

As of December 31, 2011

PERFORMANCE (%)

	4Q	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception	Gross/Net Expense (%)
Investor	0.91	-19.49	-19.49	7.79	-7.04	—	7.60	1.64/1.64
Institutional	1.03	-19.18	-19.18	8.18	-6.70	7.67	7.15	1.29/1.29
Class M	1.03	-19.18	-19.18	—	—	—	-0.60	1.29/1.29
Class A @ NAV*	0.88	-19.58	-19.58	7.65	-7.08	—	1.59	1.79/1.79
Class A @ MOP**	-4.94	-24.21	-24.21	5.55	-8.18	—	0.69	1.79/1.79
MSCI EAFE Small Cap Index	-0.52	-15.66	-15.66	15.00	-3.80	9.42	—	—

Returns for periods greater than one year are annualized.

*Excludes sales charge.

**Reflects effects of the Fund's maximum sales charge of 5.75%.

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	—	61.64	25.55	26.56	18.89	1.78	-46.60	28.89	20.69	-19.49
Institutional	-11.87	61.95	25.99	26.81	19.02	2.04	-46.42	29.37	21.10	-19.18
Class M	—	—	—	—	—	—	—	—	—	-19.18
Class A	—	—	—	—	18.89	1.82	-46.64	28.80	20.44	-21.90
MSCI EAFE Small Cap Index	-7.44	62.14	31.27	26.65	19.67	1.79	-46.78	47.32	22.39	-15.66

TOP TEN HOLDINGS

Security	% of Net Assets
iShares MSCI EAFE Small Cap Index Fund	3.24
Pirelli & C. SpA	1.34
Nutreco NV	1.29
Spectris Plc	1.20
Informa Plc	1.18
Sapporo Holdings, Ltd.	1.17
Meggitt Plc	1.17
Babcock International Group Plc	1.17
Premier Oil Plc	1.17
GEA Group AG	1.14

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

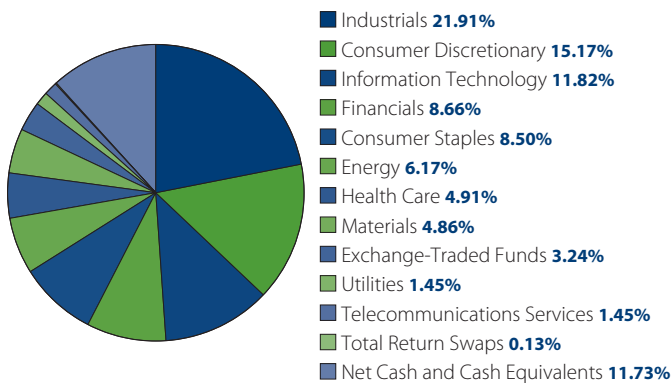
STATISTICS/CHARACTERISTICS

Beta	0.99
R-Squared	70.60
# of Holdings	116
Annual Portfolio Turnover	81.98%
Total Assets	\$333.77M

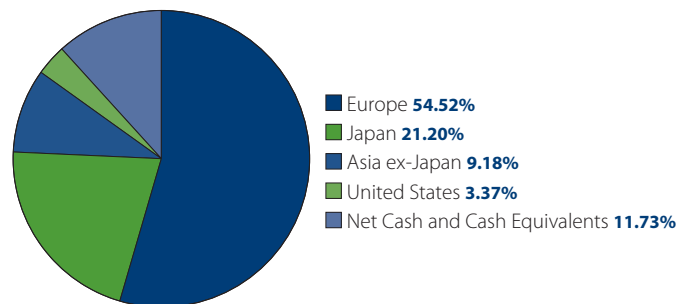
Beta is a measure of risk which shows the Fund's volatility relative to its benchmark index.

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 and value-oriented approach to identify and invest in international small cap companies that have low valuations and increasing profit levels.

- › Portfolio construction consists of three stages: research short list, primary research and stock selection. The research short list is created by screening more than 10,000 companies using both absolute measures of value based on returns to equity investors, and relative measures based on return on capital employed.
- › Research framework ranks companies based emerging growth, established growth, defensive growth and cyclical growth factors.
- › The investment team has one of the longest track records in the industry and specialists combine deep sector and country experience to identify what they believe to be the leading international small cap companies of tomorrow.

FUND DETAILS

Sub-Advisor: Pictet Asset Management LTD

Category: Foreign Small/Mid Growth

Benchmark: MSCI EAFE Small Cap Index

Dividend Frequency: Annually

Share Class	Ticker	CUSIP	Inception Date	Minimum Investments	Expense Ratio (%)	
					Gross	Net
Investor	PISRX	349913830	03/05/02	\$4,000	1.64	1.64
Institutional	PTSCX	349913822	02/07/96	\$100,000	1.29	1.29
Class M	FNSMX	34986P879	02/01/10	N/A	1.29	1.29
Class A	FFIAX	349913764	05/02/05	\$4,000	1.79	1.79

CORRELATION/STANDARD DEVIATION

	Standard Correlation	Standard Deviation
Fund	N/A	23.09
MSCI EAFE Small Cap Index	0.84	19.50

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:

Bill Barker

Head and Senior Investment Manager, Small Cap Team
19 Years Experience

Justin Hill

Senior Investment Manager
16 Years Experience

Michael McLaughlin

Senior Investment Manager
25 Years Experience

Oliver Knobloch

Senior Investment Manager
22 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.

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. 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 MSCI EAFE Small Cap Index is an unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada. 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 November 2011, 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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