

# Forward Real Estate Fund

As of December 31, 2011

FORWARDFUNDS

## PERFORMANCE (%)

	4Q	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception	Gross/Net Expense (%)
Investor	15.97	3.84	3.84	16.82	-4.09	7.32	8.01	1.88/1.88
Institutional	15.97	4.25	4.25	16.87	—	—	-3.16	1.48/1.48
Class A @ NAV*	15.96	4.01	4.01	—	—	—	25.14	1.73/1.73
Class A @ MOP**	9.34	-2.00	-2.00	—	—	—	22.25	1.73/1.73
Class C @ NAV†	15.79	3.21	3.21	—	—	—	24.22	2.48/2.48
Class C @ MOP‡	14.79	2.21	2.21	—	—	—	24.22	2.48/2.48
FTSE NAREIT Equity REITs Index	15.22	8.29	8.29	21.05	-1.42	10.20	—	—

Returns for periods greater than one year are annualized.

\*Excludes sales charge.

\*\*Reflects effects of the Fund's maximum sales charge of 5.75%.

†Excludes the effects of the 1% contingent deferred sales charge.

‡Includes the effects of the 1% contingent deferred sales charge.

**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.**

## CALENDAR YEAR PERFORMANCE (% AT NAV)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Investor	3.56	28.52	28.77	11.01	31.24	-15.31	-39.88	22.44	25.40	3.84
Institutional	—	—	—	—	—	—	—	21.62	25.91	4.25
Class A	—	—	—	—	—	—	—	—	25.49	1.01
Class C	—	—	—	—	—	—	—	—	24.71	2.71
FTSE NAREIT Equity REITs Index	3.82	37.13	31.58	12.16	35.06	-15.69	-37.73	27.99	27.96	8.29

## TOP TEN HOLDINGS

Security	% of Net Assets
Simon Property Group, Inc.	8.76
Equity Residential	4.97
HCP, Inc.	4.36
ProLogis	4.29
Boston Properties, Inc.	4.08
Health Care REIT, Inc.	3.92
Host Hotels & Resorts, Inc.	3.73
Ventas, Inc.	3.52
Vornado Realty Trust	3.52
Public Storage, Inc.	2.87

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

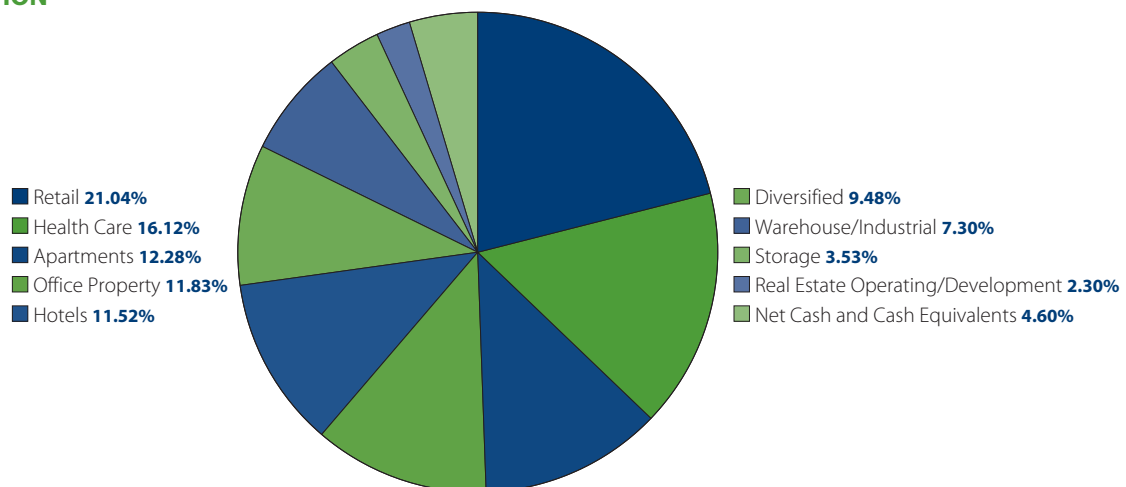
## STATISTICS/CHARACTERISTICS

Beta	0.88
R-Squared	97.12
Annual Portfolio Turnover	65.78%
# of Holdings	53
Total Assets	\$34.23M

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.

## PROPERTY DIVERSIFICATION



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

## OBJECTIVE

The Fund seeks income with capital appreciation as a secondary goal.

## OVERVIEW

The Fund invests in high-quality U.S. companies that are expected to generate superior real estate driven returns over longer time periods and focuses on real estate companies which can be identified as having attractive cash flow, assets and management characteristics.

- › Primarily invests in NYSE-listed real estate companies, including real estate investment trusts (REITs).
- › The portfolio employs a rigorous, repeatable, bottom-up investment approach that incorporates quantitative and qualitative analyses of companies' cash flow, assets and management.
- › Security selection is guided by the comparison of current market prices for securities relative to their estimated fair value in a process conducted by Forward, where fair value is estimated based on both a discounted cash flow approach and a net asset value approach.

## FUND DETAILS

**Advisor:** Forward Management, LLC

**Category:** Real Estate

**Benchmark:** FTSE NAREIT Equity REITs Index

**Dividend Frequency:** Quarterly

Share Class	Ticker	CUSIP	Inception Date	Minimum Investments	Expense Ratio (%)	
					Gross	Net
Investor	FFREX	349913707	05/10/99	\$4,000	1.88	1.88
Institutional	FPREX	349913525	05/01/08	\$100,000	1.48	1.48
Class A	KREAX	34987A517	06/12/09	\$4,000	1.73	1.73
Class C	KRECX	34987A491	06/12/09	\$4,000	2.48	2.48

## CORRELATION/STANDARD DEVIATION

Fund	Standard Correlation Deviation	
	Correlation	Deviation
Fund	N/A	21.06
FTSE NAREIT Equity REITs Index	0.99	23.59

## YIELD (%)

	30-Day SEC Yield (REIT ROC Adjusted)
	Investor
Institutional	1.11
Class A	0.82
Class C	0.15

Data as of 12/31/11. Past performance does not guarantee future results.

## PORTFOLIO MANAGEMENT

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

### Joel Beam

Portfolio Manager  
18 Years Experience

### Ian Goltra

Portfolio Manager  
25 Years Experience

### Michael McGowan

Portfolio Manager  
26 Years Experience

### Aaron Visse, CFA

Portfolio Manager  
13 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](http://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](http://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.

A fund that concentrates in a particular industry will involve a greater degree of risk than a fund with a more diversified portfolio. A "non-diversified" fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a "diversified" fund. The net asset value per share of a non-diversified fund can be expected to fluctuate more than that of a comparable diversified fund. A fund that concentrates its investments in opportunities in the real estate industry or otherwise invests in real estate-related securities is subject to the risks associated with direct ownership of real

estate. Real estate values can fluctuate as a result of general and local economic conditions, over-building and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighborhood values, increases in interest rates and defaults by borrowers or tenants. The value of equities that service the real estate business sector may also be affected by such risks.

The FTSE NAREIT Equity REITs Index is representative of the tax-qualified REITs listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ National 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.

The 30-Day SEC Yield (REIT ROC Adjusted) is based on a 30-day period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. The 30-Day SEC Yield has been adjusted for REIT investment return of capital.

Forward Management is the investment advisor to the Forward Funds.

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Performance figures and other portfolio data shown for periods prior to March 1, 2010, do not reflect the current manager's performance or strategy.

Not FDIC Insured | No Bank Guarantee | May Lose Value  
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