Forward International Dividend Fund

As of December 31, 2011

FORWARDFUNDS

PERFORMANCE (%)

	4Q	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception	Gross/Net Expense (%)
Investor	4.33	-12.45	-12.45	11.96	-5.73	4.55	3.25	**3.91**/1.49
Institutional	4.57	-12.01	-12.01	12.24	—	—	-7.74	**3.56**/1.14
Class M	4.75	—	—	—	—	—	-16.68	**3.56**/1.14
MSCI All Country World Index ex-USA	3.77	-13.33	-13.33	11.20	-2.48	6.76	—	—

Returns for periods greater than one year are annualized.

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 and Class M shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.49%, 1.14% and 1.14%, 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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Investor	-14.75	37.76	13.00	17.50	18.19	10.84	-53.22	35.88	17.97	-12.45
Institutional	—	—	—	—	—	—	-53.12	35.84	18.30	-12.01
Class M	—	—	—	—	—	—	—	—	—	—
MSCI All Country World Index ex-USA	-14.67	41.41	21.36	17.11	27.16	17.12	-45.24	42.14	11.60	-13.33

TOP TEN HOLDINGS

Security	% of Net Assets
mini MSCI EAFE Index Future	4.75
Ormat Industries, Ltd.	2.67
Net Cash and Cash Equivalents	2.59
Total SA, Sponsored ADR	2.53
Sanofi	2.36
PT Astra Graphia Tbk	2.19
Unilever Plc, Sponsored ADR	2.16
Syngenta AG, ADR	2.15
Guangdong Investment, Ltd.	2.13
GlaxoSmithKline Plc, Sponsored ADR	2.06

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

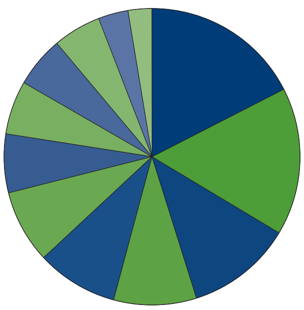
STATISTICS/CHARACTERISTICS

Beta	1.03
R-Squared	93.20
Annual Portfolio Turnover	113.43%
# of Holdings	85
Net Assets	$8.90M

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

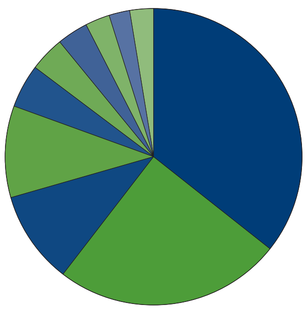
R-Squared reflects the percentage of the Fund's movements that are explained by movement in its benchmark index.

SECTOR ALLOCATION



- Industrials **17.48%**
- Financials **16.10%**
- Consumer Discretionary **11.56%**
- Health Care **9.04%**
- Information Technology **8.90%**
- Energy **7.99%**
- Consumer Staples **6.40%**
- Other **5.85%**
- Materials **5.55%**
- Utilities **5.25%**
- Telecommunications Services **3.27%**
- Net Cash and Cash Equivalents **2.59%**

REGIONAL ALLOCATION



- Asia ex Japan **35.66%**
- Europe Ex UK **24.78%**
- United Kingdom **10.11%**
- Japan **9.99%**
- Other **4.75%**
- North America **3.81%**
- Latin America **3.38%**
- Middle East **2.67%**
- South America **2.26%**
- Net Cash and Cash Equivalents **2.59%**

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 (4.75)% and specialty mortgage securities (1.10%).

Net cash and cash equivalents represents total cash less notional value of index futures. Total cash and cash equivalents equals 7.33%.

OBJECTIVE

The Fund seeks to achieve high total return (capital appreciation and income).

OVERVIEW

The Fund seeks to provide long-term capital appreciation and income by investing in dividend-paying companies located outside the United States, investing in stocks with higher relative dividend yields, dividend growth potential and anticipated stock price appreciation.

- Investments are selected using a novel proprietary statistical measurement of relative dividend yield to identify attractive investment opportunities.
- The portfolio is composed of broadly diversified, high-quality, dividend-paying stocks, is typically exposed to at least 7 economic sectors and 10 countries and is weighted based on the perceived risk and strength of the investment catalyst.
- The Fund's investment philosophy is based on the belief that by emphasizing higher-yielding stocks, the portfolio can participate in stock market advances and protect capital better than competing strategies during stock market declines.

FUND DETAILS

Advisor: Forward Management, LLC
Category: Foreign Large Blend
Benchmark: MSCI All Country World Index ex-USA
Dividend Frequency: Quarterly

Share Class	Ticker	CUSIP	Inception Date	Minimum Investments	Expense Ratio (%) Gross	Expense Ratio (%) Net
Investor	FFINX	349913301	10/01/98	$4,000	**3.91**	1.49
Institutional	FFIEX	349913681	05/01/07	$100,000	**3.56**	1.14
Class M	FIDMX	34986P671	05/01/11	N/A	**3.56**	1.14

CORRELATION/STANDARD DEVIATION

	Correlation	Standard Deviation
Fund	N/A	20.09
MSCI All Country World Index ex-USA	0.97	18.79

PORTFOLIO MANAGEMENT

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

David L. Ruff, CFA
Portfolio Manager
25 Years Experience

Randall T. Coleman, CFA
Portfolio Manager
20 Years Experience

Bruce R. Brewington
Portfolio Manager
20 Years Experience

Jim O'Donnell, CFA
CIO
25 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.

The MSCI All Country World Index ex-USA is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States. 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.

David L. Ruff, Jim O'Donnell and Randall T. Coleman have earned the right to use the Chartered Financial Analyst designation. CFA Institute marks are trademarks owned by the CFA Institute.

David L. Ruff is a registered representative of ALPS Distributors, Inc.

Performance figures and other portfolio data shown for periods prior to December 1, 2008, do not reflect the current portfolio 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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FORWARD FUNDS