



July 2010

Forward International Small Companies 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 International Small Companies Fund—Institutional	-11.59%	-7.81%	9.17%	-15.54%	0.84%	1.81%	7.48%	1.29%/1.29%
MSCI EAFE Small Cap Index	-11.19%	-6.91%	12.60%	-12.76%	1.44%	5.41%	3.64%	

Returns for periods greater than one year are annualized.

*02/07/96

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

Equity markets recovered in July as investors were reassured by the results of European bank stress tests and successful bond auctions within the eurozone. Although economic data indicates a slowing rate of recovery in most developed markets, activity has remained strong enough to support corporate earnings. In the U.S., for example, stocks beat profit expectations across a range of sectors, including Intel, Alcoa, Apple and UPS. Elsewhere strong operating results were seen from Sony and Komatsu in Japan, Samsung in Korea and across a range of European companies including Siemens, Volkswagen and Telefonica.

PERFORMANCE ANALYSIS

The Fund modestly outperformed the benchmark in July. Stocks that contributed positively to performance included *Dana Petroleum* which benefited from a takeover approach from Korea National Oil Company, and *Centennial Coal* which received a bid from Banpu Coal, a Thai coal producer. *St. James's Place* saw strong new business in unit trusts and pension sales, and *Pace* produced strong results for the first half of the year and bought a U.S. telecom gateway business to complement their position in the cable and satellite markets. Stocks that dragged on performance included *N Brown*, where sales suffered as the company tightened its credit policies to avoid bad debts, and *Daphne* where supply problems impacted sales growth.

PORTFOLIO ACTIVITY—OVERWEIGHTINGS AND UNDERWEIGHTINGS

New positions included *GKN*, where prospects are improving within the aerospace business as production schedules increase, and *Cookson* which is benefiting from the improvement in the steel and electronics industries. *Marine Harvest*, the world's largest salmon producer was added, as supply and demand conditions are very attractive in this market. Sales included *Aberdeen Asset Management*, as redemptions in the fixed-interest business continue to drag on total fund flows. *Teleperformance* was sold on fears of the potential impact if new legislation is passed in the U.S.

MARKET OUTLOOK

Although the recovery in global equity markets in July is encouraging, sentiment remains fragile and subject to reversal. Markets are supported by low interest rates, strong corporate earnings and improved balance sheets, together with generally attractive valuations. They do however remain vulnerable to renewed economic hazards associated with the imbalances that triggered the financial crisis. Fiscal retrenchment provides a substantial hurdle for future growth, one which might compromise the robust earnings and valuation picture. Low levels of market liquidity, and poor credit conditions—whether this is banks' unwillingness to lend or an absence of demand by consumers—illustrates the low levels of confidence.



PORTFOLIO STRATEGY

We remain focused on our bottom-up investment process, with an emphasis on stocks that offer identifiable triggers-for-performance, liquidity and earnings growth visibility at attractive valuation levels. As a reminder, current or future portfolio holdings are subject to risk.

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.

A unit trust is structured as an unincorporated mutual fund, which means they are allowed to hold assets and pass the profits on to the individual owners rather than reinvesting them back into the fund. Unit trusts are set up under a trust deed and the investor is essentially the beneficiary under the trust.

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

Investing in foreign securities, especially emerging markets, will involve certain additional risks, including exchange rate fluctuation, political and social instability, less liquidity, greater volatility and less regulation. Small company stocks are generally riskier than large company stocks due to greater volatility and less liquidity.

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 International Small Companies Fund seeks to achieve long-term growth of capital. There is no guarantee 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 International Small Companies Fund

As of 07/31/2010

Security ID	Ticker	Security Name	# of	Market Price	Market Value	% of Total Net Assets	Currency Code
			Shares				
6185622	CEY AU	Centennial Coal Co., Ltd.	1,138,803	\$ 5.41	\$ 6,161,038	1.26%	AUD
B010DT8	CCR LN	C&C Group Plc	1,410,093	4.24	5,972,089	1.22%	EUR
7113990	CLN VX	Clariant AG	431,548	13.25	5,716,965	1.17%	CHF
0331841	PFL LN	Premier Farnell Plc	1,447,803	3.75	5,436,446	1.11%	GBP
3356001	PMO LN	Premier Oil Plc	237,000	22.88	5,422,116	1.11%	GBP
5666292	TUI1 GR	TUI AG	520,330	10.39	5,407,602	1.11%	EUR
0330860	SXS LN	Spectris Plc	380,988	14.19	5,407,329	1.11%	GBP
4689803	PC IM	Pirelli & C. SpA	771,274	6.99	5,392,294	1.10%	EUR
B3WJHK4	INF LN	Informa Plc	862,241	6.16	5,309,096	1.09%	GBP
0575809	MGGT LN	Meggitt Plc	1,123,493	4.69	5,274,665	1.08%	GBP
6470986	4185 JP	JSR Corp.	295,300	17.52	5,174,885	1.06%	JPY
4155586	DCO DC	Danisco AS	67,591	76.06	5,140,796	1.05%	DKK
5183359	NUO NA	Nutreco NV	83,554	60.42	5,048,388	1.03%	EUR
6357562	5801 JP	Furukawa Electric Co., Ltd.	1,126,881	4.44	5,008,650	1.03%	JPY
6642804	8036 JP	Hitachi High-Technologies Corp.	259,000	19.10	4,946,467	1.01%	JPY
6491318	148 HK	Kingboard Chemical Holdings, Ltd.	1,055,800	4.63	4,886,516	1.00%	HKD
B079W58	MCRO LN	Micro Focus International Plc	753,392	6.49	4,885,953	1.00%	GBP
6927374	VMS SP	Venture Corp., Ltd.	713,900	6.73	4,803,784	0.98%	SGD
B1VYK30	MEDAA SS	Meda AB, Class A	598,847	8.02	4,802,621	0.98%	SEK
B06QFB7	IGG LN	IG Group Holdings Plc	645,000	7.43	4,795,321	0.98%	GBP
5827431	BEKB BB	Bekaert NV	21,787	217.50	4,738,588	0.97%	EUR
6858731	6302 JP	Sumitomo Heavy Industries, Ltd.	806,571	5.86	4,723,942	0.97%	JPY
4557104	G1A GR	GEA Group AG	210,036	22.38	4,699,582	0.96%	EUR
B0RJCG9	425 HK	Minth Group, Ltd.	3,130,100	1.50	4,698,676	0.96%	HKD
6467074	FXJ AU	Fairfax Media, Ltd.	3,520,160	1.33	4,697,411	0.96%	AUD
B14NJ71	AMP IM	Amplifon SpA	953,499	4.90	4,672,005	0.96%	EUR
4354350	FPE3 GR	Fuchs Petrolub AG	45,899	101.78	4,671,426	0.96%	EUR
0945736	DMGT LN	Daily Mail & General Trust Plc	613,380	7.61	4,668,999	0.96%	GBP
4818351	SGL GR	SGL Carbon SE	134,100	34.64	4,644,927	0.95%	EUR
B119QG0	PGHN SW	Partners Group Holding AG	32,716	141.12	4,616,734	0.95%	CHF
5165294	ASM NA	ASM International NV	175,459	25.40	4,457,528	0.91%	EUR
0834704	SPX LN	Spirax-Sarco Engineering Plc	181,000	24.49	4,433,476	0.91%	GBP
B1JB4K8	SY1 GR	Symrise AG	177,963	24.84	4,420,260	0.90%	EUR
6906919	4540 JP	Tsumura & Co.	146,700	30.08	4,413,141	0.90%	JPY
6497082	6473 JP	JTEKT Corp.	450,043	9.71	4,370,462	0.90%	JPY
6476218	9787 JP	Aeon Delight Co., Ltd.	223,431	19.50	4,357,674	0.89%	JPY
5942282	SIM DC	SimCorp AS	26,196	166.14	4,352,218	0.89%	DKK
6894898	4186 JP	Tokyo Ohka Kogyo Co., Ltd.	252,300	17.18	4,333,737	0.89%	JPY

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As of 07/31/2010

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			Shares			Net Assets	
B23DKN2	MRO LN	Melrose Plc	1,169,934	3.66	4,282,910	0.88%	GBP
7399369	VIRP FP	Virbac SA	35,300	120.54	4,255,118	0.87%	EUR
5499238	PFV GR	Pfeiffer Vacuum Technology AG	54,328	78.20	4,248,568	0.87%	EUR
5468324	EBRO SM	Ebro Foods SA	243,125	17.46	4,245,507	0.87%	EUR
3325205	DNX LN	Dana Petroleum Plc	157,646	26.85	4,232,489	0.87%	GBP
0147899	AGK LN	Aggreko Plc	176,000	24.04	4,230,915	0.87%	GBP
6817895	9989 JP	Sundrug Co., Ltd.	161,000	25.89	4,168,725	0.85%	JPY
3169889	WMH LN	William Hill Plc	1,589,660	2.62	4,163,164	0.85%	GBP
0472609	SPT LN	Spirent Communications Plc	2,073,882	2.01	4,162,148	0.85%	GBP
6429201	5486 JP	Hitachi Metals, Ltd.	365,228	11.37	4,151,327	0.85%	JPY
6986041	6506 JP	Yaskawa Electric Corp.	543,485	7.54	4,095,246	0.84%	JPY
B1YKG04	IPF LN	International Personal Finance Plc	1,067,600	3.81	4,065,755	0.83%	GBP
B3CX450	CHTR LN	Charter International Plc	355,492	11.33	4,027,448	0.83%	GBP
6897295	1983 JP	Toshiba Plant Systems & Services Corp.	331,949	11.90	3,949,807	0.81%	JPY
6869131	6481 JP	THK Co., Ltd.	199,804	19.76	3,947,745	0.81%	JPY
6642428	7240 JP	NOK Corp.	238,720	16.38	3,909,819	0.80%	JPY
B3ZC078	2270 JP	Megmilk Snow Brand Co., Ltd.	207,894	18.64	3,874,175	0.79%	JPY
7147892	TEMN SW	Temenos Group AG	149,156	25.63	3,823,044	0.78%	CHF
0759476	RPS LN	RPS Group Plc	1,239,700	3.06	3,793,273	0.78%	GBP
6603737	CD SP	ComfortDelGro Corp., Ltd.	3,216,200	1.18	3,784,321	0.77%	SGD
B01RQM3	2343 HK	Pacific Basin Shipping, Ltd.	4,998,496	0.76	3,783,863	0.78%	HKD
B0LKSK4	TNET BB	Telenet Group Holding NV	131,251	28.60	3,753,474	0.77%	EUR
6269861	7532 JP	Don Quijote Co., Ltd.	144,059	26.04	3,751,754	0.77%	JPY
B1Y9JH9	RHA FP	Rhodia SA	180,745	20.64	3,730,926	0.76%	EUR
B16FTB9	TRE SM	Tecnicas Reunidas SA	71,615	51.81	3,710,612	0.76%	EUR
4580586	IND IM	Indesit Co., SpA	310,921	11.87	3,689,140	0.76%	EUR
6164472	GGR SP	Golden Agri-Resources, Ltd.	8,655,190	0.42	3,659,902	0.75%	SGD
B3N2CQ3	MDCA FP	Medica SA	193,933	18.71	3,627,856	0.74%	EUR
6468152	8273 JP	Izumi Co., Ltd.	278,200	12.98	3,609,725	0.74%	JPY
5799949	CSM NA	CSM NV	124,395	29.01	3,608,471	0.74%	EUR
5993901	MMT FP	Metropole Television SA	162,684	22.17	3,607,215	0.74%	EUR
B15SLC4	TGS NO	TGS NOPEC Geophysical Co., ASA	271,859	13.24	3,599,907	0.74%	NOK
4808084	SIK SW	Sika AG	1,898	1,882.50	3,572,985	0.73%	CHF
4717629	RHK GR	Rhoen-Klinikum AG	155,479	22.88	3,557,881	0.73%	EUR
B012TP2	HFD LN	Halfords Group Plc	468,551	7.55	3,536,428	0.72%	GBP
6179573	903 HK	TPV Technology, Ltd.	5,573,200	0.63	3,522,937	0.72%	HKD
B02L486	MHG NO	Marine Harvest ASA	4,671,094	0.75	3,520,552	0.72%	NOK
0667278	PIC LN	Pace Plc	1,061,609	3.31	3,511,544	0.72%	GBP

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			Shares				
5523881	KRN GR	Krones AG	61,772	56.69	3,501,677	0.72%	EUR
6149457	4967 JP	Kobayashi Pharmaceutical Co., Ltd.	82,941	42.19	3,499,276	0.72%	JPY
B08BR25	CPR IM	Davide Campari-Milano SpA	661,520	5.27	3,484,883	0.71%	EUR
B0Z5YZ2	AKE FP	Arkema	79,537	43.59	3,467,053	0.71%	EUR
5980958	HAV FP	Havas SA	714,638	4.84	3,459,713	0.71%	EUR
5298781	BB FP	Societe BIC SA	46,340	74.41	3,448,159	0.71%	EUR
6986461	5101 JP	The Yokohama Rubber Co., Ltd.	642,443	5.35	3,435,484	0.70%	JPY
B01WT63	DUE AU	DUET Group	2,293,847	1.48	3,393,019	0.70%	AUD
B096LW7	FUR NA	Fugro NV	63,871	52.80	3,372,211	0.69%	EUR
4247494	DIE BB	SA D'leteren NV	6,931	482.17	3,341,895	0.68%	EUR
B3FF8W8	6465 JP	Hoshizaki Electric Co., Ltd.	189,807	17.55	3,330,603	0.68%	JPY
6190648	8544 JP	The Keiyo Bank, Ltd.	663,800	5.01	3,326,875	0.68%	JPY
7744709	SRN IM	Sorin SpA	1,713,124	1.94	3,326,368	0.68%	EUR
6049784	8572 JP	Acom Co., Ltd.	189,850	17.49	3,320,370	0.68%	JPY
B1FW502	HOC LN	Hochschild Mining Plc	728,050	4.54	3,306,151	0.68%	GBP
0447889	HTG LN	Hunting Plc	398,371	8.16	3,250,528	0.67%	GBP
B1FP891	BBA LN	BBA Aviation Plc	1,047,617	3.08	3,221,970	0.66%	GBP
0766937	STJ LN	St. James's Place Capital Plc	743,152	4.33	3,218,471	0.66%	GBP
6718211	8959 JP	Nomura Real Estate Office Fund, Inc.	596	5,278.08	3,145,738	0.64%	JPY
3064650	GKN LN	GKN Plc	1,479,047	2.12	3,135,452	0.64%	GBP
4783211	IRE IM	Iren SpA	1,925,101	1.60	3,073,157	0.63%	EUR
6527031	856 HK	VST Holdings, Ltd.	9,534,000	0.32	3,044,006	0.62%	HKD
B1WP656	DNORD DC	D/S Norden AS	76,928	39.26	3,020,319	0.62%	DKK
6594604	8155 JP	Mimasu Semiconductor Industry Co., Ltd.	253,800	11.75	2,981,735	0.61%	JPY
6309262	9684 JP	Square Enix Holdings Co., Ltd.	153,000	19.30	2,952,150	0.60%	JPY
6714974	3433 JP	Tocalo Co., Ltd.	172,700	16.99	2,934,471	0.60%	JPY
5588169	BIJ GR	Bijou Brigitte Modische Accessoires AG	20,376	144.00	2,934,110	0.60%	EUR
6371863	2702 JP	McDonald's Holdings Co., Ltd.	130,870	22.36	2,926,568	0.60%	JPY
B0V2C19	BULL FP	Bull SA	886,201	3.30	2,921,783	0.60%	EUR
7084892	APR FP	April Group	111,821	25.93	2,899,824	0.59%	EUR
6728555	904 HK	China Green Holdings, Ltd.	2,762,277	1.04	2,866,296	0.59%	HKD
B011JK4	GTO FP	Gemalto NV	69,362	41.05	2,847,261	0.58%	EUR
6341606	FBU NZ	Fletcher Building, Ltd.	510,300	5.51	2,814,284	0.58%	NZD
B1CKQ73	DNLM LN	Dunelm Group Plc	445,489	6.26	2,788,457	0.57%	GBP
6172453	8060 JP	Canon Marketing Japan, Inc.	200,300	13.58	2,719,508	0.56%	JPY
6011200	7238 JP	Akebono Brake Industry Co., Ltd.	575,700	4.60	2,645,441	0.54%	JPY
4714750	KUNN SW	Kuoni Reisen Holding AG	8,428	311.27	2,623,384	0.54%	CHF
B1W4V69	PRY IM	Prysmian SpA	150,978	16.91	2,553,780	0.52%	EUR

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As of 07/31/2010

Security ID	Ticker	Security Name	# of	Market Price	Market Value	% of Total	Currency
			Shares			Net Assets	
6249799	440 HK	Dah Sing Financial Holdings, Ltd.	414,800	6.13	2,541,935	0.52%	HKD
B1P6ZR1	BWNG LN	N. Brown Group Plc	669,796	3.57	2,387,887	0.49%	GBP
B3WK547	CKSN LN	Cookson Group Plc	333,731	6.97	2,325,104	0.48%	GBP
6704351	210 HK	Daphne International Holdings, Ltd.	2,466,168	0.93	2,282,813	0.47%	HKD
6463016	9742 JP	INES Corp.	341,679	6.48	2,214,714	0.45%	JPY
7128563	BEN IM	Benetton Group SpA	293,034	7.01	2,054,450	0.42%	EUR
B1DGKS9	8418 JP	Yamaguchi Financial Group, Inc.	217,127	9.38	2,035,683	0.42%	JPY
4253372	DANR IM	Danieli & C. Officine Meccaniche SpA	176,543	10.84	1,912,969	0.39%	EUR
6003843	AWE AU	Australian Worldwide Exploration, Ltd.	1,328,174	1.41	1,874,492	0.38%	AUD
6432715	1379 JP	Hokuto Corp.	87,422	19.71	1,723,244	0.35%	JPY
6774785	6707 JP	Sanken Electric Co., Ltd.	363,000	3.92	1,424,353	0.29%	JPY
7416763	KBC GR	Kontron AG	149,403	7.96	1,189,586	0.24%	EUR
5763201	VCT FP	SA des Ciments Vicat	14,829	67.58	1,002,166	0.21%	EUR
7294334	ZC FP	Zodiac Aerospace	8,020	56.41	452,384	0.09%	EUR
		Net Cash & Cash Equivalent			10,768,686	2.20%	