Schwab Bank Collective Trust Funds

Schwab Managed Retirement Trust Funds™
Schwab Indexed Retirement Trust Funds®

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The Charles Schwab Bank Releases 2016 Target Date Allocations

Schwab Bank has released the 2016 target date policy allocations for the SMRT and SIRT funds. The policy allocations are updated annually as the glide path progresses. There are no changes to the Funds' overall glide path strategy for transitioning from equity into fixed income and cash equivalents over time. Please refer to www.schwabbankfunds.com for the full 2016 target date allocations.

Asset Allocation Update – Developed International Equity

Within the equity allocation, Schwab Bank has increased the developed international equity exposure as a percentage of total equity in the SMRT and SIRT funds. The policy allocation changes are effective 10/01/2015. This is a strategic change and is a result of our most recent research and evaluation of long-term capital market expectations that provide a basis for our overall glide path and asset allocation framework.

As part of this analysis, our long-term return estimates for international equity assets have increased, and we seek to continue diversifying the mix of domestic and international assets within the glide path. This follows our addition of currency hedged international bonds earlier this year. Aligned with our philosophy of allocating risk uniquely for different ages across the glide path, the increase in international equities will be highest for our youngest investors, and will represent a slight increase for those closer to retirement. The table below displays the changes in the developed international equity allocations for the SMRT and SIRT custom benchmark.

	2016 Developed International Equity Allocation (%)	2015 Developed International Equity Allocation (%)	Change
SMRT/SIRT 2060	22.0	17.6	4.4
SMRT/SIRT 2055	21.9	17.6	4.3
SMRT/SIRT 2050	21.3	17.2	4.1
SMRT/SIRT 2045	20.7	16.7	4.0
SMRT/SIRT 2040	19.8	16.1	3.7
SMRT/SIRT 2035	18.2	14.9	3.3
SMRT/SIRT 2030	16.6	13.7	2.9
SMRT/SIRT 2025	14.6	12.1	2.4
SMRT/SIRT 2020	12.0	10.2	1.8
SMRT/SIRT 2015	9.2	7.6	1.7
SMRT/SIRT 2010	8.7	7.2	1.5
SMRT Income	5.7	4.6	1.1

Charles Schwab Bank uses an open-architecture sub-advised approach to investing. The Schwab Bank Collective Trust Funds select investments based on advice received from or products offered by industry-recognized investment management firms (“sub-advisors”). The Funds access strategies through various investment vehicles including, but not limited to, collective trust funds, separate accounts, mutual funds, and exchange-traded funds. Exposure to some strategies may be indirect through the investment in other Schwab Bank Collective Trust Funds. The SMRT Funds invest in the Schwab Institutional Large Cap Value Trust Fund, Schwab Institutional Large Cap Growth Trust Fund, Schwab Institutional Small Cap Fund, Schwab Institutional International Diversified Trust Fund, and Schwab Institutional Core Plus Fixed Income Trust Fund. Please visit www.schwabbankfunds.com for more information on the Schwab Bank Collective Trust Funds.

The Schwab Managed Retirement Trust Funds™ and Schwab Institutional Trust Funds® are collective trust funds maintained by Charles Schwab Bank (“Schwab Bank”), as trustee of the Funds. They are available for investment only by eligible retirement plans and entities. Schwab Bank Collective Trust Funds (“Funds”) are not insured by FDIC or any other type of deposit insurance; are not deposits or other obligations of, and are not guaranteed by Schwab Bank or any of its affiliates; and involve investment risks, including possible loss of principal invested. The Funds are not mutual funds and are exempt from registration and regulation under the Investment Company Act of 1940(“1940 Act”),and their units are not registered under the Securities Act of 1933, or applicable securities laws of any state or other jurisdiction. Unit holders of the Funds are not entitled to the protections of the 1940 Act. The decision to invest in the Funds should be carefully considered. The Funds’ unit values will fluctuate and may be worth more or less when redeemed, so unit holders may lose money. The Funds are not sold by prospectus and are not available for investment by the public; Fund prices are not quoted in newspapers. The values of the funds will fluctuate up to and after the target dates. There is no guarantee the funds will provide adequate income at or through retirement.

The Charles Schwab Corporation provides services to retirement and other benefit plans and participants through its separate but affiliated companies and subsidiaries: Charles Schwab Bank; Charles Schwab & Co., Inc.; Schwab Retirement Plan Services, Inc; Charles Schwab Investment Management, Inc.; and Schwab Retirement Plan Services Company. Brokerage products and services are offered by Charles Schwab & Co., Inc. (Member SIPC). Trust and custody products and service are offered by Charles Schwab Bank. Schwab Retirement Plan Services, Inc. and Schwab Retirement Plan Services Company provide recordkeeping and related services with respect to retirement plans.

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The Fund is subject to risks, several of which are identified below, any of which could cause a participating investor to lose money. See additional information including the Declaration of Trust, Participation Agreement, Audited Financial Statements of the Funds and Fund Fact sheets published on the Schwab Bank Collective Trust Funds website.

Significant Risks:

- **Allocation Risk.** The Fund is subject to asset allocation risk, which is the risk that the selection of the underlying strategies and the allocation of the portfolio’s assets among the various strategies, asset classes, and market segments may cause the Fund to underperform other funds with a similar investment objective.
- **Direct Investment Risk.** The Fund may invest directly in individual securities and other instruments to maintain its allocations. The Fund’s direct investment in these securities is subject to the same or similar risks as an underlying strategy’s investment in the same security or instrument.
- **Investment Risk**. An investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund may experience losses with respect to its investment in underlying strategies. Further, there is no guarantee that the Fund will be able to achieve its objective.
- **Underlying Strategy Investment Risk.** The value of a participating investor’s investment in the Fund is based primarily on the prices of the underlying strategies that the Fund purchases. In turn, the price of each underlying strategy is based on the value of its securities and other assets. Before investing in the Fund, participating investors should assess the risks associated with the underlying strategies in which the Fund may invest and the types of investments made by those underlying strategies. These risks include any combination of the risks described below, although the Fund’s exposure to a particular risk will be proportionate to the Fund’s overall asset allocation and underlying strategy allocation.
- **Convertible Securities Risk.** Convertible securities generally are debt obligations that pay income, but which may convert into common or preferred stock under certain circumstances. These investments, which are often issued by smaller or less established companies, are subject to equity risks, but they also are subject to fixed income risks. For example, an issuer may fail to pay interest or dividends, and prices of convertible securities generally will fall when interest rates rise.
- **Credit Risk.** An underlying strategy is subject to the risk that a decline in the credit quality of an investment could cause the strategy to lose money or underperform. The strategy could lose money if the issuer or guarantor of an investment fails to make timely principal or interest payments or otherwise honor its obligations.
- **Currency Risk.** An underlying strategy's investment in securities denominated in, and/or receiving revenues in, foreign currencies may involve risks that those currencies will decline in value relative to the U.S. dollar.
- **Derivatives Risk**. An underlying strategy’s use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments and could cause the strategy to lose more than the principal amount invested.
- **Emerging Markets Risk.** Emerging market countries may be more likely to experience political turmoil or rapid changes in market or economic conditions than more developed countries. Such countries often have less uniformity in accounting and reporting requirements and greater risk associated with the custody of securities. In addition, the financial stability of issuers (including governments) in emerging market countries may be more precarious than in other countries. As a result, there will tend to be an increased risk of price volatility associated with the fund’s investments in emerging market countries and, at times, it may be difficult to value such investments.
- **Exchange Traded Funds (ETFs) Risk.** When an underlying strategy invests in an ETF, it will bear a proportionate share of the ETF’s expenses. In addition, lack of liquidity in an ETF can result in its value being more volatile than the underlying portfolio of securities.
- **Foreign Investment and Emerging Markets Risks.** An underlying strategy’s investment in securities of foreign issuers involves certain risks that are greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory and other conditions, or changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); the imposition of economic sanctions or other government restrictions; differing accounting, auditing, financial reporting and legal standards and practices; differing securities market structures; and higher transaction costs. These risks may negatively impact the value or liquidity of the underlying fund’s investments, and could impair the underlying fund’s ability to meet its investment objective or invest in accordance with its investment strategy.
- **High Yield Risk.** High yield securities and unrated securities of similar credit quality (sometimes called junk bonds) that an underlying strategy may invest in are subject to greater levels of credit and liquidity risks. High yield securities are considered primarily speculative with respect to the issuer’s continuing ability to make principal and interest payments.

- **Index Risk.** An underlying strategy may seek to track the performance of various segments of the stock market, as measured by its respective benchmark index. Because of its indexing strategy, these underlying strategies do not take steps to reduce market exposure or to lessen the effects of a declining market. In addition, because of an underlying strategy's expenses, its performance may be below that of the index.
- **Inflation Protected Security Risk.** The value of an underlying strategy's investment in inflation protected securities, including TIPS, will generally fluctuate in response to changes in “real” interest rates, generally decreasing when real interest rates rise and increasing when real interest rates fall. In addition, interest payments on inflation-indexed securities will generally vary up or down along with the rate of inflation.
- **Interest Rate Risk**. Interest rates will rise and fall over time. During periods when interest rates are low, an underlying strategy’s yield and total return also may be low. Changes in interest rates also may affect the strategy’s share price: a sharp rise in interest rates could cause the strategy’s share price to fall. The longer the strategy’s duration, the more sensitive to interest rate movements its share price is likely to be.
- **Leverage Risk.** Certain underlying strategy transactions, such as derivatives, short sales, reverse repurchase agreements, and mortgage dollar rolls, may give rise to a form of leverage and may expose an underlying strategy to greater risk. Leverage tends to magnify the effect of any decrease or increase in the value of an underlying strategy’s portfolio.
- **Liquidity Risk.** A particular investment may be difficult to purchase or sell. An underlying strategy may be unable to sell illiquid securities at an advantageous time or price.
- **Management Risk.** An underlying strategy’s investment adviser may make poor security selections. There can be no guarantee that the underlying strategy will produce the desired results.
- **Market Risk.** Stock and bond markets rise and fall daily. As with any investment whose performance is tied to these markets, the value of the underlying strategies will fluctuate, which means the participating investor could lose money.
- **Multi-Manager Risk.** Although Schwab Bank monitors and seeks to coordinate the overall management of the fund, it is possible that the investment styles of the investment managers of underlying investment strategies may not complement one another. As a result, the fund’s exposure to a given stock, industry or investment style could unintentionally be smaller or larger than if the fund had a single manager.
- **Prepayment and Extension Risk.** An underlying strategy’s investments are subject to the risk that the securities may be paid off earlier or later than expected. Either situation could cause the strategy to hold securities paying lower-than-market rates of interest, which could hurt the strategy’s yield or share price.
- **Tracking Error Risk.** An underlying strategy may be an index strategy that seeks to track the performance of its benchmark index, although it may not be successful in doing so. The divergence between the performance of an underlying strategy and its benchmark index, positive or negative, is called "tracking error." Tracking error can be caused by many factors and it may be significant.