



July 2010

Forward Emerging Markets Fund

Sub-Advised by Pictet Asset Management Ltd.

Performance as of June 30, 2010	2Q10	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross/Net† Expenses
Forward Emerging Markets Fund—Institutional	-9.74%	-8.83%	22.35%	-4.38%	10.74%	11.38%	7.00%	1.54%/1.39%
MSCI Emerging Markets Index	-8.29%	-6.04%	23.48%	-2.22%	13.07%	11.01%	7.84%	

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, 2011, 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%.

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.

MARKET REVIEW AND FUND PERFORMANCE

Emerging equities performed well over the month of July, recouping almost all of the losses made in the previous quarter. The MSCI Emerging Market Index rose by 8.0% in U.S. dollars. The appetite for riskier assets such as emerging equities was helped over the period by better-than-expected global economic and earnings data whilst rising oil and commodity prices and a weaker U.S. dollar were additional drivers to the strong performance of emerging stocks. Flows into emerging equity products accelerated over July and now stand at USD \$25B year to date. EMEA (Europe, Middle East, and Africa) was the best-performing region over the month reflecting its higher beta characteristics. Poland, Hungary and the Czech Republic were among the top-performing global emerging markets. There was a significant recovery in the value of their currencies as fears over the European sovereign debt crisis eased whilst there was a strong performance from stocks in the banking sector. Within Latin America, Brazilian stock performance was aided by rising energy and commodity prices whilst the smaller-than-expected rise in domestic interest rates helped sustain good performance from many consumer franchises. Performance across Asia was more subdued, hindered by interest rate increases from Korea and India and further signs of slowing economic growth momentum in China. In a reversal of the previous quarter, the global cyclical sectors of Energy, Materials, and IT outperformed as did Financials whilst the defensive sectors of Consumer Staples, Telecoms and Utilities lagged.

PERFORMANCE ANALYSIS

The Fund underperformed the benchmark index over the month. In terms of country allocation, there was a positive contribution from our Brazilian and Indian holdings. There was a negative contribution from stock selection in South Africa and China. Stock selection provided negative results over the month due to our overweight gold stocks in South Africa and our positioning in several private-sector Chinese names that provided negative surprises.

PORTFOLIO ACTIVITY—OVERWEIGHTINGS AND UNDERWEIGHTINGS

An increase was made to the Fund's holdings in IT companies and in particular those with a growing franchise within smart phones. The smart phone manufacturer *HTC*, and the small-lens manufacturer *Largan Precision* and touch-panel specialist *Young Fast* were added to the Fund over the month. Positive valuation indicators and improving liquidity conditions in China were factors behind our raising exposure to Chinese Financials including additions to *Bank of China*, participation in the public offering of *Agricultural Bank of China* and an addition to the holding in the property and consumer services group *Shanghai Industrial Holding*. Notable sales over the month included a valuation-based decision to exit our position in the Indonesian telecom franchise *XI Axiata* after a doubling of the share price year to date and sales in our holdings in the Chinese Internet franchises *Tencent* and *Perfect World* where catalysts for performance have become less certain.



MARKET OUTLOOK

Earnings and valuations remain broadly supportive for the near-term performance of emerging equities. Consensus estimates are for 34% growth in earnings this year and the current round of earnings releases are helping to build confidence in these forecasts. Emerging equities are trading at an undemanding 2010 P/E multiple of 10.7x which is a slight discount to developed markets. On a P/BV measure, emerging markets are trading at 2.1x which is a 17% premium to developed markets, which we believe is justified given the superior relative return on equity characteristics of emerging companies. The top-down factors influencing emerging market performance remain finely balanced. Eight emerging market countries have raised interest rates so far in 2010 and the risks of policy mistakes coupled with tighter liquidity conditions should continue to provide a challenging environment for emerging equity valuations to significantly re-rate. In addition, Chinese data points over the coming weeks may contribute to fears over global economic growth momentum. Should risk appetite improve, an increasing supply of equity is waiting to be placed with emerging investors which could inhibit short-term performance.

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 re-rating. Indonesia, Brazil, Russia and China are overweight positions whilst Chile, Egypt, Hungary, Poland and South Africa are underweight. On a sector basis, we have an underweight policy in Industrials and Utilities and an overweight position in Financials. 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.

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

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

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

Price-to-earnings (P/E) ratio of a stock is a measure of the price paid for a share relative to the annual income or profit earned by the firm per share. A higher P/E ratio means that investors are paying more for each unit of income.

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

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As of July 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 07/31/2010

Security ID	Ticker	Security Name	# of Shares or		Market Price	Market Value	% of Total Net Assets	Currency Code
			Principal Amount					
6771720	005930KS	Samsung Electronics Co., Ltd.	14,352		\$ 685.91	\$ 9,844,133	3.32%	KRW
921937827	BSV	Vanguard Short-Term Bond ETF	96,025		81.43	7,819,316	2.64%	USD
BOLMTQ3	939 HK	China Construction Bank Corp.	8,922,000		0.85	7,582,695	2.56%	HKD
2257127	VALE5 BZ	Companhia Vale do Rio Doce	305,286		24.27	7,409,972	2.50%	BRL
2328595	BBAS3 BZ	Banco do Brasil SA	393,112		17.28	6,794,749	2.29%	BRL
71654V408	PBR	Petroleo Brasileiro SA, ADR	181,153		36.40	6,593,969	2.22%	USD
6073556	941 HK	China Mobile, Ltd.	589,500		10.16	5,990,542	2.02%	HKD
368287207	OGZD LI	OAQ Gazprom, Sponsored ADR	238,902		21.61	5,162,147	1.74%	USD
6438564	2317 TT	Hon Hai Precision Industry Co., Ltd.	1,228,000		4.03	4,946,333	1.67%	TWD
6889106	2330 TT	Taiwan Semiconductor Manufacturing Co., Ltd.	2,373,000		1.93	4,581,019	1.54%	TWD
B00G0S5	883 HK	CNOOC, Ltd.	2,677,000		1.69	4,511,732	1.52%	HKD
B19RPM5	OGXP3 BZ	OGX Petroleo e Gas Participacoes SA	415,826		10.53	4,378,609	1.48%	BRL
465562106	ITUB	Itau Unibanco Holding SA, ADR	189,596		22.39	4,245,054	1.43%	USD
035128206	AU	AngloGold Ashanti, Ltd., Sponsored ADR	103,726		40.52	4,202,978	1.42%	USD
456788108	INFY	Infosys Technologies, Ltd., Sponsored ADR	64,942		60.48	3,927,692	1.32%	USD
B03MYP5	GARAN TI	Turkiye Garanti Bankasi AS	739,691		5.17	3,826,939	1.29%	TRL
6693233	005490KS	POSCO	9,152		415.88	3,806,142	1.28%	KRW
6563206	MTN SJ	MTN Group, Ltd.	235,262		16.02	3,769,339	1.27%	ZAR
2643674	GMEXICOB	Grupo Mexico SAB de CV Series B, B	1,399,700		2.65	3,708,056	1.25%	MXN
6075745	CIMB MK	CIMB Group Holdings Bhd	1,534,000		2.33	3,572,711	1.20%	MYR
5036323	SBERP RU	Sberbank Pfd.	1,724,698		2.01	3,458,019	1.17%	USD
B16CYP9	RIGD LI	Reliance Industries, Ltd., GDR	79,017		43.67	3,450,341	1.16%	USD
6451055	005380KS	Hyundai Motor Co.	26,384		126.09	3,326,798	1.13%	KRW
B3JDL52	PNINFDEV	Infrastructure Dev	817,117		4.01	3,274,279	1.10%	USD
B1FY4S9	BISA3 BZ	Brookfield Incorporacoes SA	588,148		5.20	3,059,787	1.03%	BRL
B1W0JF2	998 HK	China CITIC Bank	4,467,000		0.68	3,025,368	1.02%	HKD
6368360	BBL-R TB	Bangkok Bank Pcl, Non-Voting Depository Receipt	695,200		4.24	2,947,054	0.99%	THB
6810010	363 HK	Shanghai Industrial Holdings, Ltd.	634,000		4.57	2,895,162	0.98%	HKD
803866102	SOL SJ	Sasol, Ltd.	71,900		39.62	2,848,917	0.96%	ZAR
6263830	762 HK	China Unicom, Ltd.	2,068,000		1.37	2,823,263	0.95%	HKD
B0Y91C1	3323 HK	China National Building Material Co., Ltd.	1,443,675		1.89	2,732,621	0.92%	HKD
6287841	2412 TT	Chunghwa Telecom Co., Ltd.	1,293,000		2.11	2,724,373	0.92%	TWD
B154564	3988 HK	Bank of China, Ltd. - Class H	5,095,000		0.53	2,697,283	0.91%	HKD
868861204	SGGD LI	Surgutneftegaz OJSC, Sponsored ADR	264,550		10.15	2,685,368	0.91%	USD
6718976	2628 HK	China Life Insurance Co.	598,436		4.47	2,674,791	0.90%	HKD
6651048	BMRI IJ	PT Bank Mandiri Tbk	3,929,500		0.67	2,643,909	0.89%	IDR
B2QKYZ0	MGNT LI	Magnit OJSC, Sponsored GDR	123,935		21.18	2,624,485	0.88%	USD
856552203	SBID LI	State Bank of India, GDR	23,532		107.67	2,533,592	0.85%	USD

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As of 07/31/2010

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			Principal Amount					
B1G4262	KIO SJ	Kumba Iron Ore, Ltd.	46,977		50.72	2,382,578	0.80%	ZAR
6495042	004940KS	Korea Exchange Bank	229,290		10.27	2,353,930	0.79%	KRW
16941R108	SNP	China Petroleum & Chemical Corp., ADR	29,159		80.52	2,347,883	0.79%	USD
6411673	2881 TT	Fubon Financial Holding Co., Ltd.	1,883,000		1.22	2,302,662	0.78%	TWD
677862104	LKOD LI	LUKOIL, Sponsored ADR	39,628		57.09	2,262,263	0.76%	USD
4560588	LKOH RU	OA O LUKOIL	39,493		57.25	2,260,974	0.76%	USD
6904612	TNB MK	Tenaga Nasional Bhd	827,700		2.70	2,237,132	0.75%	MYR
67812M207	ROSN LI	OA O Rosneft Oil Co., GDR	331,788		6.69	2,218,567	0.75%	USD
6331470	1402 TT	Far Eastern Textile, Ltd.	1,896,000		1.16	2,196,499	0.74%	TWD
B01VZN9	034220KS	LG Display Co., Ltd.	71,480		30.57	2,184,994	0.74%	KRW
B63DG21	PZU PW	Powszechny Zaklad Ubezpieczen SA	16,548		128.17	2,120,986	0.72%	PLN
B02ZK79	TLKM IJ	PT Telekomunikasi Indonesia Tbk	2,241,000		0.94	2,113,881	0.71%	IDR
B5720R0	ECOR3 BZ	Ecorodovias Infraestrutur e Logistica SA	345,460		6.02	2,078,103	0.70%	BRL
6527666	2891 TT	Chinatrust Financial Holding Co., Ltd.	3,448,279		0.60	2,062,274	0.70%	TWD
B2RJPM0	BSDE IJ	PT Bumi Serpong Damai Tbk	22,114,500		0.09	2,005,603	0.68%	IDR
6224871	017670KS	SK Telecom Co., Ltd.	14,194		140.94	2,000,526	0.67%	KRW
6249584	000210KS	Daelim Industrial Co., Ltd.	35,007		56.71	1,985,341	0.67%	KRW
45104G104	IBN	ICICI Bank, Ltd., Sponsored ADR	50,723		38.91	1,973,632	0.67%	USD
04518A104	ASIA	AsialInfo-Linkage, Inc.	96,000		20.40	1,958,400	0.66%	USD
B2QY968	HYPE3 BZ	Hypermarcas SA	150,166		13.03	1,956,905	0.66%	BRL
B01SCS4	BRAP4 BZ	Bradespar SA	92,800		21.02	1,950,657	0.66%	BRL
48122U204	SSA LI	Sistema JSFC, Sponsored GDR	79,100		24.56	1,942,522	0.65%	USD
6805049	004170KS	Shinsegae Co., Ltd.	4,041		476.80	1,926,760	0.65%	KRW
B59MW61	CNE LN	Cairn Energy Plc	262,933		7.32	1,925,923	0.65%	GBP
54318P108	LFT	Longtop Financial Technologies, Ltd., Sponsored ADR	57,498		33.33	1,916,408	0.65%	USD
B0B8Z29	3328 HK	Bank of Communications Co., Ltd.	1,706,600		1.11	1,896,957	0.64%	HKD
6672481	3231 TT	Wistron Corp.	1,173,237		1.62	1,895,185	0.64%	TWD
3327706	VED LN	Vedanta Resources Plc	49,329		38.28	1,888,480	0.64%	GBP
B2Q14Z3	151 HK	Want Want China Holdings, Ltd.	2,391,000		0.78	1,876,323	0.63%	HKD
6450988	000720KS	Hyundai Engineering & Construction Co., Ltd.	33,784		53.54	1,808,714	0.61%	KRW
92855S200	VIV	Vivo Participacoes SA, ADR	67,578		26.74	1,807,036	0.61%	USD
B1N9YL9	PDGR3 BZ	PDG Realty SA Empreendimentos e Participacoes	167,900		10.58	1,776,563	0.60%	BRL
40429CAA0	40429CAA	HSBC Finance Corp., Sr. Unsec. Notes , 6.750%, 05/15/11	1,700,000		104.08	1,769,362	0.60%	USD
B3DF0Y6	105560KS	KB Financial Group, Inc.	39,430		43.38	1,710,652	0.58%	KRW
6051046	2357 TT	Asustek Computer, Inc.	220,000		7.54	1,658,020	0.56%	TWD
B0MT4R9	ICA* MM	Empresas ICA SAB de CV	652,470		2.52	1,644,997	0.55%	MXN
B1JNK84	1898 HK	China Coal Energy Co., Ltd.	1,146,000		1.40	1,603,898	0.54%	HKD
602675100	MR	Mindray Medical International, Ltd., ADR	51,790		30.94	1,602,383	0.54%	USD

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204448104	BVN	Compania de Minas Buenaventura SA, ADR	41,385		38.61	1,597,875	0.54%	USD
B1VXJL8	GENT MK	Genting Berhad	627,800		2.52	1,579,861	0.53%	MYR
6196152	267 HK	Citic Pacific, Ltd.	764,000		2.06	1,576,727	0.53%	HKD
818150302	SVST LI	Severstal, GDR	130,931		11.83	1,549,084	0.52%	USD
B02Y204	WALMEXV	Wal-Mart de Mexico SAB de CV, Series V, V	640,763		2.35	1,508,660	0.51%	MXN
B60LZR6	1288 HK	Agricultural Bank of China - Class H	3,342,000		0.45	1,505,890	0.51%	HKD
06423AAG8	06423AAG	Bank One Corp., Sub. Notes , 7.875%, 08/01/10	1,500,000		100.00	1,500,000	0.51%	USD
B23FNB7	ALSC3 BZ	Aliansce Shopping Centers SA	211,100		6.88	1,452,303	0.49%	BRL
465562114	3619210Z	Itau Unibanco Holding SA	63,676		22.39	1,425,706	0.48%	USD
6795236	SMGR IJ	PT Semen Gresik Persero Tbk	1,373,812		1.04	1,423,866	0.48%	IDR
6888794	KBANK/F	Kasikornbank Public Co., Ltd.	440,100		3.23	1,422,062	0.48%	THB
6254878	2332 TT	D-Link Corp.	1,818,000		0.77	1,401,165	0.47%	TWD
2434760	MEXCHEM	Mexichem SA de CV	501,400		2.77	1,388,514	0.47%	MXN
B03MZJ6	YKBNK TI	Yapi ve Kredi Bankasi AS	454,231		3.04	1,379,449	0.47%	TRL
B3BQFC4	ADRO IJ	Adaro Energy Tbk PT	6,112,500		0.22	1,370,757	0.46%	IDR
PNTATAIN		Tata Iron & Steel Co., Ltd, (Loan Participation Notes issued by UBS AG - London), expiring 01/11/13	117,566		11.57	1,360,477	0.46%	USD
B2QM230	3622 TT	Young Fast Optoelectronics Co., Ltd.	156,000		8.61	1,343,486	0.45%	TWD
B0LD0W9	EXCL IJ	PT XL Axiata Tbk	2,466,500		0.53	1,310,808	0.44%	IDR
91688E206	URKA LI	Uralkail, GDR	61,627		21.04	1,296,934	0.44%	USD
B3B1C73	LABB MM	Genomma Lab Internacional SA de CV, Class B	379,670		3.41	1,292,889	0.44%	MXN
6568610	069960KS	Hyundai Department Store Co., Ltd.	12,854		99.75	1,282,151	0.43%	KRW
6520739	066570KS	LG Electronics, Inc.	14,786		84.90	1,255,388	0.42%	KRW
B0PH5N3	489 HK	Dongfeng Motor Group Co., Ltd.	876,000		1.40	1,226,569	0.41%	HKD
6264189	036570KS	NCSOFT Corp.	7,638		159.18	1,215,814	0.41%	KRW
6510536	2498 TT	HTC Corp.	65,100		18.41	1,198,764	0.40%	TWD
6451668	3008 TT	Largan Precision Co., Ltd.	61,000		19.12	1,166,595	0.39%	TWD
B16YNS1	813 HK	Shimao Property Holdings, Ltd.	584,169		1.92	1,124,004	0.38%	HKD
20441W203	ABV	Companhia de Bebidas das Americas, ADR	10,115		109.22	1,104,760	0.37%	USD
B3MZWN0	1938 HK	Chu Kong Petroleum & Natural Gas Steel Pipe Holdings, Ltd.	2,800,000		0.39	1,099,885	0.37%	HKD
6772217	010140KS	Samsung Heavy Industries Co., Ltd.	51,920		20.89	1,084,616	0.37%	KRW
B4JSTL6	1128 HK	Wynn Macau, Ltd.	622,400		1.71	1,063,605	0.36%	HKD
6137720	3037 TT	Unimicron Technology Corp.	639,000		1.66	1,059,765	0.36%	TWD
6372480	2454 TT	MediaTek, Inc.	62,124		13.54	841,256	0.28%	TWD
6420390	PTT/F TB	PTT Public Co., Ltd.	106,300		7.89	838,867	0.28%	THB
583840103	MTL	Mechel, Sponsored ADR	37,148		21.78	809,083	0.27%	USD
B0126X9	URBI* MM	Urbi Desarrollos Urbanos SAB de CV	413,900		1.94	801,197	0.27%	MXN
2421041	GFNORTEO	Grupo Financiero Banorte SAB de CV	205,227		3.88	796,797	0.27%	MXN
B0D7494	ENBR3 BZ	EDP - Energias do Brasil SA	38,800		20.17	782,486	0.26%	BRL

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2386009	USIM5 BZ	Usinas Siderurgicas de Minas Gerais SA, Preference, Class A	24,800		28.12	697,271	0.24%	BRL
2193696	USIM3 BZ	Usinas Siderurgicas de Minas Gerais SA	16,700		29.06	485,295	0.16%	BRL
B0WC2B8	2689 HK	Nine Dragons Paper Holdings, Ltd.	234,000		1.46	341,156	0.12%	HKD
6005850	2353 TT	Acer, Inc.	65,355		2.68	175,129	0.06%	TWD
B23JJK7	VIETRES	Vietnam Resource Investments Holdings, Ltd.	26,000		1.50	39,000	0.01%	USD
05961W105	BMA	Banco Macro SA, ADR	131		37.97	4,974	0.00%	USD
6718255	2333 HK	Great Wall Motor Co., Ltd.	400		2.00	799	0.00%	HKD
B1G1QD8	1398 HK	Industrial & Commercial Bank of China, Ltd.	410		0.77	314	0.00%	HKD
B39Z8W4	691 HK	China Shanshui Cement Group, Ltd.	309		0.54	166	0.00%	HKD
17133M303	CGHD LX	Chunghwa Picture Tubes, Ltd., GDR	23		1.63	38	0.00%	USD

Futures - Long

Security ID	Ticker	Security Name	Number of Contracts	Expiration Date	Market Value	% of Total Net Assets	Currency Code
0000LLLU0	LLLLU0	E-Mini MSCI Emerging Markets Index Future Net Cash & Cash Equivalents	375	Sep-10	1,694,108 11,060,077	0.57% 3.73%	USD