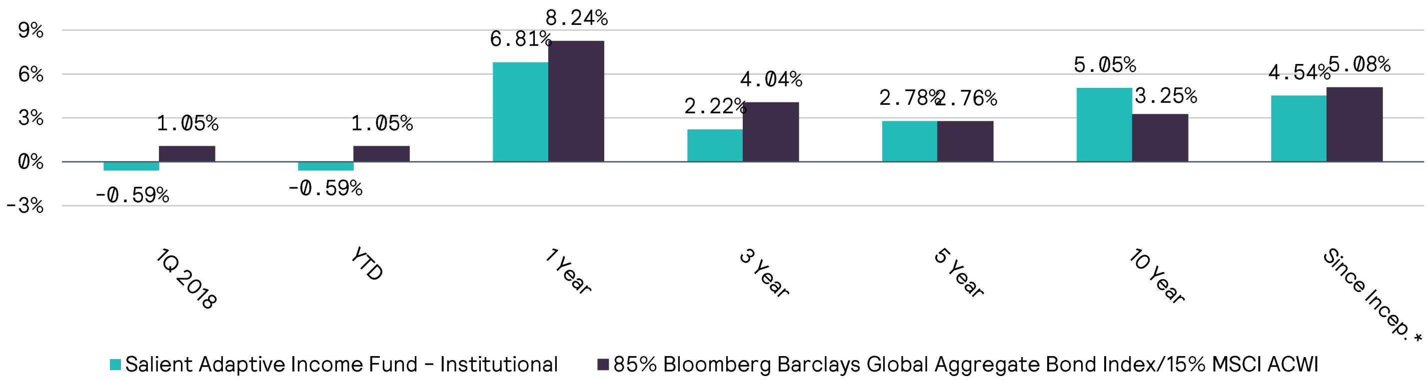
2018 First Quarter Portfolio Review

Fund Overview

Salient Adaptive Income Fund employs a dynamic, risk-targeted approach designed to provide income to investors with a lower risk tolerance by allocating the fund's investments to income-producing assets that are exhibiting a statistically higher yield relative to other income-producing assets while also managing volatility. The fund invests across a diverse range of actively managed traditional, alternative and global mutual fund strategies.



Gross Expenses/Net Expenses: **2.71%** / 1.44%

Performance as of 12/31/17. Returns for periods greater than one year are annualized.

* 12/27/00

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 on this website. Investment performance reflects 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. To obtain performance information current to the most recent month-end, please visit www.salientfunds.com.

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 0.01% for Institutional Class 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, 2019, 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.

Market Overview

Taking a look back at 2017, global stocks, as measured by the MSCI All Country World Index, finished with a gain of 23.97%, with foreign markets leading the way due in part to a weak U.S. dollar. Emerging markets (EM) represented the strongest performers globally, with the MSCI Emerging Markets Index gaining 37.75% in U.S. dollar terms and 30.55% in local currency terms. Japan and Europe also posted strong gains with the MSCI Japan Index gaining 23.76% and the MSCI Europe Index gaining 26.62%. In this case, the weaker dollar played an even more significant role as European stocks only gained 13.06% in local currency and Japanese stocks gained 19.75% in yen. U.S. stocks were not left behind as the S&P 500 Index finished the year with a gain of 21.83%. Small-cap stocks, as measured by the Russell 2000 Index, finished the year with a gain of 14.65%. The gains were certainly impressive, but when we look behind the curtain we learn some very interesting facts, most notably that U.S. stocks have gone 282 days without a 3% correction as of year end—the longest period in history. Additionally, 42 of the 44 stock markets followed by MSCI posted gains as well as nine of the 11 sectors. The most unusual sector was energy, which posted a decline for the year despite the rise in oil prices, marking the first time in 15 years that the energy sector declined while the price of oil rose. Energy also posted the biggest sector swing in year-over-year earnings ever aside from the financials sector during the 2008-2009 financial crisis. This decline is likely a positive sign for energy stocks going into 2018.

Not to be outdone, bonds also had a very strange year. Global bonds, as measured by the Bloomberg Barclays Global Aggregate Index, increased by 7.65%; yet much of the gain can be attributed to currency effect as the local currency version of the index only increased by 3.04%. This number placed global bonds in a very similar position as U.S. bonds, which increased by 3.80% for the year, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index. Once again, emerging market bonds were the strongest performers with the Credit Suisse Emerging Market Corporate Bond Index rising 9.50% and the Bloomberg Barclays Emerging Market Bond Index rising 10.28%. Domestic credit investors were also rewarded for the year with the Bloomberg Barclays U.S. Corporate High Yield Bond Index rising 7.52% and the Bloomberg Barclays U.S. Municipal High Yield Index rising 9.95%. It is notable, however, that the volatility of most bond asset classes was unusually high in 2017, which is in direct contrast to stocks, which spent most of the year hugging all-time lows in terms of volatility.

Portfolio Overview

In the first quarter, Salient Adaptive Income Fund continued to perform in terms of its primary goal, which is to deliver a high yield for its 6.5% target level of volatility. The fund decreased by -0.59%, underperforming its benchmark, a blend of 85% Bloomberg Barclays Global Aggregate Index and 15% MSCI ACWI, which returned 1.05%. The gains made in stocks were offset by a loss in the strategy's bond positions. Relative to the benchmark, it was again the strategy's fixed-income positioning that caused underperformance. High-yield, emerging market and high-yield muni bonds detracted, but were partially offset by gains in preferred and emerging market stocks.

The fund reduced its overweight exposure to equities early in the quarter before finishing the period underweight the benchmark's equity exposure. The initial move out of equities occurred by reducing exposure in emerging market and international stocks. While some of the proceeds from these moves went toward increasing an existing position in preferred stocks, the majority was moved into cash. The cash position ended the quarter at 17%, which is the highest level since the strategy's 2012 inception.

Investment Outlook

During the quarter, the strategy reduced its overweight to stocks, bringing its allocation in line to slightly below the benchmark. Additionally, the strategy removed some risk by increasing the allocation to preferred stocks and cash. As discussed last quarter, the relatively flat yield curve corrected itself somewhat during the quarter, but took a bite out of Treasurys. We suggested that investors might look to cash to potentially find healthy yields while protecting against drawdowns, which turned out to work well during the quarter and is a strategy that we believe investors should rely on as the interest rate environment continues to inject risk into the market.

One of the brightest spots for investors has been emerging market stocks, which escaped the bulk of the February/March drawdown. This performance is consistent with our expectations as valuation and earnings growth on a relative basis are most attractive among emerging markets. The performance is also a good indicator of what to expect once the current market condition resolves itself. As of now, the global stock market appears to have settled into a volatile sideways churn, which we believe is likely to continue until some point before the November U.S. elections. Historically, resolution of an election period is typically a positive for markets. The potential for a protracted trade war with China is one of the chief concerns for the market, thus a shift in congressional power might be viewed as a positive by the market as it could temper any acceleration in the trade war.

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.

Salient Adaptive Income Fund seeks high current income and some stability of principal.

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.

Each allocation fund is a fund of funds that primarily invests in a mix of underlying Salient Funds and related mutual funds. Shareholders of an allocation fund indirectly bear the expenses of the underlying funds. An allocation fund's allocations may be changed at any time. Asset allocation does not assure profit or protect against risk.

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

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 exchange-traded funds (ETFs) will subject a fund to substantially the same risks as those associated with the direct ownership of the securities or other property held by the ETFs.

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.

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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 which focus on alternative strategies are not suitable for all investors.

Diversification does not assure profit or protect against risk.

Definition of Terms

Bloomberg Barclays Global Aggregate Index represents a broad-based measure of the global investment-grade fixed income markets, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

Bloomberg Barclays Emerging Market Bond Index is an unmanaged index that tracks total returns for external-currency-denominated debt instruments of emerging markets located in the Americas, Europe, Middle East, Africa and Asia.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment-grade, fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

Bloomberg Barclays U.S. Corporate High Yield Bond Index covers the USD-denominated, noninvestment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg Barclays U.S. Credit Index is an index composed of corporate and non-corporate debt issues that are rated investment grade (Baa3/BBB) or higher**.**

Bloomberg Barclays U.S. Municipal High Yield Index measures the noninvestment-grade and nonrated U.S. dollar-denominated, fixed-rate, tax-exempt bond market within the 50 United States and four other qualifying regions (Washington D.C., Puerto Rico, Guam and the Virgin Islands).

One cannot invest directly in an index.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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Credit Suisse Emerging Market Corporate Bond Index consists of U.S. dollar-denominated fixed-income issues from Latin America, Eastern Europe and Asia.

MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI Europe Index is a free float-adjusted market capitalization index designed to measure developed market equity performance in Europe.

MSCI Japan Index is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of the developed markets in Japan.

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.

S&P 500 Index is an unmanaged index of 500 common stocks chosen to reflect the industries in the U.S. economy.

Volatility is a statistical measure of the dispersion of returns for a given security or market index.

Yield is the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost or on the U.S. government's debt obligations.