

Second Quarter 2008

**Forward International Equity Fund***Sub-Advised by Pictet Asset Management, Ltd.*

Performance as of June 30, 2008	2Q08	YTD	1 Year	3 Year	5 Year	Since Inception*	Gross/Net <sup>†</sup> Expenses
Forward International Equity Fund—Investor	-2.16%	-13.66%	-14.97%	15.66%	16.90%	7.42%	1.59%/1.34%
MSCI All Country World Index ex-U.S. w/ dividends	-0.86%	-9.84%	-6.20%	16.16%	19.42%	9.77%	

Returns for periods greater than one year are annualized.

\*10/01/98

<sup>†</sup>The Fund's investment advisor has contractually agreed to waive a portion of its fees and reimburse other expenses until April 30, 2009, in amounts necessary to limit the Fund's operating expenses (exclusive of brokerage costs, interest, taxes, dividends and extraordinary expenses) for the Investor Class shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.34%.

Performance figures shown for periods prior to September 1, 2005, do not reflect the current sub-advisor's performance or strategy.

**The performance quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance 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. The returns assume reinvestment of dividends and distributions, if any. Performance current to the most recent month-end may be obtained at [www.forwardfunds.com](http://www.forwardfunds.com) or by calling (800) 999-6809.**

**MARKET REVIEW**

The second quarter has continued the negative trend of the beginning of the year, to what turned out to be one of the worst starts for financial markets since the great depression. A combination of an imploding financial sector, tighter credit conditions, rising commodity prices and a deteriorating economic growth outlook continued to plague global markets. From a sector point of view, the materials sector on renewed strength of commodity prices was amongst the best performers, whilst the financial and technology sectors struggled on renewed concerns of write downs and earnings downgrades.

**PERFORMANCE ANALYSIS**

The Fund broadly matched the performance of the MSCI AC World ex-U.S. Index over the period. Weak stock selection, an underweight position in defensive sectors and the material sector and an overweight position in financials were a drag on portfolio performance. The portfolio was negatively affected by holdings such as Tanfield, Daimler and Sol Melia on concerns over a significant deterioration of their prospects. On the other hand, strong performers included Oilexco and Sumitomo Realty (which we sold) and the fund benefited from a cash offer for Marazzi.

**PORTFOLIO ACTIVITY—OVERWEIGHTINGS AND UNDERWEIGHTINGS**

During the period under review, activity was fairly muted. New holdings included Central Japan Railway (railway transportation) and Impala (platinum producer). We sold our position in LG Electronics after it reached our fair value and sold our holding in BMW given its deteriorating prospects.

**MARKET OUTLOOK**

The outlook for economic growth has deteriorated markedly over the past few weeks and an increase in inflation expectations has raised the specter of stagflation. With an impending slowdown in economic activity and corporate profitability peaking, earnings growth remains at risk. Whilst valuation in economic downturns can be a dangerous metric to hang on, we are continuing to find attractive opportunities but volatility is likely to remain high in the foreseeable future.

**PORTFOLIO STRATEGY**

At a sector level, we are maintaining the investment strategy we have adopted in the past few months, focusing on companies that have a strong business model, whose earnings power is less at risk and that present a compelling valuation. As a result, we maintain our underweight in some defensive sectors like health care and consumer staples and more cyclical sectors like materials. On the other side, we have focused on companies that have little balance sheet risk and little operating leverage. Selective positions in financials, industrials and consumer discretionary sectors feature strongly in the Fund as they offer considerable scope for growth and multiple appreciation.

Forward International Equity Fund—Top Ten holdings as of 06/30/08:

Top Ten Holdings	% Fund with Cash
KazMunaiGas Exploration & Production, GDR	2.23%
Royal Dutch Shell Plc, Class A	2.23%
Total SA	2.16%
UniCredit SpA	2.09%
Societe Generale	1.95%
Banco Santander SA	1.88%
Japan Tobacco, Inc.	1.86%
Danieli & Co., SpA, Non-Voting Shares	1.78%
Telefonica SA	1.76%
Roche Holding AG	1.75%

These holdings may not reflect the current or future positions in the portfolio. Portfolio holdings are subject to change.

The MSCI All Country World Index ex-U.S. is a free float-adjusted market capitalization index, designed to measure equity market performance in the global developed and emerging markets, excluding the United States. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an index.

**Investing in foreign securities, especially emerging markets, will involve certain additional risks, including exchange rate fluctuation, political and social instability, less liquidity, greater volatility, and less regulation.**

*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 from [www.forwardfunds.com](http://www.forwardfunds.com). It should be read carefully before investing.*

Forward Funds are distributed by ALPS Distributors, Inc.

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As of June 30, 2008, the Fund held the following positions in the portfolio (These holdings may not reflect the current or future positions in the portfolio. Portfolio holdings are subject to change.):

Forward International Equity Fund

As of 06/30/2008

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
48666V204	KMG LI	KazMunaiGas Exploration & Production, GDR	51,370	\$ 31.16	\$ 1,600,540	2.23%	USD
B09CBL4	RDSA NA	Royal Dutch Shell Plc, Class A	39,136	40.89	1,600,384	2.23%	GBP
B15C557	FP FP	Total SA	18,270	85.12	1,555,116	2.16%	EUR
4232445	UCG IM	UniCredit SpA	247,212	6.08	1,503,730	2.09%	EUR
5966516	GLE FP	Societe Generale	16,147	86.70	1,399,931	1.95%	EUR
5705946	SAN SM	Banco Santander SA	73,950	18.24	1,349,144	1.88%	EUR
6474535	2914 JP	Japan Tobacco, Inc.	313	4,264.86	1,334,900	1.86%	JPY
4253372	DANR IM	Danieli & Co., SpA, Non-Voting Shares	54,348	23.59	1,281,894	1.78%	EUR
879382109	TEF SM	Telefonica SA	47,658	26.46	1,261,210	1.76%	EUR
7110388	ROG VX	Roche Holding AG	6,990	179.77	1,256,608	1.75%	CHF
6472119	JM SP	Jardine Matheson Holdings, Ltd.	39,000	31.08	1,211,995	1.69%	USD
5975998	FSAR IM	Fondiarria-Sai SpA	53,149	22.25	1,182,635	1.65%	EUR
5529027	DAI GR	Daimler AG	19,015	61.90	1,177,021	1.64%	EUR
464286509	EWC	iShares MSCI Canada Index Fund	34,356	33.24	1,141,993	1.59%	USD
6467803	8001 JP	ITOCHU Corp.	107,000	10.66	1,140,809	1.59%	JPY
5983816	ZURN VX	Zurich Financial Services AG	4,441	254.85	1,131,810	1.58%	CHF
B129G88	BP IM	Banco Popolare Scarl	63,773	17.67	1,126,636	1.57%	EUR
B1KJJ40	WTB LN	Whitbread Plc	45,068	24.39	1,099,029	1.53%	GBP
B0704T9	RIBH AV	Raiffeisen International Bank Holding AG	8,528	127.05	1,083,495	1.51%	EUR
6183552	9022 JP	Central Japan Railway Co.	98	11,022.47	1,080,202	1.50%	JPY
5129074	FME GR	Fresenius Medical Care AG & Co.	19,034	54.97	1,046,322	1.46%	EUR
0632016	IPR LN	International Power Plc	119,981	8.57	1,027,838	1.43%	GBP
7681248	HRX GR	Hypo Real Estate Holding AG	36,681	27.96	1,025,733	1.43%	EUR
B1WHVV3	BAER VX	Julius Baer Holding, Ltd.	15,206	67.06	1,019,758	1.42%	CHF
B0Z32G3	MRZ IM	Marazzi Group SpA	81,960	11.20	918,356	1.28%	EUR
4625959	ETE GA	National Bank of Greece SA	20,283	45.01	912,872	1.27%	EUR
B0NJJ17	EDF FP	Electricite de France	9,556	94.73	905,250	1.26%	EUR
5231485	ALV GR	Allianz SE	5,081	175.76	893,047	1.24%	EUR
3121522	CCL LN	Carnival Plc	28,075	31.75	891,337	1.24%	GBP
67812M207	ROSN LI	Rosneft Oil Co., GDR	77,265	11.53	891,221	1.24%	USD
5738298	SOL SM	Sol Melia SA	82,199	10.77	884,887	1.23%	EUR
B03MND6	AKGRT TI	Aksigorta AS	256,551	3.37	863,745	1.20%	TRL
CFR VX	CFR VX	Compagnie Financiere Richemont SA	15,298	55.50	848,974	1.18%	CHF
B151P43	MTGB SS	Modern Times Group AB, Class B	13,375	58.54	782,951	1.09%	SEK
4262118	DELB BB	Delhaize Group	11,642	66.98	779,761	1.09%	EUR
B291WY5	DPW DU	DP World, Ltd.	895,194	0.86	769,867	1.07%	USD
4916039	AF FP	Air France-KLM	31,882	23.85	760,472	1.06%	EUR
4732495	TEL NO	Telenor ASA	40,497	18.77	760,216	1.06%	NOK
68554W205	OTLD LI	Orascom Telecom Holding SAE, GDR, Registered Shares	11,744	63.87	750,074	1.04%	USD
B1FFT76	IMP SJ	Impala Platinum Holdings, Ltd.	18,830	39.30	740,008	1.03%	ZAR
6596729	8802 JP	Mitsubishi Estate Co., Ltd.	32,000	22.89	732,628	1.02%	JPY
B02L486	MHG NO	Marine Harvest	987,650	0.73	723,401	1.01%	NOK

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As of 06/30/2008

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4149545	BSAN SW	Bank Sarasin & Co., Ltd., AG	16,100	44.88	722,521	1.01%	CHF
B03MNV4	AEFES TI	Anadolu Efes Biracilik Ve Malt Sanayii AS	82,846	8.67	718,527	1.00%	TRL
820904209	SCL/A CN	ShawCor, Ltd.	20,262	35.30	715,340	1.00%	CAD
71654V101	PBR/A	Petroleo Brasileiro SA, ADR	12,002	57.95	695,516	0.97%	USD
B032D70	2332 HK	Hutchison Telecommunications International, Ltd.	474,230	1.42	671,540	0.93%	HKD
6467104	7202 JP	Isuzu Motors, Ltd.	133,000	4.82	640,462	0.89%	JPY
6858731	6302 JP	Sumitomo Heavy Industries, Ltd.	94,000	6.78	637,547	0.89%	JPY
4617859	DPW GY	Deutsche Post AG	24,217	26.00	629,618	0.88%	EUR
B234SL9	EN IM	Enia SpA	49,956	12.48	623,628	0.87%	EUR
B02PY22	ST SP	Singapore Telecommunications, Ltd.	228,000	2.67	607,777	0.85%	SGD
3404171	OIL LN	Oilexco, Inc.	32,097	18.86	605,467	0.84%	GBP
B09M9D2	KNEBV FH	Kone Corp. Oyj	17,206	34.96	601,451	0.84%	EUR
B09YFD0	SAFT FP	Saft Groupe SA	13,166	43.51	572,794	0.80%	EUR
B0M0C89	3436 JP	SUMCO Corp.	25,320	22.16	560,988	0.78%	JPY
6057680	ASP MK	Asiatic Development Bhd	218,600	2.52	549,915	0.77%	MYR
867229106	SU	Suncor Energy, Inc. (U.S. Dollars)	9,374	58.12	544,817	0.76%	USD
B0141L8	EQN AU	Equinox Minerals, Ltd.	116,077	4.46	517,652	0.72%	AUD
B1FP891	BBA LN	BBA Aviation Plc	195,969	2.51	491,943	0.68%	GBP
6458001	ORI AU	Orica, Ltd.	17,173	28.07	482,004	0.67%	AUD
00652V102	AXC CN	Addax Petroleum Corp.	9,715	48.29	469,125	0.65%	CAD
6190273	1 HK	Cheung Kong Holdings, Ltd.	34,335	13.52	464,313	0.65%	HKD
6744294	8795 JP	T&D Holdings, Inc.	7,500	61.68	462,604	0.64%	JPY
92855S101	VIV	Vivo Participacoes SA, ADR	71,187	6.36	452,749	0.63%	USD
5077946	MS IM	Mediaset SpA	67,306	6.58	442,670	0.62%	EUR
6251448	8601 JP	Daiwa Securities Group, Inc.	48,000	9.20	441,398	0.61%	JPY
6869937	1101 TT	Taiwan Cement Corp.	325,000	1.35	438,359	0.61%	TWD
40049J206	TV	Grupo Televisa SA, Sponsored ADR	18,558	23.62	438,340	0.61%	USD
B0YBZJ2	CSMG3 BZ	Companhia de Saneamento de Minas Gerais - Copasa MG	22,944	18.55	425,504	0.59%	BRL
B170DQ6	KCO GR	Kloeckner & Co., AG	7,431	57.02	423,709	0.59%	EUR
90458E107	UBB	Unibanco-Uniao de Bancos Brasileiros SA, GDR	3,303	126.93	419,250	0.58%	USD
6563024	8316 JP	Sumitomo Mitsui Financial Group, Inc.	55	7,520.21	413,611	0.58%	JPY
7376544	AST IM	Astaldi SpA	49,562	8.22	407,443	0.57%	EUR
6077019	BBL/F TB	Bangkok Bank Public Co., Ltd.	110,700	3.59	397,813	0.55%	THB
6375003	MCC AU	MacArthur Coal, Ltd.	24,542	16.14	396,145	0.55%	AUD
6700393	1216 TT	Uni-President Enterprises Corp.	328,000	1.20	393,493	0.55%	TWD
6155250	000810KS	Samsung Fire & Marine Insurance Co., Ltd.	1,877	208.86	392,028	0.55%	KRW
B1QNF48	IFAR SP	Indofood Agri Resources, Ltd.	208,896	1.88	391,875	0.55%	SGD
0802541	SHI LN	SIG Plc	35,855	10.66	382,246	0.53%	GBP
6185622	CEY AU	Centennial Coal Co., Ltd.	69,114	5.35	369,737	0.51%	AUD
6055208	5201 JP	Asahi Glass Co., Ltd.	29,000	12.11	351,101	0.49%	JPY
6486314	683 HK	Kerry Properties, Ltd.	65,946	5.26	346,816	0.47%	HKD
20441W203	ABV	Companhia de Bebidas das Americas, ADR	5,464	63.35	346,144	0.47%	USD
6197928	CIT SP	City Developments, Ltd.	43,000	8.00	344,190	0.47%	SGD

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191241108	KOF	Coca-Cola Femsa, SA de CV, Sponsored ADR	5,996	56.39	338,114	0.46%	USD
874039100	TSM	Taiwan Semiconductor Manufacturing Co., Ltd., Sponsored ADR	30,914	10.91	337,272	0.46%	USD
0278799	TAN LN	Tanfield Group Plc	529,213	0.63	332,886	0.46%	GBP
02364W105	AMX	America Movil SA de CV, ADR, Series L	6,093	52.75	321,406	0.45%	USD
6456102	4062 JT	Ibiden Co., Ltd.	8,500	36.42	309,536	0.43%	JPY
B02ZK79	TLKM IJ	PT Telekomunikasi Indonesia Tbk	355,500	0.80	283,919	0.40%	IDR
6226576	857 HK	PetroChina Co., Ltd.	209,448	1.29	270,759	0.38%	HKD
6486682	184 HK	Keck Seng Investments	456,000	0.59	270,299	0.38%	HKD
6860769	SGW MK	Sunway Holdings, Inc. Bhd	731,900	0.36	260,236	0.36%	MYR
B0CZZX0	DERM SM	Corporacion Dermoestetica SA	38,541	6.73	259,527	0.36%	EUR
B28CWH2	BOVH3 BZ	Bovespa Holding SA	20,433	12.35	252,369	0.35%	BRL
6196152	267 HK	Citic Pacific, Ltd.	64,000	3.70	236,693	0.33%	HKD
6055112	ALI PM	Ayala Land, Inc.	1,084,840	0.21	231,172	0.32%	PHP
6425663	2882 TT	Cathay Financial Holding Co., Ltd.	105,176	2.17	228,481	0.32%	TWD
6914871	UGL AU	United Group, Ltd.	15,863	11.81	187,291	0.26%	AUD
B1CKTY1	INRE LN	Invista Real Estate Investment Management Holdings Plc	180,964	1.01	182,316	0.25%	GBP
856552203	SBID LI	State Bank of India, GDR	3,202	53.75	172,109	0.24%	USD
B040K61	RAY LN	Raymarine Plc	59,886	2.57	153,887	0.21%	GBP
B1YBF00	1813 HK	KWG Property Holding, Ltd.	213,000	0.72	153,185	0.21%	HKD
B01Y3S9	CFHS LI	Cathay Financial Holding Co., Ltd., GDR	4,688	20.16	94,510	0.13%	USD
867229957	SU CT	Suncor Energy, Inc. (Canadian Dollars)	1,186	58.06	68,855	0.10%	CAD
B03MYN3	TCELL TI	Turkcell Iletisim Hizmetleri AS	6,697	5.79	38,795	0.05%	TRL
6985383	4503 JP	Astellas Pharma, Inc.	81	42.53	3,445	0.00%	JPY
		Net Cash & Cash Equivalents			1,024,925	1.43%	