



Second Quarter, 2010

Forward Strategic Realty 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 Strategic Realty Fund – A (NAV) ¹	-2.73%	11.14%	55.85%	-17.43%	-7.18%	5.85%	9.11%	2.17% / 2.17%
Forward Strategic Realty Fund – A (MOP) ²	-8.34%	4.74%	46.90%	-19.04%	-8.28%	5.22%	8.51%	
FTSE NAREIT Composite Index	-3.66%	5.45%	50.97%	-9.59%	-0.97%	9.34%	9.49%	
FTSE NAREIT Equity REITs Index	-4.06%	5.56%	53.90%	-9.00%	0.20%	9.86%	9.45%	
S&P 500 Index	-11.43%	-6.65%	14.43%	-9.81%	-0.79%	-1.59%	-0.49%	

Returns for periods greater than one year are annualized.

¹Excludes sales charge

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

*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 Class A shares to an annual rate (as a percentage of the Fund's average daily net assets) of 2.15%.

The Class A shares of the Kensington Strategic Realty Fund were reorganized into the Class A shares of the Forward Strategic Realty 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 Strategic Realty 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 Strategic Realty 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 and utilizes leverage and hedging strategies.

PERFORMANCE ANALYSIS

The Fund reported an 11.14% return for the half year ending June 30, 2010 – well ahead of the benchmark's 5.45% return. This extended the strong performance experienced in 2009 after an exceptionally difficult 2008. During 2009, outsized performance was achieved primarily by the Fund's underweight in common stocks and its ownership of preferred shares. Thus far in 2010, outperformance was primarily driven by the Fund's overweight exposure to a subset of retail mall companies which had concerns surrounding debt maturities priced into their valuations. As these companies were ultimately able to solve their capital requirements through offerings of additional debt and equity, their share prices began to recover. The Fund continues to hold the senior securities of a number of these companies and has realized profits in some of their common stocks.

Credit availability continued for public Real Estate Investment Trusts (REITs) during the first half of the year as they raised over \$9 billion of equity, nearly \$11 billion of unsecured debt, along with a little over \$1 billion of initial public offerings. This fresh capital has served to strengthen balance sheets, putting some companies in position to opportunistically acquire properties.



PORTFOLIO ACTIVITY—OVERWEIGHTINGS AND UNDERWEIGHTINGS

As of June 30, 2010, the Fund's portfolio maintained 79% exposure to common stocks and 28% to REIT preferred stocks. Inclusive of a "double-short" exchange traded fund position and the Fund's short positions, the portfolio had short exposure of approximately 8% and was just under 10% margined.

Given that such a large component of the portfolio was invested in preferred stocks as the second quarter came to a close, it was effectively underweight all property sectors when reviewing its common stock exposure relative to the benchmark. The strongest contributor to performance so far this year was the Fund's holdings in retail stocks. For the first six months, our portfolio of senior securities returned a robust 13.2%. Common stock gains followed, returning 11.5%. Short positions in the Fund had a minor positive impact and acted to stabilize a portion of the volatility experienced by Fund shareholders.

MARKET OUTLOOK

We expect to continue seeing additional equity and debt issuance by public real estate companies through the remainder of the year. There will be frequent headlines involving the extreme difficulties faced by commercial property owners. Much of this stress stems from the inability of especially non-listed owners to access capital, occasionally forcing them to give back 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, there is 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 growth in rental rates.

Given current fair valuations and weak, but slowly improving, fundamentals, we believe a conservative posture for the Fund remains appropriate. We will continue to hold a large portion of the assets in relatively more stable and higher yielding preferred stock positions. As mentioned at year end 2009, volatility is continuing although the worst of it is likely behind us. As fellow stakeholders, we thank you for your continued interest and investment in the Fund.

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.

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 Strategic Realty Fund seeks total return through a combination of high current income relative to equity investments, alternatives, plus long-term growth of capital.

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 Strategic Realty 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.	66,947	\$ 80.75	\$ 5,405,970	6.63%	USD
929042109	VNO	Vornado Realty Trust	52,237	72.95	3,810,689	4.68%	USD
29476L107	EQR	Equity Residential	86,100	41.64	3,585,204	4.40%	USD
40414L109	HCP	HCP, Inc.	103,500	32.25	3,337,875	4.10%	USD
101121101	BXP	Boston Properties, Inc.	39,030	71.34	2,784,400	3.42%	USD
517942504	51794250	LaSalle Hotel Properties, Series E, 8.000%	116,160	23.07	2,679,811	3.29%	USD
44107P104	HST	Host Hotels & Resorts, Inc.	190,688	13.48	2,570,474	3.15%	USD
74347X583	SRS	ProShares UltraShort Real Estate	87,400	29.21	2,552,954	3.13%	USD
124830605	12483060	CBL & Associates Properties, Inc., Series D, 7.375%	115,330	21.29	2,455,376	3.01%	USD
92276F100	VTR	Ventas, Inc.	49,000	46.95	2,300,550	2.82%	USD
379302409	37930240	Glimcher Realty Trust, Series G, 8.125%	103,800	21.55	2,236,890	2.74%	USD
124830506	12483050	CBL & Associates Properties, Inc., Series C, 7.750%	100,000	22.30	2,230,000	2.74%	USD
529537201	52953720	Lexington Realty Trust, Series D, 7.550%	106,920	20.50	2,191,860	2.69%	USD
743410102	PLD	ProLogis	197,200	10.13	1,997,636	2.45%	USD
053484101	AVB	AvalonBay Communities, Inc.	20,000	93.37	1,867,400	2.29%	USD
427825203	42782520	Hersha Hospitality Trust, Series A, 8.000%	77,900	22.10	1,721,590	2.11%	USD
49446R109	KIM	Kimco Realty Corp.	127,200	13.44	1,709,568	2.10%	USD
31430F101	FCH	FelCor Lodging Trust, Inc.	340,000	4.99	1,696,600	2.08%	USD
751452202	RPT	Ramco-Gershenson Properties Trust	157,700	10.10	1,592,770	1.95%	USD
554382101	MAC	The Macerich Co.	39,400	37.32	1,470,408	1.80%	USD
B01BTX7	WDC AU	Westfield Group	140,700	10.25	1,442,530	1.77%	AUD
253868103	DLR	Digital Realty Trust, Inc.	23,600	57.68	1,361,248	1.67%	USD
02503X105	AGNC	American Capital Agency Corp.	50,600	26.42	1,336,852	1.64%	USD
78440X101	SLG	SL Green Realty Corp.	22,900	55.04	1,260,416	1.55%	USD
962166104	WY	Weyerhaeuser Co.	34,716	35.20	1,222,003	1.50%	USD
74460D109	PSA	Public Storage	13,600	87.91	1,195,576	1.47%	USD
529043200	52904320	Lexington Realty Trust, Series B, 8.05%	51,900	22.18	1,151,142	1.41%	USD
133131102	CPT	Camden Property Trust	28,100	40.85	1,147,885	1.41%	USD
31430F200	31430F20	FelCor Lodging Trust, Inc. , %	55,000	20.26	1,114,300	1.37%	USD
313747206	FRT	Federal Realty Investment Trust	15,600	70.27	1,096,212	1.35%	USD
00163T109	AMB	AMB Property Corp.	43,200	23.71	1,024,272	1.26%	USD
867892200	86789220	Sunstone Hotel Investors, Inc., Series A, 8.000%	43,300	23.55	1,019,715	1.25%	USD
30068C109	EXL	Excel Trust, Inc.	83,000	12.00	996,000	1.22%	USD
297178105	ESS	Essex Property Trust, Inc.	10,000	97.54	975,400	1.20%	USD
29380T303	29380T30	Entertainment Properties Trust, Series B, 7.750%	40,000	22.45	898,000	1.10%	USD
7582556	LI FP	Kleipierre	32,100	27.84	893,608	1.10%	EUR
370021107	GGP	General Growth Properties, Inc.	63,753	13.26	845,365	1.04%	USD
140288200	14028820	CapLease, Inc., Series A, 8.125%	35,000	23.91	836,850	1.03%	USD
035710409	NLY	Annaly Capital Management, Inc.	48,700	17.15	835,205	1.02%	USD
902653104	UDR	UDR, Inc.	42,408	19.13	811,265	1.00%	USD
044103406	04410340	Ashford Hospitality Trust, Inc., Series D, 8.45%	40,400	20.06	810,424	0.99%	USD
609720107	MNR	Monmouth Real Estate Investment Corp.	109,200	7.39	806,988	0.99%	USD
037347200	03734720	Anworth Mortgage Asset Corp., Series A, 8.625%	31,430	24.67	775,378	0.95%	USD
552676108	MDC	MDC Holdings, Inc.	28,300	26.95	762,685	0.94%	USD
B27WLD2	410 HK	Soho China, Ltd.	1,298,500	0.59	760,400	0.93%	HKD
22002T108	OFC	Corporate Office Properties Trust	19,737	37.76	745,269	0.91%	USD
85590A401	HOT	Starwood Hotels & Resorts Worldwide, Inc.	17,700	41.43	733,311	0.90%	USD
743410409	74341040	ProLogis , 8.54%	15,000	47.81	717,188	0.88%	USD
16934Q109	CIM	Chimera Investment Corp.	188,600	3.61	680,846	0.84%	USD
49427F108	KRC	Kilroy Realty Corp.	22,900	29.73	680,817	0.84%	USD
437306103	HME	Home Properties, Inc.	15,000	45.07	676,050	0.83%	USD
105368203	BDN	Brandywine Realty Trust	60,800	10.75	653,600	0.80%	USD
681936100	OHI	Omega Healthcare Investors, Inc.	32,700	19.93	651,711	0.80%	USD
015271109	ARE	Alexandria Real Estate Equities, Inc.	10,000	63.37	633,700	0.78%	USD
045604105	AEC	Associated Estates Realty Corp.	45,000	12.95	582,750	0.72%	USD
29380T105	EPR	Entertainment Properties Trust	15,000	38.07	571,050	0.70%	USD
444097109	HPP	Hudson Pacific Properties, Inc.	32,670	17.25	563,558	0.69%	USD
400095303	40009530	Grubb & Ellis Co. , 12.000%	7,000	78.25	547,750	0.67%	USD
875465106	SKT	Tanger Factory Outlet Centers, Inc.	12,800	41.38	529,664	0.65%	USD
517942108	LHO	LaSalle Hotel Properties, Series G	25,400	20.57	522,478	0.64%	USD
42217K106	HCN	Health Care REIT, Inc.	12,300	42.12	518,076	0.64%	USD
024835100	ACC	American Campus Communities, Inc.	17,700	27.29	483,033	0.59%	USD
16208T102	CLDT	Chatham Lodging Trust	21,300	17.87	380,631	0.47%	USD
32054K798	32054K79	First Industrial Realty Trust, Inc., Series J, 7.250%	22,271	16.98	378,162	0.46%	USD
264411505	DRE	Duke Realty Corp.	33,000	11.35	374,550	0.46%	USD
251591780	25159178	Developers Diversified Realty Corp., Series I, 7.500%	17,300	20.85	360,705	0.44%	USD
88146M101	TRNO	Terreno Realty Corp.	20,000	17.71	354,200	0.43%	USD
0595368	MNR LN	Minerva Plc	200,000	1.63	325,713	0.40%	GBP
09063H107	BMR	BioMed Realty Trust, Inc.	16,900	16.09	271,921	0.33%	USD
379302300	37930230	Glimcher Realty Trust, Series F, 8.75%	11,000	22.51	247,610	0.30%	USD
709102107	PEI	Pennsylvania Real Estate Investment Trust	17,600	12.22	215,072	0.26%	USD
05564E106	BRE	BRE Properties, Inc.	5,000	36.93	184,650	0.23%	USD
33610F109	FPO	First Potomac Realty Trust	10,100	14.37	145,137	0.18%	USD
294752100	EQY	Equity One, Inc.	8,700	15.60	135,720	0.17%	USD
517942603	51794260	LaSalle Hotel Properties, Series G, 7.25%	6,000	21.85	131,100	0.16%	USD
		Net Cash & Cash Equivalents			(6,417,494)	-7.88%	
					\$ 83,156,271.82	100.00%	