

# Schwab Managed Retirement Trust Funds™ (SMRT Funds)

Collective trust funds maintained by  
Charles Schwab Bank

Performance reports as of December 31, 2017

The logo for Charles Schwab, featuring the name "charles" in a lowercase, italicized serif font above the word "SCHWAB" in a bold, uppercase, sans-serif font, all contained within a blue square.

charles  
SCHWAB

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# Table of contents

Schwab target date solutions overview

Capital markets summary

SMRT funds performance & attribution review

Underlying strategy performance

SMRT funds update

Appendix



# Schwab Target Date Solutions

\*Includes Schwab Managed Retirement Trust Funds ("SMRT") and Schwab Indexed Retirement Trust Funds ("SIRT"), collective trusts maintained by Charles Schwab Bank, and Schwab Target Funds and Schwab Target Index Funds, mutual funds maintained by Charles Schwab Investment Management, Inc.

# Schwab's target date fund solutions

	Schwab Managed Retirement Trust Funds™ (SMRT Funds)	Schwab Indexed Retirement Trust Funds® (SIRT Funds)	Schwab Target Funds	Schwab Target Index Funds
<b>Structure</b>	Collective Trust Funds		Mutual Funds	
<b>Target market</b>	Designed exclusively for qualified retirement plans		Designed for retail investors and employer-sponsored retirement plans	
<b>Underlying investments</b>	Sub-Advised		Proprietary and Sub-Advised/Third Party	Proprietary
<b>Oversight structure</b>	Maintained by Schwab Bank as trustee for the funds		Maintained and managed by CSIM	
<b>Investment style</b>	Active/Passive	Passive	Active/Passive	Passive
<b>AUM (\$MM)</b>	\$11,909	\$2,449	\$4,085	\$380
<b>Inception</b>	10/1/2002	1/05/2009	7/01/2005	8/25/2016
<b>Net expense</b>	0.33%–0.89% Six unit classes	0.08% One unit class	0.33%–0.76% <sup>1</sup> One share class	0.08% <sup>2</sup> One share class

**As of December 31, 2017.**

Investment minimums may apply.

<sup>1</sup>As of the most recent prospectus, the investment adviser and its affiliates have agreed to limit the total annual fund operating expenses (excluding interest, taxes, and certain non-routine expenses) of each of the funds to 0.00% for so long as the investment advisor serves as the advisor to the fund. This agreement may only be amended or terminated with the approval of a fund's Board of Trustees. This agreement to limit the total annual fund operating expenses is limited to the fund's direct operating expenses and, therefore, does not apply to acquired fund fees and expenses (AFFE), which are indirect expenses incurred by the fund through its investments in the underlying funds.

<sup>2</sup>As of the most recent prospectus, the investment adviser and its affiliates have agreed to limit the total annual fund operating expenses (including acquired fund fees and expenses (AFFEs), but excluding interest, taxes and certain non-routine expenses) of each of the funds 0.08% for the Institutional Share class for so long as the investment adviser serves as adviser to the funds. This agreement may only be amended or terminated with the approval of a fund's Board of Trustees. AFFEs are indirect expenses incurred by the fund through its investments in the underlying funds.

# Investment management teams share accountability

Collaborative management by dedicated teams coupled with institutional oversight.

## CSIM Multi-Asset Strategic Leadership

- Collaborates with investment teams
- Prioritizes strategic portfolio needs and research agenda

### Asset Allocation Research

- Annual capital markets assumptions
- Glide path review
- Asset class review
- Scenario modeling, stress tests, real data comparison

### Portfolio Management

- Evaluates research and develops recommendations
- Implements decisions, maintains allocations, rebalancing and cash flow management
- Accountable for adherence to objectives and guidelines and fund performance

### Sub-Advisor Oversight<sup>1</sup>

- Thorough ongoing due diligence by experienced analysts with a dedicated focus
- Utilize quantitative and qualitative criteria to identify best in class strategies
- Present strategies that best fit portfolio needs

### Investment Risk Oversight

- An objective set of eyes, specifically focused on identifying and reducing risk

### Investment Committees<sup>2</sup>

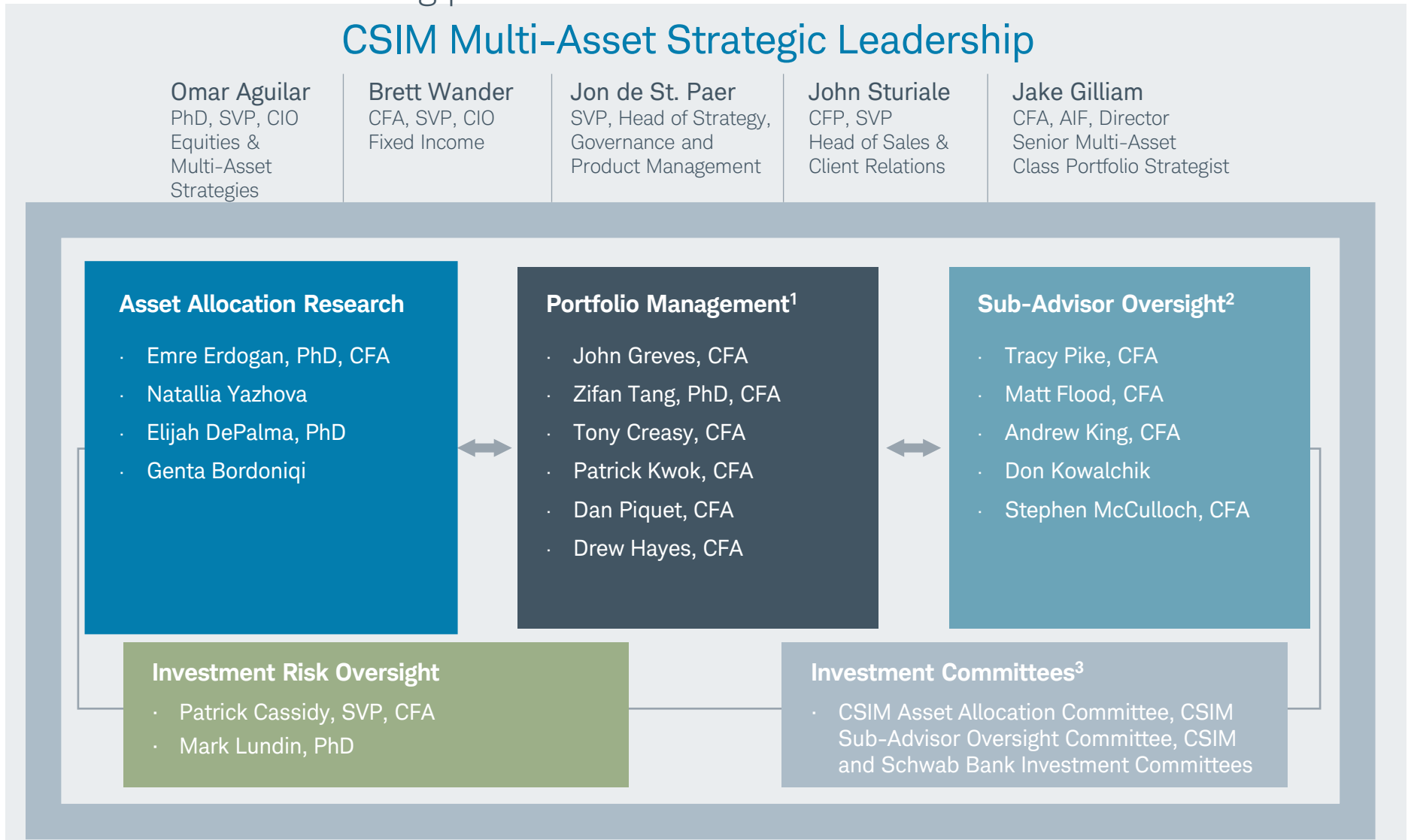
- Oversee all decisions to ensure that processes are properly followed

<sup>1</sup>Sub-Advisor Oversight provides direct oversight of all sub-advised and third-party strategies.

<sup>2</sup>For collective trust funds, recommendations are given to the Charles Schwab Bank's Collective Trust Fund Administrative Committee and Investment Committee for final decision and implementation. (0117-SAPY)

# An experienced investment management team

Our approach combines a set of diverse perspectives that **aligns your interests** with a robust and scalable investing process.



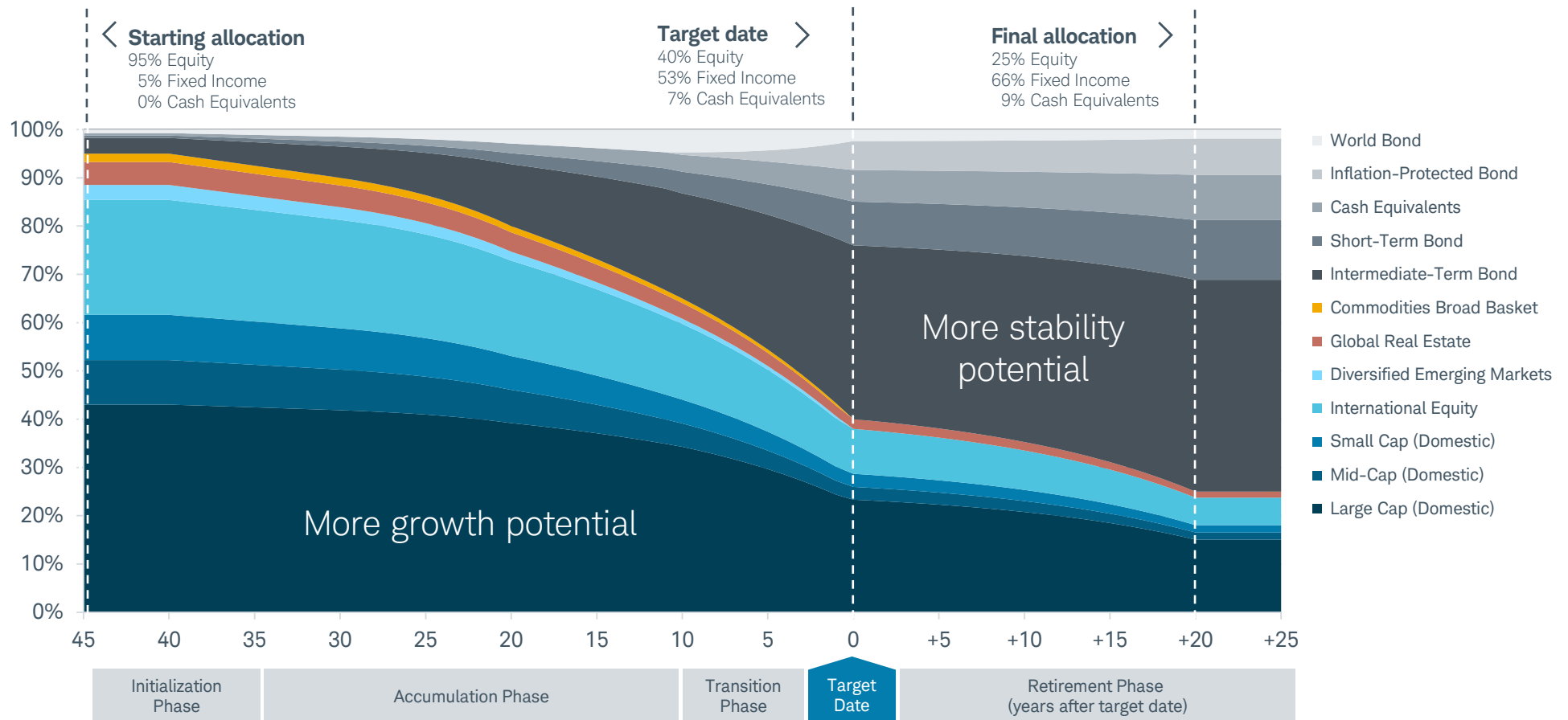
<sup>1</sup> Zifan Tang, Patrick Kwok, and Drew Hayes manage both the Schwab Target Funds and Schwab Target Index Funds. Tony Creasy and Dan Piquet manage the SMRT and SIRT Funds.

<sup>2</sup> Sub-Advisor Oversight provides direct oversight of all sub-advised and third-party strategies.

<sup>3</sup> For collective trust funds, recommendations are given to the Charles Schwab Bank's Collective Trust Fund Administrative Committee and Investment Committee for final decision and implementation.

# Our glide path has been designed with retirement participants in mind

## SMRT Funds glide path (and underlying asset classes)

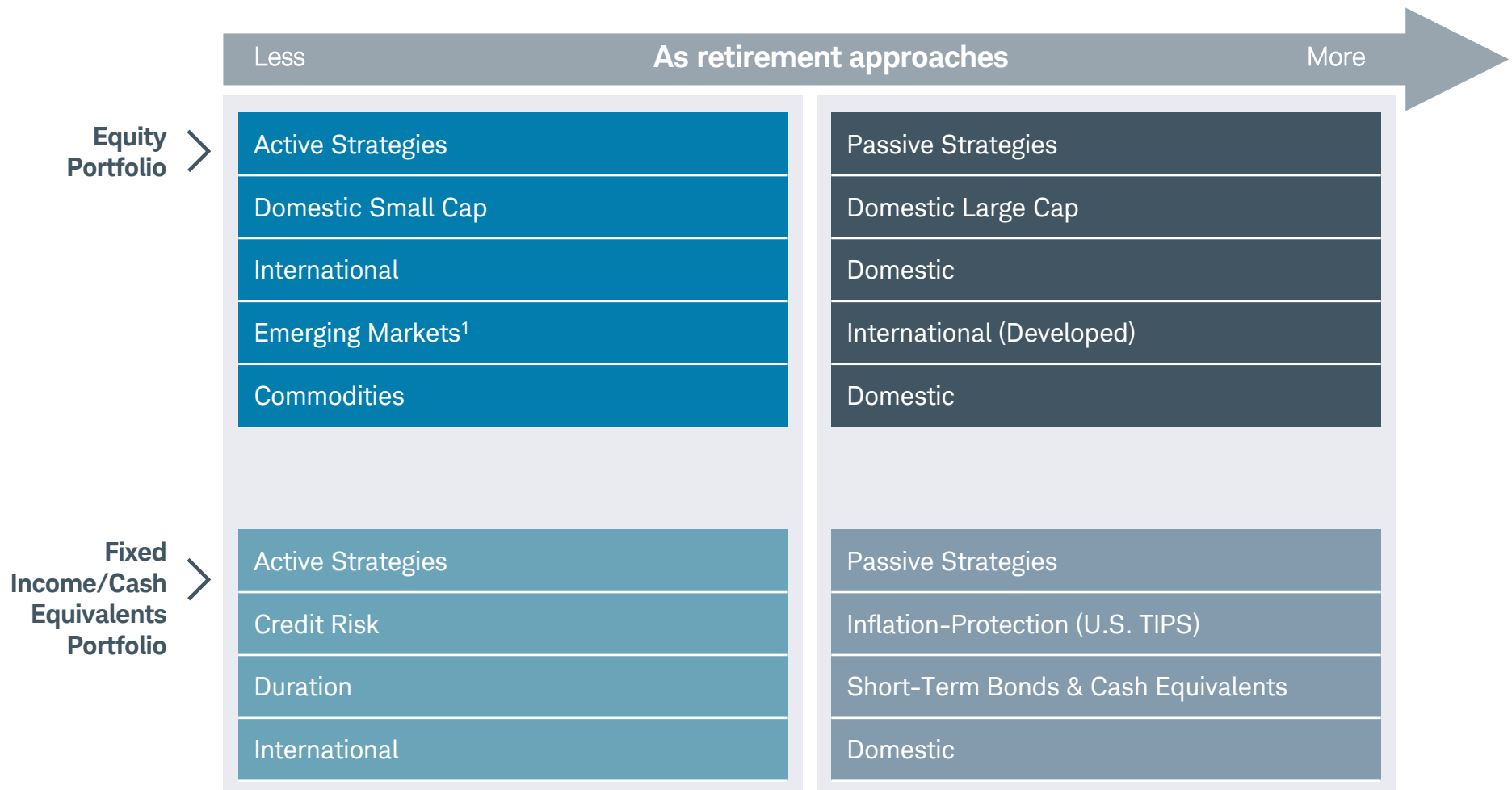


The values of the funds will fluctuate up to and after the target dates. There is no guarantee the funds will provide adequate income at or through retirement. Asset diversification and allocation strategies do not ensure a profit and cannot protect against losses in a declining market.

Equity asset classes include Domestic Equity, International Equity, Diversified Emerging Markets, Global Real Estate and Commodities. Fixed Income asset classes include Intermediate-Term Bond, Short-Term Bond, Cash Equivalents, Inflation-Protected Bond and World Bond.

(0117-SAPY)

# Key risks are potentially reduced as retirement approaches and beyond



<sup>1</sup>Represents dedicated emerging markets exposure only. Indirect emerging markets exposure may be present through other underlying international strategies.



# Access to premier investment strategies

**BLACKROCK**



DODGE & COX®

*William Blair*



WELLINGTON  
MANAGEMENT®



As of December 31, 2017.

The SMRT Funds may invest in other Schwab Bank Collective Trust Funds to gain exposure to underlying third-party sub-advised strategies. See [schwabbankfunds.com](http://schwabbankfunds.com) for additional information.

# Equity, fixed income and cash equivalents allocations

	FUND INVESTMENT	MANAGER(S)	CATEGORY
<b>Domestic Equity</b> >	Schwab Instl Large Cap Value Trust Fund*	Dodge & Cox	Large Value
	BNY Mellon Large Cap Stock Index Fund	BNY Mellon	Large Blend
	Schwab Instl Large Cap Growth Trust Fund*	Wellington Mgmt.	Large Growth
	Vanguard Mid-Cap Index Fund Instl Plus	Vanguard	Mid-Cap Blend
	BNY Mellon Small Cap Stock Index Fund Instl	BNY Mellon	Small Blend
	Schwab Instl Small Cap Trust Fund*	Wellington Mgmt.	Small Value
Voya		Small Growth	
<b>International Equity</b> >	Schwab Instl International Diversified Trust Fund*	Franklin Templeton	Foreign Large Value
		American Funds	Foreign Large Growth
		DFA	Foreign Sm/Mid Value
		William Blair	Foreign Sm/Mid Growth
<b>Diversified Emerging Markets</b> >	SSgA Emerging Markets Index Fund A	SSgA	Diversified Emerging Markets
<b>Real Assets</b> >	BlackRock Developed Real Estate Index Fund E	BlackRock	Global Real Estate
	BlackRock Commodity Index Daily Fund E	BlackRock	Commodities Broad Basket
<b>Short-Term Bond</b> >	BNY Mellon Active 1-5 Year U.S. Aggregate Bond Fund	BNY Mellon	Short-Term Bond
<b>Intermediate-Term Bond</b> >	Schwab Instl Core Plus FI Trust Fund III*	BNY Mellon	Intermediate-Term Bond (Core)
		Wells Fargo	Intermediate-Term Bond (Core)
		TCW MetWest	Intermediate-Term Bond (Core Plus)
		Loomis Sayles	
<b>World Bond</b> >	BlackRock Global Aggregate Bond Fund Ex-USD	BlackRock	World Bond
<b>Real Assets</b> >	BlackRock U.S. TIPS Index Fund E	BlackRock	Inflation-Protected Bond (U.S. TIPS)
<b>Cash Equivalents</b> >	State Street U.S. Government Short Term Investment Fund	SSgA	Cash Equivalents

The SMRT Funds invest in other Schwab Bank Collective Trust Funds to gain exposure to the underlying third-party sub-advised strategies. See schwabbankfunds.com for additional information.

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■ Passive

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10

# The DOL has provided general guidance for selecting and monitoring TDFs

“**Non-proprietary TDFs** could also offer advantages by including component funds that are managed by fund managers other than the TDF provider itself, thus **diversifying participants’ exposure** to one investment provider.”

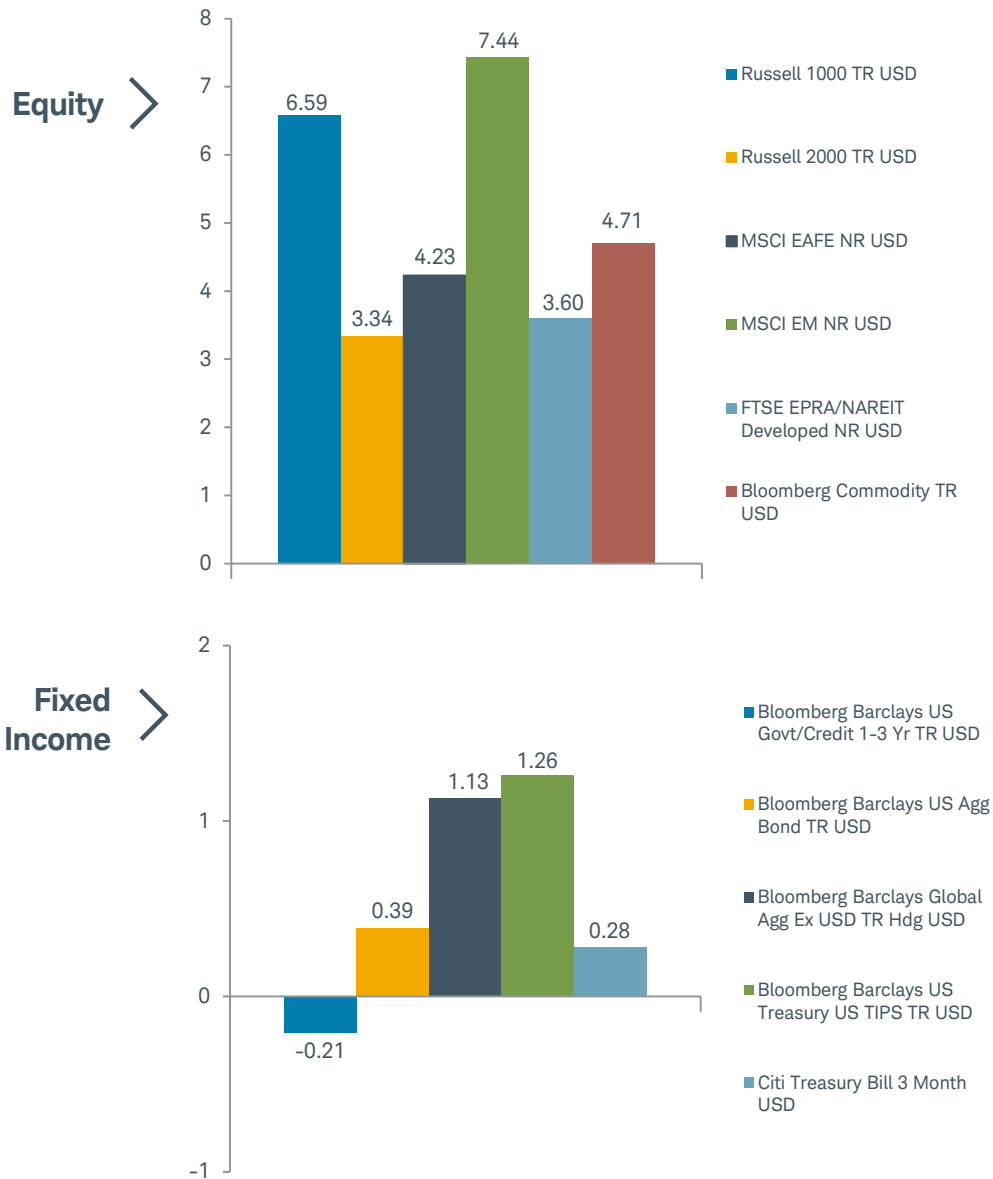
-U.S. DOL, 2013<sup>1</sup>

		DOL Guidance Highlights
<b>Evaluation</b>	Objectively comparing and selecting TDFs	✓
	Evaluating non-proprietary or custom TDFs	✓
	Using resources to evaluate the selected TDFs	✓
<b>Plan’s TDF Investment</b>	Understanding the TDF’s investments	✓
	Review fees and investment expenses	✓
	Periodic review of selected TDFs	✓
<b>Communications</b>	Develop effective employee communications	✓
<b>Recordkeeping</b>	Documenting the process	✓

<sup>1</sup>Source: U.S. Department of Labor, “Target Date Retirement Funds – Tips for ERISA Plan Fiduciaries,” February 2013. The complete fact sheet is available at [www.dol.gov/ebsa/newsroom/fstdf.html](http://www.dol.gov/ebsa/newsroom/fstdf.html).

# Capital Markets Review

# Capital markets summary—4<sup>th</sup> quarter 2017



## An eventful 4th quarter kept equities soaring

For the quarter, equity markets benefited from continued strong global growth, passage of a major U.S. tax code overhaul and a quarter of a point raise in the Federal Funds Rate which met market expectations. Additionally, investors responded positively to the Federal Reserve decreasing their expectations on the unemployment rate and increasing their GDP forecast for 2017 and 2018 while keeping their inflation forecast the same. Overall, equity markets were positive for the quarter particularly emerging markets which outpaced most other equity markets followed by domestic large cap stocks and commodities. The rebound in commodities was led by energy and industrial metals. Conversely, global REITs and domestic small cap stocks, while posting positive returns, trailed most other equity markets. In general passively managed strategies outperformed actively managed strategies.

Within the U.S., low volatility and mostly positive economic data continued to boost the equity markets. Large cap equities out-performed small caps and growth continued to outperform value. Within sectors, consumer discretionary, information technology, and financials were the quarter's top three performers while utilities, health care and telecom services were the bottom three performers.

For the fourth quarter in a row, overseas equity markets posted strong relative performance due to low inflation, robust economic growth and low interest rates. Overall, emerging market equities out-performed developed international equities. Within both emerging markets and developed international equity markets, small caps outperformed large caps and growth outperformed value.

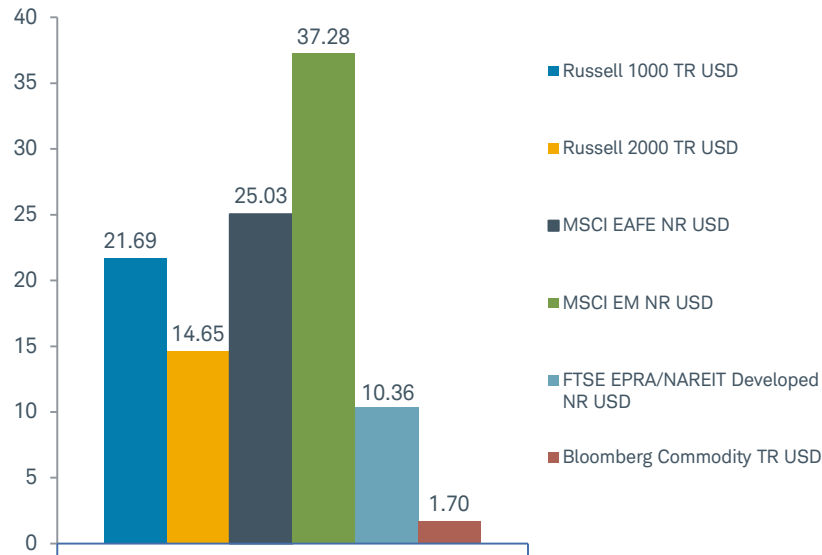
In the fixed income markets, volatility was low, rates were flat, and credit spreads tightened. U.S. TIPS and global bonds outperformed U.S. intermediate corporate bonds. TIPS strong performance was due to modest inflation expectations while global corporate bonds benefited from continued global economic momentum. In the U.S., highest beta securities in the lowest quality sectors generally performed the best. Short-term bonds generally underperformed longer term bonds due to rising short-term interest rates, a flattening yield curve and the prospect of further Federal Reserve actions.

Past performance is no guarantee of future results. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly.

Source: Return data provided by Morningstar, Inc. Content comes from a variety of sources including, but not limited to, Morningstar, CSIM, external investment managers. See Disclosures for additional detail.

# Capital markets summary—1-year as of December 31, 2017

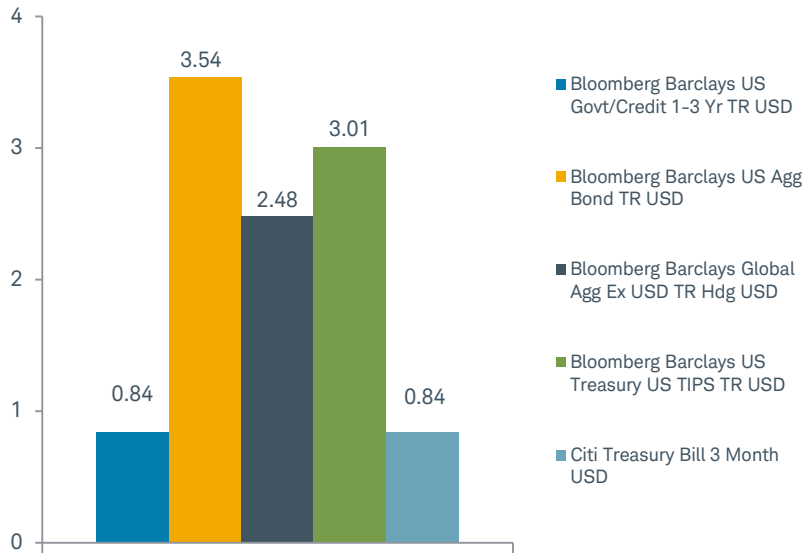
## Equity >



### Equities nine years strong

At the close of the bell on the last trading day of the year, 2017 became the ninth year of an equity bull market. For the first time in over a decade, all of the major global economies grew at the same time, this and strong earnings pushed many indices to record highs. Emerging Markets ended the year the clear winner, posting over a 37% return, followed by developed international markets at 25% and large cap domestic equities at 22%. Growth outperformed value and large cap equities outperformed small cap equities. In general passively managed strategies continued to outperform actively managed strategies. In the U.S., momentum significantly rewarded information technology, materials and health care. Conversely, telecom and energy did not perform as well and ended the year in negative territory. While in the 4<sup>th</sup> quarter commodities rebounded, for the year, commodities did not perform as well due to falling natural gas prices and negative returns for agricultural commodities. Within fixed income, solid global demand and low inflation helped U.S. intermediate term bonds perform well followed by TIPS and global bonds.

## Fixed Income >



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Source: Return data provided by Morningstar, Inc. Content comes from a variety of sources including, but not limited to, Morningstar, CSIM, external investment managers. See Disclosures for additional detail.

# Performance and Attribution Review

# Performance summary: 4Q2017

Fund	Unit Class IV Performance	Unit Class IV Performance vs. Custom Index <sup>1</sup> (+/-) %	Unit Class IV Category Percentile Ranking <sup>2</sup>	Key Comments
SMRT Income CI IV	1.64	-0.07	79	<p>For the 4<sup>th</sup> quarter, the funds ranked in the 60<sup>th</sup> percentile on average versus peers and all of the funds underperformed their custom blended indices.</p> <p><b>Glide Path Impact:</b> Absolute performance from the glide path was positive, with later dated funds outperforming earlier dated funds due to a higher allocation to equities. Returns for Class IV were between 5.11% in the later dated funds to 1.64% in the nearer dated funds.</p> <p><b>Asset Allocation:</b> Impact to the funds from asset allocation was mixed for the quarter. Versus peers, the funds' higher allocation to equities in the later dated funds positively contributed to returns. Additionally, relative to peers, in the earlier dated funds a lower allocation to TIPs was beneficial. However, relative underweight in emerging markets throughout all vintages detracted from returns given strong performance of emerging markets. Additionally, a higher allocation to small cap equities detracted from returns relative to their custom blended indices.</p> <p><b>Manager Selection Impact:</b> Relative to the custom index, earlier dated funds performed better compared to later dated funds due to less active exposure. On average, 42% of the actively managed strategies outperformed their individual index. Passively managed strategies performed within tracking error expectations to respective indices.</p> <p>The actively managed strategies sub-advised by American Funds (Foreign Large Growth), Voya (Small Growth) and William Blair (Foreign Small/Mid Growth) detracted the most from returns. The strategy sub-advised by Wellington (Large Growth) contributed to performance, ranking in the top decile.</p>
SMRT 2010 CI IV	2.28	-0.08	48	
SMRT 2015 CI IV	2.40	-0.08	72	
SMRT 2020 CI IV	2.91	-0.09	62	
SMRT 2025 CI IV	3.51	-0.13	52	
SMRT 2030 CI IV	3.94	-0.16	57	
SMRT 2035 CI IV	4.29	-0.19	64	
SMRT 2040 CI IV	4.61	-0.23	60	
SMRT 2045 CI IV	4.82	-0.25	57	
SMRT 2050 CI IV	4.95	-0.26	56	
SMRT 2055 CI IV	5.06	-0.28	51	
SMRT 2060 CI IV	5.11	-0.28	56	

As of December 31, 2017.

Past performance is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Fund performance includes the reinvestment of all income and is presented net of all fees. The values of the target date fund will fluctuate up to and after the target date. There is no guarantee the funds will provide adequate income at or through retirement.

<sup>1</sup>The custom indices are composite blended indices developed by Charles Schwab Investment Management, Inc. based on each fund's asset allocation. The components that make up a custom index may vary over time. See Disclosures for more detail.

<sup>2</sup>The percentile rank is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) is 100.

Source: Charles Schwab Investment Management, Inc. and Morningstar, Inc.

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# Performance summary: 1-year

Fund	Unit Class IV Performance	Unit Class IV Performance vs. Custom Index <sup>1</sup> (+/-) %	Unit Class IV Category Percentile Ranking <sup>2</sup>	Key Comments
SMRT Income CI IV	7.48	0.33	81	<p>For the year, the funds ranked in the 59<sup>th</sup> percentile on average versus peers. All funds outperformed their custom blended indices.</p> <p><b>Glide Path Impact:</b></p> <p>Absolute performance from the glide path was positive, with later dated funds outperforming earlier dated funds due to a higher allocation to equities. All of the funds benefited from a strong equity market. Returns for Class IV were between 21.64% in the later dated funds to 7.48% in the nearer dated funds.</p> <p><b>Asset Allocation:</b></p> <p>Relative to peers, the impact to the funds from asset allocation was negative for the 1-year period. Versus peers, the funds' relative underweight in developed international and emerging markets throughout all vintages, but more pronounced in shorter dated funds, detracted from performance given strong performance of international and emerging markets. Additionally, relative to peers, a higher allocation to mid and small cap equities, REITs, and commodities detracted from performance in later dated funds.</p> <p><b>Manager Selection Impact:</b></p> <p>Relative to the custom index, later dated funds performed better compared to earlier dated funds due to a higher exposure to active management. 58% of the actively managed sub-advised strategies out-performed their individual index. The strategy sub-advised by Dodge &amp; Cox (Large Value), Wellington (Large Growth) and Loomis Sayles (Core Plus Fixed Income) contributed the most to performance. All three strategies outperformed their respective indices and ranked in the top quartile. Strategies sub-advised by Wellington (Small Cap Value), Voya (Small Cap Growth) and American Funds (Foreign Large Growth) detracted the most from performance.</p>
SMRT 2010 CI IV	9.91	0.50	65	
SMRT 2015 CI IV	10.36	0.54	74	
SMRT 2020 CI IV	12.41	0.72	60	
SMRT 2025 CI IV	14.79	0.81	57	
SMRT 2030 CI IV	16.62	0.90	60	
SMRT 2035 CI IV	18.07	0.91	66	
SMRT 2040 CI IV	19.46	0.93	58	
SMRT 2045 CI IV	20.40	0.96	60	
SMRT 2050 CI IV	20.90	0.92	50	
SMRT 2055 CI IV	21.47	0.97	44	
SMRT 2060 CI IV	21.64	0.95	38	

As of December 31, 2017.

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<sup>1</sup>The custom indices are composite blended indices developed by Charles Schwab Investment Management, Inc. based on each fund's asset allocation. The components that make up a custom index may vary over time. See Disclosures for more detail.

<sup>2</sup>The percentile rank is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) is 100.

Source: Charles Schwab Investment Management, Inc. and Morningstar, Inc.  
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# SMRT Funds' performance vs. Morningstar category peers

## Morningstar Percentile Ranks vs. Peers<sup>2</sup>

As of December 31, 2017 (Net of fees)			RANK IN MORNINGSTAR CATEGORY 1 YR					RANK IN MORNINGSTAR CATEGORY 3 YR					RANK IN MORNINGSTAR CATEGORY 5 YR					FUNDS IN CATEGORY		
FUND	% EQUITY <sup>1</sup>	% Peer Equity	UNIT CLASS					UNIT CLASS					UNIT CLASS					1 YR	3 YR	5 YR
			I	II	III	IV	V	I	II	III	IV	V	I	II	III	IV	V			
<b>SMRT Income</b> Morningstar Category: Target-Date Retirement	25%	32%	83	81	81	81	79	78	76	74	72	69	78	69	61	56	--	175	147	123
<b>SMRT 2010</b> Morningstar Category: Target-Date 2000-2010	37%	38%	79	75	71	65	60	82	75	69	58	54	78	69	59	52	--	110	91	69
<b>SMRT 2015</b> Morningstar Category: Target-Date 2015	39%	43%	85	77	76	74	72	85	80	74	66	61	80	71	66	64	--	122	93	65
<b>SMRT 2020</b> Morningstar Category: Target-Date 2020	49%	46%	72	65	61	60	57	69	65	53	48	40	44	37	28	26	--	234	189	151
<b>SMRT 2025</b> Morningstar Category: Target-Date 2025	61%	56%	70	64	58	57	55	62	54	38	34	26	35	29	25	22	--	208	166	132
<b>SMRT 2030</b> Morningstar Category: Target-Date 2030	70%	68%	70	64	61	60	57	61	53	45	38	31	37	29	25	23	--	234	189	151
<b>SMRT 2035</b> Morningstar Category: Target-Date 2035	77%	75%	77	74	69	66	61	65	54	50	39	35	37	30	27	25	--	208	166	132
<b>SMRT 2040</b> Morningstar Category: Target-Date 2040	84%	82%	70	63	60	58	54	58	52	42	36	32	30	24	21	18	--	234	189	151
<b>SMRT 2045</b> Morningstar Category: Target-Date 2045	89%	85%	75	66	64	60	56	57	49	41	34	29	22	18	14	13	--	208	166	131
<b>SMRT 2050</b> Morningstar Category: Target-Date 2050	92%	87%	66	56	52	50	48	52	44	37	29	22	17	14	10	7	--	230	184	145
<b>SMRT 2055</b> Morningstar Category: Target-Date 2055	94%	88%	62	54	49	44	38	51	35	27	22	16	--	13	--	6	--	206	159	101
<b>SMRT 2060</b> Morningstar Category: Target-Date 2060+	95%	88%	65	56	42	38	34	--	--	--	--	--	--	--	--	--	--	160	--	--

**Past performance is no guarantee of future results.** Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Fund performance includes the reinvestment of all income and is presented net of all fees.

<sup>1</sup>% Equity represents the 2017 Policy Allocation and includes all assets not classified as cash or fixed income.

<sup>2</sup>The percentile rank is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) is 100. The top-performing fund in a category will always receive a rank of 1%. Rank in Category is based on total returns which include reinvested dividends and capital gains, if any, and exclude sales charges.

Dashed indicate performance and rank data is not available.

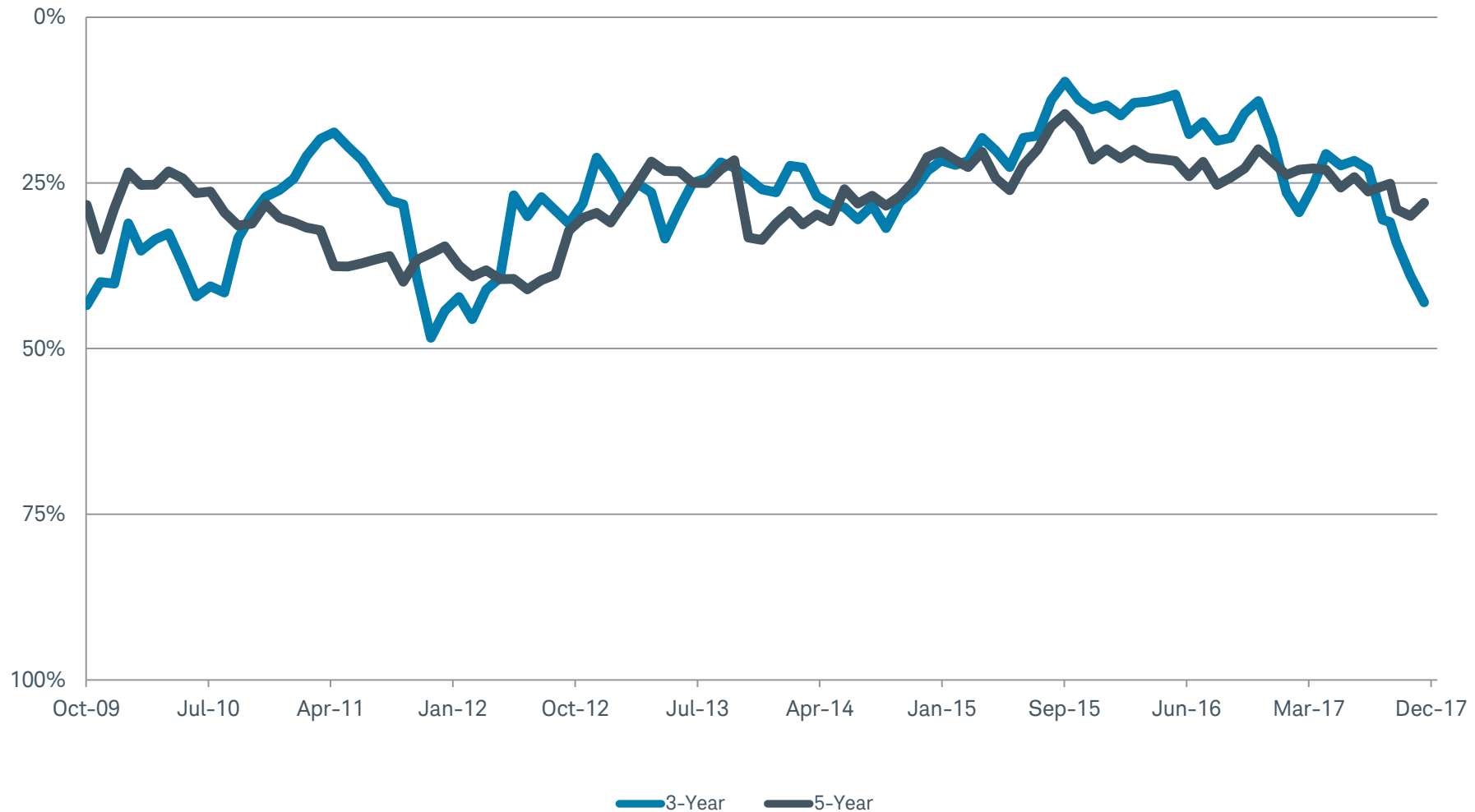
Source: Morningstar, Inc.

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1-25	Top quartile
26-50	Second quartile
51-75	Third quartile
76-100	Bottom quartile

# SMRT Funds – Rankings Summary

Average 3 and 5 Year Category Rankings (Unit Class IV) as of December 31, 2017



3-Year ranks are extended Class IV ranks from 10/31/2009 to 3/31/2013, sourced from Zephyr Associates, Inc. From 4/30/2013 forward, ranks are sourced from Morningstar, Inc.

5-Year ranks are extended Class IV ranks from 10/31/2009 to 3/31/2015, sourced from Zephyr Associates, Inc. From 4/30/2015 forward, ranks are sourced from Morningstar, Inc.

# Performance attribution

FUND	3 MONTH			1 YEAR			3 YEAR		
	Sector & Asset Allocation	Manager Selection	Active Return	Sector & Asset Allocation	Manager Selection	Active Return	Sector & Asset Allocation	Manager Selection	Active Return
As of December 31, 2017									
SMRT Income Fund	0.01	-0.05	-0.04	0.05	0.46	0.52	0.00	0.15	0.14
SMRT 2010 Fund	0.01	-0.05	-0.04	0.05	0.63	0.68	-0.01	0.20	0.19
SMRT 2015 Fund	0.02	-0.05	-0.04	0.07	0.66	0.73	-0.04	0.21	0.17
SMRT 2020 Fund	0.01	-0.07	-0.06	0.10	0.81	0.90	0.01	0.25	0.26
SMRT 2025 Fund	-0.02	-0.08	-0.10	-0.02	0.98	0.96	-0.01	0.30	0.29
SMRT 2030 Fund	-0.04	-0.09	-0.13	-0.03	1.10	1.07	-0.04	0.33	0.29
SMRT 2035 Fund	-0.07	-0.10	-0.17	-0.15	1.19	1.03	-0.08	0.34	0.26
SMRT 2040 Fund	-0.09	-0.11	-0.20	-0.19	1.25	1.05	-0.06	0.35	0.29
SMRT 2045 Fund	-0.11	-0.11	-0.23	-0.25	1.30	1.05	-0.09	0.36	0.27
SMRT 2050 Fund	-0.12	-0.12	-0.24	-0.28	1.32	1.04	-0.07	0.36	0.29
SMRT 2055 Fund	-0.12	-0.12	-0.24	-0.32	1.38	1.06	-0.12	0.36	0.24
SMRT 2060 Fund	-0.12	-0.12	-0.24	-0.33	1.38	1.05	--	--	--

**Performance data quoted represents past performance and is no guarantee of future results.** Current performance may be lower or higher. Visit [schwabbankfunds.com](http://schwabbankfunds.com) for month-end performance information. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

Allocation effects on performance may be overstated due to the T+1 settlement reporting of ETF allocations during large cash flow equitizations.

Sector & Asset Allocation Attribution measures the impact of sector and asset allocation decisions based on Fund returns versus custom benchmarks. Manager Selection Attribution measures the impact of manager decisions based on Fund returns versus custom benchmark returns.

Attribution reported above is gross of the SMRT Funds' operating expense and net of the underlying strategies' fees.

Each SMRT Fund's custom index is a blend of broad based market indices used to measure Fund performance. The composition of the custom index is adjusted to align similarly with each Fund's strategic policy allocation in each asset class. A Fund will not attempt to replicate the index. See the Disclosures for underlying custom index components.

Source: Charles Schwab Investment Management, Inc.  
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# SMRT Funds Performance

As of 12/31/2017	Exp. Ratio	Inception Date	Extended Performance Inception Date <sup>1</sup>	1 Month %	1 Month Rank	3 Month %	3 Month Rank	YTD %	YTD Rank	1 Year %	1 Year Rank	3 Year %	3 Year Rank	5 Year %	5 Year Rank	10 Year %	10 Year Rank	Since Inception	3 Year Sharpe Ratio	3 Year Std. Deviation	Month End Net Asset Value (NAV) \$
<b>SMRT Income</b>																					
Unit Class I	0.89	12/17/04	--	0.54	85	1.53	86	7.02	83	7.02	83	3.39	78	3.82	78	3.89	66	4.29	1.04	2.90	17.30
Unit Class II	0.69	09/02/05	12/31/04	0.56	82	1.58	81	7.22	81	7.22	81	3.59	76	4.03	69	4.10	55	4.42	1.11	2.90	17.72
Unit Class III	0.54	01/03/07	12/31/04	0.57	81	1.62	79	7.39	81	7.39	81	3.75	74	4.18	61	4.26	49	4.40	1.17	2.90	18.00
Unit Class IV	0.45	01/05/10	12/31/04	0.58	80	1.64	79	7.48	81	7.48	81	3.84	72	4.27	56	4.36	--	5.26	1.20	2.90	18.14
Unit Class V <sup>2</sup>	0.35	06/19/14	12/31/04	0.58	79	1.67	75	7.59	79	7.59	79	3.94	69	--	--	--	--	3.78	1.23	2.90	18.21
Income Custom Index				0.58	--	1.71	--	7.15	--	7.15	--	3.92	--	4.39	--	4.19	--	--	1.26	2.81	--
Morningstar Category: Retirement Income MF				0.67	--	2.01	--	8.81	--	8.81	--	4.17	--	4.48	--	4.07	--	--	0.98	3.83	--
<b>SMRT 2010</b>																					
Unit Class I	0.89	10/01/02	--	0.65	78	2.17	67	9.43	79	9.43	79	4.49	82	5.43	78	4.12	55	5.81	1.03	3.98	23.66
Unit Class II	0.69	09/02/05	10/31/02	0.67	75	2.22	55	9.65	75	9.65	75	4.70	75	5.64	69	4.34	48	4.81	1.08	3.99	24.27
Unit Class III	0.54	01/03/07	10/31/02	0.68	71	2.26	49	9.81	71	9.81	71	4.85	69	5.79	59	4.49	41	4.57	1.12	3.98	24.68
Unit Class IV	0.45	01/05/10	10/31/02	0.69	67	2.28	48	9.91	65	9.91	65	4.95	58	5.89	52	4.59	--	6.45	1.15	3.99	24.86
Unit Class V <sup>2</sup>	0.35	06/19/14	10/31/02	0.70	64	2.31	46	10.02	60	10.02	60	5.05	54	--	--	--	--	4.78	1.17	3.98	24.95
2010 Custom Index				0.68	--	2.36	--	9.41	--	9.41	--	4.97	--	5.95	--	4.45	--	--	1.18	3.90	--
Morningstar Category: Target Date 2000-2010 MF				0.77	--	2.33	--	10.15	--	10.15	--	4.98	--	5.78	--	4.19	--	--	1.00	4.54	--
<b>SMRT 2015</b>																					
Unit Class I	0.89	08/02/07	--	0.67	70	2.29	85	9.89	85	9.89	85	4.67	85	5.98	80	4.12	71	4.18	1.03	4.16	15.33
Unit Class II	0.69	10/02/07	--	0.69	58	2.34	82	10.09	77	10.09	77	4.88	80	6.19	71	4.34	64	4.06	1.08	4.16	15.04
Unit Class III	0.54	08/30/07	--	0.70	55	2.38	76	10.26	76	10.26	76	5.04	74	6.35	66	4.49	51	4.54	1.12	4.16	15.83
Unit Class IV	0.45	04/05/10	08/31/07	0.71	55	2.40	72	10.36	74	10.36	74	5.14	66	6.45	64	4.60	--	6.84	1.14	4.16	15.95
Unit Class V <sup>2</sup>	0.35	06/19/14	08/31/07	0.72	52	2.43	70	10.47	72	10.47	72	5.24	61	--	--	--	--	4.92	1.17	4.16	16.01
2015 Custom Index				0.69	--	2.48	--	9.82	--	9.82	--	5.16	--	6.50	--	4.48	--	--	1.17	4.07	--
Morningstar Category: Target Date 2015 MF				0.78	--	2.62	--	11.29	--	11.29	--	5.36	--	6.47	--	4.44	--	--	0.98	5.07	--
<b>SMRT 2020</b>																					
Unit Class I	0.89	10/01/02	--	0.78	56	2.80	72	11.92	72	11.92	72	5.50	69	7.33	44	4.58	52	6.82	0.95	5.39	27.37
Unit Class II	0.69	09/02/05	10/31/02	0.79	53	2.85	67	12.14	65	12.14	65	5.71	65	7.54	37	4.80	45	5.49	0.99	5.39	28.10
Unit Class III	0.54	01/03/07	10/31/02	0.81	52	2.89	65	12.32	61	12.32	61	5.87	53	7.71	28	4.95	34	4.96	1.02	5.39	28.56
Unit Class IV	0.45	01/05/10	10/31/02	0.82	48	2.91	62	12.41	60	12.41	60	5.96	48	7.80	26	5.04	--	7.89	1.03	5.39	28.77
Unit Class V <sup>2</sup>	0.35	06/19/14	10/31/02	0.82	45	2.94	57	12.52	57	12.52	57	6.07	40	--	--	--	--	5.62	1.06	5.39	28.87
2020 Custom Index				0.79	--	3.00	--	11.69	--	11.69	--	5.88	--	7.77	--	4.94	--	--	1.04	5.31	--
Morningstar Category: Target Date 2020 MF				0.80	--	2.92	--	12.46	--	12.46	--	5.67	--	6.76	--	4.54	--	--	0.95	5.52	--

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<sup>1</sup>Unit Class III (0.54% OER), Unit Class IV (0.45% OER) and Unit Class V (0.35% OER) extended performance is based upon actual Unit Class I (0.89% OER) performance, adjusted for difference in unit class expense.

<sup>2</sup>To invest in Unit Class V a minimum of \$100MM mapping into the Funds or plans with greater than \$400MM in total plan assets is required.

Target Date Custom Indices are composed of the Russell 1000 Index, Russell 2000 Index, MSCI EAFE Index (Net), MSCI Emerging Markets Index (Net), FTSE EPRA/NAREIT Developed Index (Net), Bloomberg Commodity Index, Barclays 1-3 Year Government Credit Index, Barclays U.S. Aggregate Bond Index, Barclays Global Aggregate Bond ex-US Hedged Index, Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index, and Citigroup U.S. 3-month Treasury Bill Index.

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# SMRT Funds Performance

As of 12/31/2017	Exp. Ratio	Inception Date	Extended Performance Inception Date <sup>1</sup>	1 Month %	1 Month Rank	3 Month %	3 Month Rank	YTD %	YTD Rank	1 Year %	1 Year Rank	3 Year %	3 Year Rank	5 Year %	5 Year Rank	10 Year %	10 Year Rank	Since Inception	3 Year Sharpe Ratio	3 Year Std. Deviation	Month End Net Asset Value (NAV) \$
<b>SMRT 2025</b>																					
Unit Class I	0.89	08/02/07	--	0.88	57	3.39	65	14.29	70	14.29	70	6.47	62	8.52	35	4.96	49	5.06	0.95	6.42	16.72
Unit Class II	0.69	10/02/07	--	0.90	52	3.44	62	14.51	64	14.51	64	6.68	54	8.73	29	5.15	42	4.76	0.98	6.41	16.11
Unit Class III	0.54	08/30/07	--	0.91	47	3.48	58	14.68	58	14.68	58	6.84	38	8.89	25	5.32	24	5.41	1.01	6.41	17.24
Unit Class IV	0.45	04/05/10	08/31/07	0.92	42	3.51	52	14.79	57	14.79	57	6.94	34	9.00	22	5.43	--	8.43	1.02	6.41	17.36
Unit Class V <sup>2</sup>	0.35	06/19/14	08/31/07	0.93	40	3.53	52	14.91	55	14.91	55	7.05	26	--	--	--	--	6.45	1.04	6.41	17.43
2025 Custom Index				0.89	--	3.64	--	13.98	--	13.98	--	6.82	--	8.95	--	5.35	--	--	1.01	6.36	--
Morningstar Category: Target Date 2025 MF				0.92	--	3.46	--	14.67	--	14.67	--	6.50	--	7.93	--	4.94	--	--	0.94	6.49	--
<b>SMRT 2030</b>																					
Unit Class I	0.89	10/01/02	--	0.97	57	3.82	72	16.11	70	16.11	70	7.15	61	9.42	37	5.17	48	7.76	0.93	7.24	31.25
Unit Class II	0.69	09/02/05	10/31/02	0.99	55	3.88	62	16.34	64	16.34	64	7.36	53	9.64	29	5.39	38	6.14	0.96	7.24	32.05
Unit Class III	0.54	01/03/07	10/31/02	1.00	52	3.91	59	16.51	61	16.51	61	7.52	45	9.80	25	5.54	28	5.47	0.98	7.24	32.59
Unit Class IV	0.45	01/05/10	10/31/02	1.01	47	3.94	57	16.62	60	16.62	60	7.62	38	9.90	23	5.64	--	9.31	1.00	7.24	32.82
Unit Class V <sup>2</sup>	0.35	06/19/14	10/31/02	1.01	45	3.96	57	16.74	57	16.74	57	7.73	31	--	--	--	--	7.01	1.02	7.24	32.94
2030 Custom Index				0.97	--	4.10	--	15.72	--	15.72	--	7.49	--	9.84	--	5.60	--	--	0.99	7.19	--
Morningstar Category: Target Date 2030 MF				1.00	--	3.98	--	16.57	--	16.57	--	7.22	--	8.74	--	5.12	--	--	0.93	7.36	--
<b>SMRT 2035</b>																					
Unit Class I	0.89	08/02/07	--	1.04	58	4.18	72	17.56	77	17.56	77	7.68	65	10.16	37	5.49	49	5.49	0.92	7.92	17.44
Unit Class II	0.69	10/02/07	--	1.06	53	4.23	71	17.80	74	17.80	74	7.90	54	10.38	30	5.70	34	5.18	0.95	7.93	16.79
Unit Class III	0.54	08/28/07	--	1.07	51	4.27	65	17.96	69	17.96	69	8.06	50	10.55	27	5.86	24	6.01	0.97	7.92	18.29
Unit Class IV	0.45	04/05/10	08/31/07	1.08	51	4.29	64	18.07	66	18.07	66	8.17	39	10.65	25	5.96	--	9.77	0.98	7.92	18.40
Unit Class V <sup>2</sup>	0.35	06/19/14	08/31/07	1.09	48	4.32	62	18.19	61	18.19	61	8.27	35	--	--	--	--	7.44	0.99	7.93	18.46
2035 Custom Index				1.05	--	4.48	--	17.16	--	17.16	--	8.02	--	10.60	--	5.86	--	--	0.97	7.88	--
Morningstar Category: Target Date 2035 MF				1.05	--	4.38	--	18.43	--	18.43	--	7.87	--	9.66	--	5.40	--	--	0.92	8.19	--
<b>SMRT 2040</b>																					
Unit Class I	0.89	10/18/02	--	1.11	56	4.50	74	18.94	70	18.94	70	8.19	58	10.80	30	5.60	41	8.25	0.91	8.58	33.37
Unit Class II	0.69	09/02/05	10/31/02	1.13	53	4.55	68	19.17	63	19.17	63	8.41	52	11.02	24	5.83	35	6.65	0.93	8.59	34.39
Unit Class III	0.54	01/03/07	10/31/02	1.14	50	4.59	64	19.36	60	19.36	60	8.57	42	11.19	21	5.98	28	5.86	0.95	8.59	34.84
Unit Class IV	0.45	01/05/10	10/31/02	1.15	47	4.61	60	19.46	58	19.46	58	8.67	36	11.30	18	6.07	--	10.22	0.96	8.59	35.09
Unit Class V <sup>2</sup>	0.35	06/19/14	10/31/02	1.16	46	4.64	58	19.58	54	19.58	54	8.78	32	--	--	--	--	7.87	0.98	8.59	35.22
2040 Custom Index				1.12	--	4.84	--	18.53	--	18.53	--	8.52	--	11.23	--	6.10	--	--	0.95	8.54	--
Morningstar Category: Target Date 2040 MF				1.10	--	4.71	--	19.52	--	19.52	--	8.23	--	10.03	--	5.49	--	--	0.91	8.64	--

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Target Date Custom Indices are composed of the Russell 1000 Index, Russell 2000 Index, MSCI EAFE Index (Net), MSCI Emerging Markets Index (Net), FTSE EPRA/NAREIT Developed Index (Net), Bloomberg Commodity Index, Barclays 1-3 Year Government Credit Index, Barclays U.S. Aggregate Bond Index, Barclays Global Aggregate Bond ex-US Hedged Index, Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index, and Citigroup U.S. 3-month Treasury Bill Index.

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# SMRT Funds Performance

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<b>SMRT 2045</b>																					
Unit Class I	0.89	08/02/07	--	1.16	50	4.71	71	19.87	75	19.87	75	8.54	57	11.16	22	5.84	43	5.36	0.91	8.95	17.23
Unit Class II	0.69	10/02/07	--	1.18	47	4.76	66	20.11	66	20.11	66	8.75	49	11.38	18	6.05	32	5.52	0.93	8.96	17.35
Unit Class III	0.54	08/30/07	--	1.19	46	4.80	61	20.28	64	20.28	64	8.92	41	11.55	14	6.21	28	5.91	0.95	8.96	18.10
Unit Class IV	0.45	04/05/10	08/31/07	1.20	44	4.82	57	20.40	60	20.40	60	9.03	34	11.66	13	6.33	--	10.48	0.96	8.96	18.24
Unit Class V <sup>2</sup>	0.35	06/19/14	08/31/07	1.20	43	4.85	53	20.52	56	20.52	56	9.13	29	--	--	--	--	8.14	0.98	8.96	18.31
2045 Custom Index				1.17	--	5.07	--	19.44	--	19.44	--	8.85	--	11.61	--	6.21	--	--	0.95	8.93	--
Morningstar Category: Target Date 2045 MF				1.13	--	4.90	--	20.51	--	20.51	--	8.55	--	10.45	--	5.66	--	--	0.91	9.03	--
<b>SMRT 2050</b>																					
Unit Class I	0.89	02/20/07	--	1.18	51	4.83	68	20.37	66	20.37	66	8.71	52	11.43	17	5.93	43	5.42	0.91	9.21	17.73
Unit Class II	0.69	01/08/07	--	1.20	48	4.88	62	20.61	56	20.61	56	8.93	44	11.65	14	6.13	35	5.91	0.93	9.21	18.79
Unit Class III	0.54	01/03/07	--	1.22	46	4.92	56	20.79	52	20.79	52	9.10	37	11.82	10	6.30	27	6.00	0.95	9.21	18.98
Unit Class IV	0.45	01/05/10	01/31/07	1.22	45	4.95	56	20.90	50	20.90	50	9.19	29	11.92	7	6.40	--	10.63	0.96	9.21	19.12
Unit Class V <sup>2</sup>	0.35	06/19/14	01/31/07	1.23	42	4.97	53	21.02	48	21.02	48	9.30	22	--	--	--	--	8.28	0.97	9.21	19.19
2050 Custom Index				1.19	--	5.21	--	19.98	--	19.98	--	9.04	--	11.88	--	6.32	--	--	0.94	9.18	--
Morningstar Category: Target Date 2050 MF				1.15	--	5.01	--	20.67	--	20.67	--	8.62	--	10.48	--	5.68	--	--	0.91	9.07	--
<b>SMRT 2055</b>																					
Unit Class I	0.89	05/03/13	11/31/12	1.21	48	4.94	60	20.93	62	20.93	62	8.88	51	--	--	--	--	10.43	0.90	9.45	18.13
Unit Class II	0.69	11/21/12	--	1.23	46	4.99	53	21.17	54	21.17	54	9.12	35	11.81	13	--	--	12.52	0.93	9.45	18.28
Unit Class III	0.54	07/02/13	11/31/12	1.24	44	5.03	51	21.35	49	21.35	49	9.28	27	--	--	--	--	11.06	0.94	9.45	18.44
Unit Class IV	0.45	12/10/12	11/31/12	1.25	42	5.06	51	21.47	44	21.47	44	9.38	22	12.08	6	--	--	12.29	0.95	9.45	18.51
Unit Class V <sup>2</sup>	0.35	06/19/14	11/31/12	1.25	42	5.09	47	21.59	38	21.59	38	9.49	16	--	--	--	--	8.44	0.96	9.45	18.58
2055 Custom Index				1.22	--	5.34	--	20.50	--	20.50	--	9.21	--	12.08	--	--	--	--	0.94	9.44	--
Morningstar Category: Target Date 2055 MF				1.16	--	5.04	--	21.08	--	21.08	--	8.79	--	10.87	--	--	--	--	0.92	9.21	--
<b>SMRT 2060</b>																					
Unit Class I	0.89	12/31/15	--	1.23	49	4.99	69	21.11	65	21.11	65	--	--	--	--	--	--	14.53	--	--	13.67
Unit Class II	0.69	11/23/15	--	1.25	46	5.05	62	21.34	56	21.34	56	--	--	--	--	--	--	13.24	--	--	13.72
Unit Class III	0.54	10/28/15	--	1.26	43	5.09	58	21.51	42	21.51	42	--	--	--	--	--	--	13.73	--	--	13.76
Unit Class IV	0.45	09/21/15	--	1.27	43	5.11	56	21.64	38	21.64	38	--	--	--	--	--	--	15.17	--	--	13.80
Unit Class V <sup>2</sup>	0.35	12/7/2015	--	1.27	42	5.14	54	21.75	34	21.75	34	--	--	--	--	--	--	13.66	--	--	13.81
2060 Custom Index				1.23	--	5.39	--	20.69	--	20.69	--	--	--	--	--	--	--	--	--	--	--
Morningstar Category: Target Date 2060+ MF				1.17	--	5.13	--	21.27	--	21.27	--	--	--	--	--	--	--	--	--	--	--

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# Underlying Strategy Performance



# Underlying strategy performance

As of December 31, 2017	QUARTER			1 YEAR			3 YEAR			5 YEAR		
	vs. Category	vs. Comparative Index*	vs. Custom Index*	vs. Category	vs. Comparative Index*	vs. Custom Index*	vs. Category	vs. Comparative Index*	vs. Custom Index*	vs. Category	vs. Comparative Index*	vs. Custom Index*
<b>UNDERLYING INVESTMENT STRATEGY</b>												
Dodge & Cox Large Cap Value Portfolio	-	+	-	+	+	-	+	+	-	+	+	-
Wellington Large Cap Growth Portfolio	+	+	+	+	+	+	+	+	+	+	+	+
Wellington Small Cap Value Portfolio	-	+	-	-	-	-	-	-	-	+	-	-
Voya Small Cap Growth Portfolio	-	-	+	-	-	+	+	-	+	--	--	--
Templeton Intl Equity Fund	+	-	-	+	+	-	-	+	-	-	+	-
American Funds EuroPacific Growth Fund R6 (RERGX)	-	-	=	+	-	+	+	+	+	+	+	+
DFA Intl Small Cap Value Portfolio Instl (DISVX)	-	-	-	+	+	+	+	+	+	+	+	+
William Blair Intl. Small Cap Growth Collective Invt. Fund II	-	-	+	-	-	+	-	-	+	-	+	+
BNY Mellon Active 1-5 Year U.S. Aggregate Bond Fund	-	+	+	-	+	+	-	-	+	-	-	+
Loomis Sayles Core Plus Full Discretion Fund	+	=	+	+	+	+	+	+	+	+	+	+
Wells Fargo Core Bond II CIT	+	-	-	-	+	+	+	+	+	--	--	--
TCW MetWest Total Return Bond Fund	=	=	+	-	-	-	--	--	--	--	--	--

Actual fund, custom index, comparative index and category returns are found on the previous pages.

\*Custom index disclosures are found in the Disclosure section of the report.

Source: Charles Schwab Investment Management, Inc. and Morningstar, Inc. See the Disclosures at the end of the document for important information.

# Performance of SMRT Funds underlying investment strategies

Domestic Equity >

As of December 31, 2017	Date Strategy Added to SMRT Funds	Annualized Returns (%) <sup>1</sup> (not annualized if less than 1 year)							
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
<b>Schwab Instl Large Cap Value Trust Fund-Instl (sub-advised by Dodge &amp; Cox)</b> (Inception: Fund-5/3/10, Extended Perf.-7/31/01)	10/1/02	2.25	5.35	17.58	17.58	10.59	15.67	--	
Russell 1000 Value Index		1.46	5.33	13.66	13.66	8.65	14.04	7.10	
Morningstar Category: Large Value		1.51	5.99	15.94	15.94	8.65	13.33	6.92	
<b>BNY Mellon Large Cap Stock Index Fund Instl<sup>1</sup></b> (Inception: Fund-3/13/09)	5/28/08	1.12	6.59	21.68	21.68	11.21	15.69	--	
Russell 1000 Index		1.11	6.59	21.69	21.69	11.23	15.71	8.59	
Morningstar Category: Large Blend		1.20	6.41	20.44	20.44	9.70	14.24	7.61	
<b>Schwab Instl Large Cap Growth Trust Fund-Instl (sub-advised by Wellington)</b> (Inception: Fund-10/1/02)	10/2/02	0.86	8.08	35.56	35.56	14.31	17.83	8.98	
Russell 1000 Growth Index		0.78	7.86	30.21	30.21	13.79	17.33	10.00	
Morningstar Category: Large Growth		0.62	6.44	27.67	27.67	11.06	15.29	8.31	
<b>Vanguard Mid-Cap Index Fund Instl Plus (VMCPX)</b> (Inception: Fund-5/21/98, Share Class-12/15/10)	1/3/06	0.94	5.65	19.28	19.28	9.41	15.04	8.96	12.84
Spliced Mid-Cap Index <sup>2</sup>		0.95	5.65	19.30	19.30	9.42	15.10	8.98	
Morningstar Category: Mid-Cap Blend		0.74	5.44	15.93	15.93	8.16	13.28	7.86	
<b>BNY Mellon Small Cap Index Fund Instl</b>	11/21/13	-0.42	3.29	14.61	14.61	9.87	--	--	
Russell 2000 Index		-0.40	3.34	14.65	14.65	9.96	14.12	8.71	
Morningstar Category: Small Blend		-0.28	3.54	12.28	12.28	8.71	12.99	8.13	
<b>Schwab Instl Small Cap Trust Fund-Instl<sup>3</sup></b> (Inception: Fund-6/24/04)	6/24/04	-1.05	3.02	10.74	10.74	8.09	12.56	6.78	
Russell 2000 Index		-0.40	3.34	14.65	14.65	9.96	14.12	8.71	
Morningstar Category: Small Blend		-0.28	3.54	12.28	12.28	8.71	12.99	8.13	
<b>Wellington Small Cap Value Portfolio*</b>	12/16/09	-1.97	2.61	3.20	3.20	8.11	12.68	--	
Russell 2000 Value Index		-0.95	2.05	7.84	7.84	9.55	13.01	8.17	
Morningstar Category: Small Value		-0.16	3.50	8.54	8.54	8.25	12.23	8.22	
<b>Voya Small Cap Growth Portfolio*</b>	4/10/13	-0.12	3.48	18.97	18.97	10.06	--	--	
Russell 2000 Growth Index		0.12	4.59	22.17	22.17	10.28	15.21	9.19	
Morningstar Category: Small Growth		0.23	4.70	21.50	21.50	9.97	13.96	8.42	

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Source: Morningstar, Inc. See the Disclosures at the end of the document for important information.

# Performance of SMRT Funds underlying investment strategies

	As of December 31, 2017	Date Strategy Added to SMRT Funds	Annualized Returns (%) <sup>1</sup> (not annualized if less than 1 year)							Since Inception
			1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
International Equity >	<b>Schwab Instl Diversified Intl Trust Fund-Instl</b> (Inception: Fund-10/26/10)	10/26/10	1.75	3.97	27.39	27.39	8.71	8.00	--	
	MSCI EAFE Index (Net)		1.61	4.23	25.03	25.03	7.80	7.90	1.94	
	Morningstar Category: Foreign Large Blend		1.56	3.94	25.12	25.12	7.73	7.27	1.79	
	<b>Templeton Intl Equity Fund*</b>	12/19/07	1.83	3.66	22.98	22.98	6.41	5.95	1.58	
	MSCI ACWI ex USA Value Index (Net)		2.31	4.23	22.66	22.66	6.31	5.58	1.23	
	Morningstar Category: Foreign Large Value		1.77	3.42	22.08	22.08	6.72	6.49	1.36	
	<b>American Funds EuroPacific Growth Fund R6 (RERGX)*</b> (Inception: Fund-4/16/84, Share Class-5/1/09)	2/28/06	1.11	4.23	31.17	31.17	9.66	9.21	3.90	10.69
	MSCI ACWI ex USA Growth Index (Net)		2.16	5.77	32.01	32.01	9.29	7.97	2.40	
	Morningstar Category: Foreign Large Growth		1.55	4.33	30.87	30.87	9.04	8.51	2.75	
	<b>DFA Intl Small Cap Value Portfolio Instl (DISVX)*</b> (Inception: Fund-12/29/94, Share Class-12/29/94)	1/7/08	2.86	3.83	27.98	27.98	12.86	12.57	5.77	8.25
	MSCI World ex USA Small Cap Value Index (Net)		3.17	5.20	27.93	27.93	11.72	10.89	5.19	
	Morningstar Category: Foreign Small/Mid Value		2.52	4.49	27.52	27.52	10.18	9.40	3.06	
Real Assets >	<b>William Blair Intl. Small Cap Growth Collective Invt. Fund II*</b>	12/12/11	2.96	4.84	32.71	32.71	11.64	10.42	--	
	MSCI ACWI ex USA Small Cap Growth Index (Net)		2.83	7.19	33.64	33.64	12.38	10.15	4.24	
	Morningstar Category: Foreign Small/Mid Growth		2.50	6.09	36.19	36.19	12.55	11.33	5.27	
	<b>SSgA Emerging Markets Index Fund A</b>	3/25/13	3.40	7.44	37.13	37.13	8.89	--	--	
	MSCI Emerging Markets Index (Net)		3.59	7.44	37.28	37.28	9.10	4.35	1.68	
	Morningstar Category: Diversified Emerging Markets		3.55	6.27	34.17	34.17	7.95	4.09	1.63	
	<b>BlackRock Developed Real Estate Index Fund E</b>	7/31/09	1.34	3.73	11.13	11.13	5.17	6.80	--	
	FTSE EPRA/NAREIT Developed Index (Net)		1.29	3.60	10.36	10.36	4.44	6.32	3.28	
	Morningstar Category: Global Real Estate		1.98	4.45	15.12	15.12	5.22	6.13	3.04	
	<b>BlackRock Commodity Index Daily Fund E<sup>4</sup></b>	6/30/10	2.94	4.60	1.27	1.27	-5.43	-8.80	--	
	Bloomberg Commodity Index		2.99	4.71	1.70	1.70	-5.03	-8.45	-6.83	
	Morningstar Category: Commodities Broad Basket		2.96	5.67	3.66	3.66	-4.34	-8.27	-8.04	

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# Performance of SMRT Funds underlying investment strategies

	As of December 31, 2017	Date Strategy Added to SMRT Funds	Annualized Returns (%) <sup>1</sup> (not annualized if less than 1 year)							Since Inception
			1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
Fixed Income >	<b>BNY Mellon Active 1-5 Year U.S. Aggregate Bond Fund</b>	3/20/12	0.08	-0.11	1.31	1.31	1.14	0.99	--	
	Barclays 1-5 Year U.S. Aggregate Bond Index		0.04	-0.28	1.30	1.30	1.34	1.19	2.62	
	Morningstar Category: Short-Term Bond		0.08	-0.04	1.73	1.73	1.47	1.15	2.31	
	<b>BNY Mellon U.S. Aggregate Bond Index Fund Instl</b>	3/25/09	0.45	0.35	3.42	3.42	2.11	1.97	--	
	Barclays U.S. Aggregate Bond Index		0.46	0.39	3.54	3.54	2.24	2.10	4.01	
	Morningstar Category: Intermediate-Term Bond		0.38	0.29	3.71	3.71	2.22	2.05	4.06	
	<b>Schwab Instl Core Plus Fixed Income Trust Fund III</b> (Inception: Fund-10/1/02)	10/1/02	0.40	0.35	3.81	3.81	2.31	2.24	4.23	
	Barclays U.S. Aggregate Bond Index		0.46	0.39	3.54	3.54	2.24	2.10	4.01	
	Morningstar Category: Intermediate-Term Bond		0.38	0.29	3.71	3.71	2.22	2.05	4.06	
	<b>BNY Mellon U.S. Aggregate Bond Index Fund Instl*</b>	3/25/09	0.45	0.35	3.42	3.42	2.11	1.97	--	
	Barclays U.S. Aggregate Bond Index		0.46	0.39	3.54	3.54	2.24	2.10	4.01	
	Morningstar Category: Intermediate-Term Bond		0.38	0.29	3.71	3.71	2.22	2.05	4.06	
	<b>Loomis Sayles Core Plus Full Discretion Fund*</b>	8/16/07	0.33	0.49	5.64	5.64	3.59	3.56	6.53	
	Barclays U.S. Government/Credit Bond Index		0.52	0.49	4.00	4.00	2.38	2.13	4.08	
	Morningstar Category: Intermediate-Term Bond		0.38	0.29	3.71	3.71	2.22	2.05	4.06	
<b>Wells Fargo Core Bond II CIT<sup>5</sup></b>	9/9/14	0.45	0.35	3.70	3.70	2.31	--	--		
Barclays U.S. Aggregate Bond Index		0.46	0.39	3.54	3.54	2.24	2.10	4.01		
Morningstar Category: Intermediate-Term Bond		0.38	0.29	3.71	3.71	2.22	2.05	4.06		
<b>TCW MetWest Total Return Bond Fund</b>	1/30/15	0.39	0.39	3.37	3.37	--	--	--		
Barclays U.S. Aggregate Bond Index		0.46	0.39	3.54	3.54	2.24	2.10	4.01		
Morningstar Category: Intermediate-Term Bond		0.38	0.29	3.71	3.71	2.22	2.05	4.06		
<b>BlackRock Global Aggregate Bond Fund Ex-USD</b>	12/18/14	0.01	1.06	2.25	2.25	2.69	--	--		
Barclays Global Aggregate Bond ex-US Hedged Index		0.05	1.13	2.48	2.48	2.90	3.70	4.23		
Morningstar Category: World Bond		0.25	0.64	6.87	6.87	2.01	0.91	3.47		
Cash Equivalents > Real Assets >	<b>State Street U.S. Government Short Term Investment Fund</b>	3/11/08	0.11	0.28	0.85	0.85	0.40	0.26	0.41	
	Citigroup 3 Month T-Bill Index		0.10	0.28	0.84	0.84	0.38	0.24	0.34	
	<b>BlackRock U.S. TIPS Index Fund E</b>	9/30/09	0.92	1.27	3.03	3.03	2.06	0.08	--	
	Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index		0.92	1.26	3.01	3.01	2.05	0.13	3.53	
Morningstar Category: Inflation Protected Bond		0.81	1.14	2.72	2.72	1.63	-0.18	2.99		

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# SMRT Funds Update

# SMRT Funds Update

On January 16<sup>th</sup>, Charles Schwab Bank announced the release of the SMRT Funds 2018 policy allocations. There are no changes to the funds' intended glide path strategy, and each of the funds will continue to transition from equity to fixed income and cash equivalents.

Charles Schwab Bank reviews the strategic asset allocation framework and capital market expectations on an annual basis, seeking opportunities to further enhance the funds on a long-term basis for investors.

In 2018, the funds will make the following adjustments within the equity allocation of each portfolio: non-U.S. developed and emerging markets equities will be increased through a like reduction in U.S. equities and commodities. The shift ranges from 0.5% in the earlier dated funds to 5.5% in the later dated funds. All other strategic asset allocations positions and our planned annual adjustments from equity into fixed income remain consistent with our long term strategic strategy.

For more information, please see the full policy allocation announcement on the Charles Schwab Bank website:

[http://www.schwabbankfunds.com/public/file/P-11081353/FINAL-2018\\_Policy\\_Allocation\\_Announcement.pdf](http://www.schwabbankfunds.com/public/file/P-11081353/FINAL-2018_Policy_Allocation_Announcement.pdf)

# Appendix

Glide path capital market expectations

Custom index allocation

Schwab Bank Collective Trust Funds offering

# Capital market expectations

ASSET CLASS	LONG TERM FORECAST ASSUMPTIONS	
	Approx. return	Approx. standard deviation
<i>Inflation</i>	2-2.5%	--
Cash Equivalents	1.5-2%	0-0.5%
Short-Term Bond	2-2.5%	2-2.5%
World Bond <sup>1</sup>	1-2%	3-3.5%
Inflation-Protected Bond (US TIPS)	2-3%	5.5-7%
Intermediate-Term Bond	2.5-3%	3.5-4%
Commodities <sup>1</sup>	3.5-5%	17-20%
Domestic Equity (Large Cap)	5.5-7%	14-17%
Global Real Estate <sup>2</sup>	6-7%	18-22%
International Equity	6-9%	17-19%
Domestic Equity (Small Cap)	6-8%	19-22%
Diversified Emerging Markets	7.5-10%	22-25%

BASE CASE ASSUMPTIONS			
Age range	Deferral %	Employer match	Annual salary increase
25-35	4%	2%	4%
36-45	5%	2.5%	4%
46-55	6%	3%	3%
56-65	7%	3.5%	2%

<sup>1</sup>The Schwab Target Index Funds do not hold World Bond or Commodities strategies. The Schwab Target Funds do not hold a Commodities strategy.

<sup>2</sup>Global Real Estate is used as a proxy for Real Estate within the Schwab Target Index Funds.

Expected returns are compounded annual returns. Actual returns may be higher or lower.

Employer match contribution is assumed to be 50% of employee deferral. Social Security and post-retirement income is not included in base case assumptions.

Assumptions are reviewed and revised at least annually.

Source: Charles Schwab Investment Management, Inc.



# SMRT Funds 2017 policy allocation by asset class

ASSET CLASS	UNDERLYING INVESTMENT	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	Income
<b>Equity</b>		<b>95.0</b>	<b>94.0</b>	<b>91.5</b>	<b>88.8</b>	<b>84.3</b>	<b>77.4</b>	<b>70.1</b>	<b>61.2</b>	<b>49.2</b>	<b>39.3</b>	<b>37.1</b>	<b>25.0</b>
Large Value	Schwab Instl Large Cap Value Trust Fund-Instl (Dodge & Cox)	14.4	14.3	13.9	13.5	12.9	11.8	10.7	9.2	7.2	5.7	5.4	3.8
Large Blend	BNY Mellon Large Cap Stock Index Fund Instl	14.2	14.3	14.4	14.5	14.7	14.8	14.7	14.2	12.8	11.5	10.9	7.5
Large Growth	Schwab Instl Large Cap Growth Trust Fund-Instl (Wellington)	14.4	14.3	13.9	13.5	12.9	11.8	10.7	9.2	7.2	5.7	5.4	3.8
Mid-Cap Blend	Vanguard Mid-Cap Index Fund Instl Plus (VMCPX)	9.2	9.1	8.7	8.2	7.5	6.5	5.5	4.5	3.4	2.6	2.4	1.5
Small Value	Wellington Small Cap Value Portfolio	3.7	3.7	3.5	3.3	2.9	2.4	2.0	1.5	1.1	0.8	0.7	0.5
Small Blend	BNY Mellon Small Cap Stock Index Fund Instl	1.9	1.9	1.9	1.9	1.8	1.7	1.6	1.5	1.3	1.1	1.0	0.6
Small Growth	Voya Small Cap Growth Portfolio	3.7	3.7	3.5	3.3	2.9	2.4	2.0	1.5	1.1	0.8	0.7	0.5
Foreign Large Value	Templeton Intl Equity Fund	9.4	9.3	9.0	8.7	8.3	7.5	6.7	5.8	4.5	3.6	3.4	2.3
Foreign Large Blend	American Funds EuroPacific Growth Fund R6 (RERGX)	9.4	9.3	9.0	8.7	8.3	7.5	6.7	5.8	4.5	3.6	3.4	2.3
Foreign Small/Mid Value	DFA Intl Small Cap Value Portfolio Instl (DISVX)	2.5	2.5	2.4	2.3	2.2	2.0	1.8	1.5	1.2	1.0	0.9	0.6
Foreign Small/Mid Growth	William Blair Intl. Small Cap Growth Collective Invt. Fund II	2.5	2.5	2.4	2.3	2.2	2.0	1.8	1.5	1.2	1.0	0.9	0.6
Diversified Emerging Markets	SSgA Emerging Markets Index Fund A	3.1	3.0	2.8	2.5	2.2	1.7	1.3	1.0	0.6	0.0	0.0	0.0
Global Real Estate	BlackRock Developed Real Estate Index Fund E	4.8	4.7	4.6	4.4	4.2	3.9	3.5	3.1	2.5	2.0	1.9	1.3
Commodities Broad Basket	BlackRock Commodity Index Fund E	1.7	1.7	1.6	1.5	1.4	1.2	1.1	0.8	0.6	0.0	0.0	0.0
<b>Fixed Income</b>		<b>4.5</b>	<b>5.4</b>	<b>7.7</b>	<b>10.1</b>	<b>14.1</b>	<b>20.3</b>	<b>26.9</b>	<b>34.9</b>	<b>45.4</b>	<b>54.0</b>	<b>55.9</b>	<b>65.6</b>
Short-Term Bond	BNY Mellon Active 1-5 Year U.S. Aggregate Bond Fund	0.5	0.6	0.9	1.2	1.7	2.6	3.7	5.1	7.2	9.2	9.7	12.4
Intermediate-Term Bond (Core)	BNY Mellon U.S. Aggregate Bond Index Fund Instl	0.7	0.8	1.1	1.6	2.3	3.5	4.9	6.8	9.6	12.1	12.5	14.6
Intermediate-Term Bond (Core)	Wells Fargo Core Bond II CIT	1.3	1.6	2.2	2.8	3.9	5.5	7.0	8.6	10.6	12.1	12.5	14.6
Intermediate-Term Bond (Core Plus)	TCW MetWest Total Return Bond Fund	0.7	0.8	1.1	1.4	2.0	2.7	3.5	4.3	5.3	6.1	6.3	7.3
Intermediate-Term Bond (Core Plus)	Loomis Sayles Core Plus Full Discretion Trust Fund	0.7	0.8	1.1	1.4	2.0	2.7	3.5	4.3	5.3	6.1	6.3	7.3
Inflation-Protected Bond (U.S. TIPS)	BlackRock U.S. TIPS Index Fund E	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	3.5	6.1	6.3	7.5
World Bond	BlackRock Global Aggregate Bond Fund Ex-USD	0.8	0.9	1.3	1.7	2.3	3.3	4.3	4.7	3.8	2.4	2.3	1.9
<b>Cash Equivalents</b>		<b>0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>1.1</b>	<b>1.6</b>	<b>2.3</b>	<b>3.0</b>	<b>3.9</b>	<b>5.4</b>	<b>6.7</b>	<b>7.1</b>	<b>9.4</b>
Cash Equivalents	State Street U.S. Government Short Term Investment Fund	0.5	0.6	0.9	1.1	1.6	2.3	3.0	3.9	5.4	6.7	7.1	9.4
<b>Equity Active %</b>		<b>63.3</b>	<b>63.2</b>	<b>63.0</b>	<b>62.7</b>	<b>62.2</b>	<b>61.5</b>	<b>60.5</b>	<b>59.2</b>	<b>57.0</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>
<b>Fixed Income Active % (excludes Cash Equivalents)</b>		<b>68.9</b>	<b>68.8</b>	<b>68.4</b>	<b>68.1</b>	<b>67.5</b>	<b>66.7</b>	<b>65.8</b>	<b>64.1</b>	<b>62.8</b>	<b>61.9</b>	<b>62.2</b>	<b>63.4</b>

Percentages may not total 100% due to rounding.

The above represent policy allocations for 2017, effective February 1, 2017; actual allocations may differ slightly from policy allocation at any point in time.

The Schwab Managed Retirement Trust Income Fund is designed as a single investment portfolio that maintains a policy allocation that is intended to remain static and does not seek to distribute income.

# SMRT Funds 2018 policy allocation by asset class

ASSET CLASS	UNDERLYING INVESTMENT	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	Income
<b>Equity</b>		<b>95.0</b>	<b>93.5</b>	<b>91.0</b>	<b>88.1</b>	<b>83.0</b>	<b>76.0</b>	<b>68.4</b>	<b>59.1</b>	<b>46.3</b>	<b>38.9</b>	<b>36.5</b>	<b>25.0</b>
Large Value	Schwab Instl Large Cap Value Trust Fund-Instl (Dodge & Cox)	13.4	13.2	12.9	12.6	11.9	10.9	9.8	8.4	6.4	5.4	5.2	3.7
Large Blend	BNY Mellon Large Cap Stock Index Fund Instl	13.2	13.3	13.5	13.6	13.8	13.9	13.8	13.2	11.8	10.8	10.3	7.4
Large Growth	Schwab Instl Large Cap Growth Trust Fund-Instl (Wellington)	13.4	13.2	12.9	12.6	11.9	10.9	9.8	8.4	6.4	5.4	5.2	3.7
Mid-Cap Blend	Vanguard Mid-Cap Index Fund Instl Plus (VMCPX)	8.6	8.4	8.0	7.6	6.9	5.9	5.0	4.0	3.0	2.4	2.3	1.5
Small Blend	BNY Mellon Small Cap Stock Index Fund Instl	1.6	1.6	1.6	1.6	1.5	1.5	1.3	1.2	1.0	0.9	0.8	0.5
Small Blend	Schwab Instl Small Cap Trust Fund-Instl <sup>1*</sup>	6.3	6.1	5.8	5.4	4.8	3.9	3.2	2.4	1.6	1.3	1.2	0.8
Foreign Large Blend	Schwab Instl International Diversified Trust Fund-Instl <sup>2</sup>	29.2	28.6	27.7	26.7	24.9	22.5	20.0	16.8	12.8	10.8	9.8	6.2
Diversified Emerging Markets	SSgA Emerging Markets Index Fund A	3.2	3.1	2.9	2.6	2.2	1.7	1.3	0.9	0.6	0.0	0.0	0.0
Global Real Estate	BlackRock Developed Real Estate Index Fund E	4.8	4.7	4.5	4.4	4.2	3.8	3.4	3.0	2.3	1.9	1.8	1.3
Commodities Broad Basket	BlackRock Commodity Index Fund E	1.2	1.2	1.2	1.1	1.1	1.0	0.8	0.7	0.5	0.0	0.0	0.0
<b>Fixed Income</b>		<b>4.5</b>	<b>5.9</b>	<b>8.1</b>	<b>10.7</b>	<b>15.3</b>	<b>21.6</b>	<b>28.4</b>	<b>36.8</b>	<b>48.0</b>	<b>54.3</b>	<b>56.3</b>	<b>65.6</b>
Short-Term Bond	BNY Mellon Active 1-5 Year U.S. Aggregate Bond Fund	0.5	0.7	0.9	1.3	1.9	2.8	3.9	5.5	7.8	9.3	9.8	12.4
Intermediate-Term Bond (Core)	BNY Mellon U.S. Aggregate Bond Index Fund Instl	0.0	0.0	0.1	0.2	0.4	0.9	1.6	2.7	4.8	6.1	6.3	7.3
Intermediate-Term Bond (Core)	Schwab Instl Core Plus FI Trust Fund III <sup>3</sup>	3.3	4.2	5.8	7.5	10.5	14.4	18.4	22.5	27.7	30.5	31.6	36.6
Inflation-Protected Bond (U.S. TIPS)	BlackRock U.S. TIPS Index Fund E	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	4.2	6.1	6.4	7.5
World Bond	BlackRock Global Aggregate Bond Fund Ex-USD	0.8	1.0	1.3	1.8	2.5	3.5	4.5	4.6	3.4	2.4	2.3	1.9
<b>Cash Equivalents</b>		<b>0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>1.1</b>	<b>1.6</b>	<b>2.3</b>	<b>3.0</b>	<b>3.9</b>	<b>5.4</b>	<b>6.7</b>	<b>7.1</b>	<b>9.4</b>
Cash Equivalents	State Street U.S. Government Short Term Investment Fund	0.5	0.7	0.9	1.2	1.7	2.4	3.2	4.2	5.7	6.7	7.2	9.4
<b>Equity Active %</b>		<b>66.0</b>	<b>65.9</b>	<b>65.8</b>	<b>65.7</b>	<b>65.4</b>	<b>65.1</b>	<b>64.6</b>	<b>63.7</b>	<b>62.9</b>	<b>63.3</b>	<b>63.5</b>	<b>65.4</b>
<b>Fixed Income Active % (excludes Cash Equivalents)</b>		<b>34.0</b>	<b>34.1</b>	<b>34.2</b>	<b>34.3</b>	<b>34.6</b>	<b>34.9</b>	<b>35.4</b>	<b>36.3</b>	<b>37.1</b>	<b>36.7</b>	<b>36.5</b>	<b>34.6</b>

Percentages may not total 100% due to rounding.

The above represent policy allocations for 2018, effective January 31, 2018; actual allocations may differ slightly from policy allocation at any point in time.

The Schwab Managed Retirement Trust Income Fund is designed as a single investment portfolio that maintains a policy allocation that is intended to remain static and does not seek to distribute income.

<sup>1</sup> Policy allocation breakdown is: Wellington Management 50% and Voya Investment Management Co. 50%

<sup>2</sup> Policy allocation breakdown is: Franklin Templeton 39.5%, American Funds 39.5%, Dimensional Fund Advisors 10.5%, and William Blair & Co. 10.5%.

<sup>3</sup> Policy allocation breakdown is: BNY Mellon 20%, Wells Fargo 40%, TCW MetWest 20% and Loomis, Sayles, & Co. 20%.

\*Closed to new investors.

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# 2017 custom index allocations

SMRT & SIRT Funds 2017 Custom Index Allocations	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	Income <sup>1</sup>
Russell 1000 Index	54.2	53.8	52.8	51.7	49.7	46.6	43.1	38.4	31.7	26.5	25.0	17.1
Russell 2000 Index	7.4	7.2	6.9	6.5	5.9	5.0	4.1	3.2	2.3	1.8	1.6	0.9
MSCI EAFE Index (Net)	22.0	21.8	21.2	20.6	19.5	17.9	16.2	14.1	11.3	9.1	8.6	5.7
MSCI Emerging Markets Index (Net)	4.9	4.8	4.4	4.1	3.6	2.9	2.2	1.5	0.8	0.0	0.0	0.0
FTSE EPRA/NAREIT Developed Index (Net)	4.8	4.7	4.6	4.4	4.2	3.9	3.5	3.1	2.5	2.0	1.9	1.3
Bloomberg Commodity Index	1.7	1.7	1.6	1.5	1.4	1.2	1.1	0.8	0.6	0.0	0.0	0.0
Bloomberg Barclays U.S. 1-3 Year Government/Credit Bond Index	0.5	0.6	0.9	1.2	1.7	2.6	3.7	5.1	7.2	9.2	9.7	12.4
Bloomberg Barclays U.S. Aggregate Bond Index	3.3	3.9	5.5	7.2	10.1	14.4	19.0	24.0	30.9	36.4	37.6	43.9
Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	3.5	6.1	6.3	7.5
Bloomberg Barclays Global Aggregate Bond ex-U.S. Hedged Index	0.8	0.9	1.3	1.7	2.3	3.3	4.3	4.7	3.8	2.4	2.3	1.9
Citigroup 3 Month T-Bill Index	0.5	0.6	0.9	1.1	1.6	2.3	3.0	3.9	5.4	6.7	7.1	9.4

The above represent target policy allocations for 2017, effective February 1, 2017. Percentages listed may not total 100% due to rounding.

The custom index is a custom blended index developed by Charles Schwab Investment management, Inc. based on each fund's asset allocation glide schedule and will become more conservative as time elapses.

<sup>1</sup>Available in the SMRT Funds.

Source: Charles Schwab Investment Management, Inc.

# 2018 custom index allocations

SMRT & SIRT Funds 2018 Custom Index Allocations	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	Income <sup>1</sup>
Russell 1000 Index	49.8	49.3	48.4	47.4	45.5	42.6	39.3	34.8	28.1	24.6	23.4	17.1
Russell 2000 Index	6.8	6.6	6.3	5.9	5.3	4.5	3.6	2.9	2.0	1.6	1.5	0.9
MSCI EAFE Index (Net)	26.1	25.7	24.9	24.1	22.7	20.7	18.7	16.1	12.7	10.8	9.8	5.7
MSCI Emerging Markets Index (Net)	6.3	6.1	5.6	5.2	4.4	3.5	2.6	1.7	0.7	0.0	0.0	0.0
FTSE EPRA/NAREIT Developed Index (Net)	4.8	4.7	4.5	4.4	4.2	3.8	3.4	3.0	2.3	1.9	1.8	1.3
Bloomberg Commodity Index	1.2	1.2	1.2	1.1	1.1	1.0	0.8	0.7	0.5	0.0	0.0	0.0
Bloomberg Barclays U.S. 1-3 Year Government/Credit Bond Index	0.5	0.7	0.9	1.3	1.9	2.8	3.9	5.5	7.8	9.3	9.8	12.4
Bloomberg Barclays U.S. Aggregate Bond Index	3.3	4.2	5.8	7.7	10.9	15.3	20.0	25.3	32.5	36.6	37.9	43.9
Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	4.2	6.1	6.3	7.5
Bloomberg Barclays Global Aggregate Bond ex-U.S. Hedged Index	0.8	1.0	1.3	1.8	2.5	3.5	4.5	4.6	3.4	2.4	2.3	1.9
Citigroup 3 Month T-Bill Index	0.5	0.7	0.9	1.2	1.7	2.4	3.2	4.2	5.7	6.7	7.2	9.4

The above represent target policy allocations for 2018, effective January 31, 2018. Percentages listed may not total 100% due to rounding.

The custom index is a custom blended index developed by Charles Schwab Investment management, Inc. based on each fund's asset allocation glide schedule and will become more conservative as time elapses.

<sup>1</sup>Available in the SMRT Funds.

Source: Charles Schwab Investment Management, Inc.

# Schwab Bank Collective Trust Funds offering

Funds	Unit Class	Expense	Revenue Credit	Minimum Investment/ Availability
<b>SMRT Fund Series</b>	I	0.89%	0.44%	No minimum
	II	0.69%	0.24%	
	III	0.54%	0.09%	
	IV	0.45%	0.00%	
	V	0.35%	0.00%	\$100MM initial investment or plan assets >\$400MM
	VI	0.33%	0.00%	\$1Billion
<b>SIRT Fund Series</b>	I	0.08%	0.00%	No minimum
<b>Schwab Large Cap Value ITF</b>	Select	0.42%	0.00%	No minimum
<b>Schwab Large Cap Growth ITF</b>	Retirement	0.74%	0.20%	No minimum
	Institutional	0.54%	0.00%	
<b>Schwab Diversified International ITF</b>	Retirement	1.04%	0.25%	No minimum
	Institutional	0.79%	0.00%	
<b>Schwab Core Plus Fixed Income ITF</b>	I	0.55%	0.25%	No minimum
	III	0.35%	0.05%	

# Disclosures

**Past performance is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Fund performance includes the reinvestment of all income and is presented net of all fees.**

**The values of the target fund will fluctuate up to and after the target date. There is no guarantee the funds will provide adequate income at or through retirement.**

The material in this presentation is based on information from a variety of sources we consider reliable, but we do not represent that the information is accurate or complete. Errors and omissions can occur. None of the information constitutes a recommendation or a solicitation of an offer to buy or sell any security by Schwab Bank or any of its affiliates. Please review the trust and participation agreement, Schwab Bank Fund Fact Sheet and other disclosure materials before making any decision to invest in the Funds. Performance data quoted is past performance and is no indication (or "guarantee") of future results. Current performance may be lower or higher. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than original cost.

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## **Collective Trust Funds Disclosures**

The Schwab Managed Retirement Trust Funds™, Schwab Indexed 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 (the "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.

## **Fund Affiliations**

The Charles Schwab Corporation provides services to retirement and other employee benefit plans and participants through its separate but affiliated companies and subsidiaries: Charles Schwab Bank (Schwab Bank); Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc. (CSIM); and Schwab Retirement Plan Services, Inc. Trust and custody products and service are offered by Schwab Bank. Brokerage products and services are offered by Charles Schwab & Co., Inc. (Member SIPC). Schwab Retirement Plan Services, Inc. provides recordkeeping and related services to retirement plans. CSIM provides investment research, advisory and fund administration services to Schwab Bank and the Funds. CSIM is an investment adviser registered with the Securities and Exchange Commission.

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 investment strategies through various investment vehicles including, but not limited to, collective trust funds, mutual funds, and/or exchange-traded funds and may also access strategies through sub-advisors engaged by Charles Schwab Bank to advise one or more separate accounts of a Fund. Exposure to some strategies may be indirect through 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.

## **Sub-Advised Strategies – Disclosures**

<sup>1</sup>Prior to April 2009, the BNY Mellon Large Cap Index Fund Insl invested in a securities-lending strategy. As of April 2009, the Fund changed to a non-lending strategy. Data reflects performance of the non-lending strategy.

<sup>2</sup>MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

<sup>3</sup>The Schwab Institutional Small Cap Trust Fund closed to new investors effective 8/28/2013.

# Disclosures

## Significant Risks of the Funds

Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

**Cash Equivalents Risk.** Cash Equivalents investments are cash management strategies that seek to prevent the loss of an investment's total value. Although a cash management product may seek to maintain a stable or constant net asset value, there can be no assurance it will do so.

**Commodities Risk.** Since a commodity fund is typically not diversified and focuses its investments in a single commodity or basket of commodities, the fund may involve a greater degree of risk than an investment in other mutual funds with greater diversification.

**Diversified Funds Risk.** Diversification strategies do not ensure a profit and do not protect against losses in declining markets. Schwab Bank's portfolio management process includes an effort to monitor and manage risk, but should not be confused with and does not imply either low risk or the ability to control risk.

**Fixed Income Risk.** Fixed income securities are subject to increased loss of principal during periods of rising interest rates and to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, and tax ramifications.

**Inflation-Protected Security Risk.** Treasury Inflation Protected Securities (TIPS) are inflation-linked securities issued by the U.S. Government whose principal value is adjusted periodically in accordance with the rise and fall in the inflation rate. Thus, the dividend amount payable is also impacted by variations in the inflation rate as it is based upon the principal value of the bond. It may fluctuate up or down. Repayment at maturity is guaranteed by the U.S. Government and may be adjusted for inflation to become the greater of either the original face amount at issuance or that face amount plus an adjustment for 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.

**International Risk.** International investments involve additional risks, which include differences in financial accounting standards, currency fluctuations, political instability, foreign taxes and regulations, and the potential for illiquid markets. Investing in emerging markets may accentuate these risks.

**Global Real Estate Risk.** International investing does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of the REIT's are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and credit worthiness of the issuer.

**Securities Lending Risk.** Each Fund's Declaration of Trust authorizes securities lending and the Funds may invest in underlying funds that participate in securities lending. There are various risks associated with securities lending including but not limited to the risk that a borrower fails to return some or all of the securities in a timely manner and investments acquired with cash collateral may decline in value. Charles Schwab Bank, in coordination with each Fund's underlying investment sub-advisors, actively monitors any securities lending activity to minimize any potential impact to the Funds.

**Target Date Funds Risk.** Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market. The Funds are subject to market volatility and risks associated with the underlying investments. Risks include exposure to international and emerging markets, small company and sector equity securities, and fixed income securities subject to changes in inflation, interest rates, market valuations, liquidity, prepayments, and early redemption. The funds are built for investors who expect to start gradual withdrawals of fund assets on the target date, to begin covering expenses in retirement. The principal value of the funds is not guaranteed at any time, and will continue to fluctuate up to and after the target date. There is no guarantee the funds will provide adequate income at or through retirement.



# Disclosures

## Index Descriptions

Indexes are unmanaged, do not incur management expenses and cannot be invested in directly.

The **Bloomberg Barclays 1-3 Year US Government Credit Index** is a subset of US Government/Credit Index that is the non-securitized component of the US Aggregate Index. The index includes US Treasuries, Government-Related issues (e.g., US agency, sovereign, supranational, and local authority debt), and USD Corporates with a remaining maturity of 1-3 years.

The **Bloomberg Barclays 1-5 Year U.S. Aggregate Bond Index** is an unmanaged sub-index of securities with maturities of 1-5 years based on the Barclays Capital U.S. Aggregate Bond Index. The Barclays Capital U.S. Aggregate Bond Index represents securities that are SEC registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset backed securities.

The **Bloomberg Barclays Global Aggregate Bond ex-US Hedged Index** is a subset of the flagship Global Aggregate Index that measures multi-currency global investment grade debt but excludes those denominated in USD. This multi-currency benchmark includes fixed-rate treasury, government-related, corporate and securitized bonds from both developed and emerging markets issuers. The Global Aggregate ex USD Index is largely comprised of the regional Pan-European Aggregate and Asian-Pacific Aggregate Indices. In addition to securities from these two benchmarks, the index also includes investment grade Euro-Yen and Canadian securities.

The **Bloomberg Barclays U.S. Aggregate Bond Index** represents securities that are SEC registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset backed securities.

The **Bloomberg Barclays U.S. Government/Credit Index** is the non-securitized component of the U.S. Aggregate Index. includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), Government-Related issues (i.e., agency, sovereign, supranational, and local authority debt), and Corporates.

The **Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index** is a market value-weighted index that tracks inflation-protected securities issued by the U.S. Treasury. To prevent the erosion of purchasing power, TIPS are indexed to the non-seasonally adjusted Consumer Price Index for All Urban Consumers, or the CPI-U (CPI).

The **Bloomberg Commodity Index** is calculated on an excess return basis and composed of futures contracts on 22 physical commodities. It reflects the return of underlying commodity futures price movements.

The **Citigroup U.S. 3-month Treasury Bill Index** is an index that measures monthly total return equivalents of yield averages that are not marked to market. The Three-Month Treasury Bill Index consists of the last three three-month Treasury bill issues.

The **CRSP (Center for Research in Security Prices) US Mid Cap Index** is an index that targets inclusion of the U.S. companies that fall between the top 70%-85% of investable market capitalization.

The **FTSE EPRA/NAREIT Developed Index (Net)** is designed to track the performance of listed real estate companies and REITS worldwide. This series approximates the minimum possible dividend reinvestment.

The **MSCI All Country World (ACWI) ex USA Index (Net)** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets with the exclusion of the U.S.-based companies. This series approximates the minimum possible dividend reinvestment. The MSCI All Country World (ACWI) ex USA Value Net Index and MSCI All Country World (ACWI) ex USA Growth Net Index are based on the MSCE All Country World (ACWI) ex USA Net Index.

The **MSCI All Country World (ACWI) ex USA Small Cap Index (Net)** is a free float-adjusted market capitalization index that is designed to measure equity market performance of small capitalization global developed and emerging markets with the exclusion of the U.S.-based companies. This series approximates the minimum possible dividend reinvestment. The MSCI All Country World (ACWI) ex USA Small Cap Growth Net Index is based on a traditional market cap weighted parent index, the MSCI World ex USA Small Cap Index.



# Disclosures

## Index Descriptions (continued)

The **MSCI EAFE® (Europe, Australasia, Far East) Index (Net)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. This series approximates the minimum possible dividend reinvestment.

The **MSCI Emerging Markets Index (Net)** is a free float-adjusted market capitalization index that is designed to measure emerging markets equity performance. This series approximates the minimum possible dividend reinvestment.

The **MSCI US Mid Cap 450 Index** represents the universe of medium capitalization companies in the US equity market. This index targets for inclusion 450 companies and represents, as of October 29, 2004, approximately 15% of the capitalization of the US equity market.

The **MSCI World ex USA Small Cap Index (Net)** captures small cap representation across 23 of 24 Developed Markets (DM) countries (excluding the United States). With 2,485 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The MSCI World ex USA Small Cap Value Weighted Index is based on a traditional market cap weighted parent index, the MSCI World ex USA Small Cap Index.

The **Russell indices** are market-capitalization weighted and subsets of the Russell 3000® Index, which contains the largest 3,000 companies incorporated in the United States and represents approximately 98% of the investable U.S. equity market. The **Russell 2000® Index** is composed of the 2000 smallest companies in the Russell 3000 Index. The Russell 2000® Growth Index contains those Russell 2000 securities with a greater-than-average growth orientation. The Russell 2000® Value Index contains those Russell 2000 securities with a less-than-average growth orientation. The **Russell 1000® Index** is composed of the 1000 largest companies in the Russell 3000® Index. The Russell 1000® Growth Index contains those Russell 1000 securities with a greater-than-average growth orientation. The Russell 1000® Value Index contains those Russell 1000 securities with a less-than-average growth orientation.

## Definitions

**Sharpe Ratio:** Developed by Professor William F. Sharpe, a measure of reward per unit of risk - the higher the Sharpe Ratio, the higher return per unit of risk. It is a portfolio's excess return over the risk-free rate divided by the portfolio's standard deviation. The portfolio's excess return is its geometric mean return minus the geometric mean return of the risk-free instrument (by default, t-bills).

**Standard Deviation (%):** A widely recognized measure of volatility of an investment portfolio, or how widely monthly returns vary from a portfolio's long-term average annual total return.

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# Disclosures—Schwab Funds\*

\*Schwab Funds are the Schwab Target Funds and Schwab Target Index Funds, mutual funds maintained by Charles Schwab Investment Management, Inc.

**Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by visiting [csimfunds.com](http://csimfunds.com). Please read the prospectus carefully before investing.**

Target date index fund asset allocations are subject to change over time in accordance with each fund's prospectus. **The principal value of the funds is not guaranteed at any time, and will continue to fluctuate up to and after the target date. There is no guarantee the funds will provide adequate income at or through retirement. The funds are built for investors who expect to start gradual withdrawals of fund assets on the target date, to begin covering expenses in retirement.**

The investment risks of the funds will change as asset allocations change. Investors should consider risk tolerance and personal financial conditions along with age and retirement date when investing in the funds. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

The funds are subject to market volatility and risks associated with the underlying investments. Risks include exposure to international and emerging markets, small company and sector equity securities, and fixed income securities subject to changes in inflation, market valuations, liquidity, prepayments, and early redemption.

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