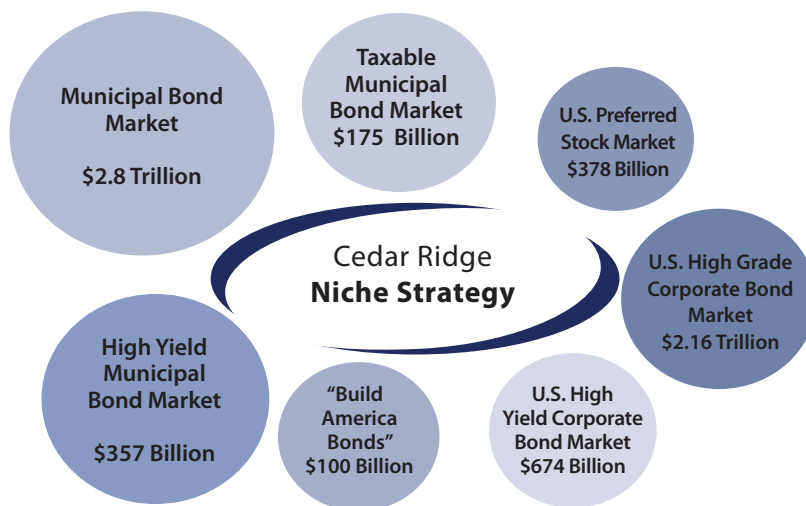


**Strategy Overview**

The Forward Long/Short Credit Analysis Fund seeks to deliver diversified and uncorrelated returns versus other investment alternatives and asset classes by taking advantage of relative value, cross-over trading opportunities and market anomalies and inefficiencies across a wide array of credit markets. Current focus sectors include the Airline, Auto and Auto Parts, Cable, Electric Utility, Energy, Housing, Industrial and Tobacco bond sectors. Fund investments are comprised primarily of long positions in tax-exempt municipal bonds, taxable corporate bonds and preferred securities and short positions in corporate bonds, U.S. Treasury and Agency securities.

**Investment Universe**



**Portfolio Facts**

**SUB-ADVISOR**

Cedar Ridge Partners, LLC

**CATEGORY**

Long/Short

**BENCHMARKS**

Barclays Capital U.S. Municipal Bond Index  
Barclays Capital U.S. Corporate High Yield Bond Index

**INCEPTION DATE**

Investor, Institutional May 1, 2008  
C Share June 3, 2009  
M Share February 1, 2010

**TICKER**

Investor Class: FLSRX – 349913475  
Institutional Class: FLSIX – 349913533  
C Share: FLSFX – 349913699  
M Share: FLSMX – 34986P861

**MINIMUM INVESTMENT**

Investor, C Share: \$4,000  
Institutional Class: \$100,000  
M Share: None\*

\*Available to fee-based advisory platforms and retirement plans (omnibus accounts).

**Portfolio Construction**

**Portfolio construction is expected to include:**

**LONG**

Major position in high-yield municipal bonds, with the balance in taxable corporate bonds and preferred securities

**SHORT**

Positions in corporate bonds, U.S. Government and Agency securities and derivatives

- Seek to hedge interest rate and credit risk
- Short positions are expected to add to overall return

**The Fund utilizes leverage to enhance returns:**

- Leverage provided through shorting or borrowing seeks to generate a positive carry
- Maximum gross leverage employed by the portfolio (value of long positions + short positions + borrowing) will not exceed 3X the value of the fund's net assets

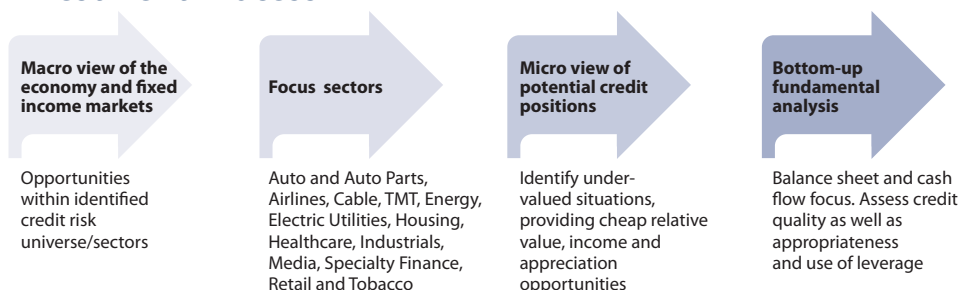
**Portfolio Diversification:**

- 25% of total assets maximum industry exposure constraint
- Expected to hold 130 to 180 securities in the portfolio

The strategy seeks to exploit the differential pricing of credit risk across the municipal bond, corporate bond and preferred securities markets.

The strategy takes advantage of market anomalies and inefficiencies across a wide array of credit risk markets using opportunistic trading strategies and paired trades.

**Investment Process**



Express positive views by going long credits and negative views by going short credits.

**Performance** - as of 06/30/10

	2Q	YTD	1YR	Since Inc.
Forward Long/Short Credit Analysis Fund - Institutional Class	0.09%	4.75%	25.61%	12.43%
Barclays Capital U.S. Municipal Bond Index	2.04%	3.31%	9.61%	5.87%
Barclays Capital U.S. Corp. High-Yield Bond Index	-0.11%	4.51%	26.76%	9.08%
	Gross/Net Expenses (%): <b>3.77%</b> / 3.54%*			

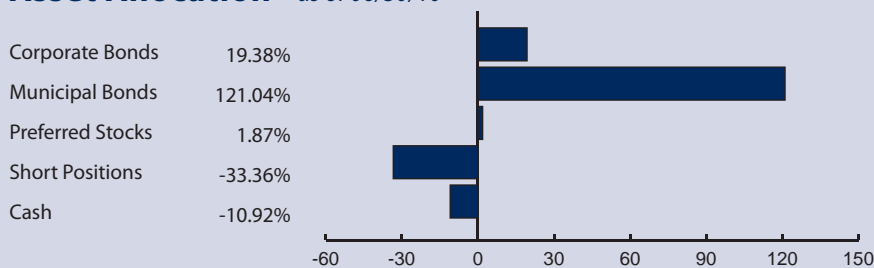
Fund Inception: 05/01/08

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 gross expense of 3.77% and net expense of 3.54% includes 1.90% in interest expense on short sales. The Fund may also receive interest or dividend income on the proceeds of such short sales. The Fund's investment advisor has contractually agreed to waive a portion of its fees and reimburse other expenses until April 30, 2011, 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 Institutional Class shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.64%.

**Statistics** - as of 06/30/10

Total Holdings:	202	<b>Gross and Net Exposure</b> measures how much a fund is exposed to market risk.
Long Holdings	191	
Short Holdings	11	
Gross Exposure	1.77X	<b>VAR</b> (value at risk) is expected loss from an adverse market movement based on a volatility estimate.
Net Exposure	1.11X	
VAR	0.29%	
Turnover (YTD Annualized)	80.97%	

**Asset Allocation** - as of 06/30/10

The Fund will invest in lower-rated debt securities and may utilize derivatives for hedging purposes. The Fund's use of short selling involves additional risks and transaction costs, and creates leverage, which can increase the volatility of the Fund. The Fund may invest a larger percentage of its assets in the securities of a smaller number of issuers, since it is a "non-diversified" mutual fund.

**High-yield bonds involve a greater risk of default and price volatility than U.S. Government and other high quality bonds. High-yield/high-risk bonds will experience sudden and sharp price swings which will affect net asset value. The Fund's prospectus allows for investment in non-investment grade securities.**

The Barclays Capital U.S. Municipal Bond Index covers the USD-denominated long-term, tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

The Barclays Capital U.S. Corporate High-Yield Bond Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

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

Not FDIC Insured | No Bank Guarantee | May Lose Value

Forward Funds are distributed by ALPS Distributors, Inc.  
© 2010 Forward Funds. All rights reserved.

FWD002646 103110

**Management Team****Alan Hart** PORTFOLIO MANAGER

Mr. Hart is the Managing Partner and Chief Investment Officer of Cedar Ridge Partners, LLC. Prior to founding Cedar Ridge in March 2004, he was an investment banker for 21 years specializing in municipal bonds and high-yield, structured transactions. From 1996–2004 he was a Managing Director at Bear, Stearns & Co. Inc. From 1986–1996, Mr. Hart was Vice President and managed the Corporate-Related Group in the Municipal Bond Department at Goldman, Sachs & Co. Prior to joining Goldman Sachs, he spent three years at The First Boston Corporation. He holds an MBA (finance) from the Columbia University Graduate School of Business and received a BS (business) from California State University, Chico.

**Guy Benstead** CO-PORTFOLIO MANAGER

Mr. Benstead is a Partner and Chief Compliance Officer of Cedar Ridge Partners, LLC. He joined Cedar Ridge in March 2005, following an investment banking career that spanned 22 years, with a specific focus on credit risk in the fixed income markets. Prior to joining Cedar Ridge, he spent 14 years at Bear, Stearns & Co. Inc. in San Francisco, as a Managing Director in Institutional Fixed Income. He began his career on Wall Street in 1983 with Drexel Burnham Lambert and spent 7 years with the firm. He holds an MBA (finance) from the Columbia University Graduate School of Business and received a BA (international relations) from the University of California, Davis.