



# Schwab Indexed Retirement Trust Funds® (SIRT) Schwab Bank Target Date Collective Trust Funds

Commentary as of March 31, 2018

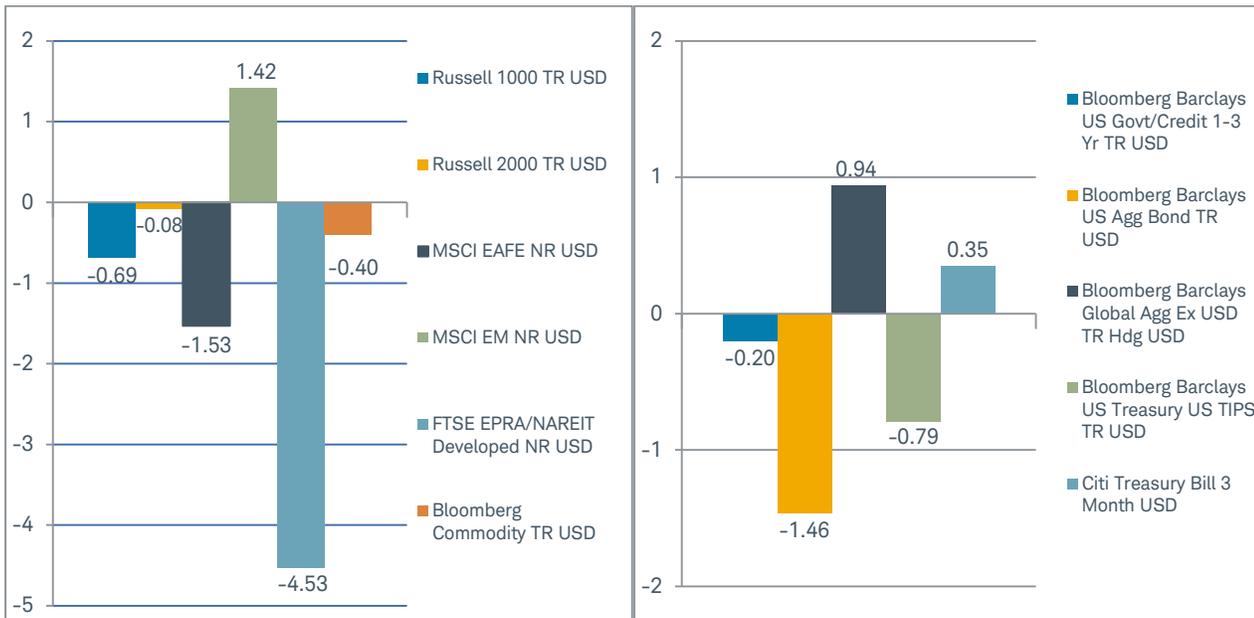
## Market Overview

1Q2018

### Components of the SIRT Custom Indices

#### Equity

#### Fixed Income



## Rocky Road

The quarter started off in positive territory, with a number of indices peaking on January 26<sup>th</sup>, however, volatility appeared in February and continued throughout March which resulted in many major equity and fixed income indices ending the quarter down. Overall, the MSCI Emerging Markets Index was the top performing index while the Bloomberg Barclays US Aggregate Bond Index ended lower than most domestic equity indices. During the quarter, investors became jittery due to ongoing negative political news, surfacing global trade issues, rising inflation fears and continuing tightening of monetary policy by the Federal Reserve. At the last Federal Open Market Committee meeting, the new Fed chair Jerome Powell, indicated that a continual pace of rate hikes were likely based on the Committee's positive economic predictions. While the markets were unsteady, the U.S. economy did not show signs of slowing down. Leading economic indicators continued upward trends, corporate earnings remained strong and global merger and acquisition deals recorded the third biggest month ever in March. For the quarter, most major domestic equity indices ended down led by global REITs, developed international markets and domestic large cap equities.

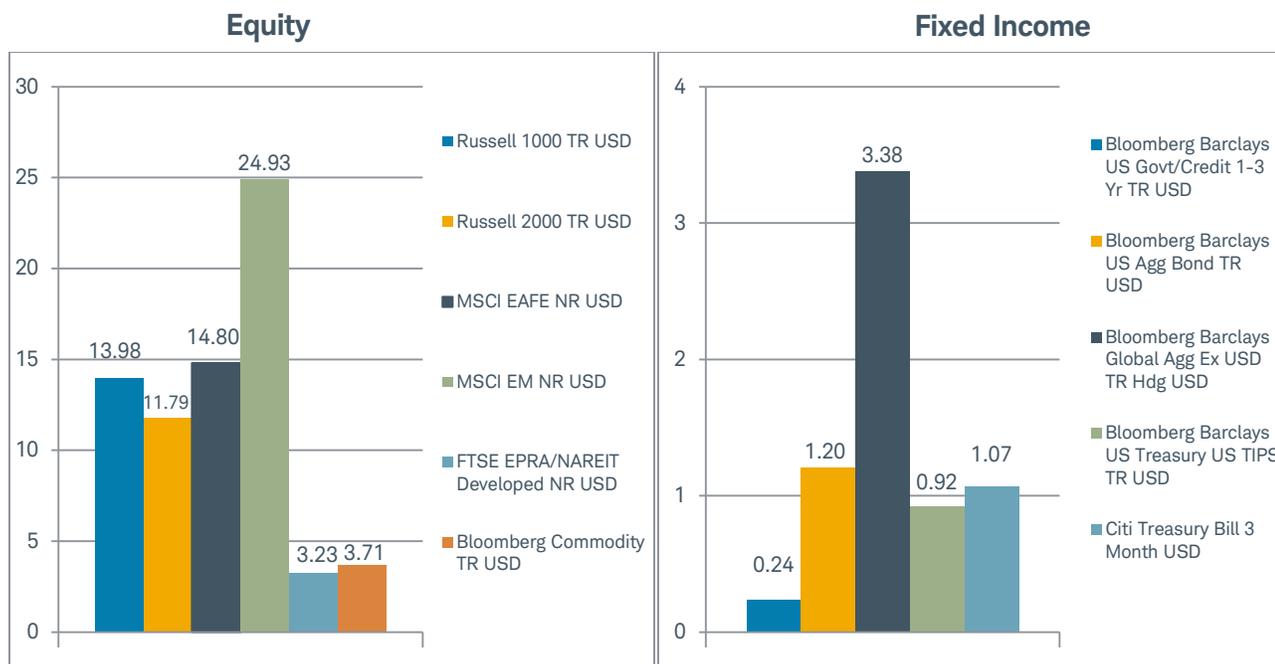
Within the U.S., large cap equities impacted by global trade concerns underperformed small cap equities and growth continued to outperform value. Within sectors, technology was the best performing sector while dividend-paying sectors performed poorly as a result of rising rates. Commodities ended the quarter in negative territory due to falling livestock prices in the U.S. and falling industrial metal prices.

Overseas markets like the U.S. started the quarter off well, positive macroeconomic, geopolitical and strong corporate conditions continued from 2017. However, as in U.S., February and March turned out to be a challenge for international equities; investors grew negative based on rising concerns of increased inflation and interest rates and most importantly fears of a global trade war. Overall, smaller cap equities, which are less dependent upon foreign trade and the global economy, outperformed larger cap equities and growth outpaced value. While developed equities ended the quarter in the red, emerging markets ended the quarter strong largely due to optimism about economic progress in Brazil, modest gains in China and Mexico and a falling dollar. Global REITs fared the worst in the quarter, negative returns were driven by rising U.S. rates which put pressure on prices of U.S. REITs. U.S. REITs make up nearly half of the global REIT index.

Volatility also found its way into the fixed income markets. Fears of rising inflation and the rising rate environment caused many domestic bond indices to end the quarter in negative territory. The Bloomberg Barclays U.S. Aggregate Index experienced its first negative quarter in over a year. Conversely, lower duration bonds, benefitting from the rising rate environment, performed well. Likewise, global bonds also performed well due to a more accommodating monetary policy by Banks overseas, more robust global growth projections and a weakening U.S. dollar.

### 1-year ending March 31, 2018

#### Components of the SIRT Custom Indices



#### Markets still up

For 1 year period, equities and fixed income remained in the green regardless of a volatile and jittery first quarter. Emerging Markets ended the period in the top spot, posting about a 25% return, followed by developed international markets and large cap domestic equities. Growth outperformed value and large cap equities outperformed small cap equities. In general, passively managed strategies continued to outperform actively managed strategies. Within U.S. sectors, information technology was the clear winning returning over 27%, followed by financials and consumer discretionary. Conversely, telecom, consumer staples and energy did not perform as well and ended the period in negative territory. Commodities and global REITs posted positive returns for the 1-year period; however they continued to lag domestic and international equities. Within fixed income, solid global demand and low inflation helped bonds overall, particularly global bonds.

Source: Schwab Center for Investment Research and Morningstar, Inc.

## SIRT Funds 1Q2018 Performance Summary

| Fund      | Unit Class I Performance | Unit Class I Performance vs. Custom Index <sup>1</sup> (+/-) % | Unit Class I Category Percentile Ranking <sup>2</sup> | Key Comments  |
|-----------|--------------------------|--|---|---|
| SIRT2010  | -0.84                    | 0.04   | 70  | <p>For the 1<sup>st</sup> quarter, the funds ranked in the 56<sup>th</sup> percentile on average versus peers. Performance versus custom blended indices was in line with expectations.</p> <p>Dispersion for the Funds ranged from 4 bps to 17 bps and was primarily a result of fair value pricing. On a non-Fair Value Pricing basis, dispersion was within tracking error expectations.</p> <p><b>Glide Path Impact:</b> Equities outperformed fixed income during the quarter despite the market sell-off that started in February. This led to mixed results across the glide path. Longer dated funds which have higher allocations to equities benefitted and performed well. Conversely the shorter dated funds did not perform as well due to the lower allocation to equities.</p> <p><b>Asset Allocation:</b> The funds' strategic asset allocation was also mixed. A higher allocation to REITs which significantly underperformed equities and a lower allocation relative to peers to emerging markets, which outperformed most other equity markets, detracted from performance throughout all the funds. In the shorter dated funds, a higher allocation to cash and short duration fixed income, which benefited from rate increases, contributed to performance.</p> |
| SIRT 2015 | -0.83                    | 0.06   | 61  |   |
| SIRT 2020 | -0.66                    | 0.07   | 39  |   |
| SIRT 2025 | -0.65                    | 0.11   | 45  |   |
| SIRT 2030 | -0.68                    | 0.11   | 41  |   |
| SIRT 2035 | -0.70                    | 0.12   | 56  |   |
| SIRT 2040 | -0.71                    | 0.13   | 53  |   |
| SIRT 2045 | -0.73                    | 0.16   | 61  |   |
| SIRT 2050 | -0.74                    | 0.17   | 59  |   |
| SIRT 2055 | -0.75                    | 0.16   | 67  |   |
| SIRT 2060 | -0.82                    | 0.12   | 69  |   |

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 composite indices are custom blended indices developed by Charles Schwab Investment Management, Inc. based on each fund's asset allocation. The components that make up a composite 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.

## SIRT Strategy Overview

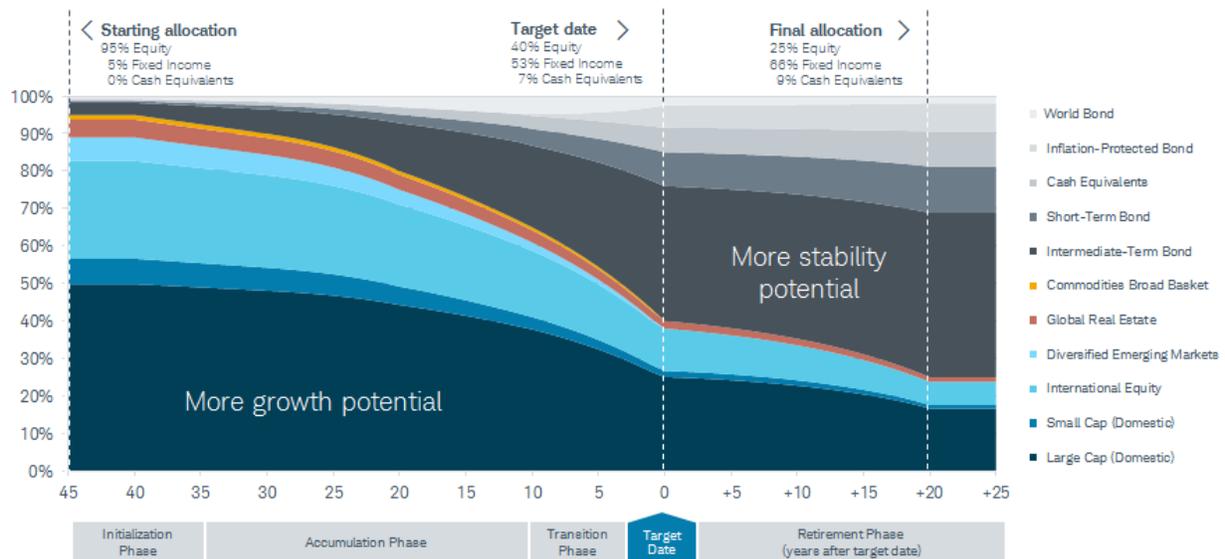
Seeking to provide total return for investors in or near particular target dates, the SIRT Funds are:

- Diversified through exposure to a variety of asset classes that may include, but are not limited to, domestic large-cap and small-cap equity, international equity, emerging markets, global real estate, commodities, world bond, intermediate-term bonds, inflation-protected bond (U.S. TIPS), short-term bond and cash equivalents
- Composed of passive strategies that are sub-advised or managed<sup>3</sup> by industry-recognized investment managers
- Structured as collective trust funds to help limit costs for plan sponsors and participants
- Structured utilizing the same glide path as the Schwab Managed Retirement Trust Funds (SMRT), which were launched in 2002

The goal of the funds leading up to the target date is to emphasize return potential while balancing drawdown risks. In the years following the target date, the funds seek to ensure that participants are able to maintain a sustainable inflation-adjusted, or “real,” withdrawal rate while reducing the probability of exhausting assets.

- The starting policy allocation of approximately 95% equity<sup>4</sup> and 5% fixed income<sup>4</sup> reaches approximately 40% equity and 60% fixed income at the target date.
- Subsequent to the targeted time frame, the funds will continue to reduce their equity positions for an additional twenty years until reaching their most conservative policy allocation of 25% equity and 75% fixed income.
- All points on the glide path consider downside risk.

### SIRT Funds Glide Path



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.

<sup>3</sup>Charles Schwab Bank uses an open-architecture sub-advised approach to investing. Fund investments are selected based on advice received from, or products (such as mutual funds, collective trust funds, or ETFs) offered by industry-recognized investment management firms (“sub-advisors”). The funds may invest in other Schwab Bank Collective Trust Funds to access the underlying sub-advised strategies.

<sup>4</sup>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.

## SIRT Funds 1-Year Performance Summary as of March 31, 2018

| Fund      | Unit Class I Performance | Unit Class I Performance vs. Custom Index <sup>1</sup> (+/-) % | Unit Class I Category Percentile Ranking <sup>2</sup> | Key Comments  |
|-----------|--------------------------|--|---|---|
| SIRT 2010 | 5.66                     | 0.00   | 63  | <p>The funds underperformed the peer group, ranking on average in the 69<sup>th</sup> percentile. Performance versus the funds' custom blended indices was in line with expectations.</p> <p>Dispersion for the 2010 to 2060 funds ranged from 0 bps to 14 bps.</p> <p><b>Glide Path Impact:</b><br/>Relative performance from the glide path was mixed for the 1-year period due to strong outperformance of equities relative to fixed income. Longer dated funds which have a higher allocation to equities benefited from the strong equity markets. Conversely, shorter dated funds lagged due to a lower allocation to equities. Returns for SIRT Class I were between 13.20% in the later dated funds to 5.66% in the nearer dated funds.</p> <p><b>Asset Allocation:</b><br/>The funds' strategic asset allocation detracted from performance during the year primarily due to exposure to REITs, which while posting positive returns, underperformed most major equity markets. Additionally, a lower allocation relative to peers to emerging markets and developed foreign equities which outperformed domestic equities also detracted from returns. A lower allocation to TIPs relative to peers contributed positively to returns for the shorter dated funds.</p> |
| SIRT 2015 | 5.93                     | 0.00   | 76  |   |
| SIRT 2020 | 7.37                     | 0.00   | 66  |   |
| SIRT 2025 | 8.96                     | 0.07   | 62  |   |
| SIRT 2030 | 10.09                    | 0.07   | 66  |   |
| SIRT 2035 | 11.03                    | 0.09   | 72  |   |
| SIRT 2040 | 11.93                    | 0.10   | 72  |   |
| SIRT 2045 | 12.51                    | 0.13   | 76  |   |
| SIRT 2050 | 12.86                    | 0.14   | 69  |   |
| SIRT 2055 | 13.19                    | 0.14   | 65  |   |
| SIRT 2060 | 13.20                    | 0.05   | 68  |   |

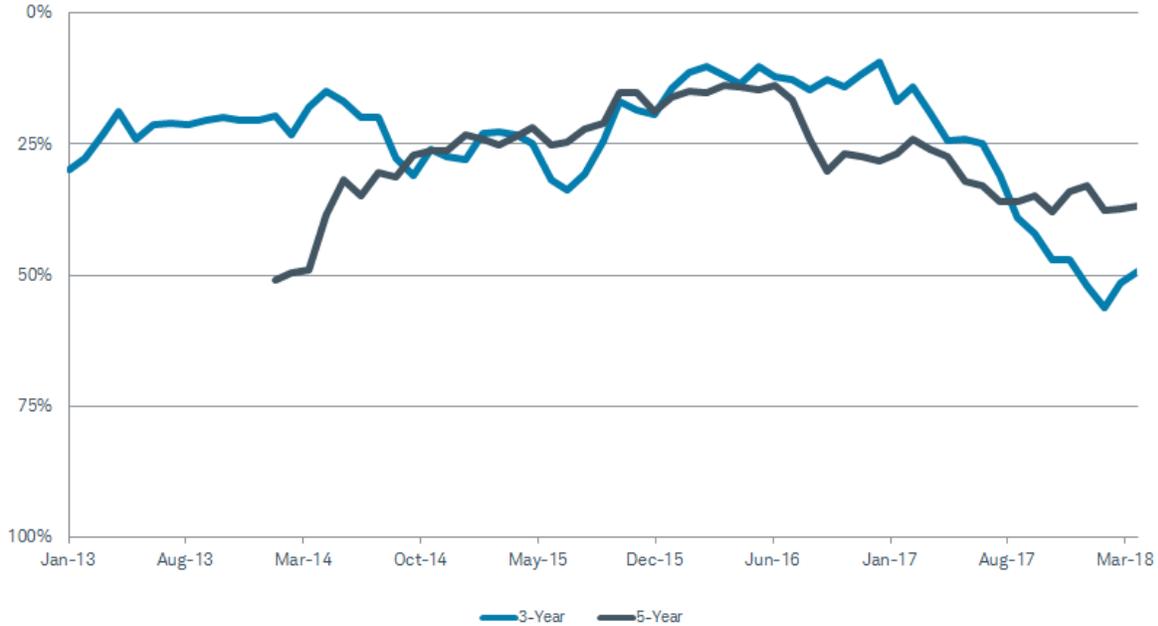
Past performance is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Fund performance includes the reinvestment of all income and is presented net of all fees. The values of the target date fund 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 composite indices are custom blended indices developed by Charles Schwab Investment Management, Inc. based on each fund's asset allocation. The components that make up a composite 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.

## SIRT Funds – Rankings Summary

Average 3 and 5 Year Category Rankings (Unit Class I) as of March 31, 2018



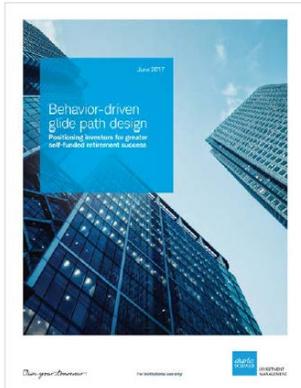
| Schwab Indexed Retirement Trust Funds™<br>Morningstar Percentile Ranks |                          |              |                            |              |                           |              |
|--|--------------------------|--------------|----------------------------|--------------|---------------------------|--------------|
| As of March 31, 2018   |                          |              |                            |              |                           |              |
| Fund   | Category % Rank One Year |              | Category % Rank Three Year |              | Category % Rank Five Year |              |
|  | Funds in Category        | Unit Class I | Funds in Category          | Unit Class I | Funds in Category         | Unit Class I |
| <b>SIRT 2010</b><br>Morningstar Category: Target-Date 2000-2010 MF     | 129                      | 63           | 110                        | 70           | 87                        | 67           |
| <b>SIRT 2015</b><br>Morningstar Category: Target-Date 2015 MF          | 133                      | 76           | 105                        | 72           | 74                        | 67           |
| <b>SIRT 2020</b><br>Morningstar Category: Target-Date 2020 MF          | 245                      | 66           | 200                        | 51           | 159                       | 35           |
| <b>SIRT 2025</b><br>Morningstar Category: Target-Date 2025 MF          | 215                      | 62           | 173                        | 39           | 136                       | 30           |
| <b>SIRT 2030</b><br>Morningstar Category: Target-Date 2030 MF          | 235                      | 66           | 190                        | 42           | 149                       | 29           |
| <b>SIRT 2035</b><br>Morningstar Category: Target-Date 2035 MF          | 210                      | 72           | 168                        | 46           | 131                       | 33           |
| <b>SIRT 2040</b><br>Morningstar Category: Target-Date 2040 MF          | 235                      | 72           | 190                        | 42           | 149                       | 28           |
| <b>SIRT 2045</b><br>Morningstar Category: Target-Date 2045 MF          | 210                      | 76           | 168                        | 45           | 131                       | 22           |
| <b>SIRT 2050</b><br>Morningstar Category: Target-Date 2050 MF          | 231                      | 69           | 185                        | 37           | 144                       | 21           |
| <b>SIRT 2055</b><br>Morningstar Category: Target-Date 2055 MF          | 208                      | 65           | 159                        | 37           | 105                       | --           |
| <b>SIRT 2060</b><br>Morningstar Category: Target-Date 2060+ MF         | 162                      | 68           | 56                         | --           | 8                         | --           |

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Source: Morningstar, Inc. Charles Schwab Bank and Morningstar, Inc. are not affiliated.

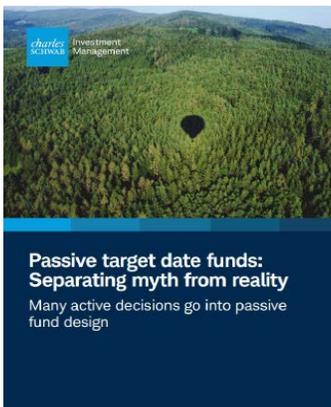
## Thought leadership and insights on the target date industry:



### Behavior-driven glide path design

- Discusses improving investor outcomes through a behaviorally driven asset allocation approach in target date funds.

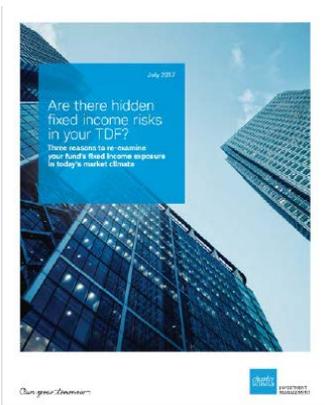
[http://www.schwabbankfunds.com/public/file/P-10456249/Behavior-Driven\\_Glide\\_Path\\_Design.pdf](http://www.schwabbankfunds.com/public/file/P-10456249/Behavior-Driven_Glide_Path_Design.pdf)



### Passive target date funds: Separating myth from reality

- Reviews the many active decisions that go into passive fund design.

<http://www.schwabbankfunds.com/public/file/P-11284257/Passive-target-date-fund-myths.electronic.pdf>



### Are there hidden fixed income risks in your TDF?

- Provides three reasons to re-examine your fund's fixed income exposure in today's market climate

[http://www.schwabbankfunds.com/public/file/P-11284265/Hidden\\_fees\\_to\\_fixed\\_income.pdf](http://www.schwabbankfunds.com/public/file/P-11284265/Hidden_fees_to_fixed_income.pdf)

## News & Updates:

- On January 16<sup>th</sup>, Charles Schwab Bank announced the release of the SIRT 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 February 2018, the funds made the following adjustments within the equity allocation of each portfolio: non-U.S. developed and emerging markets equities increased through a like reduction in U.S. equities and commodities. The shift ranged 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)

The above represent policy allocations for 2018; actual allocations may differ slightly from policy at any point in time.

- A condensed table with our products and pricing is listed below

| Funds                                | Unit Class    | Expense | Revenue Credit | Minimum Investment/ Availability                   |
|--------------------------------------|---------------|---------|----------------|--|
| SMRT Fund Series                     | 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   |
| SIRT Fund Series                     | I             | 0.08%   | 0.00%          | No minimum   |
| Schwab Large Cap Value ITF           | Select        | 0.42%   | 0.00%          | No minimum   |
| Schwab Large Cap Growth ITF          | Retirement    | 0.74%   | 0.20%          | No minimum   |
|                                      | Institutional | 0.54%   | 0.00%          |  |
| Schwab Diversified International ITF | Retirement    | 1.04%   | 0.25%          | No minimum   |
|                                      | Institutional | 0.79%   | 0.00%          |  |
| Schwab Core Plus Fixed Income ITF    | I             | 0.55%   | 0.25%          | No minimum   |
|                                      | III           | 0.35%   | 0.05%          |  |

## Disclosures

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 Fund 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.

Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market. **There is no guarantee the funds will provide adequate income at or through retirement.**

### 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.

**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.

**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.

**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.

| Schwab Managed Retirement Trust Funds™ (SMRT Funds) and Schwab Indexed Retirement Trust Funds® (SIRT Funds) |      |      |      |      |      |      |      |      |      |      |      |                     |
|---|------|------|------|------|------|------|------|------|------|------|------|---------------------|
| 2018 Custom Index Allocations   |      |      |      |      |      |      |      |      |      |      |      |                     |
| Index   | 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-US 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 2016, effective February 1, 2016. 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.

## Index Definitions:

- **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 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 U.S. Aggregate Bond Index. The 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 Global Aggregate 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 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 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. 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).
- **Bloomberg Commodity Index:** The 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 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 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.
- **The MSCI EAFE® Net Index (Europe, Australasia, Far East)** 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 EAFE® Small Cap Net Index** represents the small cap segment in 21 developed equity markets outside of North America. This series approximates the minimum possible dividend reinvestment.
- **The FTSE EPRA/NAREIT Global Real Estate Net Index Series** is designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposal and development of income-producing real estate. This series approximates the minimum possible dividend reinvestment.
- Indexes are unmanaged, do not incur management expenses and cannot be invested in directly.