

# SmallMid Core

## Philosophy

The Forward Management SmallMid Core investment philosophy is based upon the belief that superior investment results can be achieved by constructing a core portfolio of niche focused, small- and mid-cap companies.

## Investment Process

The investment team strives to achieve superior returns by selecting companies with positive current earnings and reasonable valuations. Typically, investments include companies focused on one business which routinely pay cash dividends.

### Buy Process

- Quantitative screen to identify growth & value companies that meet specified hurdles, such as leverage and profitability.
- Qualitative review of eligible companies looking for niche dominance, high quality management teams and well defined growth strategies.
- Fundamental research on resulting universe to identify companies with strong financials and identifiable sustained competitive advantages.
- Construct concentrated, relatively sector neutral portfolio of growth & value companies and manage risk.

### Sell Discipline

- Allocation constraint has been reached
- Fundamental change in investment catalyst
- Deteriorating fundamentals
- Underperformance relative to industry
- Better opportunities

## Portfolio Management

### LEAD MANAGERS

	Title / Years of Experience
David Ruff, CFA	Portfolio Manager / 23
Randall Coleman, CFA	Portfolio Manager / 24
Bruce Brewington	Portfolio Manager / 18

### INVESTMENT TEAM

Jim O'Donnell, CFA	Chief Investment Ofcr / 23
Michael McGowan	Portfolio Manager / 24
Aaron Visse, CFA	Portfolio Manager / 11
Ian Goltra	Senior Analyst / 23
James Clary, CFA	Senior Analyst / 17
Matt Feldmann, CFA	Senior Analyst / 9
Fabian Garces	Analyst / 3

## Annualized Returns PERCENTAGE

	2Q 2010*	1YR	3YR	5YR	10YR	Since Inception†
SmallMid Core - Gross	-6.24	19.78	-3.71	4.12	5.74	8.49
SmallMid Core - Net‡	-6.49	18.64	-4.48	3.42	5.13	7.88
Russell 2500	-9.98	24.03	-7.98	0.99	4.15	4.89
SmallMid Core - STANDARD DEVIATION			21.35	17.67	20.78	21.80
Russell 2500 - STANDARD DEVIATION			26.87	21.87	22.08	22.76

\*Returns are preliminary.

†Inception 4/1/1998.

‡Net returns are calculated using a representative management fee of 1.0%, applied quarterly. Prior to September 30, 2008, net returns are calculated using a management fee of 0.50%, applied quarterly.

Periods less than one year are not annualized. Please see important disclosures on the reverse side.

## Portfolio Characteristics

Shown as supplemental information. Please see important disclosures on the reverse side.

Characteristics	Portfolio	Russell 2500
Number of Stocks:	27	2500
Dividend Yield:	1.3%	1.5%
Price-to-Earnings:	17.8	16.8
Price-to-Book:	3.7	1.7
Weighted Mean Market Cap:	\$2.9B	\$2.0B

Source: Bloomberg and www.Russell.com

## Top Ten Holdings PERCENTAGE

Portfolio holdings are subject to change at any time. Shown as supplemental information.

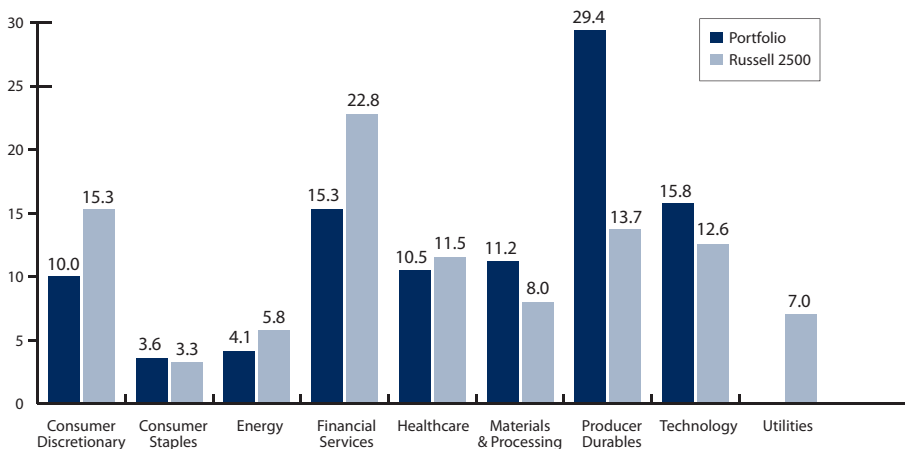
Please see important disclosures on the reverse side.

Advisory Board - ABCO	4.9	Albemarle - ALB US	3.9
Waste Connections - WCN US	4.4	Nordson - NDSN	3.8
Bio-References Labs - BRLI	4.4	WW Grainger - GWW US	3.8
Varian Medical Systems - VAR	4.3	ARM Holdings - ARMH	3.8
Micros Systems - MCRS US	4.1	World Fuel Services - INT	3.7

## Sector Allocation PERCENTAGE

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

Shown as supplemental information. Percentages may not add up to 100% due to rounding.



# SmallMid Core

## Risk Management

The Forward Management SmallMid Core Portfolio seeks to minimize risk by maintaining a well diversified portfolio of primarily profitable small and mid cap companies. To minimize liquidity risk, we prefer to avoid companies with a high percentage of institutional ownership and favor companies with an average daily trading value of over \$500K. The portfolio is monitored to evaluate the fundamental conditions of its holdings and is typically diversified across seven to eight sectors. The result is a concentrated portfolio of 25 to 40 niche companies.

## Annual Returns

	SmallMid Core Gross %	SmallMid Core Net* %	Russell 2500 %
2009	38.58	37.30	34.39
2008	-30.40	-30.90	-36.79
2007	2.69	2.18	1.37
2006	20.73	20.16	16.17
2005	7.48	6.95	8.11
2004	10.35	9.81	18.29
2003	48.46	47.79	45.50
2002	-19.88	-20.30	-17.79
2001	-0.70	-1.20	1.23
2000	15.11	14.55	4.27
1999	24.97	24.37	24.13
1998**	13.67	13.25	-8.95

\*Net returns are calculated using a representative management fee of 1.0%, applied quarterly. Prior to September 30, 2008, net returns are calculated using a management fee of 0.50%, applied quarterly.

\*\*Inception Date - 4/1/1998

## Risk/Analysis<sup>†</sup>

	Alpha	Beta	Sharpe Ratio	Upside Capture	Downside Capture	Tracking Error
<b>3 Year</b>	2.15	0.77	-0.24	<b>74.40</b>	<b>72.40</b>	7.88
<b>5 Year</b>	3.02	0.78	0.08	<b>84.30</b>	<b>70.90</b>	6.46
<b>10 Year</b>	1.88	0.90	0.15	<b>93.60</b>	<b>85.90</b>	6.08
<b>Since Inception*</b>	4.01	0.90	0.25	<b>95.90</b>	<b>77.80</b>	7.91

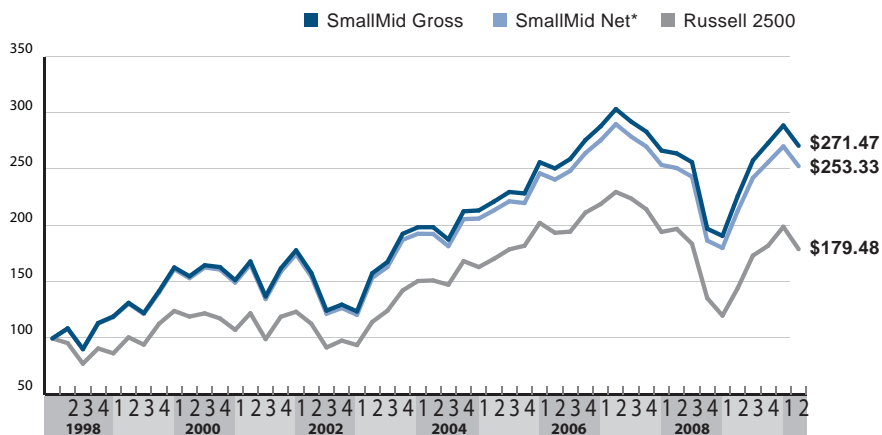
\*Inception Date - 4/1/1998

†Shown as supplemental information. Please see important disclosures below. Information/statistics in each of these sections is current as of 6/30/10.

Source: Data is obtained from Zephyr Analysis. Gross statistics are measured against the Russell 2500.

## Growth of \$100

12.25 years ending in June 30, 2010. Shown as supplemental information.



The performance quoted represents past performance, does not guarantee future results and current performance may be lower or higher than the data quoted.

The performance quoted reflects the reinvestment of dividends and other earnings.

Source: Forward Management, LLC. Calculated Using Quarterly Returns.

\*Net returns are calculated using a management fee of 1.0%, applied quarterly. Prior to September 30, 2008, net returns were calculated using a management fee of 0.50%, applied quarterly.

The **SmallMid Core Composite** seeks growth in capital by investing in equity securities of companies that are primarily in the Russell 2500 index with positive characteristics for profit ability, growth, and cash flow. For comparison purposes the composite's primary benchmark is the Russell 2500 Index. The Russell 2500 Index measures the performance of the 2500 smallest companies in the Russell 3000 Index. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small and mid-cap U.S. equity market.

Performance results for the SmallMid Core Composite are preliminary for the second quarter of 2010.

Forward Management, LLC ("Forward") is an independent registered investment adviser. Forward claims compliance with the Global Investment Performance Standards (GIPS®). Please contact Matt Feldmann (415-216-3142) at Forward to request a fully compliant presentation and/or list and description of all firm composites.

Results are based on fully discretionary, institutional accounts under management in this style. The U.S. Dollar is the currency used to express performance. Gross returns are shown after transaction costs, but before management fees. Net Returns are shown after transactions costs and management fees.

Returns include the reinvestment of all income. Leverage or derivatives are not used. Past performance is not indicative of future results. The above net returns incorporate an institutional fee schedule which may be lower than a bundled wrap fee schedule. No wrap accounts are included in the composite. A retail wrap fee composite reflecting the maximum wrap fee is available upon request.

Performance presented prior to August 1, 2008, occurred while the lead Portfolio Managers were affiliated with a prior firm and the lead Portfolio Managers were the only individuals responsible for selecting the securities to buy and sell. Forward acquired the assets and lead Portfolio Managers from Berkeley Capital Management LLC. Such performance should not be interpreted as the actual historical performance of Forward.