

January 31, 2018

Schwab Bank Collective Trust Funds

Schwab Institutional Core Plus Fixed Income Trust Fund Schwab Managed Retirement Trust Funds™

The Charles Schwab Bank Collective Trust Funds Investment Committee (Committee) has elected to remove Wells Fargo as a sub-advisor and replace them with Baird Advisors in the Schwab Institutional Core Plus Fixed Income Trust Fund (Fund), which is also an underlying investment for the Schwab Managed Retirement Trust Funds™ (SMRT). The transition occurred on January 30, 2018.

Schwab Bank's open-architecture philosophy allows management to replace or change sub-advisors as warranted, providing flexibility and opportunity for additional diversification compared to all-proprietary or single manager products.

Schwab Institutional Core Plus Fixed Income Trust Fund

The Fund seeks total return by investing in sub-advised strategies composed primarily of dollar denominated, intermediate, investment grade fixed income securities. The Fund uses both actively and passively managed sub-advised strategies.

Consistent with our sub-advisor oversight process, the Committee elected to add the Baird Core Bond¹ strategy managed by Baird Advisors. Baird Advisors was chosen from a universe of over 260 core bond strategies. Our analysis indicates the portfolio is the best overall complement to the existing strategies. Baird is comprised of senior team members who have developed and implemented their strategy for over 30 years. Their process focusing on fundamental security selection is clear, understandable and consistent.

The expense ratio of the Schwab Institutional Core Plus Fixed Income Trust Fund will not change due to this transition.

Policy allocations for each of the strategies, outlined below, will be adjusted to be consistent with the Fund's investment objectives.

Sub-Advisors	Active/ Passive	New Policy %*	Prior Policy %*
Wells Fargo Core Bond II (Core) – Removed	Active	N/A	40.0%
Baird Core Bond (Core) – Added	Active	32.5%	N/A
TCW MetWest Total Return Bond (Core Plus)	Active	32.5%	20.0%
Loomis, Sayles & Co. Investment Grade Bond (Core Plus)	Active	15.0%	20.0%
Mellon Aggregate Bond (Core)	Passive	20.0%	20.0%

*The above allocation represents Charles Schwab Bank's policy allocation to each sub-advisor, actual allocation may differ.

¹Baird Core Bond is a collective trust fund maintained by Baird Advisors.

Schwab Managed Retirement Trust Funds

The Schwab Managed Retirement Trust Funds (SMRT Funds) are bank-sponsored collective trust funds, maintained by Charles Schwab Bank as trustee. As an open-architecture target date solution, the SMRT Funds utilize 22 different strategies from 14 different firms, including 8 different strategies within fixed income and cash.

The Schwab Institutional Core Plus Fixed Income Trust Fund has been a key part of the SMRT Funds' open-architecture design since their launch in 2002. For 2018, the policy allocation to the Schwab Institutional Core Plus Fixed Income Trust will range from 3.3% for the 2060 Fund to 36.6% for the Income Fund. Indirect allocations to Baird Core Bond within the SMRT Funds range from 1.1% for the 2060 Fund to 11.9% for the Income Fund.





The underlying SMRT Funds policy allocations for 2018 are as follows:

ASSET CLASS	UNDERLYING INVESTMENT	2060	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	Income
Equity		95.0	93.5	91.0	88.1	83.0	76.0	68.4	59.1	46.3	38.9	36.5	25.0
Large Value	Schwab Intl Large Cap Value Trust Fund-Inntl (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 Inntl	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 Intl Large Cap Growth Trust Fund-Inntl (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 Inntl 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 Value	Wellington Small Cap Value Portfolio	3.2	3.1	2.9	2.7	2.4	2.0	1.6	1.2	0.8	0.6	0.6	0.4
Small Blend	BNY Mellon Small Cap Stock Index Fund Inntl	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 Growth	Voya Small Cap Growth Portfolio	3.2	3.1	2.9	2.7	2.4	2.0	1.6	1.2	0.8	0.6	0.6	0.4
Foreign Large Value	Templeton Intl Equity Fund	11.5	11.3	10.9	10.5	9.8	8.9	7.9	6.6	5.1	4.3	3.9	2.4
Foreign Large Blend	American Funds EuroPacific Growth Fund R6 (RERGX)	11.5	11.3	10.9	10.5	9.8	8.9	7.9	6.6	5.1	4.3	3.9	2.4
Foreign Small/Mid Value	DFA Intl Small Cap Value Portfolio Inntl (DISVX)	3.1	3.0	2.9	2.8	2.6	2.4	2.1	1.8	1.3	1.1	1.0	0.7
Foreign Small/Mid Growth	William Blair Intl Small Cap Growth Collective Invnt. Fund II	3.1	3.0	2.9	2.8	2.6	2.4	2.1	1.8	1.3	1.1	1.0	0.7
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
Fixed Income		4.5	5.9	8.1	10.7	15.3	21.6	28.4	36.8	48.0	54.3	56.3	65.6
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 Inntl	0.7	0.9	1.2	1.7	2.5	3.8	5.3	7.2	10.3	12.2	12.6	14.6
Intermediate-Term Bond (Core)	Baird Core Bond Fund	1.1	1.4	1.9	2.4	3.4	4.7	6.0	7.3	9.0	9.9	10.3	11.9
Intermediate-Term Bond (Core Plus)	TCW MetWest Total Return Bond Fund	1.1	1.4	1.9	2.4	3.4	4.7	6.0	7.3	9.0	9.9	10.3	11.9
Intermediate-Term Bond (Core Plus)	Loomis Sayles Core Plus Full Discretion Trust Fund	0.5	0.6	0.9	1.1	1.6	2.2	2.8	3.4	4.2	4.6	4.7	5.5
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	6.3	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
Cash Equivalents		0.5	0.7	0.9	1.2	1.7	2.4	3.2	4.2	5.7	6.7	7.2	9.4
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

Percentages may not total 100% due to rounding.

Please refer to www.schwabbankfunds.com for a full listing of allocations and other information on the funds.

About the underlying strategies:

Category	Sub-Advisor	Strategy
Intermediate-Term Bond (Core)		<ul style="list-style-type: none"> • A core strategy that is duration neutral. • Value based strategy, focused on bottom-up fundamental research and security selection to drive performance. • Emphasis toward credit, including corporate and securitized bonds. • Structured, risk-controlled process, excluding derivatives, non-dollar currency exposure and leverage.
Intermediate-Term Bond (Core Plus)		<ul style="list-style-type: none"> • Process combines top-down sector allocation with bottom-up bond selection with an emphasis on identifying bonds that offer relative value. • Adds value through security selection and to a lesser degree, sector allocation. • Strategy may invest a portion of assets in below investment grade fixed income and non-U.S. investments.
Intermediate-Term Bond (Core Plus)		<ul style="list-style-type: none"> • Long-term investment horizon using bottom-up security selection, yield advantage and active duration/yield curve positioning. • Opportunistic approach, may deviate from benchmark (e.g., historically underweight Treasuries). • May invest a portion of assets in below investment grade fixed income, non-U.S. investments and convertible bonds.
Intermediate-Term Bond (Core)		<ul style="list-style-type: none"> • Stratified sampling approach designed to track the Barclays U.S. Aggregate Bond Index with minimal tracking error.

Characteristics

As of September 30, 2017	Barclays U.S. Aggregate Bond Index	BNY Mellon	Loomis, Sayles & Co.	TCW MetWest	Baird ²	Wells Fargo
New Policy Allocation		20.0%	15.0%	32.5%	32.5%	N/A
Key Characteristics						
Yield to Maturity	2.5	2.5	3.4	2.4	2.8	2.5
Average Credit Quality	AA+	AA+	A-	AA	AA-	AA+
Duration	5.9	5.9	4.8	4.8	5.96	5.2
Average Price	103.5	103.5	102.5	101.7	103.9	101.8
# of Securities	9,547	9,884	394	616	1,079	869

²Characteristics stated above represent composite information for Baird Core Bond, actual characteristics may differ.

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The values of the funds will fluctuate up to and after the target dates. Past performance is no guarantee of future results. There is no guarantee the funds will provide adequate income at or through retirement.

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 ("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.

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The Schwab Bank Collective Trust Funds select investments based on advice received from or products offered by industry-recognized investment management firms (sub-advisors). The Funds access strategies through various investment vehicles including, but not limited to, collective trust funds, separate accounts, mutual funds, and exchange-traded funds. Exposure to some strategies may be indirect through the investment in other Schwab Bank Collective Trust Funds. See the Funds' Financial Statements for additional information.

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