

January 2010

2009 FOREIGN TAXES PAID AND FOREIGN SOURCE INCOME

Dear Shareholder:

We are sending you this letter to inform you that the Forward Emerging Markets Fund, Forward International Small Companies Fund, Forward International Equity Fund, Forward Global Infrastructure Fund¹ and Forward International Real Estate Fund² have elected to pass through to shareholders the foreign taxes paid on income earned from foreign investments. These foreign taxes are reported in box 6 of your Form 1099-DIV. As a shareholder in one of these Funds, you may be able to claim a tax credit or an itemized deduction on your federal tax return for the amount of tax paid to foreign countries. You should consult your tax advisor to assist you in determining your eligibility to claim either the foreign tax credit or foreign tax deduction and which is in your best interest.

Foreign Tax Credit: If you are eligible to claim a foreign tax credit, you will have to determine if you are required to file Form 1116. You may be able to claim the credit without filing Form 1116 if your 2009 share of foreign tax from all sources is \$300 or less (\$600 if filing a joint return) and your only foreign source income is interest and dividends. If you are not required to file Form 1116, report the amount from box 6 of Form 1099-DIV on line 47 of Form 1040. The following table provides the information you will need to calculate the foreign tax credit using Form 1116.

Foreign Tax Deduction: If you choose not to claim a credit for foreign tax paid, you may take a deduction by reporting the foreign tax amount from box 6 of Form 1099-DIV on Form 1040, Schedule A.

Forward Funds	Foreign Source Income: % of Box 1a
Forward Emerging Markets Fund - Investor Class	96.19%
Forward Emerging Markets Fund - Institutional Class	96.19%
Forward International Small Companies Fund - Class A	99.96%
Forward International Small Companies Fund - Institutional Class	99.96%
Forward International Small Companies Fund - Investor Class	99.96%
Forward International Equity Fund - Institutional Class	99.15%
Forward International Equity Fund - Investor Class	99.15%
Forward Global Infrastructure Fund - Class A	71.98%
Forward Global Infrastructure Fund - Class B	71.98%
Forward Global Infrastructure Fund - Class C	71.98%
Forward Global Infrastructure Fund - Institutional Class	71.98%
Forward International Real Estate Fund - Class A	98.02%
Forward International Real Estate Fund - Class B	98.02%
Forward International Real Estate Fund - Class C	98.02%
Forward International Real Estate Fund - Institutional Class	98.02%

If you have any questions regarding this letter or your options, please contact us at (800) 999-6809 and we will be happy to assist you.

This material must be preceded or accompanied by a prospectus. Please read it carefully before investing or sending money.

¹Prior to June 15, 2009, this fund was known as the Kensington Global Infrastructure Fund.

²Prior to June 15, 2009, this fund was known as the Kensington International Real Estate Fund.

Forward Funds are distributed by ALPS Distributors, Inc.

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