

2018 Third Quarter Portfolio Review

Investment Objective

Salient Global Real Estate Fund seeks total return from both capital appreciation and current income by investing in a portfolio of diversified real estate companies in developed economies. We seek global investment opportunities in locations that we believe to have clear, enduring investment value in both international and U.S. markets—places that are centers of global trade, learning and innovation and magnets for commerce and population growth.

Portfolio Management

Joel S. Beam
 Managing Director,
 Senior Portfolio Manager
 24 Years Experience

Inception Date

April 28, 2006

Net Assets

\$46.94 M (as of 09/30/18)

Morningstar Category

Global Real Estate

Benchmark

FTSE EPRA/NAREIT Developed Index

Fund Details

Share Class	Ticker	Inception
Investor	FFIRX	05/02/11
Institutional	KIRYX	04/28/06
Class A	KIRAX	04/28/06
Class C	KIRCX	04/28/06

Investment Overview

The fund employs a bottom-up approach to stock selection with an emphasis on superior property location and quality, strong prospects for appreciation in property rents and values and management's track record for adding value. The fund invests primarily in high-quality commercial and residential real estate companies located in both U.S. and non-U.S. countries.

- The rigorous, repeatable, bottom-up investment approach incorporates quantitative and qualitative analyses of companies' cash flow, assets and management.
- The team identifies securities with the most risk-adjusted appreciation potential using proprietary Discounted Cash Flow and Relative Ranking models.
- The fund adjusts to changing market fundamentals through sector and geographic rotation, employs active stock selection and leverages the team's long-term experience in real estate security portfolio management.

Performance (as of 09/30/18)

Salient Global Real Estate Fund's Institutional Class shares produced a total return of -1.41% in the third quarter of 2018. The fund underperformed its benchmark, the FTSE EPRA/NAREIT Developed Index, which returned -0.30%.

	Q3 2018	1 Year	3 Years	5 Years	10 Years	Since Inception (04/28/06)
Fund (KIRYX)	-1.41%	5.08%	6.74%	3.67%	5.92%	2.86%
FTSE EPRA/NAREIT Developed Index	-0.30%	3.66%	6.19%	5.43%	6.04%	3.86%

Returns for periods greater than one year are annualized.

Total Annual Fund Operating Expenses as of 08/14/18: Institutional Class: **2.04%**. The fund's investment advisor is contractually obligated to waive 0.25% of the fund's management fee so that until April 30, 2020, the fund's management fee will be 0.75%. Additionally, under an expense limitation agreement, the investment advisor has contractually agreed to waive its management fee and/or reimburse or pay operating expenses of the fund to the extent necessary to maintain the fund's total operating expenses at 1.15% for Institutional Class, excluding certain expenses, such as taxes, brokerage commissions, interest, short dividend expense, any acquired fund fees and expenses, litigation and extraordinary expenses. This expense limitation agreement expires on April 30, 2020, and may only be modified or terminated by a majority vote of the independent trustees. The advisor is permitted to recover waived expenses for a period of up to three years.

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.salientfunds.com. Investment performance may reflect 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.

Prior to August 15, 2018, Salient Global Real Estate Fund was named Salient International Real Estate Fund and the benchmark was FTSE EPRA/NAREIT Developed ex-U.S. Index.

Market Review

U.S. real estate investment trust (REIT) common stocks were roughly flat over the third quarter with the FTSE NAREIT Equity REITs Index returning 0.79%. The residential sector showed strong performance with apartments up 4.43% and manufactured homes leading the market, up 4.96%. On the other end, self-storage common stocks were down -10.22% on the quarter with almost every sector constituent down more than -10%. International developed real estate companies were weaker on the quarter, returning -0.99%. Most of the international market's underperformance came on the last day of the quarter when it underperformed domestic REITs by over 2%.

Performance Review

The fund underperformed its benchmark during the quarter. Much of this underperformance was due to the change in fund mandate and benchmark, which occurred on August 15, 2018 (detailed further in the Fund Update section). Due to the international market's underperformance compared to the global market through that date, and the subsequent reversal that occurred between August 15 and the end of the quarter, the fund's allocation shift created compounded relative underperformance.

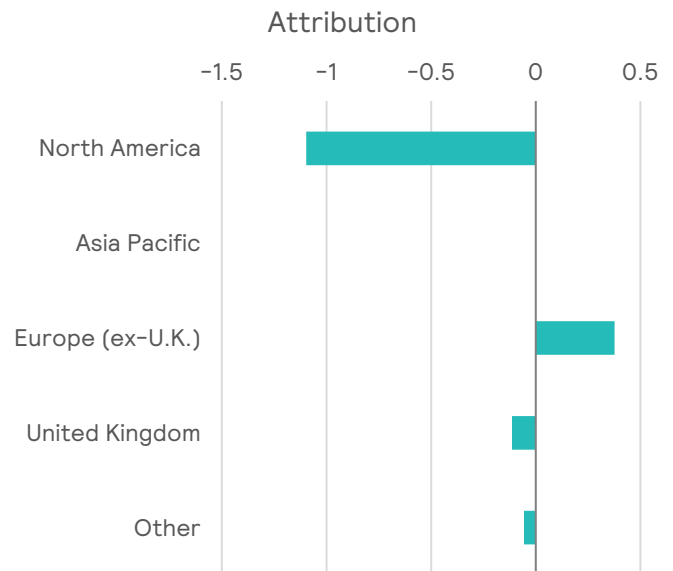
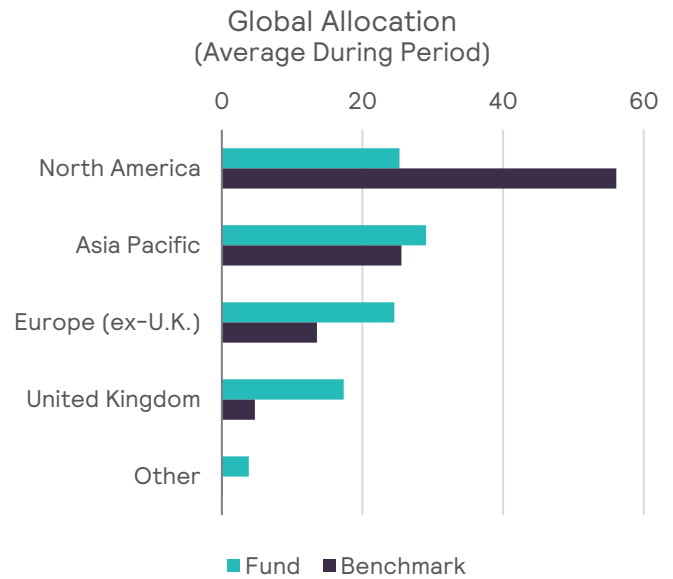
Fund Update

After achieving strong track records for our U.S. and international real estate funds, the firm and investment team decided to create a single global portfolio in order to offer greater geographic and currency diversification in a single solution and create operational efficiencies, which are expected to lower fees for shareholders. As of August 15, 2018, Salient launched the single global strategy, Salient Global Real Estate Fund. The fund will invest in high-quality international and domestic real estate companies, with the flexibility to allocate capital to geographies where the team believes value opportunities persist.

Despite these changes, the most important aspects of the fund remain the same. Salient Global Real Estate Fund continues to be managed by the same dedicated real estate team, with Joel Beam serving as the fund's lead portfolio manager. Further, the team continues to use the same rigorous, bottom-up approach, looking far and wide to uncover value.

Attribution (as of 09/30/18)

The tables below demonstrate the fund's global allocation during the quarter and how they affected portfolio performance. The main detractor during the quarter was the underweight allocation to North America (mainly, the U.S.) while the fund's overweight allocation to Europe ex-U.K. contributed positively.



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

Investment Outlook

With three quarters of 2018 in the books, real estate investors have predictably shifted their focus toward the year ahead and what 2019 will bring. Despite some rather jarring stock market moves over the past nine months, operating fundamentals continue to offer comfort for investors with long-term time horizons. Across most property types and most geographies, we continue to witness encouraging signs for occupancy, tenant renewals, re-leasing spreads and operating margins. Financing for real estate (whether public or private) remains extremely deep, resulting in the real estate sector exhibiting very sound credit metrics.

Given this background, we generally embrace the broad consensus that 2019 will potentially offer solid opportunities for real estate companies. While at this point very few companies have provided guidance for next year, our expectation is that real estate will 1) produce low-to-mid single-digit net operating income (NOI) growth for most property sectors, 2) maintain current occupancy rates as we believe absorption will continue to surprise to the upside, 3) accelerate share buybacks if the current net asset value (NAV) discount persists, and 4) opportunistically utilize mergers and acquisitions (M&A) to create late-cycle value.

Regarding M&A activity, we find the ascendant pace of mergers and take-private transactions among domestic publicly-traded REITs (eight transactions year-to-date totaling over \$70 billion in value by our count) are a natural byproduct of 1) the tremendous amount of private capital committed, but not yet deployed, to buy real estate assets and 2) opportunistic REITs using their pristine balance sheets and cost-of-capital advantage to capitalize on the perceived mispricing between private and public real estate. An effect somewhat related to the M&A boom has been a significant downturn in capital markets activity via REITs this year. Through the first nine months of 2018, REIT issuance for follow-on common equity and preferred equity are down meaningfully: -37% and -92%, respectively, in year-to-date dollar volume. Barring a sudden change of the economic landscape or a surprising surge in REIT valuations, we do not see either of these trends abating anytime soon.

We pursue total return from both capital appreciation and current income from a diversified portfolio of high-quality real estate companies. As the economy and capital markets return to normalcy, prices in the marketplace are returning to our preferred levels. The fund's income component remains strong and we are very excited about our future prospects.

Performance (%) as of 09/30/18

	Q3	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor	-1.41	-1.51	5.08	6.74	3.67	5.92	2.86
Institutional [¶]	-1.43	-1.73	4.83	6.40	3.34	-	4.12
Class A @NAV [*]	-1.37	-1.66	4.77	6.37	3.27	5.57	2.54
Class A @MOP ^{**}	-7.01	-7.32	-1.22	4.28	2.06	4.94	2.05
Class C @NAV [†]	-1.73	-2.30	4.02	5.70	2.67	4.88	1.86
Class C @MOP [‡]	-2.71	-3.23	3.08	5.70	2.67	4.88	1.86
FTSE EPRA/NAREIT Developed Index	-0.30	0.06	3.66	6.19	5.43	6.04	-

Returns for periods greater than one year are annualized.

[¶] On March 29, 2017, Advisor Class shares were closed and outstanding shares were exchanged for Institutional Class shares.

^{*} Excludes sales charge. ^{**} Reflects effects of the fund's maximum sales charge of 5.75%.

[†] Excludes the effects of the 1% contingent deferred sales charge. [‡] Includes the effects of the 1% contingent deferred sales charge.

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Total Annual Fund Operating Expenses by Share Class as of 08/14/18: Investor Class: 2.39%; Institutional Class: 2.04%; Class A: 2.44%; Class C: 2.99%. The fund's investment advisor is contractually obligated to waive 0.25% of the fund's management fee so that until April 30, 2020, the fund's management fee will be 0.75%. Additionally, under an expense limitation agreement, the investment advisor has contractually agreed to waive its management fee and/or reimburse or pay operating expenses of the fund to the extent necessary to maintain the fund's total operating expenses at 1.50% for Investor Class, 1.15% for Institutional Class, 1.55% for Class A and 2.10% for Class C shares, excluding certain expenses, such as taxes, brokerage commissions, interest, short dividend expense, any acquired fund fees and expenses, litigation and extraordinary expenses. This expense limitation agreement expires on April 30, 2020, and may only be modified or terminated by a majority vote of the independent trustees. The advisor is permitted to recover waived expenses for a period of up to three years.

Prior to August 21, 2018, Salient Global Real Estate Fund was named Salient International Real Estate Fund and the benchmark was FTSE EPRA/NAREIT Developed ex-U.S. Index.

Top 10 Contributors & Detractors by Holding (as of 09/30/18)

Top Contributors	Contribution	Top Detractors	Contribution
Belmond Ltd. (BEL US)	0.88%	Capital & Counties (CAPC LN)	-0.30%
Fabege AB (FABG SS)	0.41%	Unibail-Rodamco-Westfield (URW NA)	-0.22%
ADO Properties (ADJ GR)	0.27%	Derwent London (DLN LN)	-0.21%
Link REIT (823 HK)	0.25%	Tokyo Tatemono (8804 JP)	-0.20%
Vonovia SE (VNA GR)	0.17%	Merlin Properties (MRL SM)	-0.18%
GARDA Diversified (GDF AU)	0.15%	Helical PLC (HLCL LN)	-0.17%
Hufvudstaden AB (HUFVA SS)	0.15%	Great Portland Estates (GPOR LN)	-0.17%
Keppel REIT (KREIT SP)	0.13%	Scentre Group (SCG AU)	-0.16%
InterXion Holding (INXN US)	0.13%	Digital Realty Trust (DLR US)	-0.14%
CapitaLand Limited (CAPL SP)	0.12%	Ventas, Inc. (VTR US)	-0.14%

Past performance does not guarantee future results. These holdings may not reflect the current or future positions in the portfolio.

Top Five Contributors & Detractors by Sector (as of 09/30/18)

Top Contributors	Contribution	Top Detractors	Contribution
Sweden	0.55%	United States	-0.69%
Germany	0.40%	Japan	-0.52%
Singapore	0.17%	France	-0.34%
Hong Kong	0.14%	Spain	-0.32%
Netherlands	0.14%	United Kingdom	-0.28%

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You should consider the investment objectives, risks, charges and expenses of any mutual fund carefully before investing. The prospectus contains this and other information and is available, along with information about the series of funds under the Forward Funds trust ("Salient Funds"), by downloading one from www.salientfunds.com or calling 800-999-6809. The prospectus should be read carefully before investing.

The series of funds under the Forward Funds trust ("Salient Funds") are distributed by Forward Securities, LLC. Forward Management, LLC d/b/a Salient is the investment advisor to the Salient Funds.

RISKS

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.

Borrowing for investment purposes creates leverage, which can increase the risk and volatility of a fund.

Concentration in a particular industry will involve a greater degree of risk than a more diversified portfolio.

Debt securities are subject to interest rate risk. If interest rates increase, the value of debt securities generally declines. Debt securities with longer durations tend to be more sensitive to changes in interest rates and more volatile than securities with shorter durations.

Derivative instruments involve risks different from those associated with investing directly in securities and may cause, among other things, increased volatility and transaction costs or a fund to lose more than the amount invested.

Investing in lower-rated ("high yield") debt securities involves special risks in addition to those associated with investments in higher-rated debt securities, including a high degree of credit risk.

Mortgage and asset-backed securities are debt instruments that are secured by interests in pools of mortgage loans or other financial instruments. Mortgage-backed securities are subject to, among other things, prepayment and extension risks.

Investing in the real estate industry or in real estate-related securities involves the risks associated with direct ownership of real estate which include, among other things, changes in economic conditions (e.g., interest rates), the macro real estate development market, government intervention (e.g., property taxes) or environmental disasters. These risks may also affect the value of equities that service the real estate sector.

Investing in smaller companies generally will present greater investment risks, including greater price volatility, greater sensitivity to changing economic conditions and less liquidity than investing in larger, more mature companies.

There is no guarantee the companies in our portfolio will continue to pay dividends.

Definition of Terms

Call risk is the risk faced by a holder of a callable bond that the bond issuer will take advantage of the callable bond feature and redeem the issue prior to maturity.

Cash flow is a revenue or expense stream that changes a cash account over a given period.

Duration risk is the risk that the value of an asset or liability may change as a result of changes in interest rates.

FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide.

FTSE EPRA/NAREIT Developed ex-US Index is designed to track the performance of listed real estate companies and REITs worldwide, excluding U.S. companies.

FTSE NAREIT Equity REITs Index is representative of the tax-qualified REITs listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ National Market, excluding timber and infrastructure REITs.

A **leasing spread** is a measure of the difference between rent per square foot on a new lease, compared to the rent that was previously paid for the same space.

Net operating income (NOI) is a calculation used to analyze real estate investments that generate income. NOI equals all revenue from the property minus all reasonably necessary operating expenses.

Operating margin measures how much profit a company makes on a dollar of sales, after paying for variable costs of production such as wages and raw materials, but before paying interest or tax.

Price risk is the risk of a decline in the value of a security or a portfolio.

One cannot invest directly in an index.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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