



Second Quarter, 2010

Sub-Advised by Broadmark Asset Management, LLC

Forward Tactical Growth Fund

Performance as of June 30, 2010	2Q10	YTD	Since Inception*	Gross/Net [†] Expenses
Forward Tactical Growth Fund—Institutional	-4.38%	-1.36%	1.44%	1.75%/1.75%
S&P 500 Index	-11.43%	-6.65%	-0.22%	

Returns for periods greater than one year are annualized.

*9/14/09

The performance 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 shares, when redeemed, may be worth more or less than their original cost. Performance data current to the most recent month end may be obtained at www.forwardfunds.com. Investment performance reflects fee waivers in effect. 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's investment advisor has contractually agreed to waive a portion of its fees and reimburse other expenses until April 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 Institutional Class shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.59%.

MARKET REVIEW

The stock market reached its highest level since mid-2008 with the S&P 500 climbing above 1,200 in mid-April. However, market weakness set in during late April which continued into the end of the quarter. The S&P 500 ended the second quarter 2010 down 11.43% (total return).

The markets were faced with many potential troubles during the quarter. Fears of contagion over sovereign debt problems in Greece, Portugal, Ireland, Spain and Italy leading to the collapse of the Eurozone was the primary culprit. In addition, the Chinese central bank further tightened monetary policy prompting worries of a slowdown in Chinese economic activity. Finally the "flash crash" of May 6th contributed to investor's anxiety.

PORTFOLIO ACTIVITY—OVERWEIGHTINGS AND UNDERWEIGHTINGS

We entered the second quarter of 2010 with a defensive portfolio posture. Our cash position at the beginning of the quarter was 60%, with a 40% invested position.

The S&P 500 climbed above 1,200 during April to its highest level since mid-2008. Nonetheless, during April and into early May, our fundamental/environmental measures and our Volume/Breadth Momentum Model showed deterioration. Price/earnings multiples (using trailing earnings) climbed to their highest levels in several years and bullish sentiment rose to its highest level since the 2007 market top. Both the put/call ratio and the declining Volatility Index (VIX) (indicating complacency) confirmed this deterioration in sentiment and indicated a more defensive posture.

Therefore, by the end of May, we had increased our cash allocation to 80% and a 20% invested position. The S&P 500 was down over 8% in May.

After a mid-June rally, the market once again resumed its downtrend and the S&P 500 ended the month of June down over 5%. For the second quarter 2010, the S&P 500 was down over 11%. During this time, we raised our cash position in successive steps and by the end of the second quarter, the portfolio was allocated 90% to cash and a 10% invested position.

The second quarter's 11% market decline resulted in an improvement in some of our indicators. Price/earnings multiples declined and other measures of market valuation improved. Investment sentiment got more bearish and, from a contrarian



point of view, we saw the best readings in investor sentiment that we had seen since the March 2009 market bottom. Credit conditions, however, remained mixed with declining U.S. Government yields, resulting in declining mortgage rates being offset by the deterioration in sovereign credits and heightened concerns being reflected in rising interbank lending rates.

Our Volume/Breadth Momentum Model has so far failed to indicate decisive accumulation by large institutional investors. Thus, while we have seen improvement in our environmental and fundamental measures, this improvement must be validated by our Momentum models. Until we see this validation, we will continue to position the portfolio defensively. If and when the market snaps back from its current oversold position, we will assess the strength of our Volume/Breadth Momentum Model. We require our Volume/Breadth Momentum Model to confirm any price strength in the market in order for us to re-commit capital and lower our cash allocation.

MARKET OUTLOOK

If the current economic slowdown doesn't develop into a "double dip", then equities can stabilize and ultimately attempt a recovery. If however, the economy falls back into a recession, equities will experience further weakness.

The underlying investments of the Fund (such as ETFs, futures and options on securities, securities indexes and shares of ETFs) involve heightened risks related to liquidity, increased volatility and unfavorable fluctuations in currency values. The underlying international and real estate investments will also be subject to economic or political instability in the U.S. and other countries, credit risk and interest rate fluctuations. Investors will indirectly bear the expenses of the Fund's underlying investments. 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 Forward Tactical Growth Fund was launched on September 14, 2009, and has a limited operating history.

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 S&P 500 Index is a capitalization-weighted index of 500 stocks traded on the NYSE, AMEX and OTC exchanges, and is comprised of industrial, financial, transportation and utility companies.

It is not possible to invest directly in an index.

The VIX (the ticker symbol for the Chicago Board Options Exchange Volatility) Index is a popular measure of the implied volatility of S&P 500 index options. A high value corresponds to a more volatile market and, therefore, more costly options, which can be used to defray risk from volatility. Often referred to as the *fear index*, it represents one measure of the market's expectation of volatility over the next 30-day period.

Price-to-earnings (P/E) ratio of a stock is a measure of the price paid for a share relative to the annual income or profit earned by the firm per share. A higher P/E ratio means that investors are paying more for each unit of income.

Sovereign debt is a debt instrument guaranteed by a government.

The Volume/Breadth Momentum Model is a proprietary model Broadmark uses to determine optimal market exposure.

Put/Call Ratio is a ratio of the trading volume of put options to call options. It is used to gauge investor sentiment

Forward Funds are distributed by ALPS Distributors, Inc.

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