

# Mid-Cap Intrinsic Value

## Portfolio Objective

The Forward Mid-Cap Intrinsic Value portfolio utilizes an opportunistic, intrinsic value approach to provide investors with competitive, risk-adjusted returns in all market environments. The portfolio seeks to outperform in flat-to-down markets and participate in up markets. The portfolio will typically invest in 60-85 companies with market capitalizations between \$1 billion and \$15 billion.

## Investment Process

We thoroughly analyze a company to determine its true worth or intrinsic value, and compare that value to the current market valuation to determine if there exists an appropriate margin of safety for investment. Each investment idea must possess solid valuation, strong fundamentals and catalysts which help to validate the underlying investment thesis.

**Key Valuation Criteria:** Apply industry appropriate valuation metrics to analysis of each company.

These may include:

- Low relative P/B
- Low relative P/E
- Low relative Price-to-cash flow
- Low relative P/S
- Low relative EV / EBITDA
- Below replacement value

**Key Financial Criteria:** Seek companies with attractive or improving fundamentals and avoid companies with weak or deteriorating fundamentals.

These may include:

- Strong or improving cash flow
- High returns on invested capital
- Low relative debt levels
- Durable competitive advantage

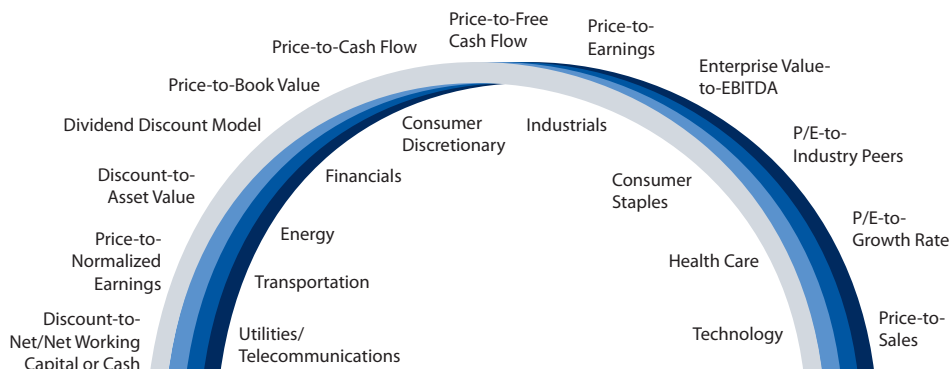
**Key Catalysts:** Identify catalysts that will unlock the value of the company. These may include:

- Management change
- New product cycle
- Restructuring that improves profitability

## Portfolio Facts

Category: Mid-Cap Intrinsic Value  
 Benchmarks: Russell MidCap Value  
 Russell MidCap

## Multifaceted Valuation Methodology



## Portfolio Statistics

	Mid-Cap Intrinsic Value*	Russell MidCap Value**	Russell MidCap**
# of Holdings	66	--	--
Weighted Market Capitalization (mm)	5,222	8,957	9,517
Price/Earnings (LTM)	17.0	15.5	18.2
Price/Book	3.0	1.8	2.7
Price/Sales	2.1	1.2	1.8
Price/Cash Flow	11.8	10.0	14.3
Return on Equity	18.3	12.1	17.8
LT EPS Growth Rate	14.1%	10.0%	13.7%
Dividend Yield	1.27%	2.25%	1.41%

\*Source: Baseline

\*\*Source(s): Factset, Russell

Price/Earnings, Price/Book, Price/Sales, Price/Cash Flow and Return on Equity Ratios all represent equity securities within the portfolio, and are not intended to demonstrate portfolio growth, income earned by the portfolio or distributions made by the portfolio.

## Management Team

### John Appleby, CFA\*

Lead Portfolio Manager for the Mid-Cap Portfolio

More than 20 years of investment experience

- Sr. Portfolio Manager at Dean Investments
- Sr. Portfolio Manager at City National Investment Advisors, managing equity analysts, small capitalization process and more than \$300 million in assets
- Sr. Portfolio Manager at Palley-Needelman Asset Management, a Newport Beach, CA Investment Manager with over \$5 billion in client accounts, responsible for over \$1B in assets

MBA, BS - University of Southern California

### Matt Feldmann, CFA\*

Senior Analyst for the Mid-Cap Portfolio

Six years of experience with Dean Investments where he developed security recommendations for the firm's small- and mid-cap portfolios

MBA, BS - University of Dayton

\*John Appleby and Matt Feldmann have earned the right to use the Chartered Financial Analyst designation.

# Mid-Cap Intrinsic Value

## Top Ten Holdings

Portfolio holdings are subject to change at any time. Supplemental Information.

White Mtns Ins Group LTD - WTM	3.89%
Borg Warner Inc. - BWA	2.86%
MEMC Electronic Mats Inc. - WFR	2.68%
Western Digital Corp. - WDC	2.63%
Alabama National Bancorp - ALAB	2.38%
Adams Respiratory Therap - ARXT	2.29%
Ecolab - ECL	2.16%
Barr Labs Inc. - BRL	2.01%
Martin Marietta Materials - MLM	1.95%
Helix Energy Solutions - HLX	1.91%

## Annual Returns

	Composite Return (Gross)	Composite Return (Net)*	Russell MidCap Value	Russell MidCap
Since Incept <sup>1</sup>	11.84%	10.33%	12.20%	14.01%
2007 <sup>2</sup>	-0.83%	-2.19%	-1.42%	5.60%
2006	17.04%	15.50%	20.21%	15.27%
2005 <sup>3</sup>	16.12%	15.10%	14.81%	16.66%

\*Net returns are calculated using the highest applicable fee during the given time period.

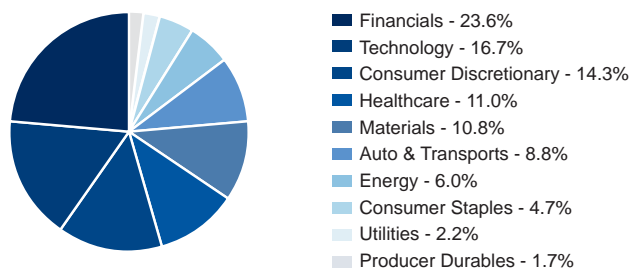
<sup>1</sup>Represents performance from 4/30/05 to 12/31/07

<sup>2</sup>Represents performance from 12/31/06 to 12/31/07.

<sup>3</sup>Represents performance from 4/30/05 to 12/31/05.

## Mid-Cap Sector Allocation

These allocations may not reflect the current or future holdings of the portfolio.



## Quarterly Returns

Please read the important information below.

	Mid-Cap Intrinsic Value Gross	Mid-Cap Intrinsic Value Net**	Russell MidCap Value	Russell MidCap
4Q2007	-10.09%	-10.43%	-5.97%	-3.55%
3Q2007	-2.01%	-2.35%	-3.56%	-0.38%
2Q2007	7.13%	6.77%	3.65%	5.30%
1Q2007	5.07%	4.71%	4.86%	4.37%
4Q2006	7.00%	6.65%	8.50%	7.67%
3Q2006	4.56%	4.21%	3.52%	2.11%
2Q2006	-4.04%	-4.38%	-0.56%	-2.58%
1Q2006	9.01%	8.65%	7.63%	7.62%
4Q2005	2.11%	1.76%	1.34%	2.35%
3Q2005	6.18%	5.82%	5.36%	5.92%
Supplemental Data				
*2Q2005	3.51%	3.16%	4.70%	4.18%
*1Q2005	0.75%	0.40%	0.78%	-0.26%
*4Q2004	11.02%	10.65%	13.46%	13.66%
*3Q2004	2.08%	1.73%	1.73%	-0.84%

\*Returns prior to April 30, 2005 are supplemental info. Please refer to disclosure presentation.  
\*\*Net returns are calculated using the highest applicable fee during the given time period.

The Mid-Cap Equity Composite seeks growth in capital by investing in equity securities of companies, which the portfolio management team believes to be undervalued, with market capitalization generally between \$1 billion - \$15 billion. Equity holdings will generally be between 90-100% of the portfolio. For comparison purposes the composite's primary benchmark is the Russell Midcap Value Index and secondary benchmark is the Russell Midcap Index. The Russell MidCap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. The Russell MidCap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Forward Management, LLC ("Forward") is an independent registered investment adviser. Forward claims compliance with the Global Investment Performance Standards (GIPS®). Please contact Matt Feldmann (877-788-8661 x6387) at Forward to request a fully compliant presentation and/or list and description of all firm composites.

The U.S. Dollar is the currency used to express performance. Gross returns are shown as supplemental information and are stated gross of all fees and transaction costs. Net returns are reduced by the following wrap/bundled fees, applied monthly: 2007: 1.37%; 2006: 1.37%; 2005: 1.37%. Returns include the reinvestment of all income. Past performance is not indicative of future results.

Performance presented prior to October 31, 2006, occurred while the Portfolio Manager was affiliated with a prior firm and the Portfolio Manager was the only individual responsible for selecting the securities to buy and sell. For the period between November 1, 2006 to June 12, 2007, the Portfolio Manager was not affiliated with any firm, but maintained management of certain composite accounts. During this time the Portfolio Manager was the only individual responsible for selecting the securities to buy and sell. Such performance should not be interpreted as the actual historical performance of Forward.

Performance related to the period June 30, 2004 to April 30, 2005 pertains to a representative account managed with an identical management style and process as the Mid-Cap Equity Composite. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the highest potential annual wrap/bundled fee of 1.37%, applied monthly. This supplemental information is provided for illustrative purposes only and should not be interpreted as part of the Mid-Cap Equity Composite, and thus, should not be linked to Mid-Cap Equity Composite returns.