

Schwab Hedged Equity Fund

Investment objective

The Fund seeks long-term capital appreciation over market cycles with lower volatility than the broad equity market.

Fund highlights

- An actively managed fund focused on preserving portfolio value rather than amplifying returns
- Offers a risk-managed approach to investing in the U.S. stock market
- Invests by taking long and short positions in U.S. equity securities through a disciplined investment process that uses Schwab Equity Ratings® as one of several inputs*
- An experienced portfolio management team evaluates securities based on three components: fundamentals, valuation, and sentiment

Fund details

Total net assets	\$66,576,111
Distribution frequency	Annual
Inception date	09/03/02
Loads/12b-1 fees	None
Gross expense ratio ¹	1.95%
Net expense ratio ¹	1.91%
Annual expense limitation ^{1,2}	1.33%
Minimum initial investment	None
Minimum balance	None

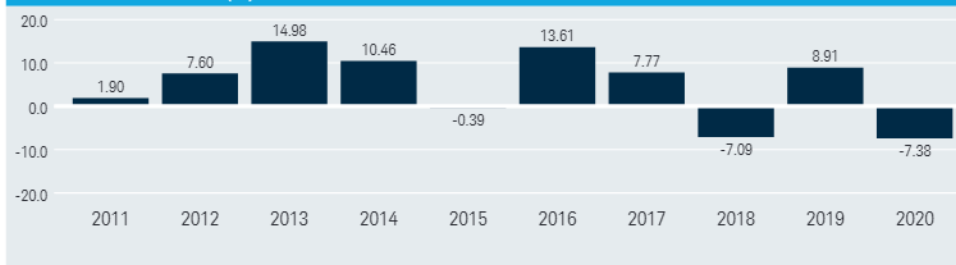
Portfolio managers

Jonas Svallin, CFA, Vice President
Head of Active Equity Strategies

Wei Li, Ph.D., CFA, Managing Director
Senior Portfolio Manager

Performance (%) as of 6/30/21	Cumulative		Annualized				
	3 Months	Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception
Fund²	7.45	14.84	19.84	2.56	5.58	5.68	6.07
S&P 500® Index ⁴	8.55	15.25	40.79	18.67	17.65	14.84	10.77
Category Average ⁴	3.85	9.18	22.90	7.45	7.00	4.81	–

Annual total returns³ (%) as of 12/31



Performance data quoted represents past performance and is no guarantee of future results. Returns are based on total return, which assumes reinvestment of dividends and distributions. Investment returns and principal value will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than performance data quoted. To obtain performance information current to the most recent month end, please visit www.schwabassetmanagement.com.

Index performance returns do not reflect any management fees, transaction costs or expenses, which would lower performance. They assume dividends and distributions were reinvested. Indices are unmanaged and cannot be invested in directly.

Top long holdings^{5, 6} (% of portfolio) as of 6/30/21

Microsoft Corporation	4.26
Apple Inc.	4.07
Amazon.com, Inc.	3.71
Alphabet Inc. Class A	2.81
Allstate Corporation	1.89
TOTAL	16.74

Top short holdings^{5, 6} (% of portfolio) as of 6/30/21

Equity Commonwealth	-1.22
FirstCash, Inc.	-1.11
Federal Realty Investment Trust	-1.00
Freshpet Inc	-0.99
Cboe Global Markets Inc	-0.95
TOTAL	-5.27

*To aid its stock selection, the fund uses Schwab Equity Ratings®, proprietary stock research produced by the Schwab Center for Financial Research (SCFR). SCFR is a division of Charles Schwab & Co., Inc. (Schwab).

Important investment concerns

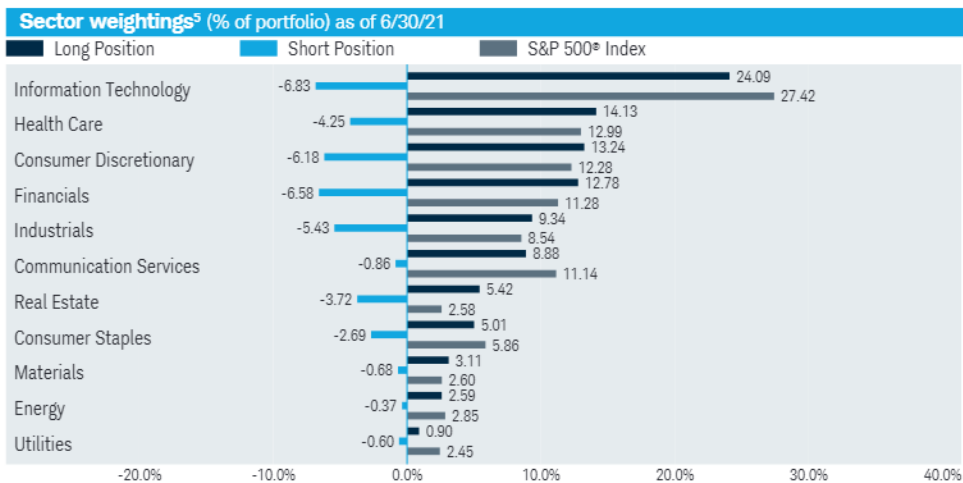
The fund's long positions can decline in value at the same time the value of the short stock increases, thereby increasing the potential for loss. The potential loss associated with short positions is much greater than the original value of the securities sold. The use of borrowing and short sales may cause the fund to have higher expenses than those of equity funds that do not use such techniques. Diversification strategies do not ensure a profit and do not protect against losses in declining markets.

Characteristics as of 6/30/21			
	Long	Short	S&P 500® Index
Number of securities	200	116	505
Wtd. avg. market capitalization (in millions)	\$360,848	\$18,132	\$542,792
Portfolio turnover rate (1-year trailing) ⁷	74.69%	48.06%	—
Price-to-earnings ratio	18.72	26.38	26.88
Price-to-book ratio	3.45	2.91	4.44
Price-to-cash-flow ratio	10.67	22.66	18.25
Return on equity	17.31%	-4.18%	23.48%
5-year earnings growth	23.03%	7.92%	18.51%

Data provided by FactSet as of 06/30/21, unless otherwise noted.

Statistical information (3 Yr.) as of 6/30/21		
	Fund	S&P 500® Index
Sharpe ratio	0.10	0.94
Information ratio	-1.82	0.00
Standard deviation	12.67%	18.52%
R-squared	82.12%	100.00%
Beta vs. Benchmark	0.62	1.00

Data provided by Zephyr StyleADVISOR as of 06/30/21.



Sector and/or industry weightings for the portfolio are determined using the Global Industry Classification Standard (GICS). GICS was developed by and is the exclusive property of MSCI and Standard & Poor's (S&P). GICS is a service mark of MSCI and S&P and has been licensed for use by Charles Schwab & Co., Inc.

Find out more today

For more information, please visit www.schwabassetmanagement.com.

For additional information about the indices and terms shown, please visit www.schwabassetmanagement.com/resources/glossary.

Investors should consider carefully information contained in the fund's prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can view and download a prospectus by visiting www.schwabassetmanagement.com/prospectus. Please read the prospectus carefully before investing.

¹ As stated in the prospectus for the fund. These figures may differ from those presented in the fund's shareholder report. **Gross Expense:** Does not reflect the effect of contractual fee waivers. **Net Expense:** The investment adviser and its affiliates have agreed to limit the total annual fund operating expenses (excluding interest, taxes, certain non-routine expenses, dividends and stock loan fees on short sales) of the Fund to 1.33% for so long as the investment adviser serves as the adviser to the fund. This agreement may only be amended or terminated with the approval of the Fund's Board of Trustees.

² Expense ratio excludes dividends and stock loan fees on short sales. These are the dividends paid to the lenders of the borrowed securities. The expense relating to dividends on short sales will vary depending on whether the securities the fund sells short pay dividends and on the size of any such dividends.

³ Fund expenses may have been partially absorbed by Charles Schwab Investment Management, Inc. (CSIM). Without these reductions, the fund's returns would have been lower. Fund performance does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

⁴ Source: Morningstar, Inc. as of 06/30/21.

⁵ Data provided by FactSet as of 06/30/21.

⁶ Portfolio holdings are as of the date shown and may not represent current or future holdings and are not a recommendation of individual securities by the investment adviser.

⁷ Data provided by State Street Corporation as of 06/30/21.

Schwab Asset Management is the dba name for Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab Funds. Schwab Asset Management is a part of the broader Schwab Asset Management Solutions organization (SAMS), a collection of business units of The Charles Schwab Corporation aligned by a common function—asset management-related services—under common leadership. Schwab Funds are distributed by Charles Schwab & Co., Inc. (Schwab) Member SIPC. CSIM and Schwab are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation.

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