.41%	USD
192025104	CVLY	Codorus Valley Bancorp, Inc.	80,731	16.24	1,311,071	1.33%	USD
293712105	EFSC	Enterprise Financial Services Corp.	50,746	25.00	1,268,650	1.29%	USD
917286205	UBA	Urstadt Biddle Properties, Inc., Class A	80,000	15.73	1,258,400	1.28%	USD
404132102	HCC	HCC Insurance Holdings, Inc.	55,050	22.69	1,249,085	1.27%	USD
229899109	CFR	Cullen/Frost Bankers, Inc.	23,400	53.04	1,241,136	1.26%	USD
024835100	ACC	American Campus Communities, Inc.	45,000	27.36	1,231,200	1.25%	USD
88368Q103	TSCM	TheStreet.com, Inc.	151,800	8.08	1,226,544	1.25%	USD
742282106	PNBC	Princeton National Bancorp, Inc.	41,200	29.73	1,224,876	1.24%	USD
29255V201	EBTX	Encore Bancshares, Inc.	68,900	17.50	1,205,750	1.23%	USD
29530P102	ERIE	Erie Indemnity Co., Class A	23,483	51.19	1,202,095	1.22%	USD
27579R104	EWBC	East West Bancorp, Inc.	63,146	17.75	1,120,842	1.14%	USD
742962103	PVTB	PrivateBancorp, Inc.	35,300	31.47	1,110,891	1.13%	USD
90984P105	UCBI	United Community Banks, Inc.	62,152	16.98	1,055,341	1.07%	USD
587902107	MIGP	Mercer Insurance Group, Inc.	60,630	17.39	1,054,356	1.07%	USD
42234Q102	HTLF	Heartland Financial USA, Inc.	49,700	21.16	1,051,652	1.07%	USD
930059100	WDR	Waddell & Reed Financial, Inc., Class A	32,100	32.13	1,031,373	1.05%	USD
511656100	LKFN	Lakeland Financial Corp.	42,138	22.65	954,426	0.97%	USD

Forward Emerald Banking and Finance Fund

As of 03/31/2008

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
96008P104	WFD	Westfield Financial, Inc.	97,100	9.77	948,667	0.96%	USD
637417106	NNN	National Retail Properties, Inc.	40,600	22.05	895,230	0.91%	USD
85856G100	STEL	StellarOne Corp.	43,063	16.91	728,195	0.74%	USD
940610108	WASH	Washington Trust Bancorp, Inc.	29,000	24.82	719,780	0.73%	USD
58319P108	MIG	Meadowbrook Insurance Group, Inc.	88,700	7.81	692,747	0.70%	USD
046265104	AF	Astoria Financial Corp.	25,400	27.16	689,864	0.70%	USD
368140109	GBTS	Gateway Financial Holdings, Inc.	63,794	10.60	676,216	0.69%	USD
37637Q105	GBCI	Glacier Bancorp, Inc.	35,200	19.17	674,784	0.68%	USD
86806M106	SUPR	Superior Bancorp	135,040	4.97	671,149	0.68%	USD
26433B107	DUF	Duff & Phelps Corp., Class A	36,900	17.99	663,831	0.67%	USD
412850109	HNBC	Harleysville National Corp.	45,633	14.42	658,028	0.66%	USD
314211103	FII	Federated Investors, Inc., Class B	15,000	39.16	587,400	0.60%	USD
32020R109	FFIN	First Financial Bankshares, Inc.	14,300	40.98	586,014	0.60%	USD
482423100	KBW	KBW, Inc.	25,000	22.05	551,250	0.56%	USD
253922108	DCOM	Dime Community Bancshares	29,100	17.48	508,668	0.52%	USD
919794107	VLY	Valley National Bancorp	24,800	19.21	476,408	0.48%	USD
06652V109	BANR	Banner Corp.	20,400	23.04	470,016	0.48%	USD
31430F101	FCH	FelCor Lodging Trust, Inc.	37,600	12.03	452,328	0.46%	USD
637138108	NPBC	National Penn Bancshares, Inc.	23,800	18.19	432,922	0.44%	USD
190897108	COBZ	CoBiz Financial, Inc.	32,512	13.02	423,306	0.43%	USD
427825104	HT	Hersha Hospitality Trust, Class A	44,205	9.03	399,171	0.41%	USD
294250105	EPIK	Epic Bancorp	32,626	11.77	384,008	0.39%	USD
133034108	CAC	Camden National Corp.	10,938	33.84	370,142	0.38%	USD
453836108	INDB	Independent Bank Corp.	10,900	29.55	322,095	0.33%	USD
754730109	RJF	Raymond James Financial, Inc.	13,400	22.98	307,932	0.31%	USD
905399101	UBSH	Union Bankshares Corp.	15,127	19.37	293,010	0.30%	USD
800363103	SASR	Sandy Springs Bancorp, Inc.	8,800	27.52	242,176	0.25%	USD
G0129K104	AYR	Aircastle, Ltd.	18,635	11.25	209,644	0.21%	USD
898402102	TRMK	Trustmark Corp.	9,200	22.28	204,976	0.21%	USD
929328102	WSFS	WSFS Financial Corp.	4,100	49.28	202,048	0.21%	USD
059692103	BXS	BancorpSouth, Inc.	8,700	23.16	201,492	0.20%	USD
277196101	EVBS	Eastern Virginia Bankshares, Inc.	11,206	17.69	198,234	0.20%	USD
80000Q104	SMHG	Sanders Morris Harris Group, Inc.	21,755	8.16	177,521	0.18%	USD
858907108	SBIB	Sterling Bancshares, Inc.	14,600	9.94	145,124	0.15%	USD
29977A105	EVR	Evercore Partners, Inc., Class A	5,800	17.75	102,950	0.10%	USD
		Net Cash & Cash Equivalents			4,636,988	4.71%	