

2018 First Quarter Portfolio Review

Investment Objective

Salient Tactical Real Estate Fund is designed for investors seeking total return through a combination of high current income relative to other equity alternatives and long-term growth of capital. The fund invests primarily in securities issued by real estate companies and utilizes leverage and hedging strategies, including short selling.

Portfolio Management

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

Inception Date

September 15, 1999

Net Assets

\$31.75 M (as of 03/31/18)

Fund Details

Share Class	Ticker
Investor	FFSRX
Institutional	KSRYX
Class A	KSRAX
Class C	KSRCX

Annual Fund Operating Expenses

Total annual operating expenses as stated in the fund's most recent prospectus are:

	INV	INST	A	C
Management Fee	1.00%	1.00%	1.00%	1.00%
Distribution and/or Service (12b-1) Fees	0.25%	N/A	0.25%	0.75%
Other Expenses	1.91%	1.81%	1.96%	2.01%
Total Annual Fund Operating Expenses	3.16%	2.81%	3.21%	3.76%

Maximum Sales Charge

	Front-End	Deferred
Investor	None	None
Institutional	None	None
Class A	5.75%	None
Class C	None	1.00%

Performance

Salient Tactical Real Estate Fund's Class A shares produced a total return of -8.38% for the first quarter of 2018. The fund underperformed its benchmarks, FTSE NAREIT Composite Index and FTSE NAREIT Equity REITs Index, which returned -6.51% and -8.20%, respectively.

The table below shows performance results for both the quarter and longer term:

	Fund* (KSRAX) ¹	Market (FNOCTR Index) ²	Market (FNRETR Index) ³
Q1 2018 (as of 03/31/18)	-8.38%	-6.51%	-8.20%
1 Year to 03/31/18	-11.37%	-0.80%	-4.51%
3 Years to 03/31/18	-1.45%	3.17%	1.08%
5 Years to 03/31/18	2.99%	6.36%	5.92%
10 Years to 03/31/18	2.60%	6.88%	6.37%
Since Inception (09/15/99)	8.80%	10.42%	10.56%

Gross Expenses / Net Expenses: 3.21% / 3.21%

Returns for periods greater than one year are annualized.

* Excludes sales charge.

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.

Exposures

Our net long exposure remained limited during the quarter, which helped the fund's performance in a challenging environment for real estate investment trust (REIT) common equities. On average, the fund was 95.7% long and 18.0% short. The fund's net exposure was 77.7%.

¹ Class A (ticker: KSRAX)

² FTSE NAREIT Composite (Total Return) Index

³ FTSE NAREIT Equity REITs (Total Return) Index

Contribution

The table below shows the fund's top contributors and detractors for the quarter:

Top Contributors & Detractors by Holding (as of 03/31/18)

Top Contributors		Top Detractors	
Vanguard Real Estate ETF (VNO)	1.47%	Colony NorthStar (CLNS)	-2.16%
Madison Square Garden Co (MSG)	0.38%	Brookdale Senior Living (BKD)	-0.64%
Genesis Healthcare (GEN)	0.31%	Government Properties (GOV)	-0.53%
iShares U.S. Real Estate ETF (IYR)	0.27%	Mack-Cali Realty Corp (CLI)	-0.50%
Howard Hughes Corp (HHC)	0.12%	Kite Realty Group (KRG)	-0.43%

Past performance does not guarantee future results.

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

As the table shows, most of the fund's underperformance can be attributed to a few holdings that had weak price performance during the quarter. For instance, Colony NorthStar (CLNS) was down -50% during the first quarter, due to disappointing performance and a dividend cut.

Attribution

From a property sector standpoint, some of the top-contributing sectors for the first quarter were real estate ETF shorts, movies and entertainment (i.e., Madison Square Garden) and real estate development (i.e., Howard Hughes Corp.), which contributed 174 basis points (bps), 38 bps and 12 bps, respectively, to the fund's performance. Notable laggards included the diversified REITs sector (i.e., Colony NorthStar), which detracted -319 bps from the fund's return, and the shopping centers and office sectors, which detracted -172 and -146 bps, respectively.

The table below shows the fund's top contributors and detractors by underlying property sector versus the FTSE NAREIT Composite Index.

Top Contributors & Detractors by Sector (as of 03/31/18)

Top Contributors		Top Detractors		
Salient Tactical Real Estate Fund	Real Estate ETF Shorts	1.74%	Diversified	-3.19%
	Movies & Entertainment	0.38%	Shopping Centers	-1.72%
	Real Estate Development	0.12%	Office	-1.46%
	Timber	0.02%	Regional Malls	-0.76%
	Commercial Financing	0.01%	Apartments	-0.49%
FTSE NAREIT Composite (TR) Index	Infrastructure	0.15%	Health Care	-1.00%
	Timber	0.05%	Diversified	-0.89%
	N/A	-	Regional Malls	-0.81%
	N/A	-	Shopping Centers	-0.78%
	N/A	-	Office	-0.67%

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Despite the short-term vicissitudes of the market, our strategy remains steady with respect to both our long holdings and our short strategy. We aim to own companies that will deliver attractive and consistent returns over long periods of time. We also aim to mitigate risk with a thoughtful strategy of short exposure.

Dividend Income

The fund's yield is below the yields of the REIT indices due to substantially lower long common equity exposures. Additionally, the fund has fees and expenses that indices do not have. Now more than ever, it is important to think of the fund's income *in the context* of total return. We remain steadfast in our willingness to accept less yield if doing so better serves the goal of preserving capital. Like we have said with respect to our efforts on Salient Select Income Fund, we don't want to stretch for a nickel of extra income if it puts a single dollar of NAV at risk.

Investment Outlook

For nearly the last two years—since we transitioned the management of this fund to its current form—we have worked to harmonize our philosophy, outlook and methods across every dollar of capital we oversee. The fund experienced positive returns through the early part of 2017 but since then the fund has given back some of those returns. Nevertheless, we remain confident in our portfolio and in the operating strength underlying the broad market.

Operating-level, domestic REIT fundamentals remain healthy for most property types and across most geographic areas. Robust occupancy trends and positive re-leasing spreads, combined with sound coverage and leverage levels and accommodative markets for capital and M&A activity, lead us to believe that barring any truly exogenous shock in the global interest rate or trade environments, REITs will continue to offer attractive yields and risk-adjusted total returns.

We welcome any questions or comments. As always, thank you for your confidence and trust.

Performance (%) as of 03/31/18

	Q1	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor	-8.35	-8.35	-11.33	-1.40	3.06	-	5.38
Institutional [¶]	-8.25	-8.25	-10.99	-1.04	3.42	3.21	2.00
Class A @NAV*	-8.38	-8.38	-11.37	-1.45	2.99	2.60	8.80
Class A @MOP**	-13.66	-13.66	-16.46	-3.38	1.78	2.00	8.46
Class C @NAV [†]	-8.50	-8.50	-11.87	-1.98	2.43	1.95	8.06
Class C @MOP [‡]	-9.41	-9.41	-12.72	-1.98	2.43	1.95	8.06
FTSE NAREIT Composite Index	-6.51	-6.51	-0.80	3.17	6.36	6.88	-
FTSE NAREIT Equity REITs Index	-8.20	-8.20	-4.51	1.08	5.92	6.37	-

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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Expense Ratio

Share Class	Inception Date	Gross	Net
Investor	05/02/11	3.16	3.16
Institutional	04/28/06	2.81	2.81
Class A	09/15/99	3.21	3.21
Class C	09/15/99	3.76	3.76

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.

Foreign securities, especially emerging or frontier markets, will involve additional risks including exchange rate fluctuations, social and political instability, less liquidity, greater volatility and less regulation.

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.

Short selling involves additional investment risks and transaction costs, and creates leverage, which can increase the risk and volatility of a fund.

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.

Alternative strategies typically are subject to increased risk and loss of principal. Consequently, investments such as mutual funds that focus on alternative strategies are not suitable for all investors.

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

TERM DEFINITIONS

Basis point is a unit that is equal to 1/100th of 1%, used to denote the change in a financial instrument.

Distribution yield refers to the amount of cash flow received or paid out by an annuity, REIT or other income-paying instrument. It is used to measure the investment cash flow provided by an investment relative to the cost paid for that investment.

FTSE NAREIT Composite Index is an unmanaged index consisting of approximately 200 real estate investment trust (REIT) stocks.

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.

One cannot invest directly in an index.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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