

Forward Small Cap Equity Fund

As of December 31, 2011

FORWARDFUNDS

PERFORMANCE (%)

	4Q	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception	Gross/Net Expense (%)
Investor	11.28	-13.82	-13.82	6.32	-4.68	2.57	5.10	1.49/1.29
Institutional	11.71	-13.24	-13.24	6.80	-4.29	—	3.61	1.19/0.99
Class M	11.27	-13.59	-13.59	—	—	—	2.57	1.19/0.99
Class A @ NAV*	11.26	-13.86	-13.86	6.29	-4.67	—	0.26	1.54/1.34
Class A @ MOP**	4.87	-18.81	-18.81	4.22	-5.80	—	-0.64	1.54/1.34
Russell 2000 Index	15.47	—	-4.18	15.63	0.15	5.62	—	—

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 Fund's investment advisor is contractually obligated to waive a portion of its fees and reimburse other expenses until April 30, 2012, 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 Investor Class, Institutional Class, Class M and Class A shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.29%, 0.99%, 0.99% and 1.34%, respectively. This expense limitation arrangement may not be terminated by the Fund's investment advisor prior to such date under any circumstances.

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.

CALENDAR YEAR PERFORMANCE (% AT NAV)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Investor	4.26	-18.47	36.49	22.76	9.63	9.35	7.36	-39.02	20.62	15.64	-13.82
Institutional	—	—	37.08	23.30	10.08	13.32	4.92	-38.77	21.10	15.96	-13.24
Class M	—	—	—	—	—	—	—	—	—	—	-13.59
Class A	—	—	—	—	—	9.39	7.45	-38.99	20.65	15.53	-16.34
Russell 2000 Index	2.49	-20.48	47.25	18.33	4.55	18.37	-1.57	-33.79	27.17	26.85	-4.18

TOP TEN HOLDINGS

Security	% of Net Assets
Russell 2000 Mini Index Future	9.86
Altisource Portfolio Solutions SA	2.77
Sunstone Hotel Investors, Inc.	2.51
SVB Financial Group	2.21
Carter's, Inc.	2.04
World Acceptance Corp.	1.89
Texas Capital Bancshares, Inc.	1.89
Coeur d'Alene Mines Corp.	1.86
Oxford Industries, Inc.	1.85
C&J Energy Services, Inc.	1.72

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

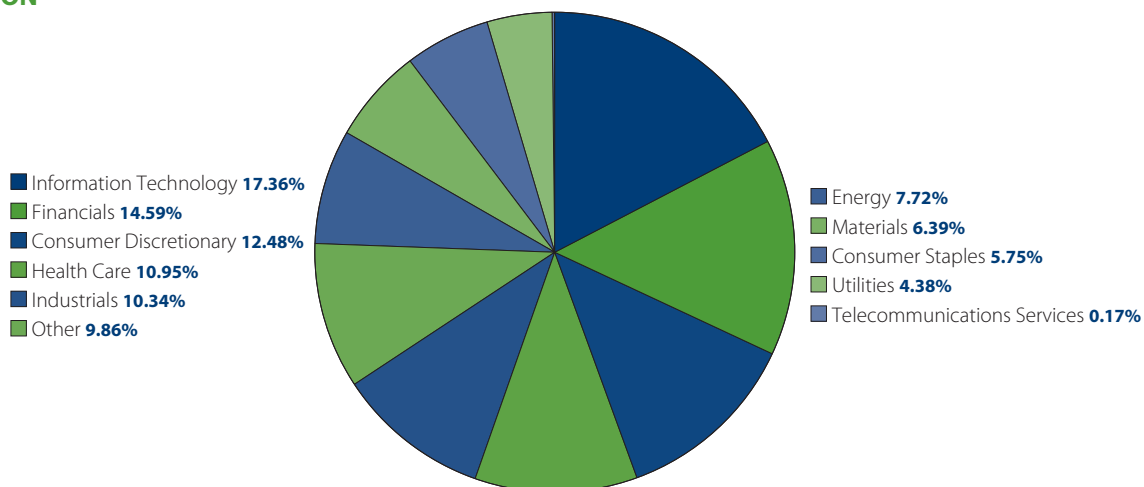
STATISTICS/CHARACTERISTICS

Beta	0.87
R-Squared	85.46
Annual Portfolio Turnover	161.59%
# of Holdings	92
Net Assets	\$48.71M

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

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

SECTOR ALLOCATION



These allocations may not reflect the current or future positions in the portfolio. Percentages may not add to 100% due to rounding.

Other category represents notional exposure from index futures.

Net cash and cash equivalents represents total cash less notional value of index futures. Total cash and cash equivalents equals 9.86%

OBJECTIVE

The Fund seeks to achieve high total return.

OVERVIEW

The Fund invests in companies that Forward believes has the potential to outperform the Russell 2000 Index and are demonstrating fundamental growth potential and trading at attractive valuation prices.

- › The portfolio is comprised of small cap stocks exhibiting combinations of fundamental quality, earnings growth, revenue growth, cash flow growth, business restructurings or equity spin-offs that have the potential to result in future price appreciation.
- › Stock purchases may include: durable growth stocks that frequently exhibit consistent growth rates, strong management teams and sustainable earning prospects; contrarian stocks that are confronted by short-term issues and market overreactions; emerging and undiscovered stocks that tend to have few institutional holders and limited Wall Street research analyst coverage and thematic stocks that try to capitalize on a large growing market opportunity, new business models or rapid innovation.
- › The team draws on both internal and external resources to access industry dynamics, business franchise/management strategy, total addressable market, thematic opportunities, financial analysis, attractiveness of earnings growth, cash flow strength, revenue growth potential, balance sheet strength and/or valuation characteristics.

FUND DETAILS

Advisor: Forward Management, LLC

Category: Small Growth

Benchmark: Russell 2000 Index

Dividend Frequency: Annually

Share Class	Ticker	CUSIP	Inception Date	Minimum Investments	Expense Ratio (%)	
					Gross	Net
Investor	FFSCX	349913608	10/01/98	\$4,000	1.49	1.29
Institutional	FFHIX	349913889	06/06/02	\$100,000	1.19	0.99
Class M	FSCMX	34986P606	02/01/10	N/A	1.19	0.99
Class A	FFHAX	349913772	05/02/05	\$4,000	1.54	1.34

CORRELATION/STANDARD DEVIATION

	Correlation	Standard Deviation
Fund	N/A	20.39
Benchmark	0.92	21.53

PORTFOLIO MANAGEMENT

The Fund is team managed and all investment decisions are made jointly by the team. The members of the team are:

Jim O'Donnell, CFA

CIO

25 Years Experience

David Readerman, CFA

Portfolio Manager

29 Years Experience

Forward Management, LLC, is a privately-held asset management firm that uses a forward-thinking, problem-solving approach to help advisors and investors navigate a shifting, uncertain investment climate. Based in San Francisco, the firm is the investment advisor to the Forward Funds. Forward offers advisors and investors access to a broad spectrum of investment and asset allocation solutions, including an evolving set of alternatives to traditional, long-only investing.

For more information visit us at www.forwardfunds.com or call (800) 999-6809

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 at www.forwardfunds.com. It should be read carefully before investing.

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.

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. One cannot invest directly in an index.

A correlation coefficient is a measure of the interdependence of two random variables that range in value from -1 to +1, indicating perfect negative correlation at -1, absence of correlation at zero and perfect positive correlation at +1.

Standard deviation measures the degree to which a fund's return varies from its previous returns or from the average of all similar funds.

Forward Management is the investment advisor to the Forward Funds.

Forward Funds are distributed by ALPS Distributors, Inc., which is not affiliated with Forward Management, LLC.

Jim O'Donnell and David Readerman have earned the right to use the Chartered Financial Analyst designation. CFA Institute marks are trademarks owned by the CFA Institute.

Performance figures and other portfolio data shown for periods prior to February 1, 2011, do not reflect the current manager's performance or strategy.

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

Not FDIC Insured | No Bank Guarantee | May Lose Value

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