

Forward Institutional

ALTERNATIVE ASSET MEMO

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Frontier Markets Fund

Strategic Alternatives

| Performance as of 6/30/2010 | 1 Year | 5 Year | 10 Year | Since Incept* | Gross/Net Exp Ratio |
|--|--------|--------|---------|---------------|---------------------|
| Forward Strategic Alternatives Fund - Institutional | 5.48% | N/A | N/A | -4.20% | 1.27%/1.27% |
| 50% S&P/50% BarCap Agg Index | 12.37% | 2.71% | 2.75% | N/A | |
| Morningstar Moderate Allocation Category (1,225 funds) | 12.89% | 1.28% | 1.86% | N/A | |

*01/29/2008

Performance results may reflect expense subsidies and waivers which may no longer be in effect. Without these, the results would have been less favorable. The performance data quoted represents past performance, which does not guarantee future results. An investment's return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Call (800) 999-6809 or visit www.forwardfunds.com to obtain current month end performance. The Funds' performance information assumes reinvestment of all dividends.

The Forward Strategic Alternatives Fund ended second quarter down 6.3%, underperforming the blended benchmark (50% S&P 500/50% BarCap Aggregate), which was down 4.1%.

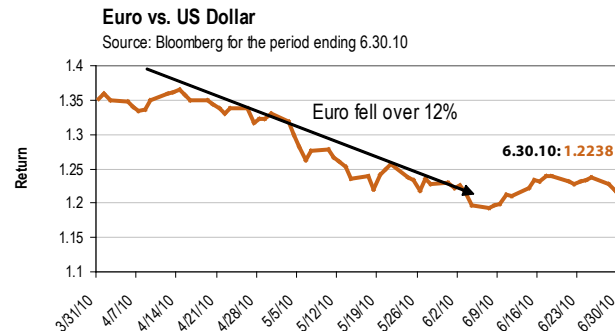
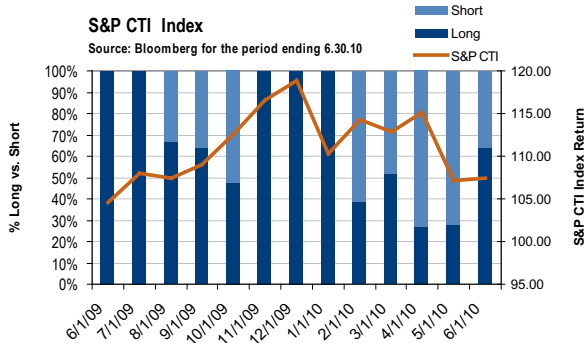
The sovereign debt crisis, combined with a slowdown in the growth rate of developed economies, created a drag on most assets in the quarter. As a result, all three components of the Fund were down for the quarter. Commodities, the largest contributor to underperformance, suffered as future demand forecast were reduced. The carry trade currency strategy was negatively affected by volatility in the euro, and real estate continued to suffer from high unemployment and economic uncertainty.

| Return Contributions | Contribution |
|----------------------|--------------|
| Commodities | - 2.96% |
| Currencies | - 1.53% |
| Real Estate | - 1.83% |
| Others/Cash | - 0.01% |
| Total Return | - 6.33% |

Source: Forward Management as of 6.30.10

Commodities

For the second quarter in a row, commodities were the largest downside contributor to the Fund. The primary source of commodity exposure in the Fund is a structured note with a return linked to the S&P CTI Index, which tracks long and short positions in commodities based on the momentum in each commodity sector. The S&P CTI Index was down 5.0% in second quarter. This was roughly in line with long only commodities as measured by the Dow Jones UBS Commodity Index, which was down 4.8% for the quarter.



The Fund also held positions in MarketVectors KOL Exchange Traded Fund (ETF) and MarketVectors SLX ETF, to gain exposure to the coal and steel industries. Even though we reduced exposure to these positions throughout the quarter as the economy appeared to slow, they detracted from performance for the quarter.

Carry Trade

The Fund invests in a carry trade currency strategy, which in its simplest form borrows money in a currency with a low interest rate and re-lends the money in a currency with a higher interest rate. The investor profits on the difference between the two interest rates. This is known as “the carry.”

The Fund held two securities based on a carry trade strategy using G10 currencies. One security’s performance, derived from the Barclays Intelligent Carry Index Strategy, was down 2.7% during the quarter. The other security, tracking the Powershares Deutsche Bank G10 ETF, was down 7.6%.

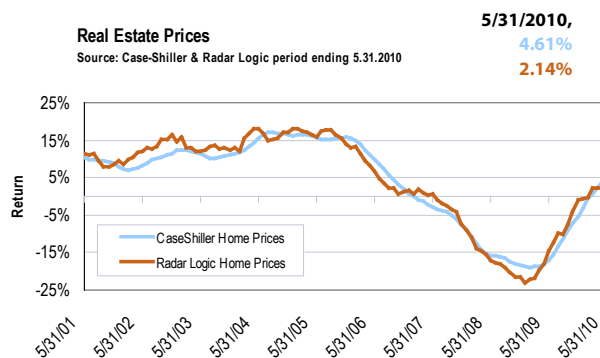
The euro currency crisis during the quarter created a difficult environment for carry trade investors. At one point, the euro fell over 12% during the quarter, followed by a slight rebound of 2.6% in June. The unusually large decline for a major currency caused some carry trade strategies to struggle to adapt to this level of volatility. Despite the setback, we remain positive on the carry trade strategy as it tends to perform well in rising rate environments. The poor economic environment in Europe, Japan and the U.S. will likely keep rates low, but many emerging market countries and the commodity-based developed economies of Australia, Canada and Norway are beginning to raise rates.

Real Estate

The Fund invests in two distinct real estate strategies: a long position in an international real estate ETF, and a buffered strategy in which the manager utilizes options collateralized with fixed income in an attempt to emulate the returns of the iShares Dow Jones US Real Estate ETF.

International real estate underperformed domestic in part due to the decline in the euro, as measured by the Dow Jones Global ex US Real Estate Index which was down 4.4% and the Dow Jones US Real Estate Index down 9.1%. During the quarter we reduced exposure to international real estate in favor of domestic real estate.

Real estate is highly sensitive to unemployment and the anemic growth of private sector employment will continue to weigh upon real estate. On a positive note, mortgage rates are at record lows and home prices are showing slight year over year gains, which may encourage people on the sidelines to purchase.



Index returns are for illustrative purposes only and do not represent actual performance of any securities. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Frontier Markets

| Performance as of 6/30/2010 | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Incept* | Gross/Net Exp Ratio |
|--|---------|--------|--------|---------|--------|---------|---------------|---------------------|
| Forward Frontier Markets - Institutional | -10.93% | -1.24% | -1.50% | N/A | N/A | N/A | 1.08% | 1.48%/ 1.48% |
| MSCI Frontier Markets Index | -9.94% | 0.31% | 0.43% | -16.68% | -6.21% | N/A | N/A | |
| Morningstar Diversified Emerging Mkts Category (403 funds) | -8.85% | -6.26% | 21.86% | -5.29% | 10.63% | 9.25% | N/A | |

*12/31/2008

Performance results may reflect expense subsidies and waivers which may no longer be in effect. Without these, the results would have been less favorable. The performance data quoted represents past performance, which does not guarantee future results. An investment's return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. Call (800) 999-6809 or visit www.forwardfunds.com to obtain current month end performance. The Funds' performance information assumes reinvestment of all dividends.

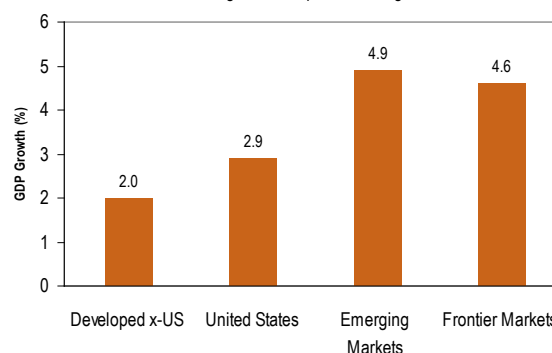
The Forward Frontier Markets Fund was down 10.9% in second quarter, underperforming the MSCI Frontier Markets Index by 1.0%. An overweight position to the MSCI Gulf Cooperation Council ex-Saudi Arabia contributed to the Fund's underperformance as the MSCI GCC ex-SA Index was down 11.7%, underperforming the MSCI Frontier Index by 1.8%. The Fund has exposure to 20 out of 26 countries represented in the MSCI Frontier Index. The 6 countries not included in the Fund represent approximately 6% of the benchmark and were collectively flat for the quarter, further contributing to underperformance.

In June, the Fund assets increased from slightly more than \$40m to over \$70m in total assets under management. The Fund was able to quickly and efficiently invest the additional assets into frontier market investments through the help of various counterparties. Nevertheless, one calendar day of non-invested cash created a drag on performance and contributed to the underperformance of the Fund for the quarter.

Although frontier markets were not immune to the general decline in global equity markets, growth and valuation metrics in these economies remain compelling. Frontier markets countries are forecast by IHS Global Insights to have Gross Domestic Product (GDP) growth of 4.6% over the next 3 years, more than twice that of developing countries excluding the U.S., which are forecast to grow at 2.0%. **

2010-2012 Forecast Average GDP Growth (%)

Source: IHS Global Insights for the period ending 6.17.10

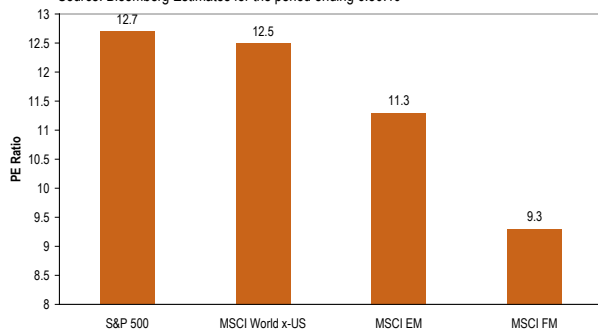


Frontier markets valuation metrics also appear to be compelling. At the end of the quarter, frontier markets were estimated to have a 9.3 times price-to-earnings ratio for 2010, representing a nearly 20% discount to emerging markets valuations and 30% discount to the S&P 500 Index.

Year-to-date, the MSCI Frontier Markets Index is up 0.3% and is the best performing equity region compared to the U.S., EAFE and emerging markets. Strong growth and less expensive valuations provide an excellent platform for potential continued outperformance.

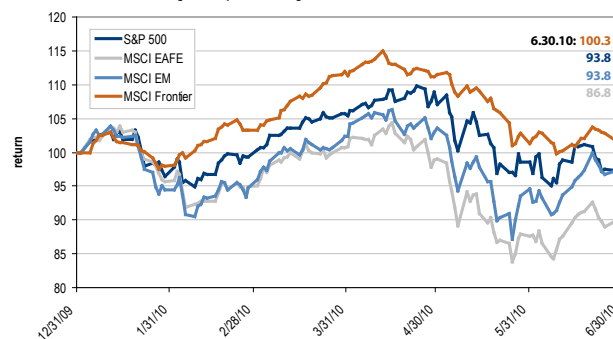
2010 Estimated Price/Earnings Ratio

Source: Bloomberg Estimates for the period ending 6.30.10



Frontier Markets Performance

Source: Bloomberg for the period ending 6.30.10



Please consider the objectives, risks, charges and expenses carefully before investing in the Forward Funds. A prospectus with this and other information may be obtained by calling (888) 312-4100 or by visiting www.forwardfunds.com. Please read carefully before making a final investment decision.

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Effective 5/1/10, Accessor Funds were renamed to Forward Funds. The Accessor Growth Fund will be renamed to the Forward Large Cap Growth Fund. The Accessor Value Fund will be renamed to the Forward Large Cap Value Fund.

Forward Funds are distributed by ALPS Distributors, Inc. ALPS Distributors, Inc is not the distributor for the other products referenced in this memo.

There is no guarantee that the funds will meet their objectives. The Forward Strategic Alternatives Fund and Frontier Markets Fund are non-diversified funds. An investor will indirectly bear the expenses of the fund's underlying investments. Investing involves risk, including possible loss of principal. In addition, the Fund's underlying investments (such as structured notes, derivatives, commodities and levered ETFs) will 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 US and other countries, credit risk and interest rate fluctuations. Investing in foreign securities, especially emerging and frontier markets, will involve additional risks, including social and political instability, liquidity, greater volatility and less regulation.

Forward Frontier Markets Fund seeks to provide capital growth.

Forward Strategic Alternatives Fund seeks to provide long-term capital appreciation and income by investing in assets with historically low correlations to stocks and bonds.

** IHS Global Insights forecasted data for the period ending 6.17.10

Definitions:

EAFE stands for Europe, Australasia and the Far East, and the MSCI EAFE Index holds essentially all large- and mid-cap stocks located in developed markets outside of the U.S. and Canada.

The **Group of Ten (G-10)** refers to the group of countries that have agreed to participate in the General Arrangements to Borrow (GAB), a supplementary borrowing arrangement that can be invoked if the IMF's resources are estimated to be below member's needs.

Gross domestic product (GDP) is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports. The GDP of a country is one of the ways of measuring the size of its economy.

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 the total amount owed to the holders of the sovereign bonds (bonds issued by a national government).

As noted in the prospectus the **MSCI Frontier Markets Index**: Market-capitalization-weighted index composed of companies representative of the market structure of 19 Frontier Market countries in Africa, Central & Eastern Europe, the Middle East and Asia. The index is calculated without dividends, with net or with gross dividends reinvested, in both U.S. Dollars and local currencies.

As noted in the prospectus the **S&P 500 Index**: consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value-weighted index and one of the most widely used benchmarks of U.S. stock performance.

As noted in the prospectus the **Barclays Capital U.S. Aggregate Bond Index**: represents securities that are U.S. domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. Prior to November 1, 2008 this index was published by Lehman Brothers.

As noted in the prospectus **50% S&P/50% Barclays Capital Agg Index**: Blended benchmark is constructed by Forward Management, which consists of 50% Barclays Capital U.S. Aggregate Bond Index and 50% S&P 500 Index.

The **S&P CTI Index** is an index number measuring the average price of consumer goods and services purchased by households. The percent change in the CPI is a measure of inflation.

The **Dow Jones Wilshire exUS Real Estate Securities Index** (DJW exUS RESI) includes equity real estate investment trusts (REITs) and real estate operating companies (REOCs) that meet our criteria for inclusion (below). The Dow Jones Wilshire exUS Real Estate Investment Trust (DJW exUS REIT) Index includes only those REITs that are components of the DJW exUS RESI.

The **Dow Jones-UBS Commodity Index** is composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity.

The **MSCI GCC Countries ex Saudi Arabia Index** aims to represent the universe of companies in the equity markets of United Arab Emirates, Kuwait, Qatar, Bahrain and Oman. This regional index is the aggregate of five country indices and represents the investment conditions relevant to international investors.

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The summary, prices, quotes, and statistics have been obtained from sources we believe to be reliable, but we cannot guarantee their accuracy or completeness. All expressions of opinion are subject to change without notice.

Portfolio Holdings for the Forward Strategic Alternatives Fund - Period Ending 6.30.10

Holdings are subject to change. Current holdings are subject to risk.

| Security Name | % of Total Net Assets | Security Name | % of Total Net Assets |
|---|-----------------------|--|-----------------------|
| iShares Barclays 1-3 Year Credit Bond Fund | 17.74% | PowerShares DB G10 Currency Harvest Fund | 5.69% |
| iShares Barclays Aggregate Bond Fund | 13.92% | Svensk Exportkredit AB MTN, Linked to DB | 3.65% |
| iPath Optimized Currency Carry ETN | 12.96% | Balanced Currency Harvest Index, D | 0.99% |
| Barclays Bank Plc, Sr. Unsec. Notes, 0.24719%, 08/20/10 | 12.14% | Market Vectors Coal ETF | 0.98% |
| Vanguard Short-Term Bond ETF | 8.16% | Market Vectors Steel ETF | 0.48% |
| SPDR Dow Jones International Real Estate ETF | 6.94% | iShares Dow Jones US REIT | 2.17% |
| Svensk Exportkredit AB MTN, Linked to DB | 6.56% | iShares Dow Jones US REIT | 0.91% |
| Balanced Currency Harvest Index, D | | iShares Dow Jones US REIT | -0.87% |
| | | Net Cash & Cash Equivalents | 7.56% |

Portfolio Holdings for the Forward Frontier Markets Fund - Period Ending 6.30.10

Holdings are subject to change. Current holdings are subject to risk.

| Security Name | % of Total Net Assets | Security Name | % of Total Net Assets |
|---|-----------------------|----------------------------------|-----------------------|
| Vanguard Short-Term Bond ETF | 22.46% | BLOM Bank SAL, GDR | 0.49% |
| iShares Barclays Aggregate Bond Fund | 8.72% | Cresud SA, ADR | 0.38% |
| U.S. Treasury Notes , 2.375%, 09/30/14 | 6.88% | Grupo Financiero Galicia SA, ADR | 0.30% |
| MSCI GCC Countries Ex-Saudi Arabia - Warrant (Expires 03/24/11) | 6.46% | Petrobras Energia SA, ADR | 0.23% |
| MSCI GCC Countries Ex-Saudi Arabia - Warrant (Expires 09/24/10) | 4.04% | BBVA Banco Frances SA, ADR | 0.22% |
| KazMunaiGas Exploration Production, GDR | 2.55% | Kazkommertsbank, GDR | 0.14% |
| Market Vectors Vietnam ETF | 2.28% | MS Nigeria/Kenya | 0.09% |
| SOLIDERE, GDR | 2.21% | Barclays EE Swap 3 | -0.01% |
| Banco Macro SA, ADR | 1.23% | MS Sri Lanka Swap | -0.01% |
| Telecom Argentina SA, ADR | 1.12% | MS Pakistan Swap | -0.03% |
| Halyk Savings Bank of Kazakhstan JSC, GDR | 0.71% | Barclays GCC Swap 3 | -0.05% |
| Banque Audi sa- Audi Saradar Group, GDR | 0.67% | Barclays EE Swap 2 | -0.23% |
| | | Barclays GCC Swap 2 | -1.51% |
| | | Net Cash & Cash Equivalents | 40.66% |

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