



Second Quarter, 2010

Forward Real Estate Fund

Advised by Forward Management, LLC

Performance as of June 30, 2010	2Q10	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross/Net† Expenses
Forward Real Estate Fund – Investor Class	-3.08%	3.55%	47.59%	-12.13%	-2.19%	7.28%	6.92%	1.74/1.61†
FTSE NAREIT Equity REITs Index	-4.06%	5.56%	53.90%	-9.00%	0.20%	9.86%	8.85%	

Returns for periods greater than one year are annualized.

*9/15/99

†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 Investor Class shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.60%.

Performance figures and other portfolio data shown for periods prior to March 1, 2010, do not reflect the current portfolio managers' performance or strategy.

Prior to January 20, 2009, the Fund was named the Forward Progressive 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.

INVESTMENT STRATEGY

The Forward Real Estate Fund is designed for investors seeking total return through a combination of high current income relative to other equity alternatives and long-term growth of capital. The Fund invests primarily in securities issued by real estate companies.

PERFORMANCE

The Fund reported a 3.55% return for the half year ending June 30, 2010, trailing the Real Estate Investment Trust (REIT) benchmark's 5.56%. Defensive positioning during the first quarter led to relative underperformance – a total return of 6.86% for the Fund compared to a very strong 10.02% for the benchmark. This was followed by outperformance during the second quarter, as the Fund was aided by its positioning and returned -3.08% vs. the benchmark's -4.06%.

PORTFOLIO REVIEW

Over the course of the first half of the year, the Fund's holdings in companies classified as diversified, net lease and apartment companies were the largest contributors to fund performance. Industrial and hotel holdings negatively impacted portfolio performance.

The Fund's portfolio is currently focused on high-quality companies that have raised needed capital to mitigate their refinancing risk and which can now compete in an exceptionally competitive market for tenants – we believe these companies will make attractive investments in coming years. As of June 30, 2010, the Fund's portfolio was overweight retail and apartment companies when compared to the benchmark, with the largest underweights including the diversified and hotel property types. The portfolio was modestly less defensive at quarter-end vs. earlier in the year as it appears a gradual economic recovery is underway; cash holdings were just under 3%.

Credit availability continued for public REITs during the first half of the year as they raised over \$9 billion of equity, nearly \$11 billion of unsecured debt, and a little over \$1 billion in initial public offerings. This fresh capital has strengthened balance sheets, allowed companies to compete effectively for tenants, and put some companies in a position to opportunistically acquire properties.



MARKET OUTLOOK

We expect a continuation of additional equity and debt issuance by public real estate companies through the remainder of the year and anticipate seeing frequent headlines involving the extreme difficulties faced by commercial property owners. Much of this stress stems from the inability of non-listed owners especially to access capital, occasionally forcing them to return properties to their lenders as mortgages mature. The ensuing eventual sale of collateral by commercial banks may become an important opportunity for the public companies in our portfolio but certainly there will be negative headlines.

Longer term, we see good news in the lack of new buildings under construction in nearly all major domestic commercial real estate markets. Newly supplied square footage as a percentage of existing inventory is at record lows. As job growth eventually occurs and occupancies begin to firm, there should be important real rental rate growth.

Given current fair valuations and weak but slowly improving fundamentals, we believe a cautious posture for the Fund remains appropriate. We will continue to focus on companies with proven business franchises and fortified balance sheets. Volatility in securities prices is continuing; however, the worst point of crisis-oriented volatility is likely behind us. As fellow stakeholders, we thank you for your continued interest and investment in the Fund.

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%).

Fair Valuation is defined as a rational and unbiased estimate of the potential market price of a good, service or asset.

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.

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.

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 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
					\$		
828806109	SPG	Simon Property Group, Inc.	37,047	\$ 80.75	2,991,545	9.05%	USD
929042109	VNO	Vornado Realty Trust	25,172	72.95	1,836,297	5.56%	USD
29476L107	EQR	Equity Residential	42,800	41.64	1,782,192	5.39%	USD
74460D109	PSA	Public Storage, Inc.	15,600	87.91	1,371,396	4.15%	USD
101121101	BXP	Boston Properties, Inc.	19,215	71.34	1,370,798	4.15%	USD
44107P104	HST	Host Hotels & Resorts, Inc.	88,585	13.48	1,194,126	3.61%	USD
40414L109	HCP	HCP, Inc.	34,900	32.25	1,125,525	3.41%	USD
053484101	AVB	AvalonBay Communities, Inc.	12,000	93.37	1,120,440	3.39%	USD
92276F100	VTR	Ventas, Inc.	23,000	46.95	1,079,850	3.27%	USD
313747206	FRT	Federal Realty Investment Trust	15,000	70.27	1,054,050	3.19%	USD
015271109	ARE	Alexandria Real Estate Equities, Inc.	15,800	63.37	1,001,246	3.03%	USD
42217K106	HCN	Health Care REIT, Inc.	22,900	42.12	964,548	2.92%	USD
948741103	WRI	Weingarten Realty Investors, Inc.	46,000	19.05	876,300	2.65%	USD
875465106	SKT	Tanger Factory Outlet Centers, Inc.	20,900	41.38	864,842	2.62%	USD
253868103	DLR	Digital Realty Trust, Inc.	14,500	57.68	836,360	2.53%	USD
743410102	PLD	ProLogis	82,300	10.13	833,699	2.52%	USD
554382101	MAC	The Macerich Co.	22,000	37.32	821,040	2.48%	USD
133131102	CPT	Camden Property Trust	20,000	40.85	817,000	2.47%	USD
78440X101	SLG	SL Green Realty Corp.	13,800	55.04	759,552	2.30%	USD
024835100	ACC	American Campus Communities, Inc.	26,700	27.29	728,643	2.20%	USD
681936100	OHI	OMEGA Healthcare Investors, Inc.	36,000	19.93	717,480	2.17%	USD
277276101	EGP	EastGroup Properties, Inc.	19,300	35.58	686,694	2.08%	USD
84610H108	SSS	Sovran Self Storage, Inc.	19,700	34.43	678,271	2.05%	USD
939653101	WRE	Washington Real Estate Investment Trust	24,400	27.59	673,196	2.04%	USD
49446R109	KIM	Kimco Realty Corp.	49,100	13.44	659,904	2.00%	USD
25960P109	DEI	Douglas Emmett, Inc.	43,700	14.22	621,414	1.88%	USD
729251108	PCL	Plum Creek Timber Co., Inc.	17,700	34.53	611,181	1.85%	USD
962166104	WY	Weyerhaeuser Co.	15,053	35.20	529,866	1.60%	USD
00163T109	AMB	AMB Property Corp.	20,900	23.71	495,539	1.50%	USD
609720107	MNR	Monmouth Real Estate Investment Corp.	60,900	7.39	450,051	1.36%	USD
30068C109	EXL	Excel Trust, Inc.	37,000	12.00	444,000	1.34%	USD
81721M109	SNH	Senior Housing Properties Trust	17,300	20.11	347,903	1.05%	USD
49427F108	KRC	Kilroy Realty Corp.	11,100	29.73	330,003	1.00%	USD
31430F101	FCH	FelCor Lodging Trust, Inc.	60,000	4.99	299,400	0.90%	USD
437306103	HME	Home Properties, Inc.	6,000	45.07	270,420	0.82%	USD
045604105	AEC	Associated Estates Realty Corp.	20,600	12.95	266,770	0.81%	USD
444097109	HPP	Hudson Pacific Properties, Inc.	13,330	17.25	229,943	0.70%	USD
16208T102	CLDT	Chatham Lodging Trust	10,500	17.87	187,635	0.57%	USD
05564E106	BRE	BRE Properties, Inc.	5,000	36.93	184,650	0.56%	USD
44106M102	HPT	Hospitality Properties Trust	4,300	21.10	90,730	0.27%	USD
		Net Cash & Cash Equivalents			845,686	2.56%	
					33,050,185	100.00%	