

Overview

*Buys the stocks of small, U.S.-based companies*

- Identify “Baby Blue Chips”—small cap companies which can self-fund their growth
- Target small companies with a distinct competitive advantage
- To be considered for investment, the stock must be trading at a reasonable valuation
- There also must be signs of a catalyst that will drive near-term and long-term growth
- Purchase decisions follow extensive research into the validity of the company’s business model, the strength of their finances, the quality of their management and the sustainability of their competitive advantage

**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. Foreign securities, especially emerging or frontier markets, will involve additional risks including exchange rate fluctuations, social and political instability, less liquidity, greater volatility, and less regulation. Investing in smaller companies generally will present greater investment risks, including greater price volatility, greater sensitivity to changing economic conditions and less liquidity than the securities of larger, more mature companies.**

Investor Share Class

Ticker Symbol:	FFSCX
CUSIP:	349913608
Inception Date:	October 1, 1998
Gross Expense Ratio:	<b>1.60%</b>
Net Expense Ratio:	1.60%

Institutional Share Class

Ticker Symbol:	FFHIX
CUSIP:	349913889
Inception Date:	June 6, 2002
Gross Expense Ratio:	<b>1.30%</b>
Net Expense Ratio:	1.30%

Class A Shares

Ticker Symbol:	FFHAX
CUSIP:	349913772
Inception Date:	May 2, 2005
Gross Expense Ratio:	<b>1.65%</b>
Net Expense Ratio:	1.65%

Class M Shares\*

Ticker Symbol:	FSCMX
CUSIP:	34986P606
Inception Date:	February 1, 2010
Gross Expense Ratio:	<b>1.30%</b>
Net Expense Ratio:	1.30%

\*Class M shares are available only to fee-based advisory platforms and retirement plans via omnibus accounts.

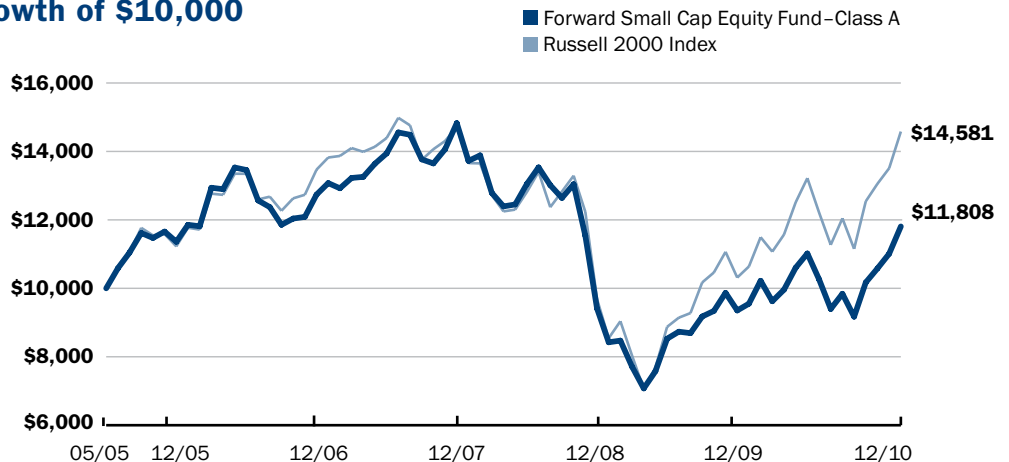
Performance

	4Q	Year-to-Date	1 Year	3 Year	5 Year	Since Inception (05/02/05)
Forward Small Cap Equity Fund–A (NAV)*	16.09%	15.53%	15.53%	-5.26%	-0.01%	2.98%
Forward Small Cap Equity Fund–A (MOP)†	9.41%	8.91%	8.91%	-7.10%	-1.18%	1.90%
Russell 2000 Index	16.25%	26.85%	26.85%	2.22%	4.47%	6.88%
Gross Expense Ratio:	<b>1.65%</b>					
Net Expense Ratio:	1.65%					

Returns for periods greater than one year are annualized.  
 \*Excludes sales charge.  
 †Reflects effects of the Fund’s maximum sales charge of 5.75%.

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](http://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. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index represents approximately 98% of the investable U.S. equity market. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

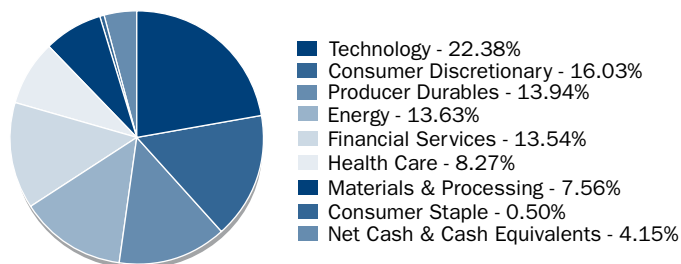
Growth of \$10,000



The chart above shows how a hypothetical investment of \$10,000 in the Fund at its inception would have performed versus an investment in the Fund’s benchmark index. The first plot point for the Index is based on the month end prior to the Fund’s inception. The values next to the Fund and Index names indicate how \$10,000 would have performed over the time period indicated. The hypothetical example does not represent the returns of any particular investment.

Sector Allocation

These allocations may not reflect the current or future positions in the portfolio.



Percentages may not add to 100% due to rounding.

## Portfolio Manager

### Irene G. Hoover, CFA\*

Portfolio Manager since inception

### Experienced

Irene G. Hoover founded Hoover Investment Management in 1997 and she has over 30 years of investment management experience.

### Focused

Each member of the Forward Small Cap investment team specializes in different sectors, so input into the investment decision is made at the point of greatest knowledge.

### Thorough

The team uses quantitative analysis to identify what they perceive to be leading small cap companies. Extensive fundamental analysis is performed to weed out the companies that do not have the catalysts to become market leaders.

\*Irene G. Hoover has earned the right to use the Chartered Financial Analyst designation. CFA Institute marks are trademarks owned by the CFA Institute.

## Important Disclosure

**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 at [www.forwardfunds.com](http://www.forwardfunds.com). It should be read carefully before investing.**

Forward Funds are distributed by ALPS Distributors, Inc.

ALPS Distributors, Inc., is not affiliated with Hoover Investment Management Co., LLC.

Not FDIC Insured | No Bank Guarantee  
| May Lose Value

© 2011 Forward Funds. All rights reserved.

## Investment Objective

The Fund seeks to achieve high total return.

## Top Ten Holdings

Security	% of Net Assets
Waddell & Reed Financial, Inc., Class A	1.98%
Affiliated Managers Group, Inc.	1.68%
Oil States International, Inc.	1.68%
Stillwater Mining Co.	1.61%
SXC Health Solutions Corp.	1.38%
Titan Machinery, Inc.	1.37%
Old Dominion Freight Line, Inc.	1.34%
VeriFone Systems, Inc.	1.33%
Polycom, Inc.	1.32%
Concho Resources, Inc.	1.31%

These holdings may not reflect the current or future positions in the portfolio.

## Statistics

Category:	Small Growth
Benchmark:	Russell 2000 Index
Price/Book*:	2.65
Trailing P/E*:	25.65
Wtd Avg EPS Growth Rate*:	4.31%
Long-Term Debt-to-Equity*:	18.23%
Weighted Average Market Cap*:	\$2.2B
Median Market Cap*:	\$1.9B
Beta:	0.84
R-Squared:	0.94
Number of Holdings:	114
Annualized Turnover:	161.59%
Net Assets:	\$342.2M

\*Data refers to the Fund's holdings and not to the Fund itself.

Price/Book Ratio and Price/Earnings Ratio represent equity securities within the Fund's portfolio, and are not intended to demonstrate Fund growth, income earned by the Fund, or distributions made by the Fund.

Weighted Average EPS Growth Rate represents the annual percentage growth rate of earning per share for the current year.

Beta is a measure of risk which shows the Fund's volatility relative to its benchmark index.

R-Squared reflects the percentage of a Fund's movements that are explained by movement in its benchmark index.

## Investment Process

- Growth and Value**  
Identify small cap companies priced below their intrinsic value with a perceived growth catalyst that will propel the stock price.
- "Market Trends" and Investment Changes**  
10% of research analysis is focused on identifying long-term trends.
- Positive Industry Changes**  
10% of analysis is focused on sector and industry screening to find underperforming areas with projected higher earnings growth.
- Individual Company Evaluation**  
80% of research is dedicated to selecting what are perceived to be high-quality companies that may experience earnings acceleration and market recognition within 18 months.

## Forward Thinking. Forward Funds.

Forward is an independent asset management firm dedicated to forward thinking that helps investors and advisors navigate a shifting, uncertain investment climate. We provide access to a broad spectrum of investment strategies and asset allocation solutions with a special focus on alternatives to traditional long-only investment.

Forward Management is the investment advisor to the Forward Funds.

FWD002969 043011