

February 2008

**Forward International Equity Fund***Sub-Advised by Pictet Asset Management Ltd.*

Performance as of December 31, 2007	4Q07	YTD	1 Year	3 Year	5 Year	Since Inception*	Gross/Net <sup>†</sup> Expenses
Forward International Equity Fund—Investor	-3.27%	13.39%	13.39%	21.44%	22.76%	9.56%	1.81%/1.24%
MSCI All Country World Index ex-U.S. w/ dividends	-0.62%	17.12%	17.12%	20.37%	24.52%	11.57%	
MSCI All Country World Index ex-U.S. w/o dividends	-0.96%	14.07%	14.07%	17.18%	21.21%	9.05%	

Returns for periods greater than one year are annualized.

\*10/01/98

<sup>†</sup>The Fund's investment advisor has contractually agreed to waive a portion of its fees until April 30, 2008, in amounts necessary to limit the Fund's operating expenses (exclusive of brokerage costs, interest, taxes, dividends and extraordinary expenses) for the Investor Class shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.24%.

Before September 1, 2005, the Forward International Equity Fund was managed by different sub-advisors, using different strategies. Performance figures shown for periods before that time do not reflect the current sub-advisor's performance or strategy.

**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](http://www.forwardfunds.com) or by calling (800) 999-6809.**

**MARKET REVIEW**

Worries of further write-downs in the financial sector, coupled with poor economic releases, continue to plague global markets. During February, European equity returns were largely helped by the strong euro while emerging markets staged a bounce-back following a dismal performance in January. Markets were also nervous ahead of companies reporting their results.

**PERFORMANCE ANALYSIS**

The Fund outperformed the MSCI All Country World Index ex-U.S. (gross of fees) over the period, with stock selection being the main positive contributor. An overweight position in the industrials sector was overall very positive. On the other hand, Asian real estate continued to be lack luster.

**PORTFOLIO ACTIVITY: OVERWEIGHTINGS AND UNDERWEIGHTINGS**

During February, we sold Bradford & Bingley as we were concerned about further balance sheet risk. Within pharmaceuticals, we switched from Novartis to Roche because the latter offered better value and had a superior product pipeline. Kloeckner and Arcelor were reduced as their upsides were reduced following strong rallies in their prices. New holdings were Richemont and Societe Generale. We also added to our holdings in Orascom and Kerry Properties.

**MARKET OUTLOOK**

Economic growth has certainly slowed over the last few months while the outlook for inflation and trade has deteriorated further. As such, corporate profits will remain under pressure for at least the next year. Equity markets are likely to continue to be challenging over the next few months. Nonetheless, it does look like the markets have discounted a slow down in economic activity. Equity valuations are not high which is encouraging, but it is difficult to forecast when volatility will reduce in a meaningful way.

**PORTFOLIO STRATEGY**

At a sector level, we are maintaining the investment strategy we have adopted in the past few months: remaining underweight in the sectors that are heavily reliant on the economic cycle and commodity prices to sustain their earnings growth. We still find limited investment opportunities in defensive sectors like consumer staples, which are being priced too highly. The financials, industrials, and consumer discretionary sectors feature strongly in the Fund as they offer considerable scope for growth.

The MSCI All Country World Index ex-U.S. is a free float-adjusted market capitalization index, designed to measure equity market performance in the global developed and emerging markets, excluding the United States. Prior to May 1, 2007, the benchmark was not adjusted to reflect the reinvestment of dividends. The index figures do not reflect any deduction for fees, expenses, or taxes. It is not possible to invest directly in an index.

**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](http://www.forwardfunds.com). It should be read carefully before investing.*

Forward Funds are distributed by ALPS Distributors, Inc.

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As of February 29, 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 International Equity Fund

As of 02/29/2008

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
4232445	UCG IM	UniCredit SpA	237,643	\$ 7.36	\$ 1,748,283	2.38%	EUR
4253372	DANR IM	Danieli & Co., SpA, Non-Voting Shares	79,718	20.97	1,671,924	2.27%	EUR
B0704T9	RIBH AV	Raiffeisen International Bank Holding AG	12,546	128.14	1,607,612	2.18%	EUR
B15C557	FP FP	Total SA	21,032	75.30	1,583,783	2.15%	EUR
5966516	GLE FP	Societe Generale	14,550	107.00	1,556,830	2.12%	EUR
5975998	FSAR IM	Fondiarria-Sai SpA	50,213	30.44	1,528,253	2.08%	EUR
B09CBL4	RDSA NA	Royal Dutch Shell Plc, Class A	39,136	35.76	1,399,473	1.90%	GBP
5983816	ZURN VX	Zurich Financial Services AG	4,441	312.61	1,388,306	1.89%	CHF
B1Z9G88	BP IM	Banco Popolare Scarl	72,256	18.91	1,366,282	1.86%	EUR
5705946	SAN SM	Banco Santander SA	73,950	17.87	1,321,434	1.80%	EUR
B1KJJ40	WTB LN	Whitbread Plc	50,568	25.02	1,265,325	1.72%	GBP
879382109	TEF SM	Telefonica SA	43,558	28.94	1,260,411	1.71%	EUR
6472119	JM SP	Jardine Matheson Holdings, Ltd.	45,000	27.67	1,244,966	1.69%	USD
B1WHVV3	BAER VX	Julius Baer Holding, Ltd.	16,766	73.83	1,237,780	1.68%	CHF
5738298	SOL SM	Sol Melia SA	82,199	15.01	1,233,572	1.68%	EUR
4617859	DPW GY	Deutsche Post AG	34,845	33.13	1,154,482	1.57%	EUR
0278799	TAN LN	Tanfield Group Plc	554,335	2.04	1,131,669	1.54%	GBP
3121522	CCL LN	Carnival Plc	28,075	39.50	1,109,003	1.51%	GBP
7110388	ROG VX	Roche Holding AG	5,653	196.11	1,108,601	1.51%	CHF
48666V204	KMG LI	KazMunaiGas Exploration & Production, GDR	44,870	24.52	1,100,078	1.49%	USD
464286509	EWC	iShares MSCI Canada Index Fund	34,356	32.01	1,099,736	1.49%	USD
5529027	DAI GR	Daimler AG	13,159	83.27	1,095,793	1.49%	EUR
7681248	HRX GR	Hypo Real Estate Holding AG	36,681	28.80	1,056,276	1.44%	EUR
5129074	FME GR	Fresenius Medical Care AG & Co.	19,034	52.36	996,538	1.35%	EUR
4625959	ETE GA	National Bank of Greece SA	17,249	54.18	934,599	1.27%	EUR
0632016	IPR LN	International Power Plc	119,981	7.51	901,395	1.22%	GBP
68554W205	OTLD LI	Orascom Telecom Holding SAE, GDR, Registered Shares	12,348	72.72	897,968	1.22%	USD
B0NJ17	EDF FP	Electricite de France	9,556	93.27	891,282	1.21%	EUR
CFR VX	CFR VX	Compagnie Financiere Richemont SA	15,298	57.89	885,580	1.20%	CHF
4262118	DELB BB	Delhaize Group	11,642	75.73	881,671	1.20%	EUR
5231485	ALV GR	Allianz SE	5,081	172.39	875,925	1.19%	EUR
B151P43	MTGB SS	Modern Times Group AB, Class B	13,375	65.36	874,161	1.19%	SEK
4916039	AF FP	Air France-KLM	31,882	26.94	858,970	1.17%	EUR
4732495	TEL NO	Telenor ASA	40,497	20.48	829,243	1.13%	NOK
6597302	8031 JP	Mitsui & Co., Ltd.	38,000	21.75	826,402	1.12%	JPY
B09M9D2	KNEBV FH	Kone Oyj	23,432	34.99	819,875	1.11%	EUR
B03MND6	AKGRT TI	Aksigorta AS	164,327	4.96	815,765	1.11%	TRL
7376544	AST IM	Astaldi SpA	109,004	7.47	813,798	1.11%	EUR
B234SL9	EN IM	Enia SpA	47,956	16.28	780,750	1.06%	EUR
6596729	8802 JP	Mitsubishi Estate Co., Ltd.	32,000	24.37	779,855	1.06%	JPY
B170DQ6	KCO GR	Kloeckner & Co., AG	16,259	46.24	751,893	1.02%	EUR
6858731	6302 JP	Sumitomo Heavy Industries, Ltd.	94,000	7.98	749,692	1.02%	JPY

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4149545	BSAN SW	Bank Sarasin & Co., Ltd., AG	161	4,484.69	722,034	0.98%	CHF
B0Z32G3	MRZ IM	Marazzi Group SpA	81,960	8.59	704,406	0.96%	EUR
B02L486	MHG NO	Marine Harvest	1,180,166	0.59	699,099	0.95%	NOK
B2PDGW1	SMWH LN	WH Smith Plc	90,157	7.40	666,779	0.91%	GBP
6429405	6305 JP	Hitachi Construction Machinery Co., Ltd.	24,200	27.30	660,704	0.90%	JPY
B09YFD0	SAFT FP	Saft Groupe SA	15,477	40.92	633,352	0.86%	EUR
6467803	8001 JP	ITOCHU Corp.	60,000	10.53	631,821	0.86%	JPY
6057680	ASP MK	Asiatic Development Bhd	218,600	2.87	628,414	0.85%	MYR
5077946	MS IM	Mediaset SpA	67,306	9.03	607,828	0.83%	EUR
6467104	7202 JP	Isuzu Motors, Ltd.	133,000	4.55	605,647	0.82%	JPY
0802541	SHI LN	SIG Plc	35,855	16.45	589,941	0.80%	GBP
71654V101	PBR/A	Petroleo Brasileiro SA, ADR	6,001	97.93	587,678	0.80%	USD
5756029	BMW GY	Bayerische Motoren Werke AG	10,395	55.10	572,774	0.78%	EUR
6190273	1 HK	Cheung Kong Holdings, Ltd.	34,335	14.94	512,875	0.70%	HKD
6858902	8830 JP	Sumitomo Realty & Development Co., Ltd.	30,000	17.07	511,982	0.70%	JPY
3404171	OIL LN	Oilexco, Inc.	32,097	15.64	502,074	0.68%	GBP
B0CZZX0	DERM SM	Corporacion Dermoestetica SA	52,541	9.43	495,450	0.67%	EUR
B291WY5	DPW DU	DP World, Ltd.	545,194	0.90	490,675	0.67%	USD
6044284	5977 JP	Sumco Techxiv Corp.	21,100	23.16	488,575	0.66%	JPY
867229106	SU	Suncor Energy, Inc. (U.S. Dollars)	4,687	103.20	483,698	0.66%	USD
6520739	066570KS	LG Electronics, Inc.	4,483	107.70	482,835	0.66%	KRW
B040K61	RAY LN	Raymarine Plc	87,464	5.39	471,227	0.64%	GBP
B03MYN3	TCELL TI	Turkcell Iletisim Hizmet AS	46,344	9.88	457,896	0.62%	TRL
6458001	ORI AU	Orica, Ltd.	17,173	26.48	454,655	0.62%	AUD
90458E107	UBB	Unibanco - Uniao de Bancos Brasileiros SA, GDR	3,303	135.62	447,953	0.61%	USD
20441W203	ABV	Companhia de Bebidas das Americas, ADR	5,464	81.48	445,207	0.60%	USD
6251448	8601 JP	Daiwa Securities Group, Inc.	48,000	9.27	445,069	0.60%	JPY
00652V102	AXC CN	Addax Petroleum Corp.	9,715	45.72	444,171	0.60%	CAD
B03MNV4	AEFES TI	Anadolu Efes Biracilik Ve Malt Sanayii AS	40,002	11.02	440,992	0.60%	TRL
6486314	683 HK	Kerry Properties, Ltd.	65,946	6.68	440,596	0.60%	HKD
92855S101	VIV	Vivo Participacoes SA, ADR	71,187	6.07	432,105	0.59%	USD
4581619	VALN SW	Valora Holding AG	1,811	232.62	421,283	0.57%	CHF
40049J206	TV	Grupo Televisa SA, Sponsored ADR	18,558	22.00	408,276	0.55%	USD
6563024	8316 JP	Sumitomo Mitsui Financial Group, Inc.	55	7,222.97	397,263	0.54%	JPY
B02PY22	ST SP	Singapore Telecommunications, Ltd.	146,000	2.71	395,034	0.54%	SGD
6744294	8795 JP	T&D Holdings, Inc.	7,500	51.13	383,482	0.52%	JPY
B1QNF48	IFAR SP	Indofood Agri Resources, Ltd.	208,896	1.83	382,809	0.52%	SGD
B02ZK79	TLKM IJ	PT Telekomunikasi Indonesia	355,500	1.06	376,317	0.51%	IDR
6155250	000810KS	Samsung Fire & Marine Insurance Co., Ltd.	1,877	197.67	371,031	0.50%	KRW
02364W105	AMX	America Movil SAB de CV	6,093	60.46	368,383	0.50%	USD
6197928	CIT SP	City Developments, Ltd.	43,000	8.39	360,887	0.49%	SGD
856552203	SBID LI	State Bank of India, GDR	3,202	108.81	348,395	0.47%	USD
6196152	267 HK	Citic Pacific, Ltd.	64,000	5.41	346,075	0.47%	HKD

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0039446	SIA LN	Soco International Plc	8,889	38.44	341,686	0.46%	GBP
6055208	5201 JP	Asahi Glass Co., Ltd.	29,000	11.39	330,308	0.45%	JPY
B28CWH2	BOVH3 BZ	Bovespa Holding SA	20,433	15.97	326,232	0.44%	BRL
6860769	SGW MK	Sunway Holdings Bhd	731,900	0.44	320,941	0.44%	MYR
191241108	KOF	Coca-Cola Femsa, SA de CV, Sponsored ADR	5,996	52.44	314,430	0.43%	USD
6055112	ALI PM	Ayala Land, Inc.	1,084,840	0.28	308,289	0.42%	PHP
6226576	857 HK	PetroChina Co., Ltd.	209,448	1.46	306,585	0.42%	HKD
874039100	TSM	Taiwan Semiconductor Manufacturing Co., Ltd., Sponsored ADR	30,914	9.74	301,102	0.41%	USD
6131294	8874 JP	Joint Corp.	22,800	12.91	294,302	0.40%	JPY
6077019	BBL/F TB	Bangkok Bank Public Co., Ltd.	70,100	4.17	292,665	0.40%	THB
6425663	2882 TT	Cathay Financial Holding Co., Ltd.	105,176	2.51	263,522	0.36%	TWD
6456102	4062 JT	Ibiden Co., Ltd.	5,500	47.75	262,629	0.36%	JPY
6486682	184 HK	Keck Seng Investments	456,000	0.55	251,543	0.34%	HKD
B1CKTY1	INRE LN	Invista Real Estate Investment Management Holdings Plc	180,964	1.35	244,085	0.33%	GBP
B1YBF00	1813 HK	KWG Property Holding, Ltd.	213,000	0.98	208,856	0.28%	HKD
6375003	MCC AU	MacArthur Coal, Ltd.	18,295	10.99	201,094	0.27%	AUD
B28PL63	CNTD SP	China New Town Development Co., Ltd.	726,354	0.28	200,478	0.27%	SGD
6914871	UGL AU	United Group, Ltd.	15,863	11.32	179,622	0.24%	AUD
B01Y3S9	CFHS LI	Cathay Financial Holding Co., Ltd.	4,688	25.39	119,047	0.15%	USD
867229957	SU CT	Suncor Energy, Inc. (Canadian Dollars)	593	103.12	61,153	0.08%	CAD
6985383	4503 JP	Astellas Pharma, Inc.	81	43.71	3,540	0.00%	JPY
		Net Cash & Cash Equivalents			720,936	0.98%	