

Forward Real Estate Long/Short Fund

As of December 31, 2011

FORWARDFUNDS

PERFORMANCE (%)

	4Q	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception	Gross/Net Expense (%)
Investor	15.38	—	—	—	—	—	-7.09	2.02/2.02
Institutional	15.49	1.10	1.10	26.16	-7.79	—	-3.84	1.62/1.62
Class M	15.49	—	—	—	—	—	-6.81	1.62/1.62
Class A @ NAV*	15.36	0.82	0.82	25.82	-8.48	4.37	9.64	1.87/1.87
Class A @ MOP**	8.71	-4.97	-4.97	23.37	-9.56	3.76	9.11	1.87/1.87
Class C @ NAV†	15.15	0.04	0.04	24.86	-9.16	3.59	8.82	2.62/2.62
Class C @ MOP‡	14.15	-0.94	-0.94	24.86	-9.16	3.59	8.82	2.62/2.62
FTSE NAREIT Composite Index	14.05	7.30	7.30	20.49	-2.23	9.44	—	—

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. 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	—	—	—	—	—	-21.56	-57.68	48.57	33.67	1.10
Class M	—	—	—	—	—	—	—	—	—	—
Class A	4.15	31.82	27.63	4.77	30.16	-21.81	-58.78	48.18	33.34	-2.08
Class C	3.39	30.85	26.69	3.96	29.17	-22.35	-59.09	47.02	32.35	-0.45
FTSE NAREIT Composite Index	5.22	38.47	30.41	8.29	34.02	-17.83	-37.84	27.80	27.56	7.30

SECTOR DIVERSIFICATION (% OF PORTFOLIO)

Sector	% Long	% Short	Total Exposure	Net Exposure
Retail	30.03	-0.47	30.50	29.56
Hotel	20.96	0.00	20.96	20.96
Office	14.17	0.00	14.17	14.17
Diversified	12.81	0.00	12.81	12.81
Healthcare	12.06	0.00	12.06	12.06
Apartments	9.28	-0.76	10.04	8.52
Warehouse/Industrial	7.79	0.00	7.79	7.79
Mortgage	4.00	0.00	4.00	4.00
Real Estate Operating/ Development	3.87	0.00	3.87	3.87
Storage	2.77	-0.19	2.96	2.58
Exchange-Traded Funds	1.20	-0.26	1.46	0.94
Real Estate Management/Svcs	0.07	0.00	0.07	0.07
Timber	0.00	-0.96	0.96	-0.96
Retail - Discount	0.00	-1.31	1.31	-1.31
Hotels & Motels	0.00	-2.73	2.73	-2.73
Net Cash and Cash Equivalents	0.00	-12.33	12.33	-12.33

TOP TEN HOLDINGS

Security	% of Net Assets
Simon Property Group, Inc.	8.38
HCP, Inc.	4.54
Boston Properties, Inc.	4.38
Vornado Realty Trust	3.75
ProLogis, Inc.	3.60
Host Hotels & Resorts, Inc.	3.18
Ashford Hospitality Trust, Inc.	2.85
Public Storage	2.77
Equity Residential	2.67
Ventas, Inc.	2.56

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

STATISTICS/CHARACTERISTICS

Beta	0.99
R-Squared	88.11
Annual Portfolio Turnover	94.91%
# of Holdings	97
Long Holdings	82
Short Holdings	15
Net Assets	\$66.05M

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.

OBJECTIVE

The Fund seeks total return through a combination of high current income relative to equity investment alternatives, plus long-term growth of capital.

OVERVIEW

The Fund offers a value-driven approach to real estate securities investment, providing targeted exposure to high-quality companies. In addition to investing in equities and senior securities, the Fund has the flexibility to invest in niche sectors of the real estate securities market and may invest in both U.S. and non-U.S. real estate securities, as well as in companies located in emerging and frontier market countries.

- › The portfolio employs a rigorous, repeatable, bottom-up investment approach that incorporates quantitative and qualitative analyses of companies' cash flow, assets and management.
- › The team identifies securities with the most risk-adjusted appreciation potential using proprietary Discounted Cash Flow and Relative Ranking models.
- › The Fund 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.
- › The Fund may engage in transactions designed to hedge against changes in the price of portfolio securities, such as purchasing put options, selling securities short or writing covered call options. The Fund's short positions may equal up to 100% of the net asset value, and the Fund may also leverage its portfolio by borrowing money to purchase securities or purchase restricted securities or securities which are deemed to be not readily marketable.

FUND DETAILS

Advisor: Forward Management, LLC

Category: Real Estate

Benchmark: FTSE NAREIT Composite Index

Dividend Frequency: Quarterly

Share Class	Ticker	CUSIP	Inception Date	Minimum Investments	Expense Ratio (%)	
					Gross	Net
Investor	FFSRX	34987A152	05/01/11	\$4,000	2.02	2.02
Institutional	KSRYX	34987A145	04/28/06	\$100,000	1.62	1.62
Class M	FRLSX	34986P655	05/01/11	N/A	1.62	1.62
Class A	KSRAX	34987A285	09/15/99	\$4,000	1.87	1.87
Class C	KSRCX	34987A269	09/15/99	\$4,000	2.62	2.62

CORRELATION/STANDARD DEVIATION

	Correlation	Standard Deviation
Fund	N/A	24.11
FTSE NAREIT Composite Index	0.94	22.75

YIELD (%)

	30-Day SEC Yield (REIT ROC Adjusted)
Investor	2.16
Institutional	2.54
Class M	2.54
Class A	2.17
Class C	1.57

PORTFOLIO MANAGEMENT

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

Ian Goltra

Portfolio Manager
25 Years Experience

Joel Beam

Portfolio Manager
18 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 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.

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. 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. 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. A fund's use of short selling involves additional investment risks and transaction costs, and creates leverage, which can increase the risk and volatility of a fund.

Alternative strategies typically are subject to increased risk and loss of principal. Consequently, investments such as mutual funds which focus on alternative strategies are not suitable for all investors.

The FTSE NAREIT Composite Index is an unmanaged index consisting of approximately 200 Real Estate Investment Trust stocks. 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.

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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Prior to May 1, 2011, the Fund was named the Forward Strategic Realty Fund.

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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