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This Brochure provides information about the qualifications and business practices of Forward Management, LLC ("Forward Management"). If you have any questions about the contents of this Brochure, please contact us at 415-869-6300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Forward Management refers to itself as a "registered investment advisor" in materials distributed to current and prospective clients. As a registered investment advisor with the SEC, Forward Management is subject to the rules and regulation adopted by the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration as an investment adviser is not an indication that Forward Management or its directors, officers, employees or representatives have attained a particular level of skill, ability or training.

Additional information about Forward Management is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

Forward Management has made the following material changes to the information provided in the prior annual update for this Brochure, which was dated March 20, 2019:

- Item 4 “Advisory Business” was revised with updated Assets Under Management and current Advisory Fees for Registered Investment Companies. (Revised 3/26/2020)
- Item 5 “Fees and Compensation” was revised to disclose the Adviser’s policy regarding Closed and Liquidated Private Funds – Receipt of Proceeds After Completion of Liquidating Distributions. (Revised 11/21/2019)
- Item 10 “Other Financial Industry Activities and Affiliations” was revised to remove Salient Capital Advisors, LLC as a CPO and CTA. (Revised 11/21/2019)
- Item 20 “Privacy Policy” was revised to include an update to California regulations. (Revised 3/26/2020)

ITEM 3 – TABLE OF CONTENTS

ITEM 1 –	COVER PAGE	i
ITEM 2 –	MATERIAL CHANGES	ii
ITEM 3 –	TABLE OF CONTENTS	iii
ITEM 4 –	ADVISORY BUSINESS.....	1
ITEM 5 –	FEES AND COMPENSATION	2
ITEM 6 –	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	7
ITEM 7 –	TYPES OF CLIENTS	7
ITEM 8 –	METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS	8
ITEM 9 –	DISCIPLINARY INFORMATION	20
ITEM 10 –	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	20
ITEM 11 –	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING	22
ITEM 12 –	BROKERAGE PRACTICES	23
ITEM 13 –	REVIEW OF ACCOUNTS	32
ITEM 14 –	CLIENT REFERRALS AND OTHER COMPENSATION	33
ITEM 15 –	CUSTODY	33
ITEM 16 –	INVESTMENT DISCRETION	33
ITEM 17 –	VOTING CLIENT SECURITIES	34
ITEM 18 –	FINANCIAL INFORMATION	34
ITEM 19 –	REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	35
ITEM 20 –	PRIVACY POLICY	35

ITEM 4 – ADVISORY BUSINESS

Advisory Firm

Forward Management is a Delaware limited liability company that commenced operations in 1998. Forward Management is a wholly owned subsidiary of Salient Partners, L.P. (“Salient Partners”) and has filed to conduct business under the name Salient.

Advisory Services

Forward Management currently provides the following types of advisory services:

- Investment management services, on a discretionary basis, for taxable and tax-exempt institutions and individual clients through the use of separately-managed accounts (“Managed Accounts”);
- Investment advisory services to a registered investment company, Forward Funds. As the investment advisor, Forward Management directly manages various series of Forward Funds and selects sub-advisors to manage other Forward Funds’ portfolios and monitors the services provided by each sub-advisor. The officers of Forward Funds are also employees of Forward Management, and one member of Forward Funds’ Board of Trustees is an officer of Forward Management. Forward Management may also provide investment advisory services as a sub-advisor to other registered investment companies;
- Asset allocation services to institutional investors. These services may include research, recommendation, and ongoing monitoring and selection of mutual funds, including the Forward Funds;
- Creation of Model Portfolios. Forward Management provides certain of its model accounts (“Model Portfolios”) to a limited number of outside firms on a daily or less frequent basis. The outside firms are responsible for implementing any changes to the model accounts in their client accounts that are invested in the strategy represented by Forward Management’s model account(s); and
- Advisory services through wrap fee programs sponsored by unaffiliated firms (“Wrap Programs”).

Forward Management generally provides investment advice on a wide variety of U.S. and foreign investment products, including publicly traded and privately placed securities, but does not hold itself out as specializing in any particular type of investment advisory service.

Tailoring of Advisory Services

Typically, Forward Management is retained on a discretionary basis and is authorized to make the following determinations in accordance with the client’s specified investment objectives without client consultation or consent before a transaction is effected: (a) which securities to buy or sell; (b) the total amount of securities to buy or sell; (c) the broker or dealer through whom securities are bought or sold; (d) the commission rates at which securities transactions for client accounts are effected; and (e) the prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

However, clients may limit Forward Management’s discretionary authority in any or all of the arrangements described above. Forward Management may provide non-discretionary advice and may accept advisory accounts with limited discretion or where investments or brokerage arrangements are client-directed pursuant to an agreement between Forward Management and the client or pursuant to the contractual terms of the relevant wrap fee program. Forward Management requires that such client-imposed limitations or directions be in writing.

Wrap Programs

Forward Management participates in Wrap Programs sponsored by broker-dealers, banks or other financial institutions (“Wrap Sponsors”), and certain individuals and institutions may become clients of Forward Management through their participation in such a Wrap Program (each, a “Wrap Program Client”). Each Wrap Sponsor generally charges clients quarterly in advance or arrears some form of comprehensive fee based upon a percentage of the value of the assets under management. The comprehensive (or wrap) fee may include execution, consulting and custodial services performed or arranged by the Wrap Sponsor and in an amount sufficient to cover the investment advisory services of discretionary managers like Forward Management. In some Wrap Programs, Forward Management’s fee may be paid directly by the Wrap Program Client pursuant to a separate contract executed between Forward Management and the Wrap Program Client. In other wrap fee programs, Forward Management’s fee is paid by the Wrap Sponsor.

Each Wrap Program encompasses a model portfolio. For Wrap Sponsors, a fair and equitable rotation program has been implemented. The rotation follows an order, in which Wrap Sponsors rotate sequentially each time the model portfolio is modified.

The Wrap Sponsor, not Forward Management, is responsible for establishing the financial circumstances, investment objectives, and investment restrictions of each Wrap Program Client through a client profile, questionnaire and/or investment policy statement as well as consultations with the Wrap Sponsor’s personnel. Each Wrap Program Client completes a profile and enters into a wrap fee agreement with the Wrap Sponsor. In some wrap fee programs, Wrap Program Clients may also be required to enter into a separate investment advisory agreement directly with Forward Management, or Forward Management may be a party to the Wrap Program Client agreement.

Client Assets Under Management (as of December 31, 2019)

<i>Discretionary:</i>	\$895,766,728.06
<i>Non-Discretionary:</i>	\$0

ITEM 5 – FEES AND COMPENSATION

Managed Accounts

Types of Fees

Forward Management’s fees for Managed Accounts are a percentage of the fair market value of assets held in the Managed Account. Fees may be negotiated, and the percentage used depends upon the nature and extent of the investment supervisory and/or administrative services requested, the investment objectives of the client, and competitive factors. Subject to these factors, the basic annualized fee schedule for certain portfolios is as follows:

Salient Tactical Growth Portfolio:

1.00%	First \$250,000
0.75%	Next \$250,000
0.65%	Next \$500,000
0.50%	Excess over \$1,000,000

Salient Real Estate Income Portfolio:

1.00%	First \$5,000,000
0.75%	Next \$20,000,000

0.70%	Next \$25,000,000
0.65%	Next \$25,000,000
0.65% flat on all assets	\$75,000,001 – \$100,000,000
0.60% flat on all assets	\$100,000,001 – \$150,000,000
0.50% flat on all assets	Excess \$150,000,000

Salient Global Real Estate Portfolio:

1.00%	First \$5,000,000
0.75%	Next \$20,000,000
0.70%	Next \$25,000,000
0.65%	Next \$25,000,000
0.65% flat on all assets	\$75,000,001 – \$100,000,000
0.60% flat on all assets	\$100,000,001 – \$150,000,000
0.50% flat on all assets	Excess \$150,000,000

Fees are negotiable on an account by account basis.

Forward Management generally does not accept accounts below \$250,000 in the Salient Real Estate Income Portfolio and Salient Global Real Estate Portfolio strategies. Individually negotiated account sizes smaller than \$250,000 may be accepted at the discretion of Forward Management.

Fees for individual and other non-institutional Managed Accounts are charged quarterly, in advance, at the beginning of each calendar quarter, based on the market value of the client's account on the last business day of the previous calendar quarter. New accounts are charged a pro-rata fee for the quarter based on the market value of the account on the last business day of the quarter and prorated on a daily basis.

Fees for institutional Managed Accounts are charged quarterly, in arrears, based on the value of the client's account on the last business day of the quarter. New accounts are charged a pro-rata fee for the quarter based on the market value of the account on the inception date and prorated on a daily basis.

Lower fees for comparable services may be available from other sources. The expenses of the Managed Account, including Forward Management's management fee, may constitute a higher percentage of average net assets than would be found in other investment vehicles not managed by Forward Management.

Payment Method

Payment of fees for individual and other non-institutional Managed Accounts and for institutional Managed Accounts will be made through either a quarterly debit to the client's account at the custodian bank or broker/dealer or will be made upon invoice, which will be due within 30 days of the date of the invoice. At the client's request, Forward Management will send the client an informational statement of the fees due each quarter.

Other Fees and Expenses

In addition to the management fee, a Managed Account client is responsible for any fees, expenses, or charges incurred by or on behalf of the Managed Account related to (i) custodial services provided for the Managed Account, (ii) transactions effected for the Managed Account, including brokerage and execution charges, markups and commissions, and (iii) any other service provided for the Managed Account by any person other than Forward Management. For additional information regarding brokerage and execution charges, please see Item 12 below.

Refunds

If a Managed Account client terminates its investment management agreement on a date other than the end of a calendar quarter, any unearned portion of the management fee (calculated from the date the agreement is terminated to the last day of the calendar quarter) already paid at the beginning of the quarter will be refunded to the client by Forward Management promptly after the effective date of the termination.

Sales Compensation

Not applicable.

Registered Investment Companies

Types of Fees

Each fund that is a series of the Forward Funds (each, a “Fund”) pays the following advisory fees to Forward Management, pursuant to an investment management agreement by and between Forward Funds, on behalf of each Fund, and Forward Management (the “Forward Funds Investment Management Agreement”). The advisory fee is computed daily and paid monthly, at the following annual rates based on the average daily net assets of the respective Fund:

Fund	Advisory Fee** (as a percentage of Fund daily net assets)
Salient Global Real Estate Fund	0.75%
Salient Select Income Fund	0.75%
Salient Tactical Growth Fund*	1.15%

**The Fund pays an advisory fee to Forward Management, which in turn pays each sub-advisor a sub-advisory fee, as applicable.*

*****Advisory fees payable pursuant to the Forward Funds Investment Management Agreement may be subject to certain waivers as agreed between Forward Management and Forward Funds.***

Payment Method

The fees and compensation paid to Forward Management will be paid in accordance with the investment management agreement.

Wrap Programs

Types of Fees

With respect to each Wrap Program in which Forward Management participates, the fees received by Forward Management from each Wrap Sponsor are set forth in Forward Management’s investment management agreement with the Wrap Sponsor or the Wrap Program Client (“Wrap Management Contract”) and may vary depending on the Wrap Sponsor’s program size and style, the services performed by the Wrap Sponsor, and other factors.

Forward Management’s fees for Wrap Programs are a percentage of the fair market value of assets held in the Wrap Programs. Fees may be negotiated, and the percentage used depends upon the nature and extent of the

investment supervisory and/or administrative services requested, the investment objectives of the client, and competitive factors. Subject to these factors, the basic annualized fee schedule for certain portfolios is as follows:

Salient Tactical Growth Portfolio:

1.00%	First \$250,000
0.75%	Next \$250,000
0.65%	Next \$500,000
0.50%	Excess over \$1,000,000

Salient Real Estate Income Portfolio:

1.00%	First \$5,000,000
0.75%	Next \$20,000,000
0.70%	Next \$25,000,000
0.65%	Next \$25,000,000
0.65% flat on all assets	\$75,000,001 – \$100,000,000
0.60% flat on all assets	\$100,000,001 – \$150,000,000
0.50% flat on all assets	Excess \$150,000,000

Salient Global Real Estate Portfolio:

1.00%	First \$5,000,000
0.75%	Next \$20,000,000
0.70%	Next \$25,000,000
0.65%	Next \$25,000,000
0.65% flat on all assets	\$75,000,001 – \$100,000,000
0.60% flat on all assets	\$100,000,001 – \$150,000,000
0.50% flat on all assets	Excess \$150,000,000

Fees are negotiable on an account by account basis.

Forward Management generally does not accept accounts below \$250,000 in the Salient Real Estate Income Portfolio and Salient Global Real Estate Portfolio strategies. Individually negotiated account sizes smaller than \$250,000 may be accepted at the discretion of Forward Management.

Fees for Wrap Programs are charged quarterly, either in arrears or in advance, based on the value of the client's account on the last business day of the quarter. New accounts are charged a pro-rata fee for the quarter based on the market value of the account on the last business day of the quarter and prorated on a daily basis.

Payment Method

Forward Management is generally paid on a quarterly basis, either in arrears or in advance, as provided in the Wrap Management Contracts.

Costs and Expenses

Not applicable.

Refunds

If a Wrap Program Client's account with Forward Management is terminated at any time during a fee period, Forward Management will return any prepaid but unearned advisory fees received by Forward Management for refund to the Wrap Program Client.

Sales Compensation

Not applicable.

Asset Allocation Services**Types of Fees**

Forward Management is compensated by outside firms for whom Forward Management provides asset allocation services (“Asset Allocation Clients”) at negotiated rates based on the amount of assets held by the Asset Allocation Clients. Where the assets of Asset Allocation Clients are allocated to funds or products managed by Forward Management, no separate fee is charged for the asset allocation.

Payment Method

Payment of fees for asset allocation services will be made as negotiated with the Asset Allocation Client.

Costs and Expenses

Costs and expenses for asset allocation services will be handled as negotiated with the Asset Allocation Client.

Refunds

Refunds of fees for asset allocation services will be made as negotiated with the Asset Allocation Client.

Sales Compensation

Not applicable.

Model Portfolios**Types of Fees**

Forward Management is compensated by outside firms for whom Forward Management provides model portfolios at negotiated rates as described in the contract between Forward Management and the outside firm (“Model Portfolio Contract”). There are no minimum fees.

Payment Method

Payment of fees for model portfolios will be made as described in the Model Portfolio Contract.

Costs and Expenses

Costs and expenses for model portfolios will be handled as described in the Model Portfolio Contract.

Refunds

Refunds of fees for model portfolios will be made as described in the Model Portfolio Contract.

Sales Compensation

Not applicable.

Closed and Liquidated Private Funds – Receipt of Proceeds After Completion of Liquidating Distributions

In strict compliance with the noted private fund’s offering materials, the Adviser’s policy and practice is to return all liquidated fund assets to limited partners as soon as administratively feasible. In limited extenuating circumstances, returning previously unknown or unexpected proceeds (class/corporate actions, tax refunds and reclaims, et cetera) to closed and liquidated private fund limited partners may not be possible or practical given the passage of time, including, but not limited to, circumstances regarding the lack of fund books and records,

outdated or unavailable limited partner information, disproportionately burdensome work to determine the beneficial owners to whom proceeds could be distributed, and the inability to provide additional required tax reporting.

In such circumstances as previously mentioned above, based upon a de minimis materiality threshold that can apply in the aggregate or on a per investor basis, the Adviser's Chief Financial Officer, in consultation with the Chief Compliance Officer, will draft an internal memorandum discussing the circumstances of the proceeds, the commercially reasonable efforts made to return said proceeds or the efforts that would be required to determine the investors to whom proceeds could be returned, and the outcome by which the proceeds could be distributed. Note, previously unknown proceeds that are unable to be returned to all limited partners are required to be donated to the charities the Adviser has historically supported based on a plan of distribution consistent with the Adviser's relative charitable contributions in the prior three years. Further, the Adviser is strictly prohibited from receiving any tax benefits for the charitable donations.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Forward Management does not receive performance-based fees or allocation (*i.e.*, fees based on a share of capital gains on or capital appreciation of the assets of a client).

Forward Management faces a potential conflict of interest when (i) the actions taken on behalf of one account may impact other similar or different accounts (*e.g.*, where accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions) and/or (ii) Forward Management and its personnel have differential interests in such accounts (*e.g.*, where Forward Management or its related persons are exposed to different potential for gain or loss through differential ownership interests or compensation structures) because Forward Management may have an incentive to favor certain accounts over others that may be less lucrative.

Such conflicts may present particular concern when, for example, Forward Management places, or allocates the results of, securities transactions that Forward Management believes could more likely result in favorable performance, engages in cross trades, or executes potentially conflicting or competing investments. To mitigate these conflicts, Forward Management's policies and procedures seek to ensure that investment decisions are made in accordance with the fiduciary duties owed to such accounts and without consideration of Forward Management's (or such personnel's) pecuniary, investment, or other financial interests.

As Forward Management's compensation is based on the net asset value of an account, a conflict may also arise when Forward Management or a related person is valuing the assets held by that account rather than a third-party valuation firm. Assets will generally be valued by Forward Management or its related person in accordance with U.S. generally accepted accounting principles ("GAAP").

ITEM 7 – TYPES OF CLIENTS

For a discussion of Forward Management's clients, please refer to Item 4 above.

Account Requirements and Minimums

Managed Accounts

Forward Management does not have absolute minimum requirements for the amount of assets for establishing or maintaining a Managed Account. However, Forward Management does have preferred minimum Managed Account sizes, as indicated below:

Institutional Managed Accounts: Preferred minimum account size is \$5,000,000

Individual Managed Accounts: Preferred minimum account size is \$100,000

Forward Management may accept accounts below these minimums. Forward Management reserves the right, at its sole discretion, to negotiate the minimum dollar value at the time the relationship is entered into with a client or investor.

Wrap Programs

Minimum investments and account values required to engage Forward Management as a discretionary manager in a Wrap Program vary from sponsor to sponsor, as described by the Wrap Sponsor in its program brochure. Forward Management generally does not have discretion to waive sponsor-imposed minimums but may have discretion to waive or reduce minimums imposed by Forward Management in excess of those required by the Wrap Sponsor.

Asset Allocation Services

No requirements or minimums.

Model Portfolios

No requirements or minimums.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Methods of Analysis

Investment Analysis

Investments for each account are identified and selected by Forward Management. Forward Management evaluates investments based on a variety of factors described below in respect of each portfolio. Following an investment by Forward Management for and on behalf of an account, Forward Management will continue to monitor the progress and suitability of portfolio investments as well as market and economic outlook.

To help develop its investment recommendations, Forward Management may use commercially available information services and financial publications dealing with investment research, securities law, and taxation. Such information may be obtained in print, via the internet, or by some other means. Issuer-prepared materials (particularly prospectuses), private placement due diligence materials, and research releases prepared by third parties are also utilized. Forward Management also may use research materials prepared by various investment product vendors or custodians as well as in-house analysts. Forward Management may also obtain information by meeting with an issuer's management, customers or competitors, attending industry conferences, and consulting with experts in the appropriate field.

Investments in securities involve risk of loss that investors must be prepared to bear.

Investment Strategies and Risk

Investment Strategies

Forward Management offers investment management and advisory services in the following investment strategies, each of which is described below along with the material risks involved in each portfolio.

Salient Real Estate Income Portfolio invests in a portfolio of senior securities (primarily preferred stocks) issued by public real estate investment trusts (REITs) and other real estate companies. Assets are invested in a diversified portfolio of holdings with the aim of producing both attractive current income and potential for capital appreciation. The universe of potential investments currently includes REITs and other real estate companies, as well as other income-producing securities (including secured and unsecured bonds, closed-end Portfolios, business development companies and convertible securities). The Investment Manager expects that most of the Portfolios' investments will be in preferred securities of U.S.-based REITs.

The Salient Real Estate Income Portfolio is subject to the following material risks:

- **Convertible Securities Risk:** The Portfolio may invest in convertible securities, which may offer higher income than the common stocks into which they are convertible. Typically, convertible securities are callable by the company, which may, in effect, force conversion before the holder would otherwise choose.

The convertible securities in which the Portfolio may invest consist of bonds, notes, debentures, and preferred stocks that may be converted or exchanged at a stated or determinable exchange ratio into underlying shares of common stock. The Portfolio may be required to permit the issuer of a convertible security to redeem the security, convert it into the underlying common stock or sell it to a third party. Thus, the Portfolio may not be able to control whether the issuer of a convertible security chooses to force conversion of that security. If the issuer chooses to do so, this action could have an adverse effect on the Portfolio's ability to achieve its investment objective.

In carrying out this policy, the Portfolio may purchase convertible bonds and convertible preferred stock which may be exchanged for a stated number of shares of the issuer's common stock at a price known as the conversion price. The conversion price is usually greater than the price of the common stock at the time of purchase of the convertible security. The interest rate of convertible bonds and the yield of convertible preferred stock will generally be lower than that of the non-convertible securities. While the value of the convertible securities will usually vary with the value of the underlying common stock and will normally fluctuate inversely with interest rates, it may show less volatility in value than the non-convertible securities. A risk associated with the purchase of convertible bonds and convertible preferred stock is that the conversion price of the common stock will not be attained. The Portfolio will purchase only those convertible securities which have underlying common stock with potential for long-term growth in the opinion of the Advisor and/or the Portfolio's sub-advisor.

- **Credit Risk:** Credit risk refers to the possibility that the issuer of the security will not be able to make principal and interest payments when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of the Portfolio's investment in that issuer. The degree of credit risk depends on both the financial condition of the issuer and the terms of the obligation. Securities rated by the rating agencies in the four highest categories (Standard & Poor's ("S&P") (AAA, AA, A and BBB), Fitch Ratings ("Fitch") (AAA, AA, A and BBB) or Moody's Investors Service, Inc. ("Moody's") (Aaa, Aa, A and Baa)) are considered investment grade, but they may also have some speculative characteristics, meaning that they carry more risk than higher rated securities and may have problems making principal and interest payments in difficult economic climates. Investment grade ratings do not guarantee that bonds will not lose value.
- **Concentration Risk:** The Portfolio concentrates its investments in issuers of one or more particular industries to the extent permitted by applicable regulatory guidance. There is a risk that those issuers (or industry sector) will perform poorly and negatively impact the Portfolio. Concentration risk results from maintaining exposure

(long or short) to issuers conducting business in a specific industry. The risk of concentrating investments in a limited number of issuers in a particular industry is that the Portfolio will be more susceptible to the risks associated with that industry than a portfolio that does not concentrate its investments.

- **Cybersecurity Risk:** The use of technology has become more prevalent in the Portfolio's management and operations. As a result, the Portfolio has become more susceptible to risks associated with breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause the Portfolio to lose proprietary information, suffer data corruption and/or destruction, or lose operational capacity. Cybersecurity breaches may involve unauthorized access to the Portfolio's digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). A cybersecurity breach may result in financial losses to the Portfolio; the inability of the Portfolio to process transactions or conduct trades; delays or mistakes in materials provided to shareholders or the calculation of Portfolio's net asset values; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. In addition, the foregoing risks may adversely impact the Investment Advisor, the distributor and other service providers to the Portfolio, as well as financial intermediaries, companies in which the Portfolio invests and parties with which the Portfolio does business, which could result in losses to the Portfolio and shareholders and disruptions to the conduct of business between the Portfolio, shareholders, the Portfolio's service providers and/or financial intermediaries.

Cybersecurity breaches of the Portfolio's third party service providers or issuers that the Portfolio invests in can also subject the Portfolio to many of the same risks associated with direct cybersecurity breaches. While measures have been developed that are designed to reduce cybersecurity risks, there is no guarantee that those measures will be effective, particularly since the Portfolio does not directly control the cybersecurity defenses or plans of their service providers, financial intermediaries and other parties with which the Portfolio transacts, including companies in which the Portfolio invests.

- **Currency Risk:** The risk that changes in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies, including foreign exchange forward contracts and other currency-related futures contracts. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Portfolio's investments in securities denominated in a foreign currency or may widen existing losses. The Portfolio's net currency positions may expose it to risks independent of its securities positions.
- **Debt Securities Risk:** Debt securities in which the Portfolio may invest are subject to several types of investment risk, including market or interest rate risk (i.e., the risk that their value will be affected by fluctuations in the prevailing interest rates), credit risk (i.e., the risk that the issuer may be unable to make timely interest payments and repay the principal upon maturity), call or income risk, (i.e., the risk that certain debt securities with high interest rates will be prepaid or "called" by the issuer before they mature), and event risk (i.e., the risk that certain debt securities may suffer a substantial decline in credit quality and market value if the issuer restructures). 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.
- **Hedging Risk:** The Portfolio's hedging activities, although designed to help offset negative movements in the markets for the Portfolio's investments, will not always be successful. Moreover, hedging can cause the Portfolio to lose money and can reduce the opportunity for gain.
- **Liquidity Risk:** Certain securities may trade less frequently than those of larger companies due to their smaller capitalizations. In the event certain securities experience limited trading volumes, the prices may display

abrupt or erratic movements at times. Additionally, it may be more difficult for the Portfolio to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. As a result, these securities may be difficult to dispose of at a fair price at the times when the Advisor or the Sub-Advisor, as applicable, believes it is desirable to do so. The Portfolio's investment in securities that are less actively traded or over time experience decreased trading volume may restrict its ability to take advantage of other market opportunities or to dispose of securities. This also may affect adversely the Portfolio's ability to make dividend distributions. The Portfolio will not purchase or otherwise acquire any security if, as a result, more than 15% of its net assets would be invested in illiquid investments.

- **Lower-Rated Debt Securities ("Junk Bonds") Risk:** Securities rated below investment grade and comparable unrated securities are often referred to as "junk bonds." Junk bonds involve greater risks of default or downgrade and are more volatile than investment grade securities. In addition, issuers of junk bonds may be more susceptible than other issuers to economic downturns. Junk bonds are subject to the risk that the issuer may not be able to pay interest or dividends or ultimately repay principal upon maturity. Analysis of the creditworthiness of issuers of low-rated debt securities may be more complex than for issuers of higher-rated securities, and the use of credit ratings to evaluate low-rated securities can involve certain risks.
- **Manager Risk:** If the portfolio managers make poor investment decisions, it will negatively affect the Portfolio's investment performance.
- **Market Risk:** Market risk is the risk that the markets on which the Portfolio's investments trade will increase or decrease in value. Prices may fluctuate widely over short or extended periods in response to company, market or economic news. Markets also tend to move in cycles, with periods of rising and falling prices. If there is a general decline in the securities and other markets, your investment in the Portfolio may lose value, regardless of the individual results of the securities and other instruments in which the Portfolio invests.
- **Preferred Stock Risk:** The Portfolio may invest in preferred stock. Preferred stock, unlike common stock, offers a stated dividend rate payable from the issuer's earnings. Preferred stock dividends may be cumulative or non-cumulative, participating, or auction rate. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing the price of the preferred stocks to decline. Preferred stock may have mandatory sinking Portfolio provisions, as well as call/redemption provisions prior to maturity, a negative feature when interest rates decline. The Portfolio may purchase preferred stock of companies which have also issued other classes of preferred stock or debt obligations that may take priority as to payment of dividends over the preferred stock held by the Portfolio.
- **Portfolio Turnover Risk:** On occasion, the Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective. A higher turnover rate (100% or more) will involve correspondingly greater transaction costs, which will be borne directly by accounts, may have an adverse impact on performance, and may increase the potential for more taxable distributions being paid to shareholders, including income rates.
- **Real Estate Securities and REITs Risk:** The Portfolio may invest in the common and senior securities of real estate investment trusts ("REITs") and other real estate companies, including preferred stock, convertible preferred stock, and corporate debt. A REIT is a corporation or a business trust that would otherwise be taxed as a corporation, which meets the definitional requirements of the Code. The Code permits a qualifying REIT to deduct dividends paid, thereby effectively eliminating corporate level federal income tax and making the REIT a pass-through vehicle for federal income tax purposes. To meet the definitional requirements of the Code, a REIT must, among other things, invest substantially all of its assets in interests in real estate (including mortgages and other REITs) or cash and government securities, derive most of its income from rents from real property or interest on loans secured by mortgages on real property; and distribute to shareholders annually 90% or more of its otherwise taxable income.

REITs are sometimes informally characterized as equity REITs, mortgage REITs, and hybrid REITs. An equity REIT invests primarily in the fee ownership of land and buildings and derives its income primarily from rental income. An equity REIT may also realize capital gains (or losses) by selling real estate properties in its portfolio and have appreciated (or depreciated) in value. A mortgage REIT invests primarily in mortgages on real estate, which may secure construction, development or long-term loans. A mortgage REIT generally derives its income primarily from interest payments on the credit it has extended. A hybrid REIT combines the characteristics of equity REITs and mortgage REITs, generally by holding both ownership interests and mortgage interests in real estate.

Investments in REITs and real estate securities may be subject to certain of the same risks associated with the direct ownership of real estate. These risks include: declines in the value of real estate generally; changes in neighborhood or property appeal; environmental clean-up costs; condemnation or casualty losses; risks related to general and local economic conditions; legislative or regulatory changes; over-building and competition; increases in property taxes and operating expenses; lack of availability of mortgage funds; high or extended vacancy rates; and rent controls or variations in rental income. The general performance of the real estate industry has historically been cyclical and particularly sensitive to economic downturns. Rising interest rates may cause REIT investors to demand a higher annual return, which may cause a decline in the prices of REIT equity securities. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of the Portfolio's investments to decline. During periods of declining interest rates, certain mortgage REITs may hold mortgages that the mortgagors may elect to prepay, and such prepayment may diminish the yield on securities issued by those REITs. In addition, mortgage REITs may be affected by the borrowers' ability to repay their debt to the REIT when due. Equity REIT securities may be affected by changes in the value of the underlying property owned by the REIT and the ability of tenants to pay rent. In addition, REITs may not be diversified and are subject to heavy cash flow dependency and self-liquidation. REITs are subject to the possibility of failing to qualify for tax-free pass-through of income and failing to maintain exemption under the 1940 Act. Also, equity REITs may be dependent upon management skill and may be subject to the risks of obtaining adequate financing for projects on favorable terms. REITs may have limited financial resources, may trade less frequently and in a limited volume, and may be subject to more abrupt or erratic price movements than more widely held securities.

In the event that an issuer of real estate-related securities suffers adverse changes in its financial condition, this could lower the credit quality of the securities it has issued, leading to greater volatility in the price of the securities and in the shares of the Portfolio. A change in the quality rating of a security can also affect its liquidity and make it more difficult for the Portfolio to sell. To the extent that an issuer has exposure to sub-prime investments, this may further affect the liquidity and valuation risk associated with the issuer.

The Portfolio's investment in a REIT may require the Portfolio to accrue and distribute income not yet received or may result in the Portfolio making distributions that constitute a return of capital to Portfolio shareholders for federal income tax purposes. In addition, distributions by the Portfolio from REITs will not qualify for the corporate dividends received deduction, or, generally, for treatment as qualified dividend income.

· **Risks of Owning Securities of Affiliates:** From time to time, the Portfolio may be deemed to "control" or may be an "affiliate" of one or more of the Portfolio's portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, the Portfolio would "control" a portfolio company if it owned 25% or more of its outstanding voting securities and would be an "affiliate" of a portfolio company if it owned 5% or more of its outstanding voting securities or any of Forward's employees serves as a director of such company. The 1940 Act contains prohibitions and restrictions relating to transactions between investment companies and their affiliates (including the Advisor and Sub-Advisor), principal underwriters and affiliates of those affiliates or underwriters.

There is significant ambiguity in the application of existing SEC staff interpretations of the term "voting security" to complex structures such as limited partner interests of MLPs in which the Portfolio invests. As a result, it is possible that the SEC staff may consider that certain securities of limited partnerships are voting

securities under the staff's prevailing interpretations of this term. If such determination is made, the Portfolio may be regarded as a person affiliated with and controlling the issuer(s) of those securities for purposes of Section 17 of the 1940 Act. In the absence of an applicable exemptive rule, such status could impact certain investment decisions.

In light of the ambiguity of the definition of voting securities, the Portfolio does not intend to treat any class of limited partner interests of MLPs that the Portfolio holds as "voting securities" unless the security holders of such class currently have the ability, under the partnership agreement, to remove the general partner (assuming a sufficient vote of such securities, other than securities held by the general partner, in favor of such removal) or the Portfolio has an economic interest of sufficient size that otherwise gives the Portfolio the de facto power to exercise a controlling influence over such MLP. The Portfolio believes this treatment is appropriate given that the general partner controls the MLP, and without the ability to remove the general partner or the power to otherwise exercise a controlling influence over the MLP due to the size of an economic interest, the security holders have no control over the MLP.

There is no assurance that the SEC staff will not consider that other limited partnership securities that the Portfolio owns and do not treat as voting securities are, in fact, voting securities for the purposes of Section 17 of the 1940 Act. If such determination were made, the Portfolio would be required to abide by the restrictions on "control" or "affiliate" transactions as proscribed in the 1940 Act. The Portfolio or any portfolio company that they control, and the Portfolio's affiliates, may from time to time engage in certain of such transactions, purchases, sales and loans in reliance upon and in compliance with the conditions of certain exemptive rules promulgated by the SEC.

There is no assurance that the Portfolio would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if the Portfolio were allowed to engage in such a transaction that the terms would be more or as favorable to the Portfolio or any company that the Portfolio controls as those that could be obtained in an arms length transaction. As a result of these prohibitions, restrictions may be imposed on the size of positions that may be taken for the Portfolio or on the type of investments that the Portfolio could make.

- Rule 144A Securities Risk: The Portfolio may purchase securities that are not registered under the 1933 Act, but that can be sold to "qualified institutional buyers" in accordance with Rule 144A under the 1933 Act ("Rule 144A Securities"). In addition to an adequate trading market, the Board will also consider factors such as trading activity, availability of reliable price information, and other relevant information in determining whether a Rule 144A Security is liquid. This investment practice could have the effect of increasing the level of illiquidity in the Portfolio to the extent that qualified institutional buyers become uninterested for a time in purchasing Rule 144A Securities. The Board will carefully monitor any investments by the Portfolio in Rule 144A Securities.

Rule 144A securities may involve a high degree of business and financial risk and may result in substantial losses. These securities may be less liquid than publicly traded securities, and the Portfolio may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the price realized from these sales could be less than those originally paid by the Portfolio.

Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

Rule 144A under the 1933 Act allows for a broader institutional trading market for securities otherwise subject to restriction on resale to the general public by establishing a "safe harbor" from the registration requirements of the 1933 Act for resales of certain securities to qualified institutional buyers (as such term is defined under Rule 144A). the Advisor anticipates that the market for certain restricted securities such as institutional commercial paper will expand further as a result of this regulation and the development of

automated systems for the trading, clearance and settlement of unregistered securities of domestic and foreign issuers, such as the PORTAL System sponsored by the Financial Industry Regulatory Authority, Inc. An insufficient number of qualified institutional buyers interested in purchasing Rule 144A eligible restricted securities held by the Portfolio, however, could affect adversely the marketability of the Portfolio's securities and, consequently, the Portfolio might be unable to dispose of such securities promptly or at favorable prices. The Advisor and/or a Portfolio's sub-advisor will monitor the liquidity of such restricted securities under the supervision of the Board.

Securities issued pursuant to Rule 144A are not deemed to be illiquid. The Advisor and/or the Portfolio's sub-advisor will monitor the liquidity of such restricted securities subject to the supervision of the Board. In reaching liquidity decisions, the Advisor and/or the Portfolio's sub-advisor must first find that the security can be sold within seven days at approximately the same amount at which it is valued by the Portfolio and that there is reasonable assurance that the security will remain marketable throughout the period it is expected to be held by the Portfolio, taking into account the actual frequency of trades and quotations for the security (expected frequency in the case of initial offerings). Furthermore, the security will be considered liquid if the following criteria are met: (a) at least two dealers make a market in the security; (ii) there are at least three sources from which a price for the security is readily available; and (iii) settlement is made in a "regular way" for the type of security at issue.

Salient Global Real Estate Portfolio seeks total return by investing in high quality, listed real estate investment trusts (REITs) and other real estate companies that can be identified as having attractive cash flow, assets, and management characteristics. Returns are expected to come from a combination of current income (dividends) and long-term growth of capital. The Investment Manager expects that most of the Portfolios' investments will be in the common stock of U.S. and non-U.S. real estate companies and REITs.

The Salient Global Real Estate Portfolio is subject to the following material risks:

- **Concentration Risk:** The Portfolio concentrates its investments in issuers of one or more particular industries to the extent permitted by applicable regulatory guidance. There is a risk that those issuers (or industry sector) will perform poorly and negatively impact the Portfolio. Concentration risk results from maintaining exposure (long or short) to issuers conducting business in a specific industry. The risk of concentrating investments in a limited number of issuers in a particular industry is that the Portfolio will be more susceptible to the risks associated with that industry than a portfolio that does not concentrate its investments.
- **Cybersecurity Risk:** The use of technology has become more prevalent in the Portfolio's management and operations. As a result, the Portfolio has become more susceptible to risks associated with breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause the Portfolio to lose proprietary information, suffer data corruption and/or destruction, or lose operational capacity. Cybersecurity breaches may involve unauthorized access to the Portfolio's digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). A cybersecurity breach may result in financial losses to the Portfolio; the inability of the Portfolio to process transactions or conduct trades; delays or mistakes in materials provided to shareholders or the calculation of Portfolio's net asset values; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. In addition, the foregoing risks may adversely impact the Investment Advisor, the distributor and other service providers to the Portfolio, as well as financial intermediaries, companies in which the Portfolio invests and parties with which the Portfolio does business, which could result in losses to the Portfolio and shareholders and disruptions to the conduct of business between the Portfolio, shareholders, the Portfolio's service providers and/or financial intermediaries.

Cybersecurity breaches of the Portfolio's third party service providers or issuers that the Portfolio invests in can also subject the Portfolio to many of the same risks associated with direct cybersecurity breaches. While

measures have been developed that are designed to re-duce cybersecurity risks, there is no guarantee that those measures will be effective, particularly since the Portfolio does not directly control the cybersecurity defenses or plans of their service providers, financial intermediaries and other parties with which the Portfolio transacts, including companies in which the Portfolio invests.

- **Currency Risk:** The risk that changes in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies, including foreign exchange forward contracts and other currency-related futures contracts. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Portfolio's investments in securities denominated in a foreign currency or may widen existing losses. The Portfolio's net currency positions may expose it to risks independent of its securities positions.
- **Equity Securities Risk:** The risks associated with investing in equity securities of companies include the financial risk of selecting individual companies that do not perform as anticipated, the risk that the stock markets in which the Portfolio invests may experience periods of turbulence and instability, and the general risk that domestic and global economies may go through periods of decline and cyclical change.
- **Foreign Securities Risk:** Foreign securities present greater investment risks than investing in the securities of U.S. companies. These risks include unstable political, social, and economic conditions, greater illiquidity and volatility, currency exchange rate fluctuations, foreign exchange controls, different laws and legal systems, and less availability of information about issuers.
- **Hedging Risk:** The Portfolio's hedging activities, although designed to help offset negative movements in the markets for the Portfolio's investments, will not always be successful. Moreover, hedging can cause the Portfolio to lose money and can reduce the opportunity for gain.
- **Initial Public Offering Holding Risk:** IPO holding is the practice of participating in an IPO with the intent of holding the security for investment purposes. Because an IPO is an equity security that is new to the public market, the value of IPOs may fluctuate dramatically. Because of the cyclical nature of the IPO market, from time to time there may not be any IPOs in which the Portfolio can participate. Even when the Portfolio requests to participate in an IPO, there is no guarantee that the Portfolio will receive an allotment of shares in an IPO sufficient to satisfy the Portfolio's desired participation. Due to the volatility of IPOs, these investments can have a significant impact on performance, which may be positive or negative.
- **Liquidity Risk:** Certain securities may trade less frequently than those of larger companies due to their smaller capitalizations. In the event certain securities experience limited trading volumes, the prices may display abrupt or erratic movements at times. Additionally, it may be more difficult for the Portfolio to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. As a result, these securities may be difficult to dispose of at a fair price at the times when the Advisor or the Sub-Advisor, as applicable, believes it is desirable to do so. The Portfolio's investment in securities that are less actively traded or over time experience decreased trading volume may restrict its ability to take advantage of other market opportunities or to dispose of securities. This also may affect adversely the Portfolio's ability to make dividend distributions. The Portfolio will not purchase or otherwise acquire any security if, as a result, more than 15% of its net assets would be invested in illiquid investments.
- **Manager Risk:** If the portfolio managers make poor investment decisions, it will negatively affect the Portfolio's investment performance.
- **Market Risk:** Market risk is the risk that the markets on which the Portfolio's investments trade will increase or decrease in value. Prices may fluctuate widely over short or extended periods in response to company, market or economic news. Markets also tend to move in cycles, with periods of rising and falling prices. If

there is a general decline in the securities and other markets, your investment in the Portfolio may lose value, regardless of the individual results of the securities and other instruments in which the Portfolio invests.

- **Portfolio Turnover Risk:** On occasion, the Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective. A higher turnover rate (100% or more) will involve correspondingly greater transaction costs, which will be borne directly by accounts, may have an adverse impact on performance, and may increase the potential for more taxable distributions being paid to shareholders, including income rates.
- **Real Estate Securities and REITs Risk:** The Portfolio may invest in the common and senior securities of real estate investment trusts ("REITs") and other real estate companies, including preferred stock, convertible preferred stock, and corporate debt. A REIT is a corporation or a business trust that would otherwise be taxed as a corporation, which meets the definitional requirements of the Code. The Code permits a qualifying REIT to deduct dividends paid, thereby effectively eliminating corporate level federal income tax and making the REIT a pass-through vehicle for federal income tax purposes. To meet the definitional requirements of the Code, a REIT must, among other things, invest substantially all of its assets in interests in real estate (including mortgages and other REITs) or cash and government securities, derive most of its income from rents from real property or interest on loans secured by mortgages on real property; and distribute to shareholders annually 90% or more of its otherwise taxable income.

REITs are sometimes informally characterized as equity REITs, mortgage REITs, and hybrid REITs. An equity REIT invests primarily in the fee ownership of land and buildings and derives its income primarily from rental income. An equity REIT may also realize capital gains (or losses) by selling real estate properties in its portfolio and have appreciated (or depreciated) in value. A mortgage REIT invests primarily in mortgages on real estate, which may secure construction, development or long-term loans. A mortgage REIT generally derives its income primarily from interest payments on the credit it has extended. A hybrid REIT combines the characteristics of equity REITs and mortgage REITs, generally by holding both ownership interests and mortgage interests in real estate.

Investments in REITs and real estate securities may be subject to certain of the same risks associated with the direct ownership of real estate. These risks include: declines in the value of real estate generally; changes in neighborhood or property appeal; environmental clean-up costs; condemnation or casualty losses; risks related to general and local economic conditions; legislative or regulatory changes; over-building and competition; increases in property taxes and operating expenses; lack of availability of mortgage funds; high or extended vacancy rates; and rent controls or variations in rental income. The general performance of the real estate industry has historically been cyclical and particularly sensitive to economic downturns. Rising interest rates may cause REIT investors to demand a higher annual return, which may cause a decline in the prices of REIT equity securities. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of the Portfolio's investments to decline. During periods of declining interest rates, certain mortgage REITs may hold mortgages that the mortgagors may elect to prepay, and such prepayment may diminish the yield on securities issued by those REITs. In addition, mortgage REITs may be affected by the borrowers' ability to repay their debt to the REIT when due. Equity REIT securities may be affected by changes in the value of the underlying property owned by the REIT and the ability of tenants to pay rent. In addition, REITs may not be diversified and are subject to heavy cash flow dependency and self-liquidation. REITs are subject to the possibility of failing to qualify for tax-free pass-through of income and failing to maintain exemption under the 1940 Act. Also, equity REITs may be dependent upon management skill and may be subject to the risks of obtaining adequate financing for projects on favorable terms. REITs may have limited financial resources, may trade less frequently and in a limited volume, and may be subject to more abrupt or erratic price movements than more widely held securities.

In the event that an issuer of real estate-related securities suffers adverse changes in its financial condition, this could lower the credit quality of the securities it has issued, leading to greater volatility in the price of the securities and in the shares of the Portfolio. A change in the quality rating of a security can also affect its

liquidity and make it more difficult for the Portfolio to sell. To the extent that an issuer has exposure to sub-prime investments, this may further affect the liquidity and valuation risk associated with the issuer.

The Portfolio's investment in a REIT may require the Portfolio to accrue and distribute income not yet received or may result in the Portfolio making distributions that constitute a return of capital to Portfolio shareholders for federal income tax purposes. In addition, distributions by the Portfolio from REITs will not qualify for the corporate dividends received deduction, or, generally, for treatment as qualified dividend income.

- **Risks of Owning Securities of Affiliates:** From time to time, the Portfolio may be deemed to "control" or may be an "affiliate" of one or more of the Portfolio's portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, the Portfolio would "control" a portfolio company if it owned 25% or more of its outstanding voting securities and would be an "affiliate" of a portfolio company if it owned 5% or more of its outstanding voting securities or any of Forward's employees serves as a director of such company. The 1940 Act contains prohibitions and restrictions relating to transactions between investment companies and their affiliates (including the Advisor and Sub-Advisor), principal underwriters and affiliates of those affiliates or underwriters.

There is significant ambiguity in the application of existing SEC staff interpretations of the term "voting security" to complex structures such as limited partner interests of MLPs in which the Portfolio invests. As a result, it is possible that the SEC staff may consider that certain securities of limited partnerships are voting securities under the staff's prevailing interpretations of this term. If such determination is made, the Portfolio may be regarded as a person affiliated with and controlling the issuer(s) of those securities for purposes of Section 17 of the 1940 Act. In the absence of an applicable exemptive rule, such status could impact certain investment decisions.

In light of the ambiguity of the definition of voting securities, the Portfolio does not intend to treat any class of limited partner interests of MLPs that the Portfolio holds as "voting securities" unless the security holders of such class currently have the ability, under the partnership agreement, to remove the general partner (assuming a sufficient vote of such securities, other than securities held by the general partner, in favor of such removal) or the Portfolio has an economic interest of sufficient size that otherwise gives the Portfolio the de facto power to exercise a controlling influence over such MLP. The Portfolio believes this treatment is appropriate given that the general partner controls the MLP, and without the ability to remove the general partner or the power to otherwise exercise a controlling influence over the MLP due to the size of an economic interest, the security holders have no control over the MLP.

There is no assurance that the SEC staff will not consider that other limited partnership securities that the Portfolio owns and do not treat as voting securities are, in fact, voting securities for the purposes of Section 17 of the 1940 Act. If such determination were made, the Portfolio would be required to abide by the restrictions on "control" or "affiliate" transactions as proscribed in the 1940 Act. The Portfolio or any portfolio company that they control, and the Portfolio's affiliates, may from time to time engage in certain of such transactions, purchases, sales and loans in reliance upon and in compliance with the conditions of certain exemptive rules promulgated by the SEC.

There is no assurance that the Portfolio would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if the Portfolio were allowed to engage in such a transaction that the terms would be more or as favorable to the Portfolio or any company that the Portfolio controls as those that could be obtained in an arms length transaction. As a result of these prohibitions, restrictions may be imposed on the size of positions that may be taken for the Portfolio or on the type of investments that the Portfolio could make.

- **Rule 144A Securities Risk:** The Portfolio may purchase securities that are not registered under the 1933 Act, but that can be sold to "qualified institutional buyers" in accordance with Rule 144A under the 1933 Act ("Rule 144A Securities"). In addition to an adequate trading market, the Board will also consider factors such as

trading activity, availability of reliable price information, and other relevant information in determining whether a Rule 144A Security is liquid. This investment practice could have the effect of increasing the level of illiquidity in the Portfolio to the extent that qualified institutional buyers become uninterested for a time in purchasing Rule 144A Securities. The Board will carefully monitor any investments by the Portfolio in Rule 144A Securities.

Rule 144A securities may involve a high degree of business and financial risk and may result in substantial losses. These securities may be less liquid than publicly traded securities, and the Portfolio may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the price realized from these sales could be less than those originally paid by the Portfolio.

Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

Rule 144A under the 1933 Act allows for a broader institutional trading market for securities otherwise subject to restriction on resale to the general public by establishing a “safe harbor” from the registration requirements of the 1933 Act for resales of certain securities to qualified institutional buyers (as such term is defined under Rule 144A). The Advisor anticipates that the market for certain restricted securities such as institutional commercial paper will expand further as a result of this regulation and the development of automated systems for the trading, clearance and settlement of unregistered securities of domestic and foreign issuers, such as the PORTAL System sponsored by the Financial Industry Regulatory Authority, Inc. An insufficient number of qualified institutional buyers interested in purchasing Rule 144A eligible restricted securities held by the Portfolio, however, could affect adversely the marketability of the Portfolio’s securities and, consequently, the Portfolio might be unable to dispose of such securities promptly or at favorable prices. The Advisor and/or a Portfolio’s sub-advisor will monitor the liquidity of such restricted securities under the supervision of the Board.

Securities issued pursuant to Rule 144A are not deemed to be illiquid. The Advisor and/or the Portfolio’s sub-advisor will monitor the liquidity of such restricted securities subject to the supervision of the Board. In reaching liquidity decisions, the Advisor and/or the Portfolio’s sub-advisor must first find that the security can be sold within seven days at approximately the same amount at which it is valued by the Portfolio and that there is reasonable assurance that the security will remain marketable throughout the period it is expected to be held by the Portfolio, taking into account the actual frequency of trades and quotations for the security (expected frequency in the case of initial offerings). Furthermore, the security will be considered liquid if the following criteria are met: (a) at least two dealers make a market in the security; (ii) there are at least three sources from which a price for the security is readily available; and (iii) settlement is made in a “regular way” for the type of security at issue.

- **Small and Medium Capitalization Stocks Risk:** Investment in securities of smaller companies presents greater investment risks than investing in the securities of larger companies. These risks include greater price volatility, greater sensitivity to changing economic conditions, and less liquidity than the securities of larger, more mature companies.

Salient Tactical Growth Portfolio seeks to produce above-average, risk-adjusted returns, in any market environment, while exhibiting less downside volatility than the market itself. The portfolio is designed to evaluate potential long and short investments in an attempt to isolate those securities believed to be undervalued or overvalued relative to their intrinsic value and offer the greatest risk-adjusted potential for returns.

The portfolio primarily invests in exchange-traded funds (ETFs) of securities and security indexes that represent long, short, levered long, or levered short positions in general asset classes of both U.S. and overseas equity markets. Accounts utilizing the Tactical Growth Portfolio will be sub-advised by Broadmark Asset Management, LLC, an SEC registered investment advisor. The Tactical Growth Portfolio is subject to the following material risks:

- Exchange-Traded Funds (“ETFs”): The risks associated with investing in the portfolio are closely related to the risks associated with the securities and other investments held by the ETFs in which the portfolio may invest. The value of the portfolio’s investment will fluctuate in response to the performance of the ETFs owned, and investors in the portfolio will indirectly bear a proportionate share of the ETFs’ operating expenses. References to the “portfolio” in the following risks include the portfolio or underlying ETF, as applicable.
- Borrowing: Borrowing for investment purposes creates leverage, which will exaggerate the effect of any increase or decrease in the market price of securities in the portfolio’s portfolio and, therefore, may increase the volatility of the portfolio. Money borrowed will be subject to interest and other costs (that may include commitment fees and/or the cost of maintaining minimum average balances). These costs may exceed the gain on securities purchased with borrowed funds. Increased operating costs, including the financing cost associated with any leverage, may reduce the portfolio’s total return. Unless the income and capital appreciation, if any, on securities acquired with borrowed funds exceed the cost of borrowing, the use of leverage will diminish the investment performance of the portfolio.
- Cash and Cash Equivalents: The holding by the portfolio of a substantial portion of its assets in cash and/or cash equivalents such as money market securities, U.S. government obligations, and short-term debt securities, which may occur under certain market conditions, could have a negative effect on the portfolio’s ability to achieve its investment objective.
- Debt Securities: Debt securities in which the portfolio may invest are subject to several types of investment risk, including market or interest rate risk (*i.e.*, the risk that their value will be affected by fluctuations in the prevailing interest rates), credit risk (*i.e.*, the risk that the issuer may be unable to make timely interest payments and repay the principal upon maturity), call or income risk, (*i.e.*, the risk that certain debt securities with high interest rates will be prepaid or “called” by the issuer before they mature), and event risk (*i.e.*, the risk that certain debt securities may suffer a substantial decline in credit quality and market value if the issuer restructures). 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.
- Emerging Market and Frontier Market Securities: Emerging market and frontier market securities present greater investment risks than investing in the securities of U.S. companies. These risks include a greater likelihood of economic, political, or social instability, less liquid and more volatile stock markets, foreign exchange controls, a lack of government regulation and different legal systems, and immature economic structures.
- Equity Securities: The risks associated with investing in equity securities of companies include the financial risk of selecting individual companies that do not perform as anticipated, the risk that the stock markets in which the portfolio invests may experience periods of turbulence and instability, and the general risk that domestic and global economies may go through periods of decline and cyclical change.
- Foreign Securities: Foreign securities present greater investment risks than investing in the securities of U.S. companies. These risks include unstable political, social, and economic conditions, greater illiquidity and volatility, currency exchange rate fluctuations, foreign exchange controls, different laws and legal systems, and less availability of information about issuers.
- Hedging: The portfolio’s hedging activities, although designed to help offset negative movements in the markets for the portfolio’s investments, will not always be successful. Moreover, hedging can cause the portfolio to lose money and can reduce the opportunity for gain.
- Portfolio Turnover: The portfolio is generally expected to engage in frequent and active trading of portfolio securities to achieve its investment objective. A higher turnover rate (100% or more) will involve correspondingly greater transaction costs, which will be borne directly by accounts, may have an adverse

impact on performance, and may increase the potential for more taxable distributions being paid to shareholders, including income rates.

- **Short Sales:** While short sales can be used to further a portfolio's investment objective, under certain market conditions they can increase the volatility of the portfolio and may lower the portfolio's return or result in losses, which potentially may be unlimited. The portfolio may not be able to close out a short position at an acceptable time or price because it has to borrow the securities to effect the short sale and, if the lender demands that the securities be returned, the portfolio must deliver them promptly, either by borrowing from another lender or buying the securities in the open market. Because of the leveraging aspect of short selling (*i.e.*, borrowing securities for the purpose of selling them to another party), adverse changes in the value of securities sold short can result in losses greater than the proceeds obtained by the portfolio in the short sale, and may cause the value of accounts utilizing the portfolio to be volatile.

Portfolio Investment Risks

Not applicable. The material risks of particular portfolios are described above.

ITEM 9 – DISCIPLINARY INFORMATION

Not applicable.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Registration as a Broker-Dealer or Registered Representative

Not applicable.

Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or Associated Person

Forward Management is affiliated with Commodity Pool Operators ("CPOs") and Commodity Trading Advisors ("CTAs"). Affiliate Salient Advisors, L.P. is registered with the Commodity Futures Trading Commission ("CFTC") as a CPO and CTA and are members of the National Futures Association ("NFA"). Affiliate Broadmark Asset Management LLC is registered with the CFTC as a CTA and is a member of the NFA.

Material Relationships

Forward Management currently has certain relationships or arrangements that are considered to have a material influence on its advisory business. Below is a discussion of such relationships/arrangements and any conflicts that arise from them.

Investment Advisors

Forward Management is a wholly owned subsidiary of Salient Partners. Salient Partners is the owner of, or has an indirect ownership interest in, Endowment Advisers, L.P.; Salient Advisors, L.P.; Salient Capital Advisers, LLC; Salient Zarvona Energy Fund GP, L.P.; and Sustainable Woodlands Partners, LLC ("Affiliated Advisers") as well as other financial services firms.

This presents a potential conflict of interest in that Forward Management related persons may have an incentive to favor the clients of the Affiliated Advisers when identifying or allocating investment opportunities for Forward Management. While the affiliation of Forward Management with the Affiliated Advisers may pose a potential conflict

related to the allocation of investment opportunities, Forward Management regularly reviews the allocation of investment opportunities between Affiliated Advisers.

Broker-dealer, municipal securities dealer, or government securities dealer or broker

Forward Management is the sole owner of Forward Securities, LLC ("Forward Securities"), a registered broker-dealer. Forward Securities acts solely as the distributor for the Forward Funds. While this could pose a potential conflict of interest, any relationship between Forward Securities and Forward Funds will be subject to review and approval by the independent trustees of the Forward Funds.

Salient Partners, the parent organization of Forward Management, is the sole owner of Salient Capital, L.P., a registered broker dealer. Salient Capital, L.P. serves as a placement agent/distributor for entities for which Affiliated Advisers serve as investment advisor and/or general partner or managing member. Neither Forward Management nor investment managers it recommends will use Salient Capital, L.P. to place trades in managed portfolios. However, related persons of Forward Management are licensed as registered representatives of Salient Capital, L.P. These individuals, in their separate capacity, can effect securities transactions for which they may receive separate, yet customary compensation. Such transactions may include the sale of interests in investment vehicles managed by the Affiliated Advisers.

Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)

See Item 7 above. Forward Management has a fiduciary duty to act in the best interest of each fund that it manages, and investors in each fund have the right to withdraw from that fund at any time subject to any lock-up period or other withdrawal limitations.

In addition, Affiliated Advisers provide investment management services to other investment companies and pooled investment vehicles, separate and apart from services provided by Forward Management. Forward Management nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Forward Fund. Forward Management and its related persons intend to devote as much time as they deem necessary for the conduct of each Forward Fund's operation and portfolio management and will allocate investment opportunities in accordance with Forward Management's trade allocation policy.

Other investment advisor or financial planner

Forward Management owns a 47.46% interest in Broadmark Asset Management LLC ("Broadmark"), a registered investment advisor and registered commodity trading advisor. Forward Management does not provide any marketing or sales assistance to Broadmark; however, a conflict of interest may exist due to Forward Management's participation in the profits of Broadmark. Were Forward Management to direct client assets to products or strategies managed or advised by Broadmark, it could increase the profits received by Forward Management through its ownership interest in Broadmark, in addition to the fees already received directly from Forward Management's clients. To mitigate this potential conflict of interest, Forward Management does not recommend any products or services provided by Broadmark other than funds/strategies provided by Forward Management and sub-advised by Broadmark.

Futures commission merchant, commodity pool operator, or commodity trading advisor

Salient Advisors, L.P., affiliate of Salient Partners, is registered with the CFTC as CPOs and commodity trading advisors ("CTA") and are members of the NFA. Forward Management related persons are principals and/or associated persons of the CTAs/CPOs.

Please see discussion of relationship with Broadmark Asset Management LLC above.

Banking or thrift institution

None.

Accountant or accounting firm

None.

Lawyer or law firm

None.

Insurance company or agency

None.

Pension consultant

None.

Real estate broker or dealer

None.

Sponsor or syndicator of limited partnerships

The Yield Fund GP, LLC and Salient MLP GP, LLC are the General Partners of the Private Funds that Affiliated Advisers manage. Please see response above regarding “other pooled investment vehicles.”

Recommendation of Other Investment Advisors

Forward Management may receive compensation for introducing clients to other registered investment advisors. These arrangements may present a conflict of interest because they give Forward Management an incentive to recommend those advisors based on such compensation. In addition, Forward Management may have an ownership interest in those other registered investment advisors, and a conflict of interest may exist because of Forward Management’s participation in the profits of those other advisors. To mitigate this potential conflict of interest, Forward Management will inform the prospective investors of these arrangements and will comply with Rule 206(4)-3 under the Investment Advisors Act of 1940, as amended.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

Code of Ethics

Forward Management has adopted a Code of Ethics that emphasizes its high standards of conduct. The Code of Ethics consists of certain core principles requiring, among other things, that employees: (1) at all times place the interests of clients first; (2) ensure that all personal securities transactions are conducted in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility; (3) not take advantage of their positions inappropriately; and (4) at all times conduct themselves in a manner that is beyond reproach and that complies with all applicable laws and regulations.

In addition, the Code of Ethics requires Access Persons (as defined in the Code of Ethics) to pre-clear certain personal transactions. It also requires Access Persons to report personal securities transactions on at least a quarterly basis and provide Forward Management with a detailed summary of certain holdings (both initially upon becoming an Access Person and annually thereafter) over which such Access Persons have a direct or indirect beneficial interest.

A copy of Forward Management’s Code of Ethics will be provided to any client or prospective client upon request.

Participation or Interest in Client Transactions

Forward Management may solicit clients to invest in a Forward Fund or any other investment product sponsored or managed by Forward Management (each, a “Forward Product”). Because of the relationship between Forward Management and any Forward Product, Forward Management could be considered to have recommended the investment as suitable for an account client if such person should invest in the Forward Product.

Forward Management will inform each account client of its relationship with a Forward Product prior to the client’s investment, but does not intend to advise account clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in a Forward Product (except to the extent that Forward Management receives management fees).

Personal Trading

Forward Management believes that if investment goals are similar for clients and for employees of Forward Management (“Employees”), it is logical and even desirable that there be common ownership of some securities. At the same time, Forward Management recognizes that there is a risk that Employees will compete with client accounts or otherwise engage in personal securities transactions at the expense of a client’s interest.

Neither Forward Management nor any Access Person is obligated to refrain from investing in securities held by the accounts that Forward Management manages except to the extent that such investments violate the Code of Ethics adopted by Forward Management. For purposes of this policy, an Employee’s “personal account” generally includes any account (i) in the name of the Employee, his/her spouse, his/her minor children, or other dependents residing in the same household, (ii) for which the Employee is a trustee or executor, and (iii) the Employee controls, including Forward Management’s client accounts that the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Concurrent Trading Activity

Under Forward Management’s Code of Ethics, employees who are deemed Access Persons are generally barred from investing in securities that are being bought and sold by Forward Management for its client accounts. Forward Management effects this policy by maintaining an updated “watch list” and “restricted list” of such securities and requiring Access Persons who are deemed investment employees to pre-clear personal securities transactions.

ITEM 12 – BROKERAGE PRACTICES

Selection of Broker-Dealers

Criteria for Selection of Broker-Dealers

Investment and Brokerage Decisions and Review: Investment and brokerage decisions for client accounts, to the extent such discretion has been granted to Forward Management, are made by Forward Management’s portfolio managers and traders, with assistance from other relevant personnel.

In placing brokerage for accounts with respect to which Forward Management has been granted brokerage discretion, Forward Management seeks to (1) determine each client’s trading requirements, (2) select appropriate trading methods, venues, and agents to execute the trades under the circumstances, (3) evaluate market liquidity of each security and take appropriate steps to mitigate excessive market impact, to the extent practicable, (4) maintain client confidentiality and proprietary information inherent in the decision to trade, and (5) review the results of executions on a periodic basis.

At least quarterly, Forward Management’s Broker Review Committee (the “Committee”) meets to review Forward Management’s trading practices, including the quality of executions received and commission rates paid by

discretionary accounts, in order to determine what changes, if any, should be made in its brokerage arrangements. Forward Management's goal in this process is to exercise reasonable, good faith judgment in seeking to allocate trades to those broker-dealers or other trading venues that will consistently provide quality execution at acceptable cost. The following summarizes Forward Management's policies with respect to the exercise of investment and brokerage discretion on behalf of its relevant client accounts.

Selection Criteria for Brokers and Dealers: Forward Management places orders for the purchase or sale of securities with the primary objective of obtaining prompt execution of orders at the most favorable price, from responsible broker-dealers, and at competitive rates. Forward Management seeks to deal with broker-dealers that can meet a high standard of quality regarding execution services. The commission rates paid by Forward Management and the quality of execution received are reviewed by the Committee at its quarterly meetings.

In selecting brokers and dealers and in effecting portfolio transactions, Forward Management seeks to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. The best net price, giving effect to brokerage commissions, spreads, and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

In applying these factors, Forward Management recognizes that different broker-dealers may have different execution capabilities with respect to different types of securities and transactions.

The factors Forward Management considers may include, but are not limited to:

- Forward Management's knowledge of available commission rates and spreads;
- the nature of the security being traded;
- the size and type of the transaction;
- the nature and character of the markets for the security to be purchased or sold;
- the desired timing of the trade and speed of execution;
- the activity existing and expected in the market for the particular security;
- the broker-dealer's access to primary markets and quotation sources;
- confidentiality;
- the execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker-dealer selected and others that are considered;
- Forward Management's knowledge of actual or apparent operational problems of any broker-dealer;
- the broker-dealer's execution services rendered on a continuing basis and in other transactions;
- the broker-dealer's reliability in executing trades, keeping records, and accounting for and correcting trade errors;
- the broker-dealer's ability to accommodate Forward Management's needs with respect to one or more trades, including willingness and ability to maintain a consistent quality of executions in unusual or volatile market conditions and, if necessary, to commit capital by taking positions in order to complete trades;
- the availability of the broker-dealer to stand ready to execute possible difficult transactions in the future;

- the quality of communication links between Forward Management and the broker-dealer;
- the quality of research and execution services provided by the broker-dealer; and
- the reasonableness of spreads or commissions.

When buying or selling securities in dealer markets, Forward Management may, subject to best execution, deal directly with market makers either on a commission basis or on a “net” basis, without paying the market maker any commission, commission equivalent, or markup/markdown other than the “spread.” “Net trades” means the market maker’s profits from the “spread,” that is, the difference between the price paid (or received) by Forward Management and the price received (or paid) by the market maker in trades with other broker-dealers or other customers.

Most NASDAQ securities are now traded on a commission basis as more and more market makers shift from principal to agency trading. As a result, Forward Management may execute over-the-counter trades on an agency basis rather than directly through a market maker.

In these situations, the broker used by Forward Management then acquires or disposes of the security through a market maker. The transaction may thus be subject to a mark-up or mark-down in addition to any commission or commission equivalent paid to the broker. Forward Management uses a broker in such instances only when consistent with its duty to seek best execution.

Use of a broker in this manner may benefit clients by providing anonymity in connection with a transaction or because the broker may, in certain cases, have greater expertise or capability in connection with both accessing the market and executing a transaction.

In appropriate circumstances, Forward Management may use an alternative execution venues such as Electronic Communications Networks (“ECNs”) or Alternative Trading Systems (“ATSS”) to effect over-the-counter trades when, in Forward Management’s judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions. Forward Management will trade in this manner when it believes that any commissions paid to the ECN or ATS, when added to the price and considering all relevant circumstances, will still result in equal or better qualitative execution than what might otherwise have been attained by trading “net” with a market maker.

Commission Rates or Equivalents Policy: Forward Management endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. As noted above, Forward Management periodically reviews the quality of executions received from eligible broker-dealers that were available to execute client transactions when evaluating Forward Management’s best execution efforts. Any broker-dealer that has provided (or may be reasonably expected to provide) acceptable performance and whose financial condition and commission rates are acceptable to Forward Management may be selected to execute transactions for client accounts.

However, Forward Management will not select broker-dealers solely on the basis of “posted” commission rates, nor does Forward Management always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction.

Forward Management uses a number of different broker-dealers and may pay higher commission rates to those whose execution abilities, brokerage or research services, or other legitimate and appropriate services are particularly helpful in seeking good investment results for client accounts. Although Forward Management generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent.

As part of Forward Management’s brokerage determinations, Forward Management recognizes that some brokerage firms are better at executing some types of orders than others. Thus, it may be in the best interests of

Forward Management's clients to utilize a broker-dealer whose commission rates are not the lowest, but whose executions may result in lower overall transaction costs or other benefits to client accounts. Certain transactions may involve specialized services on the part of the broker-dealer selected, resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services. The overriding consideration in allocating client orders for execution is the attempt to maximize client profits (or minimize losses) through a combination of controlling transaction and securities costs and seeking the most effective uses of the broker-dealers' relevant capabilities.

The reasonableness of commissions is based on a broker-dealer's ability to provide professional services, competitive commission rates, research, and other services that will help Forward Management in providing investment management services to its clients. Recognizing the value of these factors, Forward Management may pay a brokerage commission in excess of what another broker-dealer that offers no research services and minimal securities transaction assistance, might have charged for the same transaction.

In this regard, Forward Management makes a good faith determination that the amount of commission is reasonable in relation to the value of the research and brokerage services provided, viewed in terms of either the specific transaction or Forward Management's overall responsibility to its clients. However, the extent to which commission rates or net prices charged by brokers reflect the value of these services often cannot be readily determined.

Research and Other Soft Dollar Benefits

Use of Soft Dollars: Forward Management may consider research and other services in making brokerage decisions and, as it deems appropriate, may use a portion of the commissions generated when executing client transactions (commonly referred to as "soft dollars") to acquire useful research and brokerage services ("soft dollar benefits") in a manner consistent with the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under the safe harbor, as it has been interpreted by the SEC, Forward Management may use soft dollars to pay for soft dollar benefits, even where such benefits may also be available for cash, to the extent appropriate and permitted by law, when such benefits assist Forward Management in meeting clients' investment objectives or in managing clients' accounts. Forward Management may have an incentive to select or recommend broker-dealers based on Forward Management's interest in receiving soft-dollar benefits, rather than on its interest in receiving the most favorable execution for its clients.

The use of soft dollars to receive research and services, benefits Forward Management by allowing Forward Management, at no cost to it, to (i) supplement and enhance its own research and analysis activities, (ii) receive the views and information of individuals and research staff of other securities firms, and (iii) gain access to persons having special expertise on certain companies, industries, areas of the economy, and market factors. Subject to Forward Management's policies and procedures and the oversight of the Committee, Forward Management takes into account the value of permissible soft dollar benefits provided by a broker-dealer, as long as such consideration is not inconsistent with the objective of seeking best price and execution for client transactions, and clients may pay a higher commission to a broker-dealer in recognition of such soft dollar benefits than might otherwise be obtained in the absence of such considerations.

When appropriate under its discretionary authority and consistent with the duty to seek best execution, Forward Management may execute brokerage transactions for client accounts through broker-dealers who provide Forward Management with useful soft dollar benefits and may pay to those broker-dealers an amount or rate of commission that is higher than might have been paid absent the receipt of soft dollar benefits.

Consistent with the safe harbor, in determining whether to pay up for a particular execution, Forward Management evaluates whether the product(s) or service(s) provided by the broker-dealer:

- (i) with respect to research items, consist of advice, analyses, or reports containing substantive content with respect to appropriate subject matter(s) or (ii) with respect to brokerage items, are sufficiently related to the effectuation, clearance, or settlement of a transaction and are provided and/or used during the time period commencing when Forward Management communicates with the relevant broker-dealer for the purpose of

transmitting an order for execution and concluding when the funds or securities are delivered or credited to the account or the accountholder's agent; provide lawful and appropriate assistance to Forward Management in carrying out its relevant responsibilities to client accounts; and

- are acquired for an amount of soft dollars that is reasonable in relation to the value of the relevant soft dollar benefit(s).

These determinations are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. Such opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. Forward Management may select broker-dealers based on their assessment of each broker-dealer's ability to provide quality executions and their belief that the research, information, and other services provided by such broker-dealer may benefit client accounts.

Often, it is not possible to place a dollar value on the quality of executions or on the soft dollar benefits Forward Management receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by Forward Management may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions, but only if Forward Management determines in good faith that such amounts are reasonable in relation to the value of the soft dollar benefits provided by those broker-dealers, viewed either in terms of a particular transaction or Forward Management's overall duty to discretionary accounts.

Forward Management may use soft dollars to pay for any specific service or for any portion of a "mixed use" benefit (e.g., products or services that provide both research and non-research benefits). In such instances, and where a cash value is affixed to the service or benefit (whether by the broker-dealer, Forward Management or a third party), Forward Management may use soft dollars for the eligible portion and pay cash for the remainder. Although the allocation between soft dollars and cash is not always capable of precise calculation, Forward Management will make a good faith effort to make the allocation reasonably. Records of any such allocations and payments will be prepared and maintained by Forward Management. Additionally, where a cash value is affixed to a particular service or benefit, Forward Management may use available soft dollar credits and pay cash to make up any difference.

Some research services involve no undertaking on behalf of supervised accounts to give portfolio transaction business and are therefore regarded as "Street research services." Street research services include: (1) analyses of U.S. and foreign economies, markets, industries, and companies; (2) evaluations of securities and recommendations as to the purchase and sale of securities; (3) statistical and other services relating to portfolio securities; and (4) information and advisory services relative to the availability of securities in the bond and money markets.

Forward Management evaluates broker-dealers in terms of the Street research services and transactional services they have provided, and this evaluation may be considered in the selection of broker-dealers for specific trades consistent with best price and execution. Although Forward Management may direct brokerage transactions to broker-dealers in recognition of such broker-dealers' provision of research services, Forward Management will not cause its accounts to purchase or sell more, or different, securities than would otherwise be the case. The dollar value to Forward Management of the Street research services is generally indeterminable. Forward Management may use a research service supplied by a broker-dealer for accounts that did not place the order with that broker-dealer. It is also possible that the account that places the order may not benefit directly from a particular research service.

Allocation of Soft-Dollar Research: Research obtained with soft dollars will not always be utilized by Forward Management for the specific account that generated the soft dollars. It should be noted that the value of many soft-dollar benefits cannot be measured precisely, and commissions paid for such services certainly cannot always be allocated to clients in direct proportion to the value of the services to each client. Because, as discussed below, Forward Management may batch client transactions, brokerage commissions attributable to one or more client accounts may be allocated to brokers who provide statistical data and other research used by Forward Management

in managing the accounts of other clients, and vice versa, and Forward Management may use “step outs” to obtain soft-dollar benefits.

A step out occurs when Forward Management directs a broker-dealer, who executes a trade, to allocate (or “step out”) a portion of the trade to another broker-dealer for clearance and settlement. Forward Management primarily uses step-outs for block trades and believes that this practice assists in seeking best execution.

Although it is often inevitable (at least in the short run) that commissions paid by one account may, in effect, subsidize services that benefited another account, Forward Management does not usually attempt to allocate the relative costs or benefits of research or brokerage services among client accounts, as such cross-subsidies should balance out over time as Forward Management’s various sources of research and brokerage services enable Forward Management generally to make better investment decisions and execute more effective trades. Forward Management believes that, in the aggregate, the services it receives benefit clients and assist Forward Management in fulfilling its overall duty to clients.

Forward Management may receive directives from certain clients to make a “best effort” attempt to transact business with a client-designated broker in consideration of services received solely by that client from the broker. In such instances, only the particular client’s own soft dollars are used. Unless contrary written instructions are provided by the client, primary consideration is still given to seeking best execution of such transactions.

Types of Soft-Dollar Products and Services: Research services provided by a broker-dealer can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by a broker-dealer). Forward Management may use soft dollars to acquire either type of research and any permissible brokerage services.

Forward Management has received the following soft-dollar products and services during the last fiscal year:

- Foreign spot rates – fed through IDC (real time pricing of foreign securities)
- Bloomberg quotes, news, charts, analytics, etc. (access to real time data, news, and research)
- Access to sell side reports, analysis of company models, expectations, and estimates
- Real time NYSE, NASDAQ, OPRA, and TSX quotes
- Daily portfolio tracking, EP’s and CF estimates (risk monitoring and stock screening)
- Trade match/settlement services
- Stock research on trading timing and position sizing
- IDC pricing services
- Order management, modeling, allocations, etc.
- S&P benchmark data and analysis
- Russell benchmark data and analysis
- Economic projections for specific countries
- Boutique emerging markets research

- Credit analysis research
- Macro economic, sector, industry and company specific indicators, charts and graphs
- FTSE real estate benchmark information
- Portfolio company news source
- Quarterly reports to measure friction costs associated with trading
- Comprehensive trading/market technical analysis useful in managing risk and sizing positions as well as entry and exit points
- Charting, fundamental data and stock metric screening tool
- Industry volume, sales and pricing data for portfolio companies

Directed Brokerage for Soft-Dollar Services: Forward Management will not enter into any agreement or understanding with a broker-dealer that would obligate Forward Management to direct a specific amount of brokerage transactions or commissions in return for such research (or brokerage) services. Nonetheless, certain broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. In some cases, Forward Management may enter into a commission sharing arrangement pursuant to which soft dollars generated are held in an account for the benefit of Forward Management, and credits from that account may be used to acquire soft-dollar items. Forward Management also may, but is not obligated to, pay cash for soft-dollar items.

Brokerage for Client Referrals

Forward Management does not enter into agreements with, or make commitments to, any broker-dealer that would bind Forward Management to compensate that broker-dealer, directly or indirectly, for client referrals (or sale of fund interests) through the placement of brokerage transactions.

Directed Brokerage

Generally, Forward Management is retained on a discretionary basis and is authorized to make the following determinations in accordance with the client's specified investment objectives without client consultation or consent before a transaction is effected: (i) the broker or dealer through whom securities are bought or sold; (ii) the commission rates at which securities transactions for client accounts are effected; and (iii) the prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

While Forward Management generally selects broker-dealers for discretionary accounts, Forward Management may accept, in limited instances, direction from clients as to which broker-dealer(s) should or must be used. Clients that, in whole or in part, direct Forward Management to use a particular broker-dealer to execute account transactions should be aware that, in doing so, they may adversely affect Forward Management's ability to seek best price and execution by, for example, negotiating commission rates or spreads, obtaining volume discounts on bunched orders, or executing over-the-counter stock transactions with the market makers for such securities.

In addition, as noted below, transactions for a client that directs brokerage may not be combined or "batched" for execution purposes with orders for the same securities for other accounts managed by Forward Management. In these instances, a client that has directed Forward Management to use a particular broker-dealer to execute its trades will generally have its trades placed after the batched trading activity for a particular security.

Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the batched order.

Under these circumstances, the direction by a client of a particular broker-dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if Forward Management could negotiate commission rates or spreads freely, or select broker-dealers based on best execution.

Clients should understand that, by directing brokerage, they are limiting or removing Forward Management's discretion to select broker-dealers to execute their account transactions. Consequently, best price and execution may not be achieved by clients who have directed brokerage.

Occasionally, Forward Management may recommend to a Client that a specific broker or brokers be used, either for the account managed by Forward Management or for other brokerage services unrelated to the account under management. In these cases, the personal needs of the individual Client and the characteristics of the brokerage account or services are considered along with the criteria discussed above such as cost, execution capabilities and research, and other services that may be provided by the broker-dealer. Forward Management does not maintain agreements with any broker-dealer to receive "credit" for referrals or for the commissions generated by referred accounts.

Wrap Program Directed Brokerage: Forward Management may recommend to a Wrap Program Client that the relevant Wrap Sponsor be utilized for brokerage, as use of the Wrap Sponsor may achieve best execution due to certain lower negotiated fees (*i.e.*, brokerage fees are often included in the overall fee paid by Wrap Program Clients to the Wrap Sponsor and therefore no additional brokerage fees may be incurred when brokerage is directed to the Wrap Sponsor). Forward Management receives no additional compensation for such referrals and will only direct such brokerage where it achieves best price and execution, taking into account any lower fees due to the Wrap Program.

Aggregation of Orders (Batch Transactions)

Forward Management will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Forward Management will typically aggregate trades among clients whose accounts can be traded at a given broker, and may vary the order of brokers through which it places trades for clients on any particular day. Forward Management, its related persons (including its affiliates), and its affiliates' clients may also participate in an aggregated order. Forward Management's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Forward Management or the order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Forward Management to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, an order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a fair and equitable manner, typically pro rata, among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, allocation adjustments may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to the allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Forward Management's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on Forward Management's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

Forward Management generally will not aggregate trades for accounts of Wrap Program Clients or other clients over which Forward Management has limited brokerage discretion, to the extent that (i) such other clients have directed their brokerage to a particular broker-dealer or (ii) such Wrap Program Clients pay comprehensive fees that already include the costs of executing transactions through the Wrap Sponsor. Orders for wrap fee and directed brokerage clients will generally be aggregated only with other practicable orders relating to the same Wrap Program or designated broker-dealer and will be allocated in the manner described above, including the *pro rata* allocation if it would result in a partial fill for any account selected.

Cross Transactions

As the Adviser to the Forward Funds, Forward Management acknowledges a fiduciary duty to all clients involved in (agency) cross transactions. Accordingly, Forward Management will only allow such cross transactions when the transaction is in the best interest of, and consistent with the investment objectives and policies of, both accounts involved in the transaction. If a cross transaction is considered, it is the Advisor's policy to effect all cross transactions in the most equitable and fair manner for all clients involved. Consistent with this fiduciary duty and the procedures set forth in the Forward Funds policy manual;

1. No consideration will be paid or received for any such purchase or sale other than cash payment against prompt delivery of the security.
2. The transaction will be consistent with the policy of the series involved as set forth in its Registration Statement and reports filed under the 1940 Act.
3. Transactions will be effected only in securities for which market quotations are readily available.
4. Except for customary transfer fees, no brokerage commission, fee or other remuneration will be paid in connection with the transaction.

The Forward Funds maintain detailed policies and procedures to monitor compliance with paragraphs (a) through (d) of Rule 17a-7 of the Investment Company Act of 1940. The procedures set conditions for the purchase or sale of securities by any series of the Forward Funds from or to, (a) another registered investment company which is an affiliated person of the Forward Funds, (b) separate series of the Forward Funds, or (c) any person which is an affiliated person of the Forward Funds solely by reason of having a common: advisor, investment advisor, officers or directors. Forward Management currently only permits cross transactions between and among the series of the Forward Funds.

Forward Management does not engage in Principal transactions.

ITEM 13 – REVIEW OF ACCOUNTS

Registered Investment Companies

Each registered investment company portfolio is reviewed on an ongoing basis by a portfolio manager to assess whether changes are warranted based on the account's investment objectives, performance and outlook.

Managed Accounts and Wrap Program Accounts

Each Managed Account and Wrap Program Account is generally reviewed on a quarterly basis by an Investment operations employee. Reviews include an examination of each account's investment portfolio adherence, dispersion, and, if applicable, adherence to specific client restrictions.

Other than the periodic review of accounts described above, a review of individual Managed Accounts and Wrap Program Accounts will also be triggered by anomalies in the investment portfolio (*e.g.*, performance numbers do not look right for the portfolio or investigation shows that a share split in an ADR in the portfolio was incorrectly processed). Non-periodic reviews are generally not conducted for individual accounts.

Client Reports

Managed Accounts and Wrap Program Clients will receive reports from their respective qualified custodians no less than quarterly. Forward Management will provide annual transaction reports and tax information to these clients upon request.

Investors in registered investment companies receive such reports as required by the Investment Company Act.

Model Portfolio clients and Asset Allocation clients will receive such reports as may be negotiated between the client and Forward Management.

Forward Management may rely on information provided by third parties in preparing reports, and a third party may assist in preparing or distributing reports. To the extent reports include or rely upon information from a source other than Forward Management (*e.g.*, benchmark information when a report includes a comparison of an account's performance to one or more benchmark indices), Forward Management attempts to obtain such information from reliable sources; however, the accuracy of such information cannot be guaranteed. Reports may also include or rely upon fair value determinations made by Forward Management or a third party. While such valuations are made in good faith, their actual or empirical accuracy cannot be guaranteed.

Forward Management, in its discretion, may provide more frequent reports and/or more detailed information to all or any of its clients.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Compensation By Non-Clients

Not applicable.

Compensation for Client Referrals

Not applicable.

ITEM 15 - CUSTODY

Managed Accounts

Forward Management will not maintain possession or custody of the funds or securities that a client transfers to a Managed Account. The assets transferred by a client will typically be deposited with a qualified custodian selected in accordance with Forward Management's investment management agreement with the client. Under the investment management agreement, Forward Management may cause management fees to be paid out of the account by the qualified custodian. When it does so, Forward Management will send the custodian an invoice stating the fee and the calculation it was based on. The fees charged will be included in the statement sent to the client by the respective custodian.

In addition, as described in Item 13 above, the qualified custodian will provide clients with performance reports and account statements. Managed Account investors should carefully read these reports and compare any reports received from Forward Management against reports received from the qualified custodian.

Wrap Programs

Forward Management will not maintain possession or custody of the funds or securities that a client transfers to a Wrap Program. The assets transferred by a client will typically be deposited with a qualified custodian selected in accordance with the Wrap Management Contract. Under the Wrap Management Contract, Forward Management may cause management fees to be paid out of the account by the qualified custodian. When it does so, Forward Management will send the custodian an invoice stating the fee and the calculation it was based on.

The fees charged will be included in the statement sent to the client by the respective custodian. In addition, as described in Item 13 above, the qualified custodian will provide clients with performance reports and account statements. Wrap Program Clients should carefully read these reports and compare any reports received from Forward Management against reports received from the qualified custodian.

ITEM 16 – INVESTMENT DISCRETION

Typically, Forward Management is retained on a discretionary basis and is authorized to make the following determinations in accordance with the client's specified investment objectives without client consultation or consent before a transaction is effected: (a) which securities to buy or sell; (b) the total amount of securities to buy or sell; (c) the broker or dealer through whom securities are bought or sold; (d) the commission rates at which securities transactions for client accounts are effected; and (e) the prices at which securities are bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Forward Management's discretionary authority is derived from an express grant of authority under each client's investment management agreement with Forward Management.

Clients may limit Forward Management's discretionary authority with respect to Managed Accounts. Forward Management may provide non-discretionary advice and may accept advisory accounts with limited discretion or where investments or brokerage arrangements are client-directed pursuant to an agreement between Forward Management and the client or pursuant to the contractual terms of the relevant Wrap Program. Please see Item 12 above.

ITEM 17 – VOTING CLIENT SECURITIES

Forward Management will vote proxies for securities held in client accounts as to which Forward Management has voting authority, either directly or indirectly. Indirect voting authority exists where Forward Management's voting authority is implied by a general delegation of investment authority, without reservation of proxy voting authority. Forward Management shall vote proxies for securities owned by or on behalf of a client in the client's best interests and without regard to the interests of Forward Management or any other client of Forward Management. Clients are permitted to place reasonable restrictions on Forward Management's voting authority in the same manner that they may place such restrictions on the actual selection of account securities.

Forward Management has contracted with Glass, Lewis & Co., LLC ("Glass Lewis") to handle the administration and voting of client proxies. Forward Management has directed Glass Lewis to vote all proxies in accordance with Glass Lewis' recommendations. Glass Lewis' proxy analysis is focused on the economic and financial consequences of voting and therefore on improving medium- to long-term value and mitigating risk at public companies.

The firm's approach to enhancing overall corporate value growth through effective proxy voting is to look at each company individually and determine what is in the best interests of the shareholders of each particular company. In addition to corporate governance, Glass Lewis' research on proxies analyzes accounting, executive compensation, compliance with regulation and law, risks and risk disclosure, litigation, and other matters that reflect the quality of board oversight and company transparency.

Because Forward Management votes proxies in accordance with the recommendations of Glass Lewis, it is not expected that any material conflicts of interests will arise. However, if a material conflict of interest exists in a particular situation, Forward Management will disclose the conflict to the affected clients.

In consultation with the clients, Forward Management will determine whether the clients will vote the proxies themselves or whether to address the voting issue through other means.

Additional information regarding proxy voting policies and procedures and/or information on votes cast can be obtained by contacting Forward Management.

ITEM 18 – FINANCIAL INFORMATION

Prepayment of Fees (Six or more months in advance)

Not applicable.

Impairment of Contractual Commitments

Not applicable.

Bankruptcy Petitions

Not applicable.

ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISORS

Not applicable.

ITEM 20 – PRIVACY POLICY

Forward Management appreciates the privacy concerns and expectations of our clients. We are committed to maintaining a high level of privacy and confidentiality when it comes to your personal information and we use that information only where permitted by law. We recognize that, as our client, you not only entrust us with your money but with your personal information. Your trust is important to us and you can be sure we will continue our tradition of protecting your personal information. We provide this privacy notice to you so that you may understand our policy with regard to the collection and disclosure of nonpublic personal information (“Information”) pertaining to you.

We collect the following categories of information about you:

- Information we receive from you on applications or other forms; and
- Information about your transactions with us, our affiliates, or others.

We do not disclose any Information about you or any current or former client to anyone, except as permitted by law. We may disclose Information about you and any former client to our affiliates and to nonaffiliated third parties, as permitted by law. We do not disclose personal information that we collect about you to non-affiliated companies except to enable them to provide marketing services on our behalf, to perform joint marketing agreements with other financial institutions, or in other limited circumstances permitted by law. For example, some instances where we may disclose Information about you to third parties include: for servicing and processing transactions, to protect against fraud, for institutional risk control, to respond to judicial process or to perform services on our behalf. When we share personal information about you with these companies, we require them to limit their use of the personal information to the particular purpose for which it was shared and we do not allow them to share your personal information with others except to fulfill that limited purpose. In addition, these companies are required to adhere to our privacy standards with respect to any personal information that we provide them.

How to Manage Your Information

You may contact us at any time to manage the information we have about you.

You may request from us information about the categories of information we have collected about you, the categories of sources from which your information was collected, the business or commercial purpose for collecting your information, the categories of third parties with whom we share your information, and the specific pieces of information we have about you. You may email us at privacy@salientpartners.com with “Request for Information” in the subject line and in the body of your message to request this information.

You may also request that we delete any information about you that we collected from you. You may email us at privacy@salientpartners.com with “Request to Delete Information” in the subject line and in the body of your message. There are circumstances where we may not be able to fulfill your request and we will let you know if one of those situations arises.

We reserve the right to verify your identity before we process any request relating to your information.

Protecting the Security and Confidentiality of Your Information

We restrict access to Information about you to those employees who need to know that Information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to ensure the confidentiality of your Information. Our privacy policies apply only to those individual investors who have a direct client relationship with us. If you receive investment services through a relationship with a third-party broker, bank, investment adviser or other financial service provider, that third-party's privacy policies will apply to you and ours will not.