

Overview

Buys the stocks of small, U.S.-based companies

- Identify “Baby Blue Chips”—small cap companies which can self-fund their growth
- Target small companies with a distinct competitive advantage
- To be considered for investment, the stock must be trading at a reasonable valuation
- There also must be signs of a catalyst that will drive near-term and long-term growth
- Purchase decisions follow extensive research into the validity of the company’s business model, the strength of their finances, the quality of their management and the sustainability of their competitive advantage

Small company stocks will be subject to a higher degree of market risk because they tend to be more volatile and less liquid.

Top Ten Holdings

Security	% of Net Assets
Waddell & Reed Financial, Inc., Class A	1.57%
NutriSystem, Inc.	1.49%
SXC Health Solutions Corp.	1.46%
Blue Coat Systems, Inc.	1.44%
J. Crew Group, Inc.	1.39%
HMS Holdings Corp.	1.31%
Sykes Enterprises, Inc.	1.29%
Catalyst Health Solutions, Inc.	1.27%
Silicon Laboratories, Inc.	1.26%
NETGEAR, Inc.	1.19%

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

Statistics

Price/Book*:	2.4
Trailing P/E*:	23.0
EPS Growth Rate*:	16.3%
Long-Term Debt-to-Equity*:	19.6%
Weighted Average Market Cap*:	\$1.8B
Median Market Cap*:	\$1.6B
Beta:	0.82
R-Squared:	0.90
Number of Holdings:	122
Annualized Turnover:	203.06%

*Data refers to the Fund’s holdings and not to the Fund itself.

Price/Book Ratio and Price/Earnings Ratio represent equity securities within the Fund’s portfolio, and are not intended to demonstrate Fund growth, income earned by the Fund, or distributions made by the Fund.

Weighted average EPS Growth Rate represents current year consensus estimates by distribution of the portfolio.

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

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

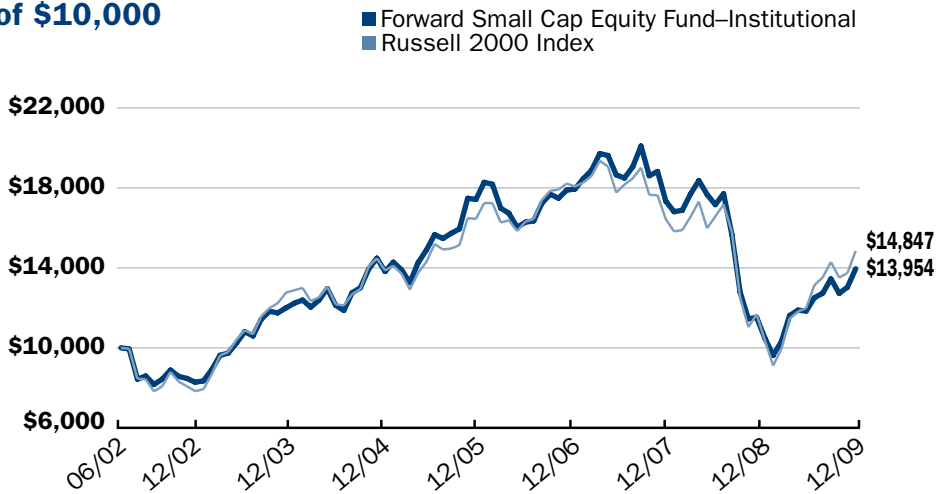
Performance

	4Q	Year to Date	1 Year	3 Year	5 Year	Since Inception (06/06/02)
Forward Small Cap Equity Fund–Institutional	3.74%	21.10%	21.10%	-7.23%	-0.74%	4.50%
Russell 2000 Index	3.87%	27.17%	27.17%	-6.07%	0.51%	5.36%
Gross Expense Ratio:	1.30%					
Net Expense Ratio:	1.30%					

Returns for periods greater than one year are annualized.

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. 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. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index represents approximately 98% of the investable U.S. equity market. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

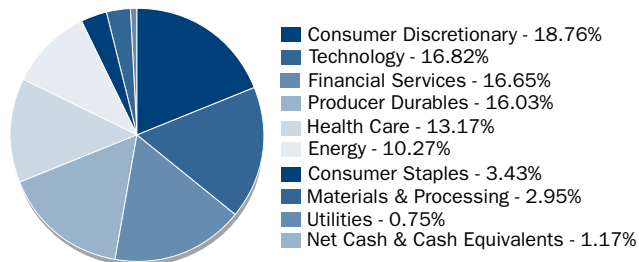
Growth of \$10,000



The chart above shows how a hypothetical investment of \$10,000 in the Fund at its inception would have performed versus an investment in the Fund’s benchmark index. The first plot point for the Index is based on the month end prior to the Fund’s inception. The values next to the Fund and Index names indicate how \$10,000 would have performed over the time period indicated. The hypothetical example does not represent the returns of any particular investment.

Sector Allocation

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



Percentages may not add to 100% due to rounding.

Portfolio Manager

Irene G. Hoover, CFA*

Portfolio Manager since inception

Experienced

Irene G. Hoover founded Hoover Investment Management in 1997 and she has over 30 years of investment management experience.

Focused

Each member of the Forward Small Cap investment team specializes in different sectors, so input into the investment decision is made at the point of greatest knowledge.

Thorough

The team uses quantitative analysis to identify what they perceive to be leading small cap companies. Extensive fundamental analysis is performed to weed out the companies that do not have the catalysts to become market leaders.

*Irene G. Hoover has earned the right to use the Chartered Financial Analyst designation. CFA Institute marks are trademarks owned by the CFA Institute.

Important Disclosure

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.

Forward Funds are distributed by ALPS Distributors, Inc.

Not FDIC Insured | No Bank Guarantee
| May Lose Value

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Investment Objective

The Fund seeks to achieve high total return. The Fund anticipates that its investment returns are likely to be in the form of capital appreciation rather than income, since small capitalization companies often do not pay regular dividends.

Investor Share Class

Ticker Symbol:	FFSCX
CUSIP:	349913608
Category:	Small Growth
Benchmark:	Russell 2000 Index
Inception Date:	October 1, 1998
Net Assets:	\$194.1 Million
Load Fee:	No Load
Gross Expense Ratio:	1.65%
Net Expense Ratio:	1.65%

Minimum Investment –

Investor Class and Class A Shares

Initial:	\$4,000
Initial–eDelivery:	\$2,000
Initial–Automatic Investment Plan:	\$500

Institutional Share Class

Ticker Symbol:	FFHIX
CUSIP:	349913889
Inception Date:	June 6, 2002
Net Assets:	\$221.9 Million
Minimum Initial Investment:	\$100,000
Load Fee:	No Load

Class A Shares

Ticker Symbol	FFHAX
CUSIP:	349913772
Inception Date:	May 2, 2005
Net Assets:	\$2.3 Million
Load Fee:	5.75%
Trail*:	0.25%
Dealer Concession†:	5.00%
Gross Expense Ratio:	1.70%
Net Expense Ratio:	1.70%

*Additional maximum of 0.20% may be allowable under the Shareholder Services Plan.

†Maximum concession allowed—see prospectus for more details.

Investment Process

1 Growth and Value

Identify small cap companies priced below their intrinsic value with a perceived growth catalyst that will propel the stock price.

2 “Market Trends” and Investment Changes

10% of research analysis is focused on identifying long-term trends.

3 Positive Industry Changes

10% of analysis is focused on sector and industry screening to find underperforming areas with projected higher earnings growth.

4 Individual Company Evaluation

80% of research is dedicated to selecting what are perceived to be high-quality companies that may experience earnings acceleration and market recognition within 18 months.

Forward Thinking. Forward Funds.

Forward Funds offers investors access to leading investment managers who are experts in their investment disciplines.

- We identify leading domestic and international investment managers with solid track records of performance in their asset classes.
- Our family of mutual funds in core and speciality asset classes focuses on delivering alpha to investors and complementing core portfolio holdings.
- Forward Funds are available to individual investors, institutional investors and investment professionals.

Forward Management is the investment advisor to the Forward Funds. Alpha is a coefficient measuring risk-adjusted performance.

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For more information visit us at www.forwardfunds.com or call (800) 999-6809

