



Second Quarter, 2010

Forward International Real Estate Fund

Advised by Forward Management, LLC

Performance as of June 30, 2010	2Q10	YTD	1 Year	3 Year	Since Inception*	Gross/Net [†] Expenses
Forward International Real Estate Fund – A (NAV) ¹	-8.68%	-7.92%	12.12%	-17.01%	-7.54%	1.85% / 1.65%
Forward International Real Estate Fund – A (MOP) ²	-13.95%	-13.22%	5.65%	-18.64%	-8.85%	
FTSE EPRA/NAREIT Developed ex-U.S. Index	-10.12%	-9.56%	10.60%	-15.70%	-5.52%	

Returns for periods greater than one year are annualized.

¹Excludes sales charge

²Reflects effects of the Fund's maximum sales charge of 5.75%

*4/28/06

[†]The Fund's investment advisor has contractually agreed to waive a portion of its fees and reimburse other expenses until June 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 Class A shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.65%.

The Class A shares of the Kensington International Real Estate Fund were reorganized into the Class A shares of the Forward International Real Estate Fund, and the Investment Advisor was changed to Forward Management, LLC, on June 15, 2009. Performance figures shown prior to June 15, 2009 represent performance of the Class A shares of the Kensington International Real Estate Fund.

The performance data 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 an investor's shares, when redeemed, may be worth more or less than their original cost. Investment performance reflects fee waivers in effect. Performance data current to the most recent month end may be obtained at www.forwardfunds.com. 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.

FUND DESCRIPTION

The Forward International Real Estate Fund invests in a portfolio of non-U.S. real estate securities. The Fund seeks total return from both capital appreciation and current income, investing primarily in high-quality commercial and residential real estate companies located in Asia, Australia, Europe, Canada and Latin America. Over the past 12 months, approximately two-thirds of the Fund's assets have been invested in companies in the Asia/Pacific region. Nearly all of the Fund's investments are held in local currencies.

STRATEGY – AN EMPHASIS ON KNOWLEDGE-BASED CITIES WITH EXCELLENT TRANSPORTATION LINKS

The Fund employs a "bottom-up" approach to stock selection with emphases on superior property location and quality, strong prospects for appreciation in property rents and values, and management's track record for adding value. Understanding the assets owned by the Real Estate Investment Trusts (REITs) and developers in our portfolio is a very important undertaking. Over the years our many property visits in Europe and Asia have reinforced our philosophy that superior long-run returns are best generated by investing in major cities (often capitals) that attract knowledge-based industries and are served by excellent transportation links. In turn, high quality property located on or near key transportation nodes will remain scarce and be able to best attract top-notch tenants and grow rents over time. Modern, efficient subway or train systems that are used by most of the local residents are defining characteristics of cities like London, Tokyo, Paris, Hong Kong and Singapore – cities that are well represented in our key holdings.

SECOND QUARTER 2010 IN REVIEW

U.S. and International equity markets fared poorly in second quarter 2010 as the economic recovery weakened, leading to negative total returns for major indexes like the S&P 500 and the MSCI All-World Index. Sovereign risk concerns continued to rise for Greece and other southern and eastern European nations, leading to a sell-off in both the euro and euro-area stocks. A new government in the United Kingdom undertook a more restrictive fiscal spending policy, while concerns over the United States' slow job growth and rising deficits also hurt the outlook for our major trading partners overseas. Lastly, China undertook a series of steps to rein in growth, fueling further worries over the possibility of a new global slowdown. All told,



we believe this correction was healthy and warranted, and that fundamentals for a moderately-paced and long-term global recovery are still in place.

In contrast to these economic fears, international real estate capital markets and space leasing markets continued to improve. Vacancy rates continued to decline in many key markets, aided by a slowdown in construction and rising tenant demand. Rents have stabilized or are rising in many markets. Persistently low interest rates worldwide and a desire for real assets are once again attracting sovereign wealth funds, pensions funds, institutional investors and individuals to the benefits of real property investing.

The Fund returned -8.7% in 2Q10; however, it fared much better than its benchmark, which was down 10.1%. Year-to-date through June 30, 2010 the Fund generated total returns of -7.9%, exceeding its benchmark return of -9.6%.

During the second quarter, superior relative returns were achieved by positive stock selection in all regions, but notably in Japan, Singapore, the United Kingdom and Hong Kong. Regional overweights and underweights vs. our benchmark helped the Fund's relative performance, especially our underweight stance in China and overweights to Singapore and Hong Kong. Being overweight in Japan hurt, although our stock selection more than made up for this.

Property stocks in Singapore were the strongest performers, delivering -1.0% USD returns, followed by Canada at -4.3% and Hong Kong at -7.9%. Returns for Australia and Japan were very close to the benchmark return of -10.1%. The laggards were the United Kingdom, China, and Continental Europe, which lost 13.8%, 14.3% and 17.8% respectively. These returns reflect the U.S. dollar's strength during the quarter, which negatively affected returns in Europe, Australia, Canada and the UK. Reflecting the benefits of diversification, our holdings in Japan and Singapore gained vs. the dollar.

REGIONAL HIGHLIGHTS AND INTERESTING STOCKS

Many of our favorite stocks this quarter are again located in **Hong Kong**. This traditional gateway to Mainland China arguably has the healthiest real estate market in the world for office, retail and residential properties – aided by a scarcity of prime land sites, a growing economy, low unemployment, renewed job growth and capital inflows from China. Hong Kong comprises the largest part of our benchmark index (over 20%) and is home to some of the finest developers and property investors in the world. Five of our top 10 holdings are in Hong Kong, including our continued overweight position in the prime Central district landlord, Hongkong Land, which outperformed in the quarter due to its defensive characteristics.

This quarter we visited Hong Kong and toured its office, retail and residential properties; we found confirmation of a very healthy economy and real estate market. Hong Kong's office market is beginning a strong upward trend, with vacancy below 5% in the two most central submarkets. Rents have risen by over 13% on average in the first six months of this year and are expected to continue their rebound for some time as new construction is very limited. Well-priced residential apartments (condominiums) are also achieving higher prices amid strong end-user demand, although there are signs of overheating in certain luxury segments that are more typically sold to investors.

Although Hong Kong-listed **China** property stocks make up about 6% of our benchmark index, the Fund fared well by avoiding Chinese homebuilder stocks in the second quarter. Weekly reports on residential property sales volumes and pricing have shown that the government's many policy moves to curb a property bubble have indeed cooled the market, with much lower weekly sales volumes and prices that are now about 10% off peak levels. But prices are still higher than at the start of 2009 and we are still relatively bearish. We believe sales prices will fall further and will cause sales volumes to slow more than expected. We remain underweight this segment but monitor it very closely and expect to selectively increase our holdings.

Our trip to **Singapore** this quarter confirmed our bullish stance and the Fund remains overweight in Singapore property stocks. Many Singapore REITs offer an attractive dividend yield and high portfolio quality, and the new developments by holdings like Keppel Land are very exciting. The downtown office market has just recently started to improve in terms of rising rents, as most of this year's new developments have been substantially leased prior to completion, exceeding most expectations. Investor demand for prime properties has resumed – as evidenced by CapitaCommercial Trust's (one of our top 10 holdings at June 30) recent sale of its Starhub Center office at a whopping 43% higher than its appraisal. Singapore again raised its forecasted 2010 GDP growth, from a previous range of 7-9% up to 10-13%, fueled by a rebound in manufacturing and its Asian trade ties.



Malaysia is one of our few Emerging Market holdings outside of China at this point, although we are continually monitoring candidates in Thailand, Philippines, Brazil, Turkey and a select few other Emerging Markets. Malaysia's economy is expected to grow by 7% in 2010, driven by strong consumer spending and surging exports (electronics, commodities). Our holdings include KLCC, which is a low-leveraged company with holdings including the iconic 2.5 million square foot Petronas Twin Towers, as well as diversified developer IGB Berhad. We are looking to add more Malaysian holdings in the third quarter and note with interest two recent initial public offerings of Malaysian REITs.

Even in slower growth parts of the globe, like Continental Europe, the **United Kingdom** and Japan, we have identified stocks that we think are very attractive and offer excellent return potential. In the United Kingdom, we favor smaller, specialists companies like Shaftesbury, Derwent London, Great Portland Estates, Minerva and Workspace that are focused on London. Although statistics show weak GDP growth for the country as a whole, Central London benefits from its historical role as a center for international business and trade, often acting as a gateway city to the Continent for companies from Asia, the Americas and the Middle East.

MARKET OUTLOOK

We remain very upbeat about the prospects for international real estate, even though second quarter 2010 did not prove to be a lucrative period for international investing. The sudden rebound in the U.S. dollar, which negatively impacted second quarter returns, now appears to be waning and heading back to a period of weakness. International real estate stocks can act as a hedge against dollar weakness while also providing long-term growth prospects and inflation-protection through increased market rents in times of global growth.

Barring a worldwide "double-dip" recession, which we find unlikely, international real estate markets are at the early stages of a cyclical recovery that should last for several years. Most of our stocks are trading at significant discounts to estimated net asset value, a measure of their potential value if their property assets were sold. We think this will provide the attractive, if not compelling, total returns that make international real estate a valuable, diversifying asset class. We are happy to be coming back to a fundamentals-driven market, where relative valuations make sense, growth prospects and management skill matter again, and careful stock-picking can produce excess returns. The high quality public companies that are represented in our fund have balance sheet capacity and access to capital, putting them in a good position to benefit long-term from buying assets at attractive prices.

As always, we are happy to share our thoughts on any of our stock holdings and regional views. Please contact us if you would like more information.

The FTSE NAREIT Composite Index is an unmanaged index of Real Estate Investment Trust stocks. The FTSE NAREIT Equity REITs Index is an index, with dividends reinvested, representative of tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange and the NASDAQ National Market. One cannot invest directly in an index.

A basis point is one hundredth of a percentage point (0.01%).

There are risks involved with investing, including loss of principal. Past performance does not guarantee future results, share prices will fluctuate, and you may have a gain or loss when you redeem shares.

The Fund will invest in lower-rated debt securities and may utilize derivatives for hedging purposes. The Fund's use of short selling and derivatives involves additional risks and transaction costs, and creates leverage, which can increase the volatility of the Fund. The Fund may invest in a larger percentage of its assets in the securities of a smaller number of issuers, since it is a "non-diversified" mutual fund. Foreign securities, especially emerging markets, will involve additional risks including exchange rate fluctuations, social and political instability, liquidity, greater volatility and less regulation.

REIT funds will be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographic sector. Risks also include declines in the value of real estate, general and economic conditions.

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 Real Estate Fund seeks total return through capital appreciation and current income by investing primarily in equity securities of non-U.S. real estate companies.

Forward Funds are distributed by ALPS Distributors, Inc.

Not FDIC Insured | No Bank Guarantee | May Lose Value



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As of June 30, 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 Real Estate Fund
As of 06/30/2010

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
6859927	16 HK	Sun Hung Kai Properties, Ltd.	204,100	\$13.68	\$2,791,265	6.89%	HKD
7076242	UL FP	Unibail-Rodamco SE	13,338	162.98	2,173,859	5.37%	EUR
6434915	HKL SP	Hongkong Land Holdings, Ltd.	379,000	4.94	1,873,397	4.63%	HKD
6596729	8802 JP	Mitsubishi Estate Co., Ltd.	126,000	13.92	1,754,131	4.33%	JPY
B01BTX7	WDC AU	Westfield Group	165,144	10.16	1,678,144	4.14%	AUD
6597603	8801 JP	Mitsui Fudosan Co., Ltd.	109,800	13.92	1,528,248	3.77%	JPY
6420538	12 HK	Henderson Land Development Co., Ltd.	200,000	5.86	1,171,411	2.89%	HKD
6449629	14 HK	Hysan Development Co., Ltd.	408,000	2.83	1,153,360	2.85%	HKD
B011YD2	CCT SP	CapitaCommercial Trust	1,315,900	0.87	1,139,763	2.81%	SGD
6435576	4 HK	Wharf Holdings, Ltd.	215,000	4.84	1,041,580	2.57%	HKD
B1CBVY8	3229 JP	Nippon Commercial Investment Corp.	917	958.75	879,171	2.17%	JPY
B4MTF63	SBD LN	Songbird Estates Plc	380,000	2.29	869,464	2.15%	GBP
7582556	LI FP	Klepierre	27,861	27.63	769,772	1.90%	EUR
6387406	41 HK	Great Eagle Holdings, Ltd.	252,000	2.54	640,607	1.58%	HKD
6853468	KPLD SP	Keppel Land, Ltd.	232,000	2.76	640,193	1.58%	SGD
6436386	45 HK	The Hongkong & Shanghai Hotels	379,000	1.65	625,745	1.54%	HKD
112900956	BPO CN	Brookfield Properties Corp.	44,000	14.04	617,914	1.53%	CAD
6205694	IOF AU	IOF Office Fund	1,280,000	0.48	617,912	1.53%	AUD
0265274	DLN LN	Derwent London Plc	33,100	18.59	615,443	1.52%	GBP
6420129	CT SP	CapitaMall Trust	466,000	1.30	607,502	1.50%	SGD
6309303	CAPL SP	CapitaLand, Ltd.	231,500	2.55	590,306	1.46%	SGD
6633767	17 HK	New World Development Co., Ltd.	353,000	1.62	573,076	1.42%	HKD
766910103	REI-U CN	RioCan Real Estate Investment Trust	30,400	17.89	543,719	1.34%	CAD
B01FLL1	GPOR LN	Great Portland Estates Plc	123,800	4.32	534,709	1.32%	GBP
6486314	683 HK	Kerry Properties, Ltd.	122,000	4.32	527,154	1.30%	HKD
0595368	MNR LN	Minerva Plc	319,105	1.61	515,012	1.27%	GBP
B031SG1	8933 JP	NTT Urban Development Corp.	620	794.44	492,554	1.22%	JPY
4491097	CTY1S FH	Citycon OYJ	167,321	2.94	492,289	1.22%	EUR
B0C5Q59	8972 JP	Kenedix Realty Investment Corp.	176	2,784.73	490,112	1.21%	JPY
4643304	FLY FP	Societe Fonciere Lyonnaise SA	12,466	36.78	458,438	1.13%	EUR
6190273	1 HK	Cheung Kong Holdings, Ltd.	37,000	11.54	427,009	1.05%	HKD
B1N2ZR1	3240 JP	Nomura Real Estate Residential Fund, Inc.	115	3,708.08	426,429	1.05%	JPY
4449137	HUFVA SS	Hufvudstaden AB, Class A	55,800	7.62	425,263	1.05%	SEK
0406501	HMSO LN	Hammerson Plc	80,000	5.10	407,805	1.01%	GBP
6850856	SGP AU	Stockland	130,017	3.10	403,523	1.00%	AUD
B033YN6	DXS AU	Dexus Property Group	614,697	0.64	394,431	0.97%	AUD
B5Z1N18	SGRO LN	Segro Plc	102,760	3.77	387,442	0.96%	GBP
B0NNX17	8979 JP	Starts Proceed Investment Co.	395	978.39	386,465	0.95%	JPY
4929286	CORA NA	Corio NV	7,500	48.56	364,208	0.90%	EUR
B02FW17	KLCC MK	KLCC Property Holdings Bhd	380,000	0.95	359,483	0.89%	MYR
131253205	CWT-U CN	Calloway Real Estate Investment Trust	18,200	19.65	357,657	0.88%	CAD
6972385	WINGT SP	Wing Tai Holdings, Ltd.	306,000	1.12	342,214	0.85%	SGD
6396800	8951 JP	Nippon Building Fund, Inc.	43	7,934.53	341,185	0.84%	JPY
6123343	8871 JP	GOLDCREST Co., Ltd.	19,300	17.28	333,565	0.82%	JPY
6771032	69 HK	Shangri-La Asia, Ltd.	172,000	1.85	317,463	0.78%	HKD
0529635	WKP LN	Workspace Group Plc	975,000	0.32	312,472	0.77%	GBP
0799096	SHB LN	Shaftesbury Plc	56,960	5.35	304,706	0.75%	GBP
134921105	CAR-U CN	Canadian Apartment Properties Real Estate Investment Trust	21,000	14.07	295,505	0.73%	CAD
6411758	4321 JP	Kenedix, Inc.	1,710	164.69	281,619	0.69%	JPY
0136701	BLND LN	British Land Co., Plc	42,956	6.46	277,465	0.69%	GBP
3180943	LAND LN	Land Securities Group Plc	32,809	8.28	271,516	0.67%	GBP
7595747	SIL FP	Societe Immobiliere de Location pour l'Industrie et le Commerce	2,621	98.72	258,571	0.64%	EUR
6397580	8952 JP	Japan Real Estate Investment Corp.	30	8,145.60	244,368	0.60%	JPY
6361370	CFX AU	CFS Retail Property Trust	150,000	1.58	237,096	0.59%	AUD
B0PVBN7	808 HK	Prosperity REIT	1,306,000	0.18	233,983	0.58%	HKD
B12RQH4	KREIT SP	K-REIT Asia	268,000	0.81	217,572	0.54%	SGD
6703994	CQO AU	Charter Hall Office REIT	1,000,000	0.21	208,754	0.52%	AUD
617914106	MRT-U CN	Morguard Real Estate Investment Trust	16,500	12.40	204,593	0.51%	CAD
6161978	MGR AU	Mirvac Group	187,000	1.09	204,220	0.50%	AUD
B15KGC5	NPRO NO	Norwegian Property ASA	150,000	1.31	195,918	0.48%	NOK
B23WXW9	PREIT SP	Parkway Life Real Estate Investment Trust	200,000	0.97	193,957	0.48%	SGD
6150664	CPA AU	Commonwealth Property Office Fund	245,810	0.78	190,958	0.47%	AUD
16140U100	CSH-U CN	Chartwell Seniors Housing Real Estate Investment Trust	28,000	6.74	188,587	0.47%	CAD
6455273	IGB MK	IGB Corp. Bhd	350,000	0.54	188,346	0.47%	MYR
B0LNTF5	8976 JP	DA Office Investment Corp.	80	2,219.76	177,581	0.44%	JPY
B3DL408	3265 JP	Hulic Co., Ltd.	23,000	7.51	172,768	0.43%	JPY
B62WZW2	3269 JP	Advance Residence Investment Corp.	120	1,300.68	156,082	0.39%	JPY
13650J104	REF-U CN	Canadian Real Estate Investment Trust	5,600	26.10	146,135	0.36%	CAD
B1CJWM5	3231 JP	Nomura Real Estate Holdings, Inc.	10,000	12.52	125,152	0.31%	JPY
6153629	AG SP	Allgreen Properties, Ltd.	160,000	0.73	116,664	0.29%	SGD
B1Y4VX4	FABG SS	Fabege AB	16,368	5.92	96,946	0.24%	SEK
665624102	NPR-U CN	Northern Property Real Estate Investment Trust	4,400	21.77	95,808	0.24%	CAD
45771T108	INN-U CN	InnVest Real Estate Investment Trust	16,000	5.55	88,826	0.22%	CAD
B17KM7	YLLG SP	Yanlord Land Group, Ltd.	70,000	1.22	85,708	0.21%	SGD
B1VXKN7	GENM MK	Genting Malaysia BHD	100,000	0.84	83,892	0.21%	MYR
019456102	AP-U CN	Allied Properties Real Estate Investment Trust	4,500	18.42	82,894	0.20%	CAD
6687203	8957 JP	Tokyu REIT, Inc.	14	5,195.39	72,735	0.18%	JPY
4347297	COL SM	Inmobiliaria Colonial SA	304,578	0.15	46,296	0.11%	EUR
31943B100	FCR CN	First Capital Realty, Inc.	3,000	12.78	38,354	0.09%	CAD
B020WH5	8983 JP	JAPAN OFFICE Investment Corp.	25	920.28	23,007	0.06%	JPY
B563405	879 HK	Henderson Land Development Co., Ltd.	44,400	0.17	7,526	0.02%	HKD
		Net Cash & Cash Equivalents			286,917	0.71%	
					\$ 40,493,710	100.00%	