

Forward Banking and Finance Fund

As of December 31, 2011

FORWARD FUNDS

PERFORMANCE (%)

	4Q	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception	Gross/Net Expense (%)
Investor	16.84	-4.23	-4.23	—	—	—	-1.32	1.89/1.89
Class A @ NAV*	16.80	-4.59	-4.59	-0.42	-9.30	3.33	5.73	1.94/1.94
Class A @ MOP**	10.09	-10.08	-10.08	-2.37	-10.37	2.72	5.31	1.94/1.94
Class C @ NAV†	16.58	-5.13	-5.13	-1.07	-9.90	2.69	5.35	2.49/2.49
Class C @ MOP‡	15.58	-6.08	-6.08	-1.07	-9.90	2.69	5.35	2.49/2.49
Russell 2000 Index	15.47	-4.18	-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%.

†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. 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	—	—	—	—	—	—	—	—	—	-4.23
Class A	14.59	44.58	20.74	2.81	9.93	-20.92	-21.41	-11.29	16.67	-7.34
Class C	13.86	43.63	20.02	2.15	9.44	-21.43	-21.94	-12.05	16.05	-5.61
Russell 2000 Index	-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
Signature Bank	4.60
Bank of The Ozarks, Inc.	4.58
Texas Capital Bancshares, Inc.	3.58
Cass Information Systems, Inc.	3.10
East West Bancorp, Inc.	2.49
First of Long Island Corp.	2.32
Horizon Bancorp	2.31
Bank of Marin Bancorp	2.29
Lakeland Financial Corp.	2.20
Teche Holding Co.	2.13

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

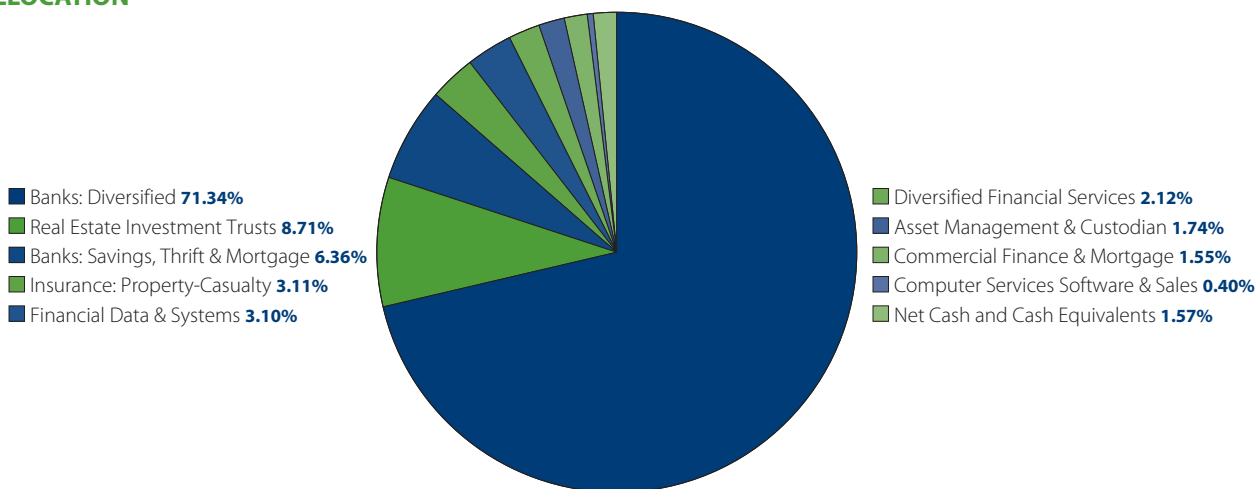
STATISTICS/CHARACTERISTICS

Beta	0.57
R-Squared	57.67
Annual Portfolio Turnover	47.59%
# of Holdings	90
Total Assets	\$34.22M

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.

INDUSTRY ALLOCATION



OBJECTIVE

The Fund seeks long-term growth through capital appreciation. Income is a secondary objective.

OVERVIEW

The Fund invests primarily in the stocks of community banks, insurance companies and other institutions related to the financial services industry.

- › The portfolio is comprised of companies of various sizes, including smaller companies, with a focus on common stocks that pay current dividends.
- › Typically invests a minimum of 25% in banks and savings and loans (S&Ls) and 25% in financial services.
- › The team employs a 10-step research process that includes a brief company description, its competitive advantage, an assessment of management, specific growth drivers, risks, valuation metrics and its comparables and buy analysis, and culminates with the production of an internal report on each company.

FUND DETAILS

Sub-Advisor: Emerald Mutual Fund Advisers Trust

Category: Financial

Benchmark: Russell 2000 Index

Dividend Frequency: Annually

	Ticker	CUSIP	Inception Date	Minimum Investments	Expense Ratio (%)	
					Gross	Net
Investor	FFBFX	34987A616	03/16/10	\$4,000	1.89	1.89
Class A	HSSAX	29089R301	02/18/97	\$4,000	1.94	1.94
Class C	HSSCX	29089R400	07/01/00	\$4,000	2.49	2.49

CORRELATION/STANDARD DEVIATION

	Correlation	Standard Deviation
Fund	N/A	16.06
Russell 2000 Index	0.76	21.38

PORTFOLIO MANAGEMENT

Emerald Mutual Fund Advisers Trust is the sub-advisor to the Fund. The portfolio manager is:

Kenneth G. Mertz, II, CFA

CIO and President
34 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.

A fund that concentrates in a particular industry will involve a greater degree of risk than a fund with a more diversified portfolio. 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.

ALPS Distributors, Inc. is not affiliated with Emerald Mutual Fund Advisers Trust.

Kenneth G. Mertz has earned the right to use the Chartered Financial Analyst designation. CFA Institute marks are trademarks owned by the CFA Institute.

Not FDIC Insured | No Bank Guarantee | May Lose Value
©2012 Forward Funds. All rights reserved.

4Q2011 FWD003422 043012