



Second Quarter 2010

## Forward Global Infrastructure Fund

Advised by Forward Management, LLC

Performance as of June 30, 2010	2Q	YTD	1 Year	Since Inception*	Gross / Net <sup>†</sup> Expenses
Forward Global Infrastructure Fund—A (NAV) <sup>1</sup>	-14.08%	-15.41%	1.15%	-11.62%	1.53% / 1.50%
Forward Global Infrastructure Fund—A (MOP) <sup>2</sup>	-19.00%	-20.26%	-4.68%	-13.35%	
S&P Global Infrastructure Index	-11.92%	-13.05%	6.57%	-10.23%	

Returns for periods greater than one year are annualized.

Excludes sales charge.

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

\*06/29/07

<sup>†</sup>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 1.50%.

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](http://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 Global Infrastructure Fund seeks total return through capital appreciation and current income. The Fund invests primarily in global infrastructure-related securities.

The Fund invests in the physical structures and networks providing necessary services to society, such as transportation and communications networks, utilities, energy storage and transportation, and public service facilities. In addition to the Fund's focus on investments in mature infrastructure networks that generate positive cash flow and relatively stable revenue streams, the Fund will seek opportunities to participate in the growth in global infrastructure spending through investments in infrastructure-related businesses that provide the services and raw materials necessary for the construction and maintenance of infrastructure assets.

### FUND PERFORMANCE

In the second quarter, the Fund returned -14.08%, underperforming the S&P Global Infrastructure Index which returned -11.92%. Relative underperformance during the quarter was driven by both stock selection and allocation impacts. While stock selection was positive within the Utilities and Transportation Infrastructure groups, the positive impact was offset by poor selection among the Energy Infrastructure companies. The allocation impact was negative overall, with positive contribution from some groups outweighed by negative contribution from the Energy Infrastructure and Materials groups, primarily. Overall, more than half of the delta between the portfolio and the benchmark can be attributed to three companies whose shares were greatly impacted by fallout from BP's oil spill in the Gulf of Mexico. The shares of *Transocean* (RIG), *Halliburton* (HAL) and *Cameron* (CAM) all came under significant pressure following the dissemination of their various respective relationships with BP.

The largest contributors to performance in the second quarter included: *American Tower* (AMT), a tower operator poised to benefit from long-term industry trends that were front and center in the quarter with the recent release of the iPad along with the iPhone; *Zhejiang Expressway* (576 HK), a Hong Kong-listed operator of Chinese toll roads that continues to benefit from strength in the Chinese domestic economy; *SMRT* (MRT SP), the operator of Singapore's Mass Rapid Transit system which is benefiting from Singapore's robust economic growth and increased tourism; *NextEra Energy* (NEE); which rallied



after suffering through a poor rate case ruling in the prior quarter; and *SABESP* (SBS), a Sao Paulo, Brazil-based water utility that benefited from a more clear regulatory framework emerging in the quarter.

The largest detractors to performance in the second quarter included: *Williams* (WMB), a U.S.-based operator of pipelines that could be impacted by reduced Gulf of Mexico production; *Vinci* (DG FP) a French-based operator/builder of infrastructure assets, whose business could be impacted by austerity measures in Europe; *Mosaic* (MOS), a U.S.-based producer and distributor of fertilizer where volume trends have been favorable, but stronger pricing trends have yet to emerge; *Atlantia* (ATL IM), an Italian-based operator of toll roads assets that are potentially subject to weakness within its domestic market; and *Halliburton* (HAL), a U.S.-based oil equipment service provider which will be impacted by the curtailment of deepwater drilling in the Gulf of Mexico.

## PORTFOLIO REVIEW

The strong upturn in global equities that began in the spring of 2009 has hit several air pockets in 2010. Initially, doubts about the strength of the economic recovery impacted the sentiment towards equities. This negative sentiment then accelerated as the Greek state finance crisis began to play out in the press and on TV. This was followed by some positive economic data points and strong corporate earnings reports which helped to rally equities, only to see budding rallies give way to further concerns of deteriorating credit conditions, particularly in Europe. Equities markets often tend to overreact to perceived macro fears, while bond markets can often provide a more sensible view of economic conditions. While sovereign risk did become apparent in the form of blown out credit default swap (CDS) spreads in some of the larger debtor economies, interest rates in general have maintained lateral movements at low levels. Similarly, credit spreads have generally behaved as well. This is manifest at the company level, where we have seen companies in the Infrastructure space with good creditworthiness able to consistently obtain financing at attractive levels (and not much different from before the credit crisis). Nevertheless, fear has won out so far in the first half of the year, and many Infrastructure stocks have suffered as a result.

Energy Infrastructure holdings were mixed performers throughout the quarter. While a few of the pipeline operators managed positive returns, it was the tanker owners that exhibited significant strength on the heels of higher tanker rates. Meanwhile, companies that were directly or tangentially related to the Gulf of Mexico oil spill saw significant underperformance in the quarter. Interestingly, in the second quarter we saw a significant upside move in natural gas prices at the same time that oil prices fell. Furthermore, long-term forward natural gas prices have become quite competitive with coal, which should help underpin increased demand for natural gas. While oil prices weakened during the quarter, we believe the commodity's price remains at levels sufficient to encourage future investment, a major positive for the backdrop of Energy Infrastructure stocks. Moreover, the removal of significant oil supply from the Gulf of Mexico should underpin a longer-term higher oil price. The energy landscape in North America continues to undergo a transformational landscape shift, as decades and decades of natural gas supply have been unlocked through shale drilling developments. Significant new infrastructure will be needed to service this massive shift in the resource, representing a very positive development for companies involved in the natural gas storage/transportation areas.

Transportation Infrastructure stocks were also generally weak performers in the quarter, with Pan-European-based operators generally the weakest of the lot. Stronger relative performance was found in Asia and Brazil. In many cases, the performance of the stocks in the quarter ran counter to underlying business trends. Traffic mixes continue to generally improve globally, and we are beginning to see signs that heavy vehicle traffic, in particular, is starting to improve. Global container volumes reached a record high in May, exceeding the previous peak seen in July 2008 by about 1%. Airport traffic trends also remain positive. Interestingly, the decline in the euro could benefit many of the European-based operators of infrastructure to the extent that foreign tourists decide to take advantage of a more favorable exchange rate. As we have not witnessed a deterioration in fundamentals, we believe the recent price movements have created long-term opportunity in the space, and we continue to believe many of the stocks are trading well below their net asset values.

While Utilities were not strong absolute performers, they were strong relative performers. We believe this had more to do with investors pursuing safe-haven assets in a downturn as opposed to a focus on their underlying fundamentals. On the bright side, global electricity demand is expected to grow about 2.8% this year, surpassing the record demand levels of 2008. However, we believe the newfound abundance of natural gas will tend to keep power prices relatively depressed. While



valuations have become much more reasonable and more in-line with long-term historical averages, we believe the group will remain challenged from a fundamental perspective.

Related Industries' holdings included companies in the Energy group (outside of pipeline and tanker operators), as well as the following industries: Construction & Engineering, Construction & Farm Machinery, Environmental & Facilities Services, Industrial Conglomerates, Industrial Machinery, Railroads, and Fertilizers & Agricultural Chemicals. Within the Energy group, we believe the recent poor performance among the companies generally focused on agriculture, in particular, could be set for a reversal. Recent data points have become much more positive, and a further decline in grains stocks-to-use ratio could set the stage for future outperformance.

## OUTLOOK

Recent underperformance of many stocks within the Infrastructure group owing to some specific headwinds (euro currency and European economic concerns in general) has increased the relative value proposition. We believe investors looking for a long-term allocation to the theme have a favorable entry point currently.

In the short term (defined as the next 12 months) we could see a confluence of positive factors: (1) attractive valuations relative to historic norms; (2) improving fundamentals; (3) a likelihood of increased private equity activity; and (4) risk/reward metrics that continue to favor stocks, in our opinion.

In the intermediate term (defined as the next 1-3 year period), we believe hard asset, inflation-linked cash flows will resonate for investors worried about the impact stemming from prolonged low interest rates and quantitative easing.

In the long term, the confluence of: (1) globalization; (2) urbanization; and (3) the need for clean/renewable energy will underpin a massive investment and re-investment wave across most Infrastructure industry groups.

The S&P Global Infrastructure Index is designed to provide liquid exposure to the leading publicly listed companies in the global infrastructure industry, from both developed markets and emerging markets. One cannot invest directly in an index.

Sovereign risk is the risk that a foreign central bank will alter its foreign-exchange regulations thereby significantly reducing or completely nulling the value of foreign-exchange contracts.

A credit default swap (CDS) is a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

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

**The Fund concentrates its investments in infrastructure-related entities and therefore has greater exposure to the potential adverse economic, regulatory, political and other changes affecting such entities. 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. The Fund also invests in foreign securities which involve additional risks including exchange rate fluctuations, social and political instability, 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 (888) 312-4100 or by downloading one from [www.forwardfunds.com](http://www.forwardfunds.com). It should be read carefully before investing.*

The Forward Global Infrastructure Fund seeks total return through capital appreciation and current income. The Fund invests primarily in global infrastructure-related securities. There is no guarantee the Fund will achieve its objective.

Forward Funds are distributed by ALPS Distributors, Inc.

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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 Global Infrastructure Fund**  
**As of 06/30/2010**

<b>Security ID</b>	<b>Ticker</b>	<b>Security Name</b>	<b># of Shares</b>	<b>Market Price</b>	<b>Market Value</b>	<b>% of Total Net Assets</b>	<b>Currency Code</b>
29250N956	ENB CN	Enbridge, Inc.	95,900	\$ 46.57	\$ 4,466,415	4.95%	CAD
969457100	WMB	The Williams Cos., Inc.	237,000	18.28	4,332,360	4.80%	USD
7667163	ATL IM	Atlantia SpA	240,500	17.72	4,262,334	4.73%	EUR
89353D107	TRP CN	TransCanada Corp.	117,500	33.45	3,930,464	4.36%	CAD
5809428	VPK NA	Koninklijke Vopak NV	105,000	36.65	3,847,800	4.26%	EUR
B1XH026	DG FP	Vinci SA	92,500	41.52	3,840,759	4.26%	EUR
204409601	CIG	Companhia Energetica de Minas Gerais, Sponsored ADR	177,250	14.67	2,600,258	2.88%	USD
6055877	107 HK	Sichuan Expressway Co., Ltd.	4,500,000	0.55	2,465,930	2.73%	HKD
406216101	HAL	Halliburton Co.	95,000	24.55	2,332,250	2.59%	USD
6416139	144 HK	China Merchants Holdings International Co., Ltd.	700,000	3.30	2,310,875	2.56%	HKD
847560109	SE	Spectra Energy Corp.	112,500	20.07	2,257,875	2.50%	USD
2840970	CCRO3 BZ	Companhia de Concessoes Rodoviaras	100,000	20.50	2,049,862	2.27%	BRL
6200882	TCL AU	Transurban Group	575,000	3.55	2,041,056	2.26%	AUD
B033F22	CNA LN	Centrica Plc	450,000	4.41	1,985,836	2.20%	GBP
4065663	ABE SM	Abertis Infraestructuras SA	135,000	14.37	1,940,460	2.15%	EUR
6990763	576 HK	Zhejiang Expressway Co., Ltd.	2,100,000	0.92	1,935,008	2.15%	HKD
6482668	9364 JP	Kamigumi Co., Ltd.	250,300	7.67	1,920,610	2.13%	JPY
6543628	MAP AU	MAP Group	825,000	2.24	1,848,958	2.05%	AUD
B164FY1	ADP FP	Aeroports de Paris	28,000	64.15	1,796,303	1.99%	EUR
61945A107	MOS	The Mosaic Co.	46,000	38.98	1,793,080	1.99%	USD
B08SNH3	NG/ LN	National Grid Plc	245,000	7.30	1,788,723	1.98%	GBP
029912201	AMT	American Tower Corp., Class A	35,000	44.50	1,557,500	1.73%	USD
5727973	SIE GR	Siemens AG	16,700	89.63	1,496,874	1.66%	EUR
0790873	SSE LN	Scottish & Southern Energy Plc	83,100	16.65	1,383,945	1.54%	GBP
6913168	270 HK	Guangdong Investment, Ltd.	2,500,000	0.47	1,176,977	1.31%	HKD
69331C108	PCG	PG & E Corp.	28,000	41.10	1,150,800	1.28%	USD
6274456	MRT SP	SMRT Corp., Ltd.	700,000	1.58	1,107,104	1.23%	SGD
6456942	ITO AU	Intoll Group	1,250,000	0.87	1,089,120	1.21%	AUD
7107551	FRA GR	Fraport AG Frankfurt Airport Services Worldwide	25,000	42.51	1,062,763	1.18%	EUR
4253372	DANR IM	Danieli & C. Officine Meccaniche SpA	100,000	10.22	1,022,183	1.13%	EUR
716495106	HK	Petrohawk Energy Corp.	60,000	16.97	1,018,200	1.13%	USD
6354251	1199 HK	COSCO Pacific, Ltd.	800,000	1.18	944,170	1.05%	HKD
4942904	EOAN GR	E.ON AG	33,000	26.96	889,712	0.99%	EUR
6005504	177 HK	Jiangsu Expressway Co., Ltd.	950,000	0.90	859,208	0.95%	HKD
B292JQ9	GET FP	Groupe Eurotunnel SA	120,000	6.76	810,986	0.90%	EUR
B0C2CQ3	GSZ FP	GDF Suez	28,500	28.45	810,843	0.90%	EUR
6496584	6301 JP	Komatsu, Ltd.	45,000	18.01	810,276	0.90%	JPY
6671477	855 HK	China Water Affairs Group, Ltd.	2,500,000	0.32	791,457	0.88%	HKD

Forward Global Infrastructure Fund

As of 06/30/2010

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
B12YMD3	2880 HK	Dalian Port (PDA) Co., Ltd.	1,750,000	0.43	757,609	0.84%	HKD
65339F101	NEE	NextEra Energy, Inc.	15,000	48.76	731,400	0.81%	USD
368287207	OGZD LI	Gazprom OAO, Sponsored ADR	37,500	18.83	706,058	0.78%	USD
H8817H100	RIG	Transocean, Ltd.	14,000	46.33	648,620	0.72%	USD
B2RHNV9	BVMF3 BZ	BM&F BOVESPA SA	100,000	6.48	648,199	0.72%	BRL
G10082140	EXXI	Energy XXI Bermuda, Ltd.	40,000	15.78	631,200	0.70%	USD
5481558	TNT NA	TNT NV	25,000	25.19	629,677	0.70%	EUR
69351T106	PPL	PPL Corp.	25,000	24.95	623,750	0.69%	USD
6243586	SATS SP	Singapore Airport Terminal Services, Ltd.	325,000	1.91	619,481	0.69%	SGD
B3B8D04	SEV FP	Suez Environnement Co.	37,500	16.50	618,835	0.69%	EUR
40051E202	ASR	Grupo Aeroportuario del Sureste SAB de CV, ADR	13,500	45.54	614,790	0.68%	USD
20441A102	SBS	Companhia de Saneamento Basico do Estado de Sao Paulo, Sponsored ADR	13,487	41.34	557,553	0.62%	USD
29274F104	ENI	Enersis SA, Sponsored ADR	27,500	19.91	547,525	0.61%	USD
H27178104	FWLT	Foster Wheeler AG	25,000	21.06	526,500	0.58%	USD
457667103	INSU	Insituform Technologies, Inc.	25,000	20.48	512,000	0.57%	USD
B01WT63	DUE AU	DUET Group	375,000	1.35	506,692	0.56%	AUD
4768962	RWE GR	RWE AG	7,500	65.55	491,592	0.55%	EUR
343412102	FLR	Fluor Corp.	10,000	42.50	425,000	0.47%	USD
B01CLC3	NOBL SP	Noble Group, Ltd.	320,000	1.21	386,776	0.43%	SGD
80007P307	SD	SandRidge Energy, Inc.	60,000	5.83	349,800	0.39%	USD
90400P101	UGP	Ultrapar Participacoes SA, Sponsored ADR	7,000	47.29	331,030	0.37%	USD
228227104	CCI	Crown Castle International Corp.	8,500	37.26	316,710	0.35%	USD
144577103	CRZO	Carrizo Oil & Gas, Inc.	20,000	15.53	310,600	0.34%	USD
78388J106	SBAC	SBA Communications Corp., Class A	9,000	34.01	306,090	0.34%	USD
13342B105	CAM	Cameron International Corp.	9,000	32.52	292,680	0.32%	USD
580037109	MDR	McDermott International, Inc.	12,500	21.66	270,750	0.30%	USD
B188TD8	3989 HK	New Environmental Energy Holdings, Ltd.	2,500,000	0.11	266,473	0.30%	HKD
		Net Cash & Cash Equivalents			2,814,841	3.12%	