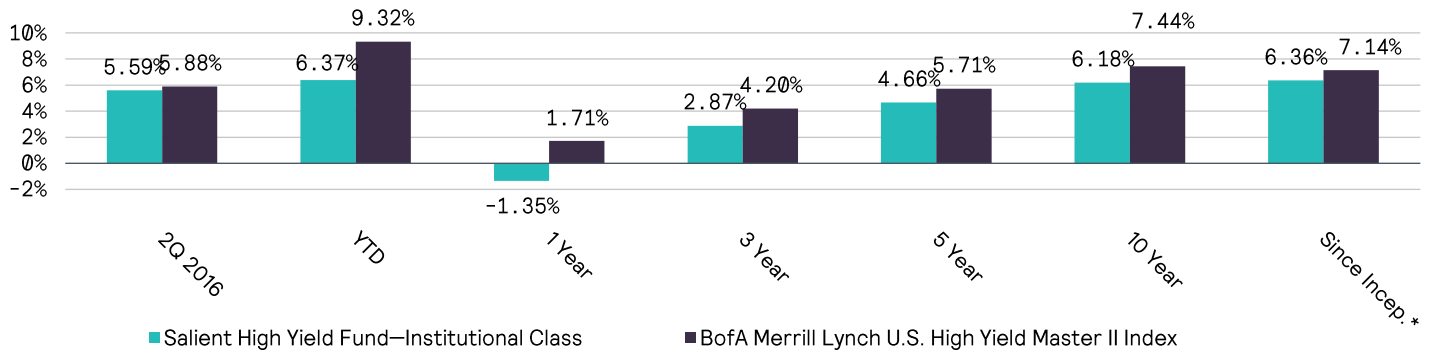


## 2016 Second Quarter Portfolio Review

### Fund Overview

Salient High Yield Bond Fund seeks high current income and the potential for modest long-term growth of capital by investing in a portfolio of lower-rated bonds. The fund has the ability to invest in smaller high yield issues that have higher yields and sometimes exhibit lower volatility than large benchmark high yield bonds.



Gross/Net Expenses: 1.34% / 1.34%

Returns for periods greater than one year are annualized.

\* 05/01/00

Performance figures and other portfolio data shown for periods prior to January 1, 2015, do not reflect the current portfolio managers' performance or strategy.

*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](http://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.*

### Market Overview

The second quarter of 2016 began with a continuation of a broad market rally that started in mid-February amid less hawkish rhetoric from the Federal Reserve (Fed) and culminated with the historic Brexit referendum vote.

Among U.S. equities, both large caps and small caps, as represented by the S&P 500 and Russell 2000 indices, ended the quarter up 2.46% and 3.79% respectively. Emerging market equities edged slightly upward to finish the quarter at 0.78%. Commodities largely continued their rally during the quarter, with West Texas Intermediate crude oil up 26.06% and natural gas up 49.26%. Sovereign yields fell nearly across the board, with the U.K. 10-year government bonds down -0.55% and the 10-year U.S. Treasury Note down -0.30%. The high yield market rallied during the quarter, returning 5.18%, and the real estate investment trust market ("REITs"), as represented by the S&P 500 U.S. REIT Index, jumped 5.98%.

In May, Federal Reserve (Fed) chair Janet Yellen cited continued improvement in the economy as support "to gradually and cautiously increase our overnight interest rate over time, and probably in the coming months such a move would be appropriate." In the short term, these comments were widely anticipated and were accompanied by a strengthening dollar and weakening gold prices as market participants perceived the Fed to be moving toward a more restrictive policy stance. However, by early June, Yellen voiced her concern about several weak jobs reports and the Fed left rates unchanged at the June 15 meeting.

Market volatility climbed significantly immediately following the Brexit decision on June 23. Most asset classes initially retreated then regained most of their losses over the course of the following week. Sovereign debt represented the one notable exception to the overall retracement of the pre-referendum trading levels. Following the vote, sovereign debt yields in the U.S., U.K., Germany and Japan all continued to decline through the end of the month.

### Portfolio Overview

Salient High Yield Bond Fund's Institutional shares were up 5.59% for the quarter, trailing relative to the Fund's benchmark. During the quarter the benchmark, the Bank of America Merrill Lynch U.S. High Yield Master II Index, was up 5.88%.

Relative underperformance arose primarily from the effects of cash drag and portfolio hedging. This was only partially offset by outperformance in the energy and basic industry sectors.

Overall portfolio sector positioning had a slightly positive impact on relative returns. Slight over weights to the energy, basic industry, and metals and mining sectors all contributed relative positive performance. An underweight to the financials and telecommunications sectors were also positive contributors. This positive sector positioning impact was partially offset by under weighting to the strong aerospace sector and an overweight to the weaker consumer sector.

During the quarter, the largest single performance contributors were: Memorial Production Partners (Energy +149 bps) and NGL Energy Partners (Energy +145 bps). The largest single performance detractors were: Williams Companies (Energy -63 bps) and Crestwood Midstream (-25 bps).

The fund entered the quarter with a neutral position relative to benchmark risks. The fund had 8% in cash, a 15% index hedge, and a portfolio of higher beta securities. During the quarter, the fund increased commitments to higher beta securities. As would be expected, the fund performed in line with the index during a strong market rally.

At the end of the quarter, industry sector exposures remain tilted to the energy, healthcare, metals and mining sectors, as well as the transportation and real estate sectors. The fund was underweight the financial and telecommunications sectors. The fund has been opportunistically increasing exposure to the energy and basic industry sectors. At quarter end, the fund had 4% cash.

### Investment Outlook

The high yield market is offering an excellent opportunity for investors, and the opportunity for those investors who can avoid defaults is even better. At quarter end, the BofA Merrill Lynch High Yield Index had a yield of 7.3%. This yield translates to a spread of 621 basis points over US Treasuries and is wider than the 565 bps median since the start of 2000.

The investment team is most excited about opportunities to invest in smaller issuers. The smaller issuer slice of a well-known high yield index is yielding 10%, which is wide to both treasuries and the high yield market itself.

Despite the elevated risks of a recession and/or drop in corporate profitability in the second half of 2016, the credit team is excited about opportunities in the domestic steelmaking sector. The sector's two primary input costs, iron ore and coal, are at or near record lows. Moreover, a powerful catalyst is the recent trade cases brought by domestic producers. Steel prices are now rising. Steelmakers retain significant operating leverage, and these business factors are rapidly translated into the ability to generating cash. With this context, the fund added a new position to the unsecured bonds of AK Steel, a domestic steel producer. The position has been an outsized contributor to performance in the quarter.

Finally, we note that the fund has no exposure to the pharmaceutical industry within its healthcare exposure. The high yield market features many so-called "specialty pharmaceutical" issuers. Many of these companies have unsustainable (and predatory) pricing models. Some companies have even been caught taking advantage of the insurance reimbursement system. We await the inevitable tailspin in this sector.

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](http://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 High Yield Bond Fund seeks high current income.

## 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.

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.

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

## Definition of Terms

**B+** is a Standard & Poor's long-term credit rating that reflects a bond issuer's financial strength, or its ability to meet its financial commitments in a timely fashion. B+ is given when an issuer has significant speculative characteristics that make it vulnerable to nonpayment.

**BofA Merrill Lynch U.S. High Yield Master II Index** tracks the performance of below-investment-grade, U.S. dollar-denominated corporate bonds issued in the U.S. domestic market.

**BPS (basis point)** is a unit that is equal to 1/100th of 1%, used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security.

**CCC** is a Standard & Poor's long-term credit rating that reflects a bond issuer's financial strength, or its ability to meet its financial commitments in a timely fashion. CCC is given when an issuer is vulnerable to nonpayment and dependent upon favorable business conditions to meet its long-term debt obligation.

**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.

**S&P 500 U.S. REIT Index** defines and measures the investable universe of publicly traded real estate investment trusts domiciled in the United States. The index was developed with a base level of 10 for the 1941-43 base period. This is a GICS Level 3 industry.

**U.S. Treasury** is a debt obligation issued by the U.S. Treasury that has a term of more than one year but not more than 10 years.

**Valuation** is the process of determining the value of an asset or company based on earnings and the market value of assets.

**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.

One cannot invest directly in an index.

Prior to May 1, 2016, Salient High Yield Fund was named Forward High Yield Fund

Not FDIC Insured | No Bank Guarantee | May Lose Value

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## Top 10 Holdings in Salient High Yield Fund as of 06/30/2016:

Security	% of Net Assets	Security	% of Net Assets
AK Steel Corp.	4.52%	SandRidge Energy, Inc	2.94%
CCO Holdings Llc/CCO Holdings Capital Corp., Sr. Unsec. Notes	3.29%	NGL Energy Partners LP/NGL Energy Finance Corp., Sr. Unsec. Notes	2.67%
BCP Singapore VI Cayman Financing Co., Ltd., Sec. Notes	3.06%	Western Digital Corp.	2.53%
First Quantum Minerals Ltd., Sr. Unsec. Notes	2.98%	Teck Resources Ltd.	2.53%
Songa Offshore	2.95%	C&S Group Enterprises Llc, Sec. Notes	2.53%

Holdings are subject to change.