

Forward Emerging Markets 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	4.94	-22.33	-22.33	16.83	-0.27	—	15.82	1.99/1.79
Institutional	4.72	-22.21	-22.21	17.25	0.08	14.17	6.32	1.59/1.39
Class M	5.08	-21.96	-21.96	—	—	—	-1.57	1.59/1.39
MSCI Emerging Markets Index	4.45	-18.17	-18.17	20.42	2.70	14.20	—	—

Returns for periods greater than one year are annualized.

The Fund's investment advisor is contractually obligated to waive a portion of its fees and reimburse other expenses until April 30, 2012, 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 Investor Class, Institutional Class and Class M shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.79%, 1.39% and 1.39%, respectively. This expense limitation arrangement may not be terminated by the Fund's investment advisor prior to such date under any circumstances.

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	—	—	22.05	34.36	14.48	41.14	-55.38	76.17	16.56	-22.33
Institutional	0.60	72.72	22.26	34.79	14.70	41.50	-55.19	76.94	17.12	-22.21
Class M	—	—	—	—	—	—	—	—	—	-21.96
MSCI Emerging Markets Index	-6.00	56.28	25.95	34.54	32.58	39.78	-53.18	79.02	19.20	-18.17

TOP TEN HOLDINGS

Security	% of Net Assets
Samsung Electronics Co., Ltd.	3.46
Companhia Vale do Rio Doce	2.62
China Mobile, Ltd.	2.24
Taiwan Semiconductor Manufacturing Co., Ltd.	2.09
Industrial & Commercial Bank of China, Ltd., Class H	2.05
Petroleo Brasileiro SA, Sponsored ADR, Preferred Shares	1.80
OAO Gazprom, Sponsored ADR	1.77
CNOOC, Ltd.	1.65
Hyundai Motor Co.	1.45
Sasol, Ltd.	1.37

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

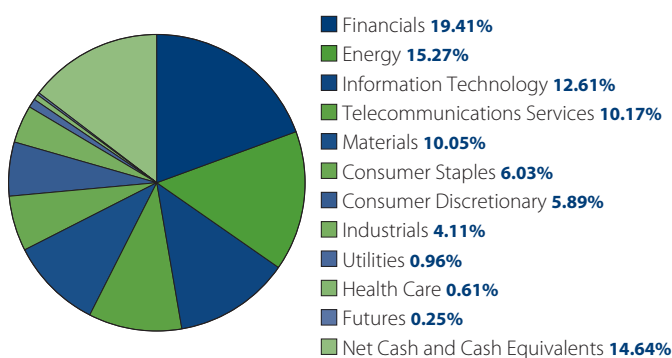
STATISTICS/CHARACTERISTICS

Beta	0.99
R-Squared	94.33
Annual Portfolio Turnover	129.19%
# of Holdings	131
Net Assets	\$55.16M

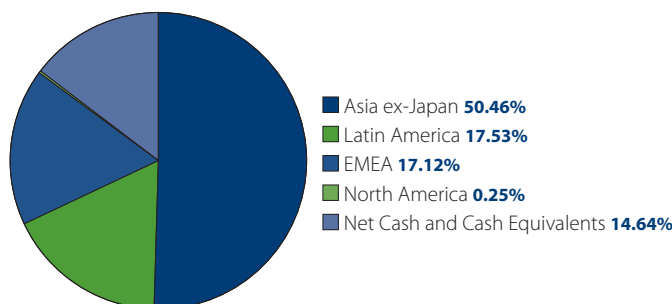
Beta is a measure of risk which shows the Fund's volatility relative to its benchmark index.

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

SECTOR ALLOCATION



REGIONAL ALLOCATION



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 to achieve long-term growth of capital.

OVERVIEW

The Fund employs a bottom-up, value-oriented approach to identify and invest in emerging market companies that are undervalued compared to companies in the developed world.

- › The team's active and disciplined investment style helps identify and profit from the many opportunities prevalent in emerging markets. Quantitative and qualitative screens help identify 1,300 core companies based on financial liquidity and relative financial strength versus other companies in their sector.
- › Pictet's balanced approach identifies the best opportunities through a combination of current valuations and implied future growth. The team seeks companies with strong cash generation prospects; strong balance sheets; asset valuations below replacement cost or below the average for its sector; a high free cash flow relative to the stock price; and in the case of banks, a low price to asset value, combined with a high return on equity.
- › The investment team is one of the larger emerging market investment teams in the world and includes both country and sector specialists.

FUND DETAILS

Sub-Advisor: Pictet Asset Management LTD/Forward Management, LLC

Category: Diversified Emerging Markets

Benchmark: MSCI Emerging Markets Index

Dividend Frequency: Annually

Share Class	Ticker	CUSIP	Inception Date	Minimum Investments	Expense Ratio (%)	
					Gross	Net
Investor	PGERX	349913798	04/09/03	\$4,000	1.99	1.79
Institutional	PTEMX	349913814	10/04/95	\$100,000	1.59	1.39
Class M	FEMMX	34986P804	02/01/10	N/A	1.59	1.39

CORRELATION/STANDARD DEVIATION

	Correlation	Standard Deviation
Fund	N/A	25.71
MSCI Emerging Markets Index	0.97	25.14

PORTFOLIO MANAGEMENT

Pictet Asset Management Limited is the sub-advisor to the Fund. The Fund is team managed and all investment decisions are made jointly by the team. The team members are:

Klaus Bockstaller

Head, Global Emerging Market Equities
18 Years Experience

Stephen Burrows

Senior Investment Manager and Product Specialist, Global Emerging Market Equities
25 Years Experience

Avo Oro

Senior Investment Manager, Global Emerging Market Equities
14 Years Experience

Peter Jarvis

Senior Investment Manager, Global Emerging Market Equities
19 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's use of derivative instruments involves risks different from the risks associated with investing directly in securities, and certain derivatives may create a risk of loss greater than the amount invested. Derivatives increase volatility and transaction costs and may reduce performance. 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.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. 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 Pictet Asset Management LTD.

Effective August 1, 2009, Forward Management directly manages the Fund's cash portion.

In order to reduce transaction costs, Forward Management may purchase futures and ETFs to equitize cash flows into the portfolio, and may purchase high-grade, short-term fixed-income securities to serve as collateral for futures purchased.

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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