

# Forward Select Income Fund

As of December 31, 2011

FORWARDFUNDS

## PERFORMANCE (%)

	4Q	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception	Gross/Net Expense (%)
Investor	—	—	—	—	—	—	3.28	1.90/1.90
Institutional	4.64	3.31	3.31	32.10	0.85	—	2.81	1.50/1.50
Class M	4.64	3.31	3.31	—	—	—	13.81	1.50/1.50
Class A @ NAV*	4.57	3.09	3.09	31.62	0.56	6.52	8.55	1.75/1.75
Class A @ MOP**	-1.44	-2.84	-2.84	29.06	-0.62	5.89	7.95	1.75/1.75
Class C @ NAV†	4.36	2.29	2.29	30.61	-0.23	5.69	7.72	2.50/2.50
Class C @ MOP‡	3.36	1.34	1.34	30.61	-0.23	5.69	7.72	2.50/2.50
BofA Merrill Lynch Preferred Index	1.95	4.11	4.11	12.42	-1.19	2.44	—	—

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	—	—	—	—	—	—	—	—	—	—
Institutional	—	—	—	—	—	-24.02	-40.43	76.04	26.74	3.31
Class M	—	—	—	—	—	—	—	—	—	3.31
Class A	16.95	23.97	11.30	-1.98	15.61	-24.21	-40.49	74.98	26.41	0.13
Class C	16.07	23.03	10.44	-2.71	14.72	-24.80	-40.99	73.59	25.46	1.82
BofA Merrill Lynch Preferred Index	7.66	9.43	5.11	0.96	8.10	-11.31	-25.24	20.07	13.66	4.11

## TOP TEN HOLDINGS

Security	% of Net Assets
Apartment Investment & Management Co. (Preferred Stock)	3.83
CBL & Associates Properties, Inc. (Preferred Stock)	3.33
Glimcher Realty Trust (Preferred Stock)	3.24
Weingarten Realty Investors (Preferred Stock)	2.96
Ashford Hospitality Trust, Inc. (Preferred Stock)	2.65
Sunstone Hotel Investors, Inc. (Preferred Stock)	2.51
SL Green Realty Corp. (Preferred Stock)	2.41
Toys R Us Property Co., I LLC, Gtd. Notes (Corporate Bond)	2.34
FelCor Lodging Trust, Inc. (Preferred Stock)	2.28
FelCor Lodging Trust, Inc. (Convertible Preferred Stock)	2.12

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

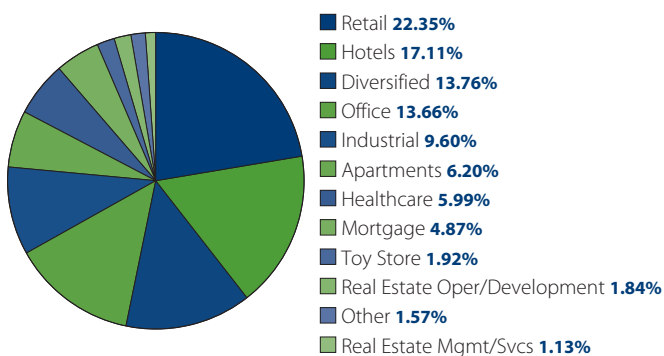
## STATISTICS/CHARACTERISTICS

Beta	0.79
R-Squared	43.98
Annual Portfolio Turnover	92.56%
# of Holdings	134
% Senior Securities	93%
% Common Stock	7%
Net Assets	\$1.24B

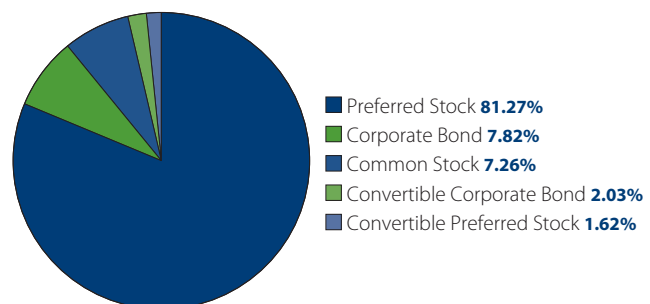
Beta is a measure of risk which shows the Fund's volatility relative to its benchmark index.

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

## SECTOR ALLOCATION



## HOLDINGS ALLOCATION



## OBJECTIVE

The Fund seeks high current income and potential for modest long-term growth of capital.

## OVERVIEW

The Fund offers access to a professionally managed portfolio of preferred shares and senior securities that provide income-oriented investors an opportunity to own the preferred equity and bonds of public real estate companies at attractive yields.

- › The Fund invests in high-yielding Real Estate Investment Trust (REIT) common stocks and may seek opportunities in small capitalization REITs, as well as utilize portfolio leverage in pursuit of its objectives. While the focus is on preferred/senior securities, the allocation may shift based on market conditions.
- › The portfolio employs a rigorous, repeatable, bottom-up investment approach that incorporates both quantitative and qualitative analyses of companies' cash flow, assets and management to identify securities with the most risk-adjusted appreciation potential.
- › The portfolio adjusts to changing market fundamentals through sector and geographic rotation, employs active stock selection and leverages the team's experience in real estate security portfolio management.

## FUND DETAILS

**Advisor:** Forward Management, LLC

**Category:** Real Estate

**Benchmark:** BofA Merrill Lynch Preferred Index

**Dividend Frequency:** Quarterly

Share	Ticker	CUSIP	Inception Date	Minimum Investments	Expense Ratio (%)	
					Gross	Net
Investor	FFSLX	34987A178	10/26/11	\$4,000	1.90	1.90
Institutional	KIFYX	34987A160	04/28/06	\$100,000	1.50	1.50
Class M	FSIMX	34986P507	02/01/10	N/A	1.50	1.50
Class A	KIFAX	34987A319	03/30/01	\$4,000	1.75	1.75
Class C	KIFCX	34987A293	03/30/01	\$4,000	2.50	2.50

## CORRELATION/STANDARD DEVIATION

	Correlation	Standard Deviation
Fund	N/A	18.90
BofA Merrill Lynch Preferred Index	0.66	15.92

## YIELD (%)

	30-Day SEC Yield
Investor	8.47
Institutional	8.87
Class M	8.87
Class C	7.84
Class A	8.11

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

### Michael McGowan

Portfolio Manager  
26 Years Experience

### Aaron Visse, CFA

Portfolio Manager  
13 Years Experience

### Ian Goltra

Portfolio Manager  
25 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.**

**Borrowing for investment purposes creates leverage, which can increase the risk and volatility of a fund. 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 BofA Merrill Lynch Preferred Index is a capitalization-weighted index of preferred stock issues that is generally representative of the market for preferred securities. 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 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.

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 June 15, 2009, 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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