

May 2010

Forward Emerging Markets Fund

Sub-Advised by Pictet Asset Management Ltd.

Performance as of March 31, 2010	1Q10	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross/Net [†] Expenses
Forward Emerging Markets Fund—Institutional	1.01%	1.01%	79.46%	3.33%	13.92%	10.05%	7.88%	1.74%/1.39%
MSCI Emerging Markets Index	2.45%	2.45%	81.55%	5.46%	16.00%	10.84%	8.63%	

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 and reimburse other expenses until April 30, 2010, in amounts necessary to limit the Fund's operating expenses (exclusive of brokerage costs, interest, taxes, dividends, acquired fund fees and expenses, 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%.

Prior to May 1, 2008, the Fund was named the Forward Global Emerging Markets Fund. 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. Performance current to the most recent month-end may be obtained at www.forwardfunds.com or by calling (800) 999-6809. The returns assume reinvestment of dividends and distributions, if any.

The recent growth rate in the stock market has helped produce short-term results for some asset classes that are not typical and may not continue in the future. Because of ongoing market volatility, Fund performance may be subject to substantial short-term changes.

MARKET REVIEW

Emerging equities endured a difficult month of performance with the MSCI Emerging Market Index falling by 9.0%, the biggest monthly decline since October 2008. Concerns regarding the economic fall-out from the eurozone sovereign debt crisis led to an increase in investor risk aversion and outflows from emerging equity funds. A lower oil price, a strengthening U.S. dollar and the possibility of higher resource taxes were additional factors contributing to the losses from emerging stock markets. Hungary was the worst performing market, reflecting a high debt-to-GDP ratio and a large export dependence on Europe. Poland, Turkey and Russia also suffered losses of more than 10%. In Asia, China managed to outperform as concerns over global economic activity raised hopes that the domestic tightening of liquidity conditions would be shorter than expected. Latin America was the best-performing region, aided by resilience from the smaller markets of Peru and Chile and the U.S. sensitive market of Mexico. At a sector level, the defensive Health Care, Consumer Staples and Telecom sectors outperformed, whilst the economically sensitive Materials, Energy and Industrials underperformed.

PERFORMANCE ANALYSIS

Performance was broadly near the benchmark index over the month. In terms of country allocation, there was a positive contribution from the EMEA (Europe, the Middle East, Africa) region, while Asia proved more difficult, especially due to technology exposure in Taiwan. Latin America was neutral with Peruvian gold mining exposure offsetting an underweight in defensive Chile.

PORTFOLIO ACTIVITY—OVERWEIGHTINGS AND UNDERWEIGHTINGS

Reductions were made to the Fund's exposure to global cyclical companies including the Taiwanese-based electronics groups *Epistar* and *Hon Hai* and Russian steel companies *Severstal* and *Evrax*. The holding in *Teva Pharmaceuticals* was also sold down in preparation for Israel being reclassified as a developed market by MSCI at the end of May. Weightings in the Telecom sector were bolstered through purchases in *China Mobile* and *Chunghwa Telecom* in Taiwan, whilst the weighting in Malaysia was moved close to neutral through purchases in the utility group *Tenaga* and the leisure franchise *Genting*. Share price weakness was

used to add to holdings in the secular growth industries of emerging health care (*Mindray Medical* in China) and IT communication software (*Asiainfo Holdings*).

MARKET OUTLOOK

The increasing risks to the global economic recovery coupled with the ongoing tightening of liquidity conditions across many emerging markets is providing a challenging environment for emerging equity markets. This period of volatility is expected to continue over the summer months whilst we are also mindful of the increasing equity supply across emerging markets which could exceed U.S. \$100B. The recent correction has brought valuations into more appealing territory but they can not yet be considered to be compellingly cheap. The current price to-book ratio of 1.9x is just below the long-run (15 year) average and represents a 12% premium to that of developed markets. Medium-term economic and corporate fundamentals within the emerging markets remain very attractive when placed in the current global environment, however, whilst the outlook of emerging equity earnings growth and return on equity compares well with developed markets.

PORTFOLIO STRATEGY

The Fund continues to be driven by our bottom-up investment process, focusing on undervalued investment opportunities with a strong fundamental case for rerating. Indonesia, Brazil, Russia, and China are overweight positions whilst Taiwan, Turkey, Egypt and Poland are underweight. On a sector basis, we have an underweight policy in Industrials and an overweight position in Financials and Consumer Discretionary. As a reminder, current or future portfolio holdings are subject to risk.

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.

Sovereign debt is the total amount owed to the holders of the sovereign bonds (bonds issued by a national government).

Gross domestic product (GDP) is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports. The GDP of a country is one of the ways of measuring the size of its economy.

Valuation is the process of determining the value of an asset or company based on earnings and the market value of assets.

Price-to-book value (P/BV) is the ratio of market price of a company's shares over its book value of equity. The book value of equity is the value of a company's assets expressed on the balance sheet.

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.

The Forward Emerging Markets Fund seeks to achieve long-term growth of capital. There is no guarantee that the Fund will achieve its objective.

Forward Funds are distributed by ALPS Distributors, Inc.

Not FDIC Insured | No Bank Guarantee | May Lose Value

FWD002603 063011

As of May 31, 2010, the Fund held the following positions in the portfolio (These holdings may not reflect the current or future positions in the portfolio. Current or future portfolio holdings are subject to risk. Portfolio holdings are subject to change.):

Forward Emerging Markets Fund
As of 05/31/2010

Security ID	Ticker	Security Name	# of Shares or Principal Amount	Market Price	Market Value	% of Total Net Assets	Currency Code
465562114	361921OZ	Itau Unibanco Holding SA	584,395	\$ 18.41	\$ 10,758,712	3.89%	USD
6771720	005930KS	Samsung Electronics Co., Ltd.	14,352	651.24	9,346,550	3.38%	KRW
71654V408	PBR	Petroleo Brasileiro SA, ADR	240,482	35.62	8,565,969	3.09%	USD
BOLMTQ3	939 HK	China Construction Bank Corp.	8,354,000	0.81	6,726,110	2.43%	HKD
921937827	BSV	Vanguard Short-Term Bond ETF	75,025	80.37	6,029,759	2.18%	USD
6882172	TEVA IT	Teva Pharmaceutical Industries, Ltd.	104,982	55.49	5,825,614	2.10%	ILS
6073556	941 HK	China Mobile, Ltd.	589,500	9.39	5,533,541	2.00%	HKD
2257127	VALE5 BZ	Companhia Vale do Rio Doce	222,786	23.06	5,136,634	1.86%	BRL
6438564	2317 TT	Hon Hai Precision Industry Co., Ltd.	1,228,000	3.97	4,879,190	1.76%	TWD
035128206	AU	AngloGold Ashanti, Ltd., Sponsored ADR	103,726	41.92	4,348,194	1.57%	USD
B00G0S5	883 HK	CNOOC, Ltd.	2,677,000	1.58	4,241,949	1.53%	HKD
B16CYP9	RIGD LI	Reliance Industries, Ltd., GDR	91,396	44.79	4,093,627	1.48%	USD
4560588	LKOH RU	OAO LUKOIL	82,832	48.00	3,975,936	1.44%	USD
6718976	2628 HK	China Life Insurance Co.	870,436	4.40	3,828,242	1.38%	HKD
B19RPM5	OGXP3 BZ	OGX Petroleo e Gas Participacoes SA	425,326	8.87	3,772,080	1.36%	BRL
456788108	INFY	Infosys Technologies, Ltd., Sponsored ADR	64,942	57.53	3,736,113	1.35%	USD
6693233	005490KS	POSCO	9,152	395.09	3,615,908	1.31%	KRW
B03MYP5	GARAN TI	Turkiye Garanti Bankasi AS	739,691	4.37	3,230,401	1.17%	TRL
465562106	ITUB	Itau Unibanco Holding SA, ADR	173,300	18.41	3,190,453	1.15%	USD
6075745	CIMB MK	CIMB Group Holdings Bhd	1,534,000	2.07	3,171,415	1.15%	MYR
6451055	005380KS	Hyundai Motor Co.	26,384	115.10	3,036,705	1.10%	KRW
5036323	SBERP RU	Sberbank Pfd.	1,553,674	1.88	2,913,139	1.05%	USD
2421041	GFNORTEO	Grupo Financiero Banorte SAB de CV	730,827	3.85	2,811,221	1.02%	MXN
6563206	MTN SJ	MTN Group, Ltd.	198,456	14.02	2,781,935	1.01%	ZAR
PNINFRA		Infrastructure Development Finance Co., Ltd., (Loan Participation Notes issued by UBS AG - London), expiring 07/13/10	817,117	3.34	2,725,780	0.98%	USD
2328595	BBAS3 BZ	Banco do Brasil SA	190,507	14.25	2,714,403	0.98%	BRL
B014K55	NATU3 BZ	Natura Cosmeticos SA	129,794	20.77	2,695,680	0.97%	BRL
B01VZ99	034220KS	LG Display Co., Ltd.	71,480	37.04	2,647,629	0.96%	KRW
803866102	SOL SJ	Sasol, Ltd.	71,900	36.25	2,606,032	0.94%	ZAR
6263830	762 HK	China Unicom, Ltd.	2,068,000	1.22	2,520,105	0.91%	HKD
204448104	BVN	Compania de Minas Buenaventura SA, ADR	68,102	36.00	2,451,672	0.89%	USD
6372480	2454 TT	MediaTek, Inc.	152,000	16.08	2,444,288	0.88%	TWD
6368360	BBL-R TB	Bangkok Bank Pcl, Non-Voting Depository Receipt	695,200	3.51	2,441,159	0.88%	THB
6495042	004940KS	Korea Exchange Bank	229,290	10.59	2,427,923	0.88%	KRW
868861204	SGGD LI	Surgutneftegaz OJSC, Sponsored ADR	264,550	9.04	2,391,532	0.86%	USD
B1FY4S9	BISA3 BZ	Brookfield Incorporacoes SA	588,148	4.06	2,389,225	0.86%	BRL
B2QKYZ0	MGNT LI	Magnit OJSC, Sponsored GDR	123,935	19.25	2,385,749	0.86%	USD
6288190	2409 TT	AU Optronics Corp.	2,412,484	0.97	2,335,989	0.84%	TWD

Forward Emerging Markets Fund
As of 05/31/2010

Security ID	Ticker	Security Name	# of Shares or Principal Amount	Market Price	Market Value	% of Total Net Assets	Currency Code
368287207	OGZD LI	OAO Gazprom, Sponsored ADR	112,267	20.65	2,318,314	0.84%	USD
16941R108	SNP	China Petroleum & Chemical Corp., ADR	29,159	78.66	2,293,647	0.83%	USD
B4V5RY4	SANB11BZ	Banco Santander Brasil SA	220,000	10.38	2,283,368	0.82%	BRL
6621580	1303 TT	Nan Ya Plastics Corp.	1,373,560	1.63	2,234,584	0.81%	NTS
856552203	SBID LI	State Bank of India, GDR	23,532	94.90	2,233,187	0.81%	USD
2643674	GMEXICOB	Grupo Mexico SAB de CV Series B, B	932,500	2.37	2,213,813	0.80%	MXN
6651048	BMRI IJ	PT Bank Mandiri Tbk	3,929,500	0.55	2,178,273	0.79%	IDR
B4JSTL6	1128 HK	Wynn Macau, Ltd.	1,341,600	1.62	2,167,233	0.78%	HKD
6411673	2881 TT	Fubon Financial Holding Co., Ltd.	1,883,000	1.14	2,144,358	0.77%	TWD
2380539	GMODEL0C	Grupo Modelo SAB de CV Series C, C	392,044	5.46	2,138,753	0.77%	MXN
6904612	TNB MK	Tenaga Nasional Bhd	827,700	2.50	2,071,385	0.75%	MYR
6810010	363 HK	Shanghai Industrial Holdings, Ltd.	511,000	4.04	2,066,966	0.75%	HKD
48122U204	SSA LI	Sistema JSFC, Sponsored GDR	79,100	26.10	2,064,510	0.75%	USD
B01CT30	700 HK	Tencent Holdings, Ltd.	106,400	19.29	2,052,171	0.74%	HKD
B0Y91C1	3323 HK	China National Building Material Co., Ltd.	1,275,675	1.60	2,041,080	0.74%	HKD
B2QY968	HYPE3 BZ	Hypermarcas SA	150,166	13.51	2,028,700	0.73%	BRL
B1G4262	KIO SJ	Kumba Iron Ore, Ltd.	46,977	42.82	2,011,464	0.73%	ZAR
6264189	036570KS	NCSOFT Corp.	12,352	161.97	2,000,680	0.72%	KRW
6005850	2353 TT	Acer, Inc.	784,840	2.52	1,976,618	0.71%	TWD
B614LY3	CIEL3 BZ	Cielo SA	228,114	8.42	1,919,967	0.69%	BRL
B59MW61	CNE LN	Cairn Energy PLC	326,688	5.83	1,903,463	0.69%	GBP
6224871	017670KS	SK Telecom Co., Ltd.	14,194	133.51	1,895,068	0.68%	KRW
45104G104	IBN	ICICI Bank, Ltd., Sponsored ADR	50,723	36.79	1,866,099	0.67%	USD
92855S200	VIV	Vivo Participacoes SA, ADR	67,578	27.32	1,846,231	0.67%	USD
B2Q14Z3	151 HK	Want Want China Holdings, Ltd.	2,391,000	0.76	1,805,339	0.65%	HKD
B282142	3818 HK	China Dongxiang Group Co., Ltd.	2,713,000	0.66	1,790,667	0.65%	HKD
40429CAA0	40429CAA	HSBC Finance Corp., Sr. Unsec. Notes, 6.750%, 05/15/11	1,700,000	104.36	1,774,154	0.64%	USD
6527666	2891 TT	Chinatrust Financial Holding Co., Ltd.	3,448,279	0.51	1,763,867	0.64%	TWD
B1WGT83	095660KS	Neowiz Games Corp.	50,315	34.57	1,739,430	0.63%	KRW
B5720R0	ECOR3 BZ	Ecorodovias Infraestrutura e Logistica SA	345,460	4.96	1,713,733	0.62%	BRL
BOLD0W9	EXCL IJ	PT XL Axiata Tbk	4,561,000	0.37	1,705,767	0.62%	IDR
6283979	INDF IJ	PT Indofood Sukses Makmur Tbk	4,326,000	0.39	1,693,491	0.61%	IDR
B02ZK79	TLKM IJ	PT Telekomunikasi Indonesia Tbk	2,028,000	0.83	1,686,103	0.61%	IDR
3327706	VED LN	Vedanta Resources Plc	49,329	33.44	1,649,317	0.60%	GBP
6249584	000210KS	Daelim Industrial Co., Ltd.	35,007	46.96	1,643,906	0.59%	KRW
B3DF0Y6	105560KS	KB Financial Group, Inc.	39,430	41.02	1,617,269	0.58%	KRW
B2RJPM0	BSDE IJ	PT Bumi Serpong Damai Tbk	22,114,500	0.07	1,591,015	0.57%	IDR
6340078	135 HK	CNPC Hong Kong, Ltd.	1,168,000	1.36	1,589,830	0.57%	HKD

Forward Emerging Markets Fund
As of 05/31/2010

Security ID	Ticker	Security Name	# of Shares or Principal Amount	Market Price	Market Value	% of Total Net Assets	Currency Code
6805049	004170KS	Shinsegae Co., Ltd.	4,041	393.00	1,588,122	0.57%	KRW
6425663	2882 TT	Cathay Financial Holding Co., Ltd.	1,073,000	1.47	1,576,090	0.57%	TWD
B0B8Z29	3328 HK	Bank of Communications Co., Ltd.	1,484,000	1.06	1,572,135	0.57%	HKD
B1JNK84	1898 HK	China Coal Energy Co., Ltd.	1,146,000	1.37	1,568,714	0.57%	HKD
6446620	009540KS	Hyundai Heavy Industries Co., Ltd.	8,599	179.55	1,543,955	0.56%	KRW
6287841	2412 TT	Chunghwa Telecom Co., Ltd.	800,000	1.92	1,534,250	0.55%	TWD
06423AAG8	06423AAG	Bank One Corp., Sub. Notes , 7.875%, 08/01/10	1,500,000	101.03	1,515,524	0.55%	USD
20441W203	ABV	Companhia de Bebidas das Americas, ADR	15,560	96.34	1,499,050	0.54%	USD
B1YCHL8	S BSP3 BZ	Companhia de Saneamento Basico do Estado de Sao Paulo	78,904	18.79	1,482,617	0.54%	BRL
04518A104	ASIA	AsiaInfo Holdings, Inc.	68,900	21.43	1,476,527	0.53%	USD
6254878	2332 TT	D-Link Corp.	1,818,000	0.79	1,433,310	0.52%	TWD
88706P106	TSU	Tim Participacoes SA, ADR	52,770	26.97	1,423,207	0.51%	USD
6196152	267 HK	Citic Pacific, Ltd.	764,000	1.83	1,400,953	0.51%	HKD
B3MZWN0	1938 HK	Chu Kong Petroleum & Natural Gas Steel Pipe Holdings, Ltd.	2,800,000	0.50	1,395,056	0.50%	HKD
6193788	1070 HK	TCL Multimedia Technology Holdings, Ltd.	2,050,901	0.68	1,393,164	0.50%	HKD
B232R05	096770KS	SK Energy Co., Ltd.	15,440	89.98	1,389,361	0.50%	KRW
2434760	MEXCHEM	Mexichem SA de CV	501,400	2.66	1,335,075	0.48%	MXN
71372U104	PWRD	Perfect World Co., Ltd., Sponsored ADR	50,014	26.48	1,324,371	0.48%	USD
6869937	1101 TT	Taiwan Cement Corp.	1,499,570	0.84	1,266,707	0.46%	TWD
6520739	066570KS	LG Electronics, Inc.	14,786	85.38	1,262,438	0.46%	KRW
B1W0JF2	998 HK	China CITIC Bank	2,130,000	0.59	1,260,905	0.46%	HKD
PNTATAIN		Tata Iron & Steel Co., Ltd, (Loan Participation Notes issued by UBS AG - London), expiring 01/11/13	117,566	10.72	1,260,388	0.46%	USD
B4K19W5	2168 HK	Yingde Gases	1,250,000	1.00	1,255,217	0.45%	HKD
6795236	SMGR IJ	PT Semen Gresik Persero Tbk	1,373,812	0.90	1,243,152	0.45%	IDR
818150302	SVST LI	Cherepovets MK Severstal, GDR	114,549	10.83	1,240,566	0.45%	USD
B23FNB7	ALSC3 BZ	Aliances Shopping Centers SA	211,100	5.76	1,215,927	0.44%	BRL
602675100	MR	Mindray Medical International, Ltd., ADR	40,633	29.74	1,208,425	0.44%	USD
6801832	200488CH	Shandong Chenming Paper Holdings, Ltd.	1,571,575	0.71	1,115,995	0.40%	HKD
6568610	069960KS	Hyundai Department Store Co., Ltd.	12,854	85.38	1,097,483	0.40%	KRW
7320154	OTP HB	OTP Bank Nyrt.	42,294	25.76	1,089,626	0.39%	HUF
15234Q207	EBR	Centrais Eletricas Brasileiras SA, Sponsored ADR	85,946	12.48	1,072,606	0.39%	USD
B16YNS1	813 HK	Shimao Property Holdings, Ltd.	705,669	1.47	1,040,267	0.38%	HKD
30050A202	EVR LI	Evrax Group SA, GDR	38,105	27.09	1,032,264	0.37%	USD
91688E206	URKA LI	Uralkali, GDR	53,917	18.76	1,011,483	0.37%	USD
92719A106	VIP	OJSC Vimpel-Communications, Sponsored ADR	57,676	15.55	896,862	0.32%	USD
B4X4D29	FLRY3 BZ	Fleury SA	82,173	9.83	807,576	0.29%	BRL
B1VXJL8	GENT MK	Genting Berhad	383,700	2.06	789,356	0.29%	MYR
B63DG21	PZU PW	Powszechny Zaklad Ubezpieczen SA	6,571	105.21	691,352	0.25%	PLN

Forward Emerging Markets Fund

As of 05/31/2010

Security ID	Ticker	Security Name	# of Shares or		Market Value	% of Total	Currency
			Principal Amount	Market Price			
B0MT4R9	ICA* MM	Empresas ICA SAB de CV	216,170	2.33	504,335	0.18%	MXN
B01H2V4	VIETNGF	Vietnam Growth Fund, Ltd.	9,858	10.55	104,002	0.04%	USD
B23JKK7	VIETRES	Vietnam Resource Investments Holdings, Ltd.	26,000	1.63	42,250	0.02%	USD
05961W105	BMA	Banco Macro SA, ADR	131	27.25	3,570	0.00%	USD
6718255	2333 HK	Great Wall Motor Co., Ltd.	400	1.64	657	0.00%	HKD
B1G1QD8	1398 HK	Industrial & Commercial Bank of China, Ltd.	410	0.74	303	0.00%	HKD
B39Z8W4	691 HK	China Shanshui Cement Group, Ltd.	309	0.49	151	0.00%	HKD
B24FZ32	3998 HK	Bosideng International Holdings, Ltd.	443	0.23	104	0.00%	HKD
17133M303	CGHD LX	Chunghwa Picture Tubes, Ltd., GDR	23	1.62	37	0.00%	USD
VIETWRT		Vietnam Resource Investments Holdings, Ltd. - Warrants (expiring 06/18/10)	2,600	-	-	0.00%	USD

Forward Emerging Markets Fund

As of 05/31/2010

Futures - Long			Number of Contracts	Expiration Date	Market Value	% of Total	Currency
000LLLLM0	LLLLM0	E-Mini MSCI Emerging Markets Index Future Net Cash & Cash Equivalent					
					4,698,699	1.70%	