

Overview

Invests in small cap international companies that have low valuations and increasing profit levels

- Seeks undervalued international small cap companies with profitable niche businesses

- Pictet's international equity team members combine sector and country experience to identify what Pictet believes to be the leading international small cap companies of tomorrow

- Allows you to invest in undervalued international small cap companies with profitable niche businesses

Small company stocks will be subject to a higher degree of market risk because they tend to be more volatile and less liquid. Foreign securities, especially emerging markets, will involve additional risks including exchange rate fluctuations, social and political instability, liquidity, greater volatility and less regulation.

Top Ten Holdings

Security	% of Net Assets
Clariant AG	1.33%
JTEKT Corp.	1.20%
Aggreko Plc	1.11%
JSR Corp.	1.09%
Fairfax Media, Ltd.	1.07%
Swiss Life Holding AG	1.06%
Partners Group Holding AG	1.05%
Temenos Group AG	1.03%
GEA Group AG	1.02%
Meggitt Plc	1.02%

These holdings may not reflect the current or future positions in the portfolio.

Statistics

Price/Book*	2.18
Trailing P/E*	24.28
Average EPS Growth Rate*	-17.79%
Long-Term Debt-to-Equity*	4.69%
Weighted Average Market Cap*	\$2.2B
Median Market Cap*	\$1.7B
Beta:	0.93
R-Squared:	0.96
Number of Holdings:	133
Annualized Turnover:	113.68%

\*Data refers to the Funds's holdings and not to the Fund.

Price/Book Ratio and Price/Earnings Ratio represent equity securities within the Fund's portfolio, and are not intended to demonstrate Fund growth, income earned by the Fund, or distributions made by the Fund.

Average EPS Growth Rate represents current year consensus estimates by distribution of the portfolio.

Beta is a measure of risk which shows the Fund's volatility relative to its benchmark index.

R-Squared reflects the percentage of a Fund's movements that are explained by movement in its benchmark index.

Performance

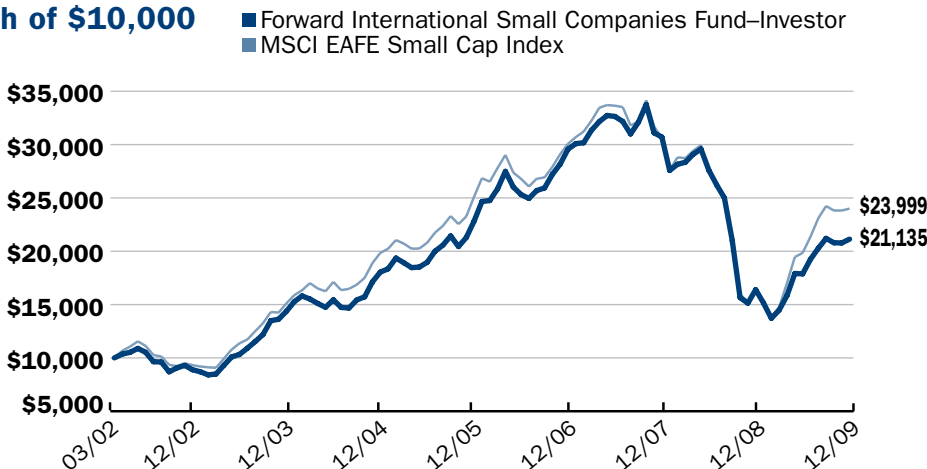
	4Q	Year-to-Date	1 Year	3 Year	5 Year	Since Inception (03/05/02)
Forward International Small Companies Fund-Investor	-0.35%	28.89%	28.89%	-10.60%	3.21%	10.03%
MSCI EAFE Small Cap Index	-1.00%	47.32%	47.32%	-7.25%	3.88%	11.82%
Gross Expense Ratio:	1.65%					
Net Expense Ratio:	1.65%					

Returns for periods greater than one year are annualized.

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. Performance data current to the most recent month end may be obtained at [www.forwardfunds.com](http://www.forwardfunds.com). 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. The MSCI EAFE Small Cap Index is an unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

The Retail Class of the Pictet International Small Companies Fund was reorganized into the Investor Class of the Forward International Small Companies Fund on December 23, 2003. Performance figures shown for periods prior to December 23, 2003, represent performance of the Retail Class of Pictet International Small Companies Fund.

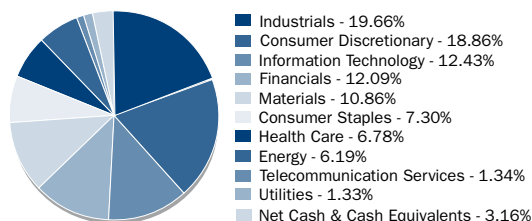
Growth of \$10,000



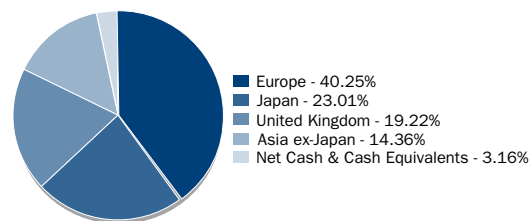
The chart above shows how a hypothetical investment of \$10,000 in the Fund at its inception would have performed versus an investment in the Fund's benchmark index. The first plot point for the Index is based on the month end prior to the Fund's inception. The values next to the Fund and Index names indicate how \$10,000 would have performed over the time period indicated. The hypothetical example does not represent the returns of any particular investment.

Sector Allocation

These allocations may not reflect the current or future positions of the portfolio.



Regional Allocation



Percentages may not add to 100% due to rounding.

## A Team Approach

**Aylin Suntay, Team Head and Senior Investment Manager**—Prior to her current role, Suntay was a member of Pictet's International Equity team as senior investment manager responsible for Asia. Before that, she managed Pictet's Global Telecommunications Fund. Suntay holds a BSc in economics from Istanbul University and a Masters in finance from the London Business School.

**Michael McLaughlin, Senior Investment Manager**—McLaughlin is a Senior Investment Manager in the Specialist Equities Team, responsible for equity strategy, stock selection and research, as well as asset allocation for Japan and the Asia-Pacific region. He graduated from the London School of Economics with a BSc in industry and trade.

**Justin Hill, Senior Investment Manager**—Hill is a Senior Investment Manager in the Specialist Equities Team, concentrating on the U.K. and Asia small cap market. He is a graduate of St. Hugh's College, Oxford, and is a member of the Institute of Chartered Accountants.

**Oliver Knobloch, Senior Investment Manager**—Knobloch is a Senior Investment Manager in the Small Cap Equities team, responsible for Germany, Switzerland, Austria and Scandinavia. He holds a Masters in economics and a CFPI.

**Bill Barker, Senior Investment Manager**—Barker is a Senior Investment Manager in the Small Cap Team responsible for the U.K. He holds a BSc in Economics and Econometrics from Hull University.

## Important Disclosure

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

Forward Funds are distributed by ALPS Distributors, Inc.

Not FDIC Insured | No Bank Guarantee  
| May Lose Value

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## Investment Objective

The Fund seeks to achieve long-term growth of capital.

### Investor Share Class

Ticker Symbol:	PISRX
CUSIP:	349913830
Category:	Foreign Small/Mid Growth
Benchmark:	MSCI EAFE Small Cap Index
Inception Date:	March 5, 2002
Net Assets:	\$101.1 Million

### Minimum Investment

Initial:	\$4,000
Initial—eDelivery:	\$2,000
Initial—Automatic Investment Plan:	\$500
Load Fee:	No Load

### Institutional Share Class

Ticker Symbol:	PTSCX
CUSIP:	349913822
Inception Date:	February 7, 1996
Net Assets:	\$431.9 Million
Minimum Initial Investment:	\$100,000
Load Fee:	No Load
Gross Expense Ratio:	<b>1.25%</b>
Net Expense Ratio:	1.25%

## Investment Process

- Investment Universe**  
More than 10,000 international companies with market capitalizations of \$3B USD or less are analyzed and approximately 1,200 leading companies determined to be leaders are identified.
- Financial Analysis**  
Quantitative tools are used to determine relative profit levels and identify companies with accelerating relative profit growth.
- Primary Research**  
Primary research is then conducted on more than 250 stocks to understand the strengths, weaknesses and business plans as well as the quality of their management, products and services.
- Portfolio Construction**  
The team works together to create a portfolio of approximately 120-130 stocks.

## Forward Thinking. Forward Funds.

**Forward Funds offers investors access to leading investment managers who are experts in their investment disciplines.**

- We identify leading domestic and international investment managers with solid track records of performance in their asset classes.
- Our family of mutual funds in core and speciality asset classes focuses on delivering alpha to investors and complementing core portfolio holdings.
- Forward Funds are available to individual investors, institutional investors and investment professionals.

Forward Management is the investment advisor to the Forward Funds. Alpha is a coefficient measuring risk-adjusted performance.