

May 2008

Forward Eastern Europe Equities Fund*Sub-Advised by Pictet Asset Management, Ltd.*

Performance as of March 31, 2008	1Q08	YTD	Since Inception*	Gross/Net† Expenses
Forward Eastern Europe Equities Fund—Institutional	-17.50%	-17.50%	-17.50%	2.80%/1.50%
MSCI Emerging Markets Europe 10/40 Index	-13.76%	-13.76%	-13.76%	

*12/31/07

†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 Institutional Class shares to an annual rate (as a percentage of the Fund's average daily net assets) of 1.50%.

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 or by calling (800) 999-6809.

MARKET REVIEW

May saw healthy double-digit returns in Eastern Europe: Russia performed strongly and was followed by the Czech Republic and Hungary. Poland lagged behind. Turkey was the worst performing market and the only one to finish the month in negative territory. The main drivers behind the Russian rally were tangible proposals from the government to reduce the tax burden on the important energy sector. Not surprisingly, oil and gas companies showed particularly strong returns.

PERFORMANCE ANALYSIS

The fund posted positive absolute returns for a second consecutive month, outperforming the benchmark. This was due to the overweight position in strongly performing Russia and an underweight in Polish equities whose returns were pedestrian this month as the market lacked catalysts. Russian equities received a significant boost in the form of concrete steps outlined by the government to reduce the tax burden in the energy sector. Although not unexpected, the news boosted stocks such as Lukoil, and Gazprom. The materials and mining companies Evraz and Mechel also performed strongly thanks to yet more evidence of firm product pricing. The holding company Sistema, with its significant exposure to telecoms, staged a recovery. Its listed subsidiaries Mobile TeleSystems and Comstar performed well during the month.

PERFORMANCE ACTIVITY: OVERWEIGHTINGS AND UNDERWEIGHTINGS

Most of the activity was focused on Russia. New entrants include RGI, the real estate developer and Rosneft, the integrated state-controlled oil business. Positions in Integra and Novatek were increased during the month. The purchases were funded by trimming the positions in Lukoil and Norilsk Nickel, by selling Kazakhmys and trimming the Turkish bank IsBank.

MARKET OUTLOOK

Eastern European equities are likely to be driven by both global and local factors. While the global outlook remains uncertain, the factors specific to the region could play a powerful role. Russia could see further government initiatives on the taxation front in addition to the ones already announced. This, coupled with solid macroeconomic performance, political stability and appealing valuation multiples, gives a rather healthy picture going forward. Turkey is also likely to see its fair share of news. We believe the market has significant potential for future growth. The equity valuations currently reflect a number of near-term uncertainties and macroeconomic imbalances. The more mature markets of Central Europe in our opinion provide relatively fewer opportunities. Their higher valuation ratios reflect the lower risk profile.

PORTFOLIO STRATEGY

Russia remains the biggest overweight in the portfolio, with emphasis on materials, mining and energy. The fund also has meaningful exposure to Russian telecoms, an attractively valued play on fast-growing consumer spending. The Turkish exposure is focused on infrastructure and agro-chemicals. The portfolio remains significantly underweight the Central European markets—Poland, Czech Republic and Hungary.

The MSCI Emerging Markets Europe 10/40 Index is a free float-adjusted market capitalization index designed to measure equity performance in the emerging markets of Europe and adjusted for the limitations imposed by the UCITS III (Undertakings for Collective Investment in Transferable Securities) directive on funds incorporated in member states of the European Union. The UCITS III directive constrains the weight of any single group entity, as defined therein, at 10% of a fund's total assets and the sum of the weights of all group entities representing more than 5% of the fund at 40% of the fund's total assets. 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, social and political 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. It should be read carefully before investing.

Forward Funds are distributed by ALPS Distributors, Inc.

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As of May 31, 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 Eastern Europe Equities Fund

As of 05/31/2008

Security ID	Ticker	Security Name	# of	Market Price		Market Value	% of Total Net Assets	Currency Code
			Shares					
677862104	LKOD LI	LUKOIL, Sponsored ADR	5,796	\$	110.75	\$ 641,907	10.14%	USD
368287207	OGZD LI	Gazprom OAO, ADR	9,548		60.40	576,699	9.11%	USD
4767981	SBER RU	Sberbank	135,146		3.62	489,229	7.73%	USD
B114RK6	MNOD LI	JSC MMC Norilsk Nickel, ADR	11,711		29.41	344,421	5.44%	USD
607409109	MBT	Mobile TeleSystems OJSC, Sponsored ADR	3,420		87.60	299,592	4.73%	USD
669888109	NVTK LI	NovaTek OAO, GDR	2,596		94.00	244,024	3.86%	USD
68370R109	VIP	Vimpel-Communications, ADR	6,681		35.27	235,639	3.72%	USD
48122U204	SSA LI	Sistema JSFC, Sponsored GDR	6,092		35.20	214,438	3.39%	USD
7320154	OTP HB	OTP Bank Nyrt	4,032		45.21	182,292	2.88%	HUF
B29D241	TKFEN TI	Tekfen Holding AS	23,864		7.51	179,156	2.83%	TRL
583840103	MTL	Mechel, ADR	3,067		57.62	176,721	2.79%	USD
B03NGS5	PKO PW	Powszechna Kasa Oszczednosci Bank Polski SA	6,259		23.23	145,377	2.30%	PLN
B03MPM9	BAGFS TI	Bagfas Bandirma Gubre Fabrikalari AS	906		142.76	129,344	2.04%	TRL
30050A202	EVR LI	Evraz Group SA, GDR	1,090		117.25	127,803	2.02%	USD
5473113	PEO PW	Bank Pekao SA	1,158		87.28	101,070	1.60%	PLN
B0D0006	BIMAS TI	BIM Birlesik Magazalar AS	892		109.12	97,338	1.54%	TRL
7127935	GTN PW	Getin Holding SA	16,648		5.72	95,230	1.50%	PLN
47972P208	CMST LI	Comstar United Telesystems, GDR	8,392		10.99	92,228	1.46%	USD
B03MS64	ENKAI TI	Enka Insaat ve Sanayi AS	7,685		11.98	92,062	1.45%	TRL
5263251	KGH PW	KGHM Polska Miedz SA	1,860		47.56	88,463	1.40%	PLN
45822B205	INTE LI	Integra Group Holdings, GDR	6,093		13.75	83,779	1.32%	USD
97263M109	WBD	Wimm-Bill-Dann Foods OJSC	654		125.08	81,802	1.29%	USD
4132341	BSK PW	ING Bank Slaski AS	337		238.50	80,373	1.27%	PLN
B03MYP5	GARAN TI	Turkiye Garanti Bankasi AS	17,239		4.59	79,208	1.25%	TRL
559189204	MMK LI	Magnitogorsk Iron & Steel Works, Sponsored GDR	4,728		16.60	78,485	1.24%	USD
B1GJ6T8	BGEO LI	Bank of Georgia, GDR	2,450		28.94	70,903	1.12%	USD
818150302	SVST LI	Cherepovets MK Severstal, GDR, Registered Shares	2,663		26.30	70,037	1.11%	USD
B00HD78	IEC LN	Imperial Energy Corp., Plc	3,594		19.41	69,770	1.10%	GBP
91688E206	URKA LI	Uralkali, GDR	1,119		60.50	67,700	1.07%	USD
67812M207	ROSN LI	Rosneft Oil Co., GDR	5,436		12.15	66,047	1.04%	USD
670831205	ATAD LI	Tatneft, GDR	416		158.25	65,832	1.04%	USD
B03MTH2	HURGZ TI	Hurriyet Gazetecilik ve Matbaacilik SA	38,768		1.69	65,525	1.04%	TRL
5624030	CEZ CP	CEZ AS	746		82.63	61,645	0.97%	CSK
B03MYN3	TCELL TI	Turkcell Iletisim Hizmetleri AS	7,507		7.88	59,130	0.93%	TRL
B03MV32	KRDMD TI	Kardemir Karabuk Demir Celik Sanayi ve Ticaret AS	59,805		0.98	58,392	0.93%	TRL
B03MYS8	ISCTR TI	Turkiye Is Bankasi AS, Class C	14,095		4.14	58,286	0.93%	TRL
B1W4MH7	PHST LI	Pharmstandard, GDR	1,996		29.00	57,884	0.91%	USD
B1H11J8	RGI LN	RGI International, Ltd.	6,136		9.00	55,224	0.87%	USD
B03N094	GSDHO TI	GSD Holding AS	49,454		1.01	49,908	0.79%	TRL
B1BFM59	GTC PW	Global Trade Centre SA	2,873		17.30	49,700	0.79%	PLN
87260R201	TMKS LI	OAO TMK, GDR	1,153		40.50	46,697	0.74%	USD
B03MND6	AKGRT TI	Aksigorta AS	10,504		4.31	45,246	0.71%	TRL

Forward Eastern Europe Equities Fund

As of 05/31/2008

Security ID	Ticker	Security Name	# of Shares	Market Price	Market Value	% of Total Net Assets	Currency Code
B03MXX6	TATKS TI	TAT Konserve Sanayii AS	15,087	2.97	44,810	0.71%	TRL
48666V204	KMG LI	KazMunaiGas Exploration & Production, GDR	1,280	32.45	41,536	0.66%	USD
12642X106	CTCM	CTC Media, Inc.	1,397	27.68	38,669	0.61%	USD
B03MY33	TOASO TI	Tofas Turk Otomobil Fabrikasi AS	9,445	3.89	36,732	0.58%	TRL
B03MXH0	SKBNK TI	Sekerbank TAS	19,129	1.86	35,628	0.56%	TRL
B13C2Q9	VRPH RU	Veropharm	609	53.50	32,582	0.51%	USD
B03MV65	KARSN TI	Karsan Otomotiv Sanayi ve Ticaret AS	16,896	1.68	28,419	0.45%	TRL
B03MVQ5	KOZAD TI	Koza Davetiyeleri	5,465	4.35	23,765	0.38%	TRL
91701P105	UUU CN	Uranium One, Inc.	3,616	5.01	18,124	0.29%	CAD
5251740	SFGAT ET	Silvano Fashion Group AS	902	4.42	3,985	0.06%	EUR
		Net Cash & Cash Equivalents			50,653	0.80%	