

Strategy Overview

Forward Long/Short Credit Analysis Fund seeks to deliver diversified and uncorrelated returns versus other investment alternatives and asset classes by taking advantage of relative value, cross-over trading opportunities and market anomalies and inefficiencies across a wide array of credit markets. Current focus sectors include the Airline, Auto and Auto Parts, Cable, Electric Utility, Energy, Housing, Industrial and Tobacco bond sectors. Fund investments are comprised primarily of long positions in tax-exempt municipal bonds, taxable corporate bonds and preferred securities and short positions in corporate bonds, U.S. Treasury and Agency securities.

Portfolio Facts

SUB-ADVISOR

Cedar Ridge Partners, LLC

CATEGORY

Long/Short

BENCHMARKS

Lehman Brothers U.S. Corporate High Yield Index /
Lehman Brothers U.S. Municipal Index

INCEPTION DATE

December 29, 2006

TICKER

FLSDX - Class A

FLSRX - Investor Class

FLSIX - Institutional Class

MINIMUM INVESTMENT

Investor, Class A and Class C

Initial: \$4,000

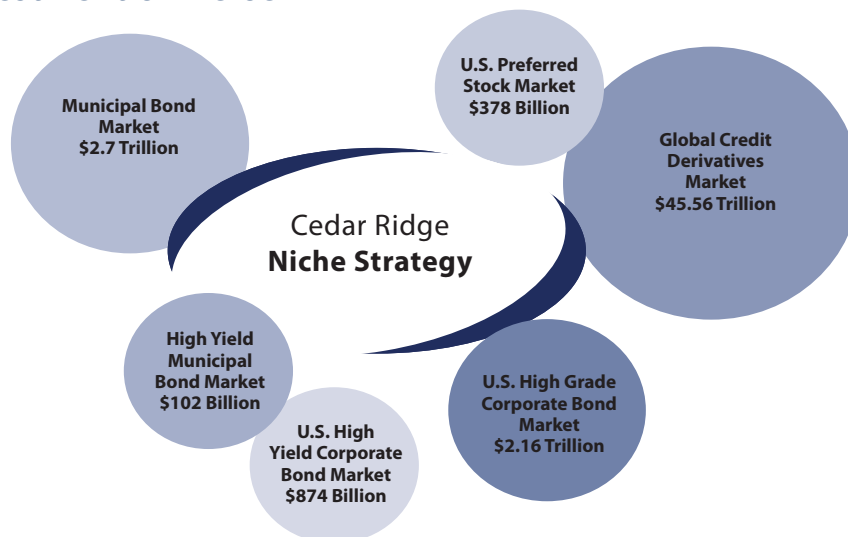
Initial-eDelivery: \$2,000

Initial-Automatic Investment Plan: \$500

Institutional

Initial: \$100,000

Investment Universe



Portfolio Construction

Portfolio construction is expected to include:

LONG

Major position in high-yield municipal bonds, with the balance in taxable corporate bonds and preferred securities

SHORT

Positions in corporate bonds, U.S. Government and Agency securities and derivatives

- Seek to hedge interest rate and credit risk
- Short positions are expected to add to overall return

The Fund utilizes leverage to enhance returns:

- Leverage provided through shorting or borrowing seeks to generate a positive carry
- Maximum gross leverage employed by the portfolio (value of long positions + short positions + borrowing) will not exceed 3X the value of the fund's net assets

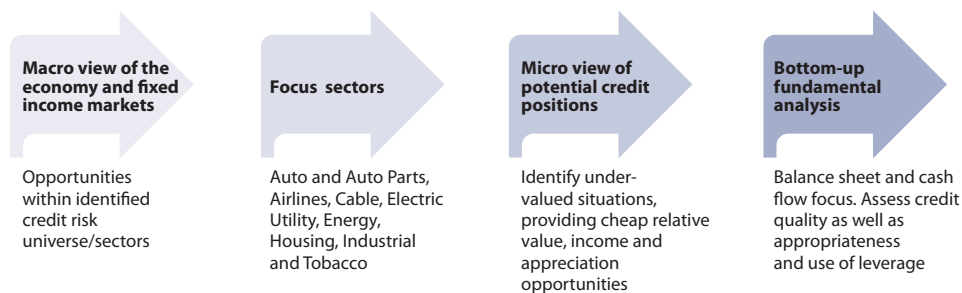
Portfolio Diversification:

- 25% of total assets maximum industry exposure constraint
- Expected to hold 60 to 80 securities in the portfolio

The strategy seeks to exploit the differential pricing of credit risk across the municipal bond, corporate bond and preferred securities markets.

The strategy takes advantage of market anomalies and inefficiencies across a wide array of credit risk markets using opportunistic trading strategies and paired trades.

Investment Process



Express positive views by going long credits and negative views by going short credits.

Performance - as of 06/30/08

	2Q	YTD	1YR	Since Inc.
Forward Long/Short Credit Analysis Fund:				
Class A at NAV ¹	-3.09%	-8.29%	-23.35%	-16.93%
Class A at MOP ²	-8.63%	-13.57%	-27.73%	-20.17%
Lehman Bros. U.S. Municipal Index	0.63%	0.02%	3.23%	3.44%
Lehman Bros. U.S. Corp. High-Yield Index	1.76%	-1.31%	-2.26%	0.36%
Fund Inception: 12/29/06	Gross/Net Expenses (%): 8.91%/1.99%*			

Returns for periods greater than one year are annualized.

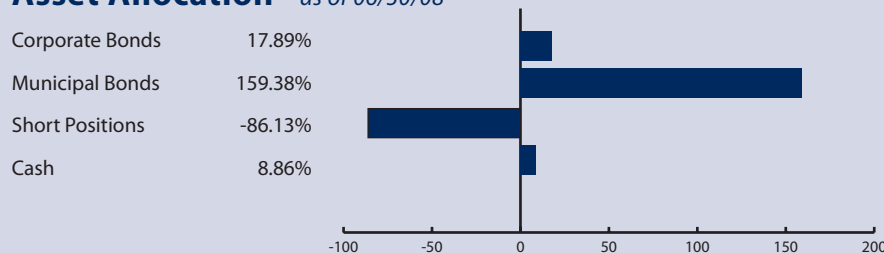
¹Excludes sales charge. ²Reflects effect of the fund's maximum sales charge of 5.75%

The performance quoted represents past performance, does not guarantee future results and current performance may be lower or higher than the data 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 data current to the most recent month end may be obtained at www.forwardfunds.com

*The Fund's investment advisor has contractually agreed to waive a portion of its fees and reimburse other expenses until April 30, 2009, in amounts necessary to limit the Fund's operating expenses (exclusive of brokerage costs, interest, taxes, dividends and extraordinary expenses) for Class A shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.99%.

Statistics - as of 06/30/08

Total Holdings:	64	Gross and Net Exposure measures how much a fund is exposed to market risk.
Long Holdings	47	
Short Holdings	17	
Gross Exposure	2.62X	VAR (value at risk) is expected loss from an adverse market movement based on a volatility estimate.
Net Exposure	0.91X	
VAR	0.52%	
Turnover (YTD Annualized)	314.39%	

Asset Allocation - as of 06/30/08

The Fund will invest in lower-rated debt securities and may utilize derivatives for hedging purposes. The Fund's use of short selling involves additional risks and transaction costs, and creates leverage, which can increase the volatility of the Fund. The Fund may invest a larger percentage of its assets in the securities of a smaller number of issuers, since it is a "non-diversified" mutual fund.

High-yield bonds involve a greater risk of default and price volatility than U.S. Government and other high quality bonds. High-yield/high-risk bonds will experience sudden and sharp price swings which will affect net asset value. The Fund's prospectus allows for investment in non-investment grade securities.

The Lehman Brothers U.S. Corporate High-Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

The Lehman Brothers U.S. Municipal Index covers the USD-denominated long-term, tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

Please consider the objectives, risks, charges and expenses carefully before investing in the fund. A prospectus with this and other information may be obtained by calling (888) 312-4100 or by visiting www.forwardfunds.com. Please read it carefully before making a final investment decision.

Forward Funds are distributed by ALPS Distributors, Inc.
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Management Team**Alan Hart** PORTFOLIO MANAGER

Mr. Hart is the Managing Partner and Chief Investment Officer of Cedar Ridge Partners, LLC. Prior to founding Cedar Ridge in March 2004, he was an investment banker for 21 years specializing in municipal bonds and high-yield, structured transactions. From 1996–2004 he was a Managing Director at Bear, Stearns & Co. Inc. From 1986–1996, Mr. Hart was Vice President and managed the Corporate-Related Group in the Municipal Bond Department at Goldman, Sachs & Co. Prior to joining Goldman Sachs, he spent three years at The First Boston Corporation. He holds an MBA (finance) from the Columbia University Graduate School of Business and received a BS (business) from California State University, Chico.

Guy Benstead CO-PORTFOLIO MANAGER

Mr. Benstead is a Partner and Chief Compliance Officer of Cedar Ridge Partners, LLC. He joined Cedar Ridge in March 2005, following an investment banking career that spanned 22 years, with a specific focus on credit risk in the fixed income markets. Prior to joining Cedar Ridge, he spent 14 years at Bear, Stearns & Co. Inc. in San Francisco, as a Managing Director in Institutional Fixed Income. He began his career on Wall Street in 1983 with Drexel Burnham Lambert and spent 7 years with the firm. He holds an MBA (finance) from the Columbia University Graduate School of Business and received a BA (international relations) from the University of California, Davis.