



Investment
Management

Schwab VIT Balanced Portfolio

Proxy Voting Policies, Procedures and Results

A description of the proxy voting policies and procedures used to determine how to vote proxies on behalf of the funds is available without charge, upon request, by visiting the Schwab Fund's website at www.schwabfunds.com/schwabfunds_prospectus, the SEC's website at www.sec.gov, or by contacting Schwab Funds at 1-877-824-5615.

Information regarding how a fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available, without charge, by visiting Schwab's website at www.schwabfunds.com/schwabfunds_prospectus or the SEC's website at www.sec.gov.

Investment Adviser: Charles Schwab Investment Management, Inc. (CSIM)

The Investment Environment

For the 12-month reporting period ended December 31, 2018, global equity markets lost ground and fixed-income returns were mixed. In the U.S., as of early October, steady economic growth, solid corporate earnings, and robust consumer spending had helped propel U.S. stock markets to record highs. Over the final three months of the year, however, investor anxiety rose, oil prices fell, volatility spiked and stocks declined steeply—particularly in December—more than erasing the year’s previous gains and driving major indices to near-bear market territory. In fixed-income markets, U.S. Treasuries posted modest, albeit positive, gains while corporate credit markets generally lost ground. For the reporting period, the S&P 500® Index, a bellwether for the overall U.S. stock market, returned -4.38%, and the Bloomberg Barclays US Aggregate Bond Index returned 0.01%. Markets outside the U.S. were notably weaker as economic momentum slowed due to uncertainties from several fronts, including trade, inflation, and geopolitical concerns. This was compounded by December’s market volatility, which dampened European and Asian markets as well. The U.S. dollar generally appreciated against many major overseas currencies, weakening international stocks and diminishing returns on overseas investments in U.S. dollar terms. The MSCI EAFE® Index (Net)*, a broad measure of developed international equity performance, returned -13.79%, while the MSCI Emerging Markets Index (Net)* returned -14.58%. The FTSE non-US Dollar World Government Bond Index returned -1.82%.

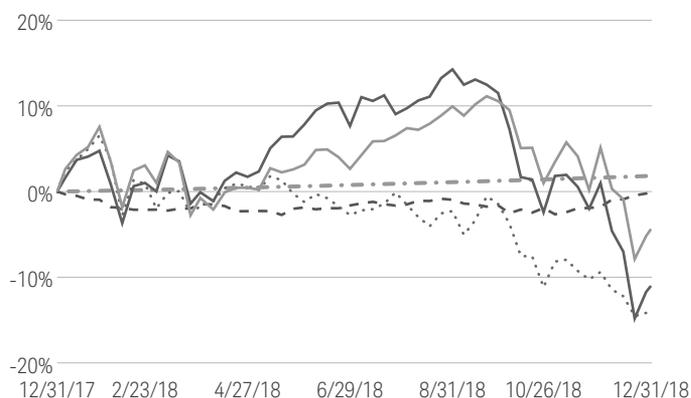
Despite some challenges along the way, for most of the reporting period, the U.S. economy continued to exhibit steady growth as it marked its tenth year of expansion, buoyed by a combination of tax reform, strong corporate earnings, and still-accommodative financial conditions—even as multiple economies around the globe exhibited growing weakness. U.S. gross domestic product (GDP) grew at an annual rate of 3.4% in the third quarter of 2018, down from 4.2% in the second quarter but up from just over 2% for the previous two quarters. Unemployment remained low. Even amid a tight labor market and growing economy, inflation and wage growth remained in check, although pressure on wage growth rose toward the end of the reporting period. Toward year-end, however, domestic economic growth showed growing signs of weakening on multiple fronts. Consumer confidence, which had hit an 18-year high in October, the highest since 2000, fell in November and December—its sharpest decline in more than three years.

ASSET CLASS PERFORMANCE COMPARISON % RETURNS DURING THE 12 MONTHS ENDED DECEMBER 31, 2018

This graph compares the performance of various asset classes.

Final performance figures for the period are in the key below.

- -4.38% **S&P 500® Index:** measures U.S. large-cap stocks
- -11.01% **Russell 2000® Index:** measures U.S. small-cap stocks
- -13.79% **MSCI EAFE® Index (Net)*:** measures (in U.S. dollars) large-cap stocks in Europe, Australasia and the Far East
- - 0.01% **Bloomberg Barclays US Aggregate Bond Index:** measures the U.S. bond market
- - 1.82% **Bloomberg Barclays US Treasury Bills 1-3 Month Index:** measures short-term U.S. Treasury obligations



Index figures assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged and cannot be invested in directly. Performance results less than one year are not annualized. Past performance is not an indication of future results.

For index definitions, please see the Glossary.

Data source: Index provider websites and CSIM.

Nothing in this report represents a recommendation of a security by the investment adviser.

Management views may have changed since the report date.

* The net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes.

The Investment Environment (continued)

Outside the U.S., conditions continued to soften over the year. In the eurozone, growth slowed, subdued by higher inflation and tepid wage growth that constrained consumer spending. Japan's economy expanded slightly in the second quarter but declined in the third—its largest contraction since 2014. The United Kingdom's economy expanded in the first three quarters, however, its strongest expansion since late 2016, despite Brexit-related economic and political uncertainty.

The Federal Reserve (Fed) continued its efforts to achieve more normalized monetary policy, raising the federal funds rate by 0.25% four times over the year—in March, June, September, and December. The overnight interest rate ended the year in a target range of 2.25% to 2.50%, converging closer to what the Fed considers a neutral level, according to Fed Chairman Jerome Powell and suggesting a more cautious approach to further rate hikes. The Fed also continued its program to slowly reduce the size of its balance sheet by allowing securities to mature without reinvesting the proceeds. As of the end of the reporting period, the Fed's balance sheet stood at under \$4.1 trillion, down from \$4.5 trillion when the program was announced in June 2017.

Outside the U.S., most central banks maintained accommodative monetary policies or, in some cases in the face of signs of rising inflation, tightened their policies. The European Central Bank has held interest rates unchanged since March 2016 and in December reiterated that it would likely maintain those rates through next summer, but confirmed the termination of its monthly asset purchase program by the end of 2018. Also in December, the Bank of Japan upheld its short-term interest rate target of -0.1% , also unchanged since 2016. In August, the Bank of England raised its key official bank rate from 0.50% to 0.75%, following a quarter-point increase in November 2017, despite ongoing uncertainties over the United Kingdom economy's wider direction and the impact of Brexit.

In the U.S., the yield curve flattened over most of the year, as short-term yields, which typically respond to changes in the federal funds rate, rose faster than longer-term yields, which are influenced more by economic growth and inflation expectations. Over the last two months of the reporting period, however, as investors opted for safer assets, demand for longer-term Treasuries rose amid the stock-market sell-off driving yields lower. (Bond yields and bond prices move in opposite directions.) Over the reporting period, the three-month Treasury yield rose steadily, from 1.39% to 2.45%. The 10-year Treasury yield, which began the year at 2.40% and peaked at 3.24% in early November as stock indices hit record highs, ended the year at 2.69%. Outside the U.S., bond yields generally remained low.

Portfolio Management



Zifan Tang, Ph.D., CFA, Senior Portfolio Manager, is responsible for the management of the fund. She has served as portfolio manager of the fund since July 2012. Prior to joining CSIM in 2012, Ms. Tang was a product manager at Thomson Reuters and, from 1997 to 2009, worked as a portfolio manager at Barclays Global Investors, which was subsequently acquired by BlackRock.

Schwab VIT Balanced Portfolio as of December 31, 2018

The Schwab VIT Balanced Portfolio (the fund) seeks to provide long-term capital appreciation and income. To pursue its goal, the fund aims to provide diversification across major asset classes, including domestic equity securities, international equity securities, real assets, fixed income securities, and money market investments, as well as diversification across a range of sub-asset classes within the major asset classes.

The fund is considered a “fund-of-funds” in that it gains exposure to these asset classes by primarily investing in affiliated exchange-traded funds (ETFs) from Schwab Funds, as well as unaffiliated third-party ETFs. The fund may also invest in affiliated mutual funds from Schwab Funds and Laudus Funds and unaffiliated third-party mutual funds. The fund uses the internally calculated VIT Balanced Composite Index (the composite index) as a performance gauge. The composite index comprises 44% equity, 38% fixed income, 15% cash, and 3% commodities.

Market Highlights. Over the 12-month reporting period, global equity markets lost ground and fixed-income returns were mixed. In the U.S., steady economic growth, solid corporate earnings, and robust consumer spending helped to propel major market indices to record highs before falling over the final three months of the year, more than erasing the year’s previous gains and driving major indices to near-bear market territory. U.S. short-term bond yields rose faster than longer-term yields. However, over the last two months of the reporting period, demand for longer-term Treasuries rose amid the stock-market sell-off, driving yields lower.

Performance. For the 12-month reporting period ended December 31, 2018, the fund returned -4.63%. The Dow Jones U.S. Total Stock Market Index and the Bloomberg Barclays US Aggregate Bond Index, reflecting broad-based U.S. stock and bond market performance, returned -5.30% and 0.01%, respectively. The composite index, described above, returned -4.14%. Differences between the return of the fund and the return of the index may be attributable to, among other things, operational and transactional costs incurred by the fund that are not incurred by the index.

Positioning and Strategies. The fund’s allocations were broadly in line with those of the composite index.

International equities were the largest detractors to over fund performance for the reporting period. The Schwab International Equity ETF, representing the fund’s developed international large-cap exposure, returned approximately -14.3%, the Schwab Emerging Markets Equity ETF, representing the fund’s emerging markets exposure, returned approximately -13.6%, and the Schwab International Small-Cap Equity ETF, representing the fund’s developed international small-cap exposure, returned approximately -18.6%. On a relative basis, the three international equity funds generally tracked their comparative index components.

Also detracting from the fund’s total return for the reporting period were U.S. equities. Among the fund’s U.S. exposures, the largest detractor was large-cap stocks, with the Schwab U.S. Large-Cap ETF returning approximately -4.5%, generally tracking its comparative index component. The Schwab U.S. Small-Cap ETF returned approximately -11.8% and the iShares Micro-Cap ETF returned approximately -13.1%. The fund’s real estate exposure also detracted, with the Schwab U.S. REIT ETF down approximately -4.2%.

Global commodities were also weak, with the Credit Suisse Commodity Return Strategy Fund, Class I returning approximately -11.7%.

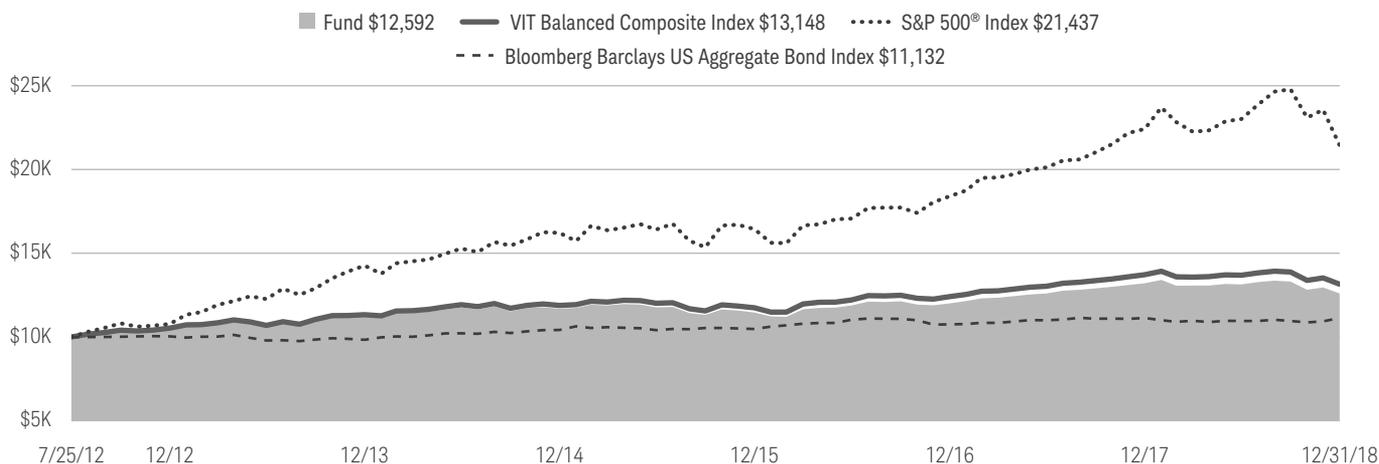
The fund’s fixed-income exposures also produced negative returns. Internationally, the SPDR[®] Bloomberg Barclays International Treasury Bond ETF returned approximately -1.9% generally tracking its comparative index component. In the U.S., the fund’s inflation-protected bond component, the Schwab U.S. TIPS ETF returned approximately -1.4% underperforming its comparative index. The Schwab U.S. Aggregate Bond ETF was nearly flat, slightly underperforming its comparative index component.

Management views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of December 31, 2018

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value will fluctuate so that an investor's shares 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.schwabfunds.com/schwabfunds_prospectus.

PERFORMANCE OF HYPOTHETICAL \$10,000 INVESTMENT (JULY 25, 2012 - DECEMBER 31, 2018)¹



AVERAGE ANNUAL TOTAL RETURNS¹

FUND AND INCEPTION DATE	1 YEAR	5 YEARS	SINCE INCEPTION
Fund: Schwab VIT Balanced Portfolio (07/25/12)	-4.63%	2.33%	3.64%
VIT Balanced Composite Index	-4.14%	3.03%	4.34%
S&P 500® Index	-4.38%	8.49%	12.58%
Bloomberg Barclays US Aggregate Bond Index	0.01%	2.52%	1.68%
Fund Category: Morningstar Allocation - 30% to 50% Equity ²	-4.27%	3.11%	N/A

Fund Expense Ratio³: 0.66%

All total return figures on this page assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged and cannot be invested in directly. Performance results less than one year are not annualized.

The first index listed for the fund is the fund's primary benchmark, as shown in the prospectus. Additional indices are provided for comparative purposes.

The components that make up the composite index may vary over time. For index definitions, please see the Glossary.

¹ Fund expenses may have been partially absorbed by CSIM and its affiliates. Without these reductions, the fund's returns would have been lower. Fund performance does not reflect the additional fees and expenses imposed by the insurance company under the variable insurance product contract. If those contract fees and expenses were included, the performance would be less than that shown. Please refer to the variable insurance product prospectus for a complete listing of these expenses.

² Source for category information: Morningstar, Inc. The Morningstar Category return represents all active and index mutual funds within the category as of the report date.

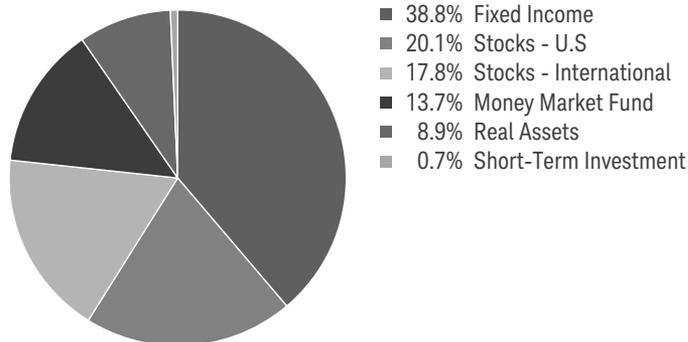
³ As stated in the prospectus. Includes 0.11% of acquired fund fees and expenses, which are based on estimated amounts for the current fiscal year and are indirect expenses incurred by the fund through its investments in the underlying funds. Reflects the total annual operating expenses without contractual fee waivers. For actual ratios during the period, refer to the Financial Highlights section of the financial statements.

Performance and Fund Facts as of December 31, 2018 (continued)

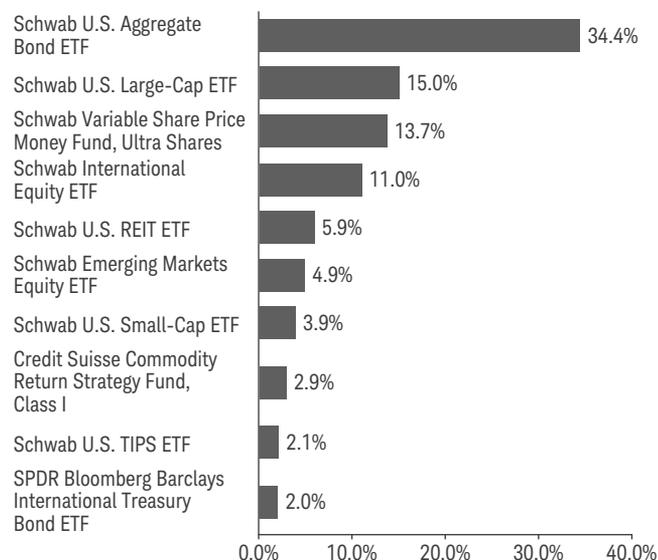
STATISTICS

Number of Holdings	13
Portfolio Turnover Rate	9%

ASSET CLASS WEIGHTINGS % OF INVESTMENTS^{1,2}



TOP HOLDINGS % OF NET ASSETS^{3,4}



Portfolio holdings may have changed since the report date.

¹ The fund intends to primarily invest in affiliated Schwab ETFs and unaffiliated third-party ETFs. The fund may also invest in affiliated Schwab and Laudus mutual funds and unaffiliated third party mutual funds (all such ETFs and mutual funds referred to as "underlying funds"). The fund may also invest directly in equity or fixed income securities, and money market investments to achieve its investment objectives.

² The percentage may differ from the Portfolio Holdings because the above calculation is based on a percentage of total investments, whereas the calculation in the Portfolio Holdings is based on a percentage of net assets.

³ This list is not a recommendation of any security by the investment adviser.

⁴ The holdings listed exclude any temporary liquidity investments.

Fund Expenses (Unaudited)

EXAMPLES FOR A \$1,000 INVESTMENT

As a fund shareholder, you may incur two types of costs: (1) transaction costs; and (2) ongoing costs, including management fees, transfer agent fees, and other fund expenses.

The expense examples below are intended to help you understand your ongoing cost (in dollars) of investing in the fund and to compare this cost with the ongoing cost of investing in other mutual funds. These examples are based on an investment of \$1,000 invested for six months beginning July 1, 2018 and held through December 31, 2018.

The Actual Return line in the table below provides information about actual account values and actual expenses. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period. To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value ÷ \$1,000 = 8.6), then multiply the result by the number given for the fund under the heading entitled "Expenses Paid During Period."

The Hypothetical Return line in the table below provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed return of 5% per year before expenses. Because the return used is not an actual return, it may not be used to estimate the actual ending account value or expenses you paid for the period.

You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only, and do not reflect any transactional costs. Therefore, the hypothetical return lines of the table are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	EXPENSE RATIO (ANNUALIZED) ^{1,2}	EFFECTIVE EXPENSE RATIO (ANNUALIZED) ^{3,4}	BEGINNING ACCOUNT VALUE AT 7/1/18	ENDING ACCOUNT VALUE (NET OF EXPENSES) AT 12/31/18 ²	EXPENSES PAID DURING PERIOD 7/1/18-12/31/18 ^{2,5}	EFFECTIVE EXPENSES PAID DURING PERIOD 7/1/18-12/31/18 ^{4,5}
Schwab VIT Balanced Portfolio						
Actual Return	0.55%	0.66%	\$1,000.00	\$ 958.60	\$2.72	\$3.26
Hypothetical 5% Return	0.55%	0.66%	\$1,000.00	\$1,022.43	\$2.80	\$3.36

¹ Based on the most recent six-month expense ratio; may differ from the expense ratio provided in the Financial Highlights which covers a 12-month period.

² Excludes acquired fund fees and expenses, which are indirect expenses incurred by the fund through its investments in underlying funds.

³ Based on the most recent six-month acquired fund fees and expense ratio; may differ from the acquired fund fees and expense ratio in the prospectus, which are based on estimated amounts for the current fiscal year.

⁴ Includes acquired fund fees and expenses, which are indirect expenses incurred by the fund through its investments in underlying funds.

⁵ Expenses for the fund are equal to its annualized expense ratio, multiplied by the average account value over the period, multiplied by 184 days of the period, and divided by the 365 days of the fiscal year.

Financial Statements

FINANCIAL HIGHLIGHTS

	1/1/18– 12/31/18	1/1/17– 12/31/17	1/1/16– 12/31/16	1/1/15– 12/31/15	1/1/14– 12/31/14
Per-Share Data					
Net asset value at beginning of period	\$12.58	\$11.66	\$11.25	\$11.61	\$11.21
Income (loss) from investment operations:					
Net investment income (loss) ¹	0.23	0.18	0.15	0.13	0.15
Net realized and unrealized gains (losses)	(0.80)	0.98	0.38	(0.36)	0.31
Total from investment operations	(0.57)	1.16	0.53	(0.23)	0.46
Less distributions:					
Distributions from net investment income	(0.17)	(0.15)	(0.12)	(0.12)	(0.06)
Distributions from net realized gains	(0.02)	(0.09)	(0.00) ²	(0.01)	(0.00) ²
Total distributions	(0.19)	(0.24)	(0.12)	(0.13)	(0.06)
Net asset value at end of period	\$11.82	\$12.58	\$11.66	\$11.25	\$11.61
Total return	(4.63%)	10.00%	4.78%	(2.00%)	4.15%
Ratios/Supplemental Data					
Ratios to average net assets:					
Net operating expenses ³	0.55%	0.55%	0.57%	0.58%	0.57%
Gross operating expenses ³	0.55%	0.55%	0.57%	0.65%	0.70%
Net investment income (loss)	1.87%	1.50%	1.28%	1.15%	1.29%
Portfolio turnover rate	9%	9%	54% ⁴	9%	14%
Net assets, end of period (x 1,000,000)	\$66	\$64	\$56	\$50	\$44

¹ Calculated based on the average shares outstanding during the period.

² Per-share amount was less than \$0.005.

³ The expenses incurred by underlying funds in which the fund invests are not included in this ratio.

⁴ The portfolio turnover rate increased due to the consolidation of multiple unaffiliated investments into the Schwab U.S. Aggregate Bond ETF, which reduces costs for shareholders.

Portfolio Holdings

as of December 31, 2018

This section shows all the securities in the fund's portfolio and their values as of the report date.

The fund files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at www.sec.gov. The fund also makes available its complete schedule of portfolio holdings 60 to 80 days after the end of the fund's fiscal quarter on the fund's website at www.schwabfunds.com/schwabfunds_prospectus.

SECURITY	NUMBER OF SHARES	VALUE (\$)
AFFILIATED UNDERLYING FUNDS 92.8% OF NET ASSETS		
U.S. Stocks 18.9%		
Large-Cap 15.0%		
Schwab U.S. Large-Cap ETF	167,784	10,016,705
Small-Cap 3.9%		
Schwab U.S. Small-Cap ETF	42,520	2,580,114
		12,596,819
International Stocks 17.8%		
Developed-Market Large-Cap 11.0%		
Schwab International Equity ETF	256,556	7,273,362
Developed-Market Small-Cap 1.9%		
Schwab International Small-Cap Equity ETF	43,589	1,268,440
Emerging-Market 4.9%		
Schwab Emerging Markets Equity ETF	138,571	3,260,576
		11,802,378
Real Assets 5.9%		
Real Estate 5.9%		
Schwab U.S. REIT ETF	102,371	3,942,307
Fixed Income 36.5%		
Inflation-Protected Bond 2.1%		
Schwab U.S. TIPS ETF	25,926	1,380,559
Intermediate-Term Bond 34.4%		
Schwab U.S. Aggregate Bond ETF	452,198	22,876,697
		24,257,256
Money Market Fund 13.7%		
Schwab Variable Share Price Money Fund, Ultra Shares 2.45% (a)	9,084,945	9,086,762
Total Affiliated Underlying Funds (Cost \$59,253,939)		61,685,522

SECURITY	NUMBER OF SHARES	VALUE (\$)
UNAFFILIATED UNDERLYING FUNDS 5.9% OF NET ASSETS		
U.S. Stock 1.0%		
Micro-Cap 1.0%		
iShares Micro-Cap ETF	8,038	662,733
Real Assets 2.9%		
Commodity 2.9%		
Credit Suisse Commodity Return Strategy Fund, Class I	435,250	1,910,746
Fixed Income 2.0%		
International Developed-Market Bond 2.0%		
SPDR Bloomberg Barclays International Treasury Bond ETF	49,736	1,373,211
Total Unaffiliated Underlying Funds (Cost \$4,412,601)		3,946,690

ISSUER RATE, MATURITY DATE	FACE AMOUNT (\$)	VALUE (\$)
SHORT-TERM INVESTMENT 0.7% OF NET ASSETS		
Time Deposit 0.7%		
BNP Paribas		
1.77%, 01/02/19 (b)	475,238	475,238
Total Short-Term Investment (Cost \$475,238)		475,238

- (a) The rate shown is the 7-day yield.
(b) The rate shown is the current daily overnight rate.

ETF – Exchange-traded fund
REIT – Real Estate Investment Trust
SPDR – Standard & Poor's Depository Receipts
TIPS – Treasury Inflation Protected Securities

Portfolio Holdings

as of December 31, 2018 (continued)

Below is a summary of the fund's transactions with its affiliated underlying funds during the period ended December 31, 2018:

AFFILIATED UNDERLYING FUNDS	BALANCE OF SHARES HELD AT 12/31/17	GROSS PURCHASES	GROSS SALES	BALANCE OF SHARES HELD AT 12/31/18	NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION)	REALIZED GAINS (LOSSES)	DISTRIBUTIONS RECEIVED*
Schwab Emerging Markets Equity ETF	120,049	32,322	(13,800)	138,571	(\$595,876)	\$52,158	\$87,715
Schwab International Equity ETF	209,047	64,437	(16,928)	256,556	(1,343,586)	6,204	222,639
Schwab International Small-Cap Equity ETF	35,275	8,314	–	43,589	(303,608)	–	31,820
Schwab U.S. Aggregate Bond ETF	420,607	73,184	(41,593)	452,198	(549,261)	(84,855)	636,696
Schwab U.S. Large-Cap ETF	150,311	36,192	(18,719)	167,784	(704,619)	97,544	199,128
Schwab U.S. REIT ETF	92,785	19,821	(10,235)	102,371	(256,412)	(3,429)	140,895
Schwab U.S. Small-Cap ETF	37,492	6,627	(1,599)	42,520	(365,448)	25,774	37,387
Schwab U.S. TIPS ETF	23,539	2,387	–	25,926	(54,269)	–	34,166
Schwab Variable Share Price Money Fund, Ultra Shares	7,589,228	2,465,513	(969,796)	9,084,945	691	(88)	176,488
Total					(\$4,172,388)	\$93,308	\$1,566,934

* Distributions received include distributions from net investment income and capital gains, if any, from the underlying funds.

The following is a summary of the inputs used to value the fund's investments as of December 31, 2018 (see financial note 2(a) for additional information):

DESCRIPTION	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
Assets				
Affiliated Underlying Funds ¹	\$61,685,522	\$–	\$–	\$61,685,522
Unaffiliated Underlying Funds ¹	3,946,690	–	–	3,946,690
Short-Term Investment ¹	–	475,238	–	475,238
Total	\$65,632,212	\$475,238	\$–	\$66,107,450

¹ As categorized in Portfolio Holdings.

Fund investments in underlying mutual funds and ETFs are classified as Level 1, without consideration to the classification level of the investments held by the underlying mutual funds and ETFs, which could be Level 1, Level 2 or Level 3.

Statement of Assets and Liabilities

As of December 31, 2018

ASSETS

Investments in affiliated underlying funds, at value (cost \$59,253,939)	\$61,685,522
Investments in unaffiliated issuers, at value (cost \$4,887,839)	4,421,928
Receivables:	
Investments sold	660,486
Fund shares sold	48,010
Dividends	46,715
Interest	46
Prepaid expenses	+ 217
Total assets	66,862,924

LIABILITIES

Payables:	
Investments bought	329,635
Investment adviser and administrator fees	24,810
Independent trustees' fees	41
Fund shares redeemed	10,016
Accrued expenses	+ 23,295
Total liabilities	387,797

NET ASSETS

Total assets	66,862,924
Total liabilities	- 387,797
Net assets	\$66,475,127

Net Assets by Source

Capital received from investors	63,534,706
Total distributable earnings ¹	2,940,421

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$66,475,127		5,623,127		\$11.82

¹ The SEC eliminated the requirement to disclose total distributable earnings by each of its components as previously disclosed as the previous presentation did not provide insight into the tax implications of distributions (see financial note 8 for additional information).

Statement of Operations

For the period January 1, 2018 through December 31, 2018

INVESTMENT INCOME	
Dividends received from affiliated underlying funds	\$1,566,934
Dividends received from unaffiliated underlying funds	40,310
Interest	+ 9,903
Total investment income	1,617,147
EXPENSES	
Investment adviser and administrator fees	302,009
Professional fees	29,256
Independent trustees' fees	13,890
Shareholder reports	12,476
Portfolio accounting fees	5,284
Custodian fees	1,906
Transfer agent fees	1,310
Other expenses	+ 2,323
Total expenses	- 368,454
Net investment income	1,248,693
REALIZED AND UNREALIZED GAINS (LOSSES)	
Net realized gains on sales of affiliated underlying funds	93,308
Net realized losses on sales of unaffiliated underlying funds	+ (2,980)
Net realized gains	90,328
Net change in unrealized appreciation (depreciation) on affiliated underlying funds	(4,172,388)
Net change in unrealized appreciation (depreciation) on unaffiliated underlying funds	+ (389,373)
Net change in unrealized appreciation (depreciation)	+ (4,561,761)
Net realized and unrealized losses	(4,471,433)
Decrease in net assets resulting from operations	(\$3,222,740)

Statement of Changes in Net Assets

For the current and prior report periods

OPERATIONS				
	1/1/18-12/31/18		1/1/17-12/31/17	
Net investment income	\$1,248,693		\$885,937	
Net realized gains	90,328		77,578	
Net change in unrealized appreciation (depreciation)	+ (4,561,761)		4,652,940	
Increase (decrease) in net assets from operations	(3,222,740)		5,616,455	
DISTRIBUTIONS TO SHAREHOLDERS¹				
Total distributions	(\$980,751)		(\$1,115,442)	
TRANSACTIONS IN FUND SHARES				
	1/1/18-12/31/18		1/1/17-12/31/17	
	SHARES	VALUE	SHARES	VALUE
Shares sold	1,053,283	\$13,090,901	888,371	\$10,855,370
Shares reinvested	79,542	980,751	92,953	1,115,442
Shares redeemed	+ (634,773)	(7,864,189)	(694,125)	(8,414,857)
Net transactions in fund shares	498,052	\$6,207,463	287,199	\$3,555,955
SHARES OUTSTANDING AND NET ASSETS				
	1/1/18-12/31/18		1/1/17-12/31/17	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	5,125,075	\$64,471,155	4,837,876	\$56,414,187
Total increase	+ 498,052	2,003,972	287,199	8,056,968
End of period²	5,623,127	\$66,475,127	5,125,075	\$64,471,155

¹ For the period ended December 31, 2017, the fund distributed to shareholders \$698,694 from net investment income and \$416,748 from net realized gains. The SEC eliminated the requirement to disclose distributions to shareholders from net investment income and from net realized gains in 2018 (see financial note 8 for additional information).

² End of period – Net assets include net investment income not yet distributed of \$885,777 at December 31, 2017. The SEC eliminated the requirement to disclose undistributed net investment income in 2018.

Financial Notes

1. Business Structure of the Fund:

Schwab VIT Balanced Portfolio (the fund) is a series of Schwab Annuity Portfolios (the trust), a no-load, open-end management investment company. The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended (the 1940 Act). The list below shows all the funds in the trust as of the end of the period, including the fund discussed in this report, which is highlighted:

SCHWAB ANNUITY PORTFOLIOS (ORGANIZED JANUARY 21, 1994)

Schwab Government Money Market Portfolio
 Schwab S&P 500 Index Portfolio
Schwab VIT Balanced Portfolio
 Schwab VIT Balanced with Growth Portfolio
 Schwab VIT Growth Portfolio

The fund is a “fund of funds” which primarily invests in affiliated Schwab ETFs and unaffiliated third-party ETFs. The fund may also invest in affiliated Schwab mutual funds and Laudus mutual funds and unaffiliated third-party mutual funds (all such ETFs and mutual funds referred to as underlying funds). The fund may also invest directly in equity or fixed-income securities, including bonds, cash equivalents, money market funds and money market investments, to achieve its investment objectives.

The fund in this report offers one share class. Shares are bought and sold at closing net asset value per share (NAV), which is the price for all outstanding shares of the fund. Each share has a par value of 1/1,000 of a cent, and the fund’s Board of Trustees (the Board) may authorize the issuance of as many shares as necessary.

The fund is intended as an investment vehicle for variable annuity contracts and variable life insurance policies to be offered by separate accounts of participating life insurance companies and for pension and retirement plans qualified under the Internal Revenue Code of 1986, as amended. At December 31, 2018, 100% of the fund’s shares were held through separate accounts of two insurance companies. Subscriptions and redemptions of these insurance separate accounts could have a material impact on the fund.

The fund maintains its own account for purposes of holding assets and accounting, and is considered a separate entity for tax purposes. Within its account, the fund may also keep certain assets in segregated accounts, as required by securities law.

2. Significant Accounting Policies:

The following is a summary of the significant accounting policies the fund uses in its preparation of financial statements. The fund follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification *Topic 946 Financial Services – Investment Companies*. The accounting policies are in conformity with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the fund should be read in conjunction with the underlying funds’ financial statements. For more information about the underlying funds’ operations and policies, please refer to those funds’ semiannual and annual reports, which are filed and available on the U.S. Securities and Exchange Commission’s (SEC) website at www.sec.gov.

Effective November 5, 2018, the fund adopted SEC Regulation S-X disclosure requirement changes. The adopted changes are reflected throughout this report.

(a) Security Valuation:

Under procedures approved by the Board, the investment adviser has formed a Pricing Committee to administer the pricing and valuation of portfolio securities and other assets and to ensure that prices used for internal purposes or provided by third parties reasonably reflect fair market value. Among other things, these procedures allow the fund to utilize independent pricing services, quotations from securities and financial instrument dealers and other market sources to determine fair value.

The fund values the securities in its portfolio every business day. The fund uses the following policies to value various types of securities:

- **Underlying funds:** Mutual funds are valued at their respective NAVs. ETFs traded on a recognized securities exchange are valued at the last reported sale price that day or the official closing price, if applicable.
- **Securities for which no quoted value is available:** The Board has adopted procedures to fair value the fund’s securities when market prices are not “readily available” or are unreliable. For example, the fund may fair value a security when it is de-listed or its trading is halted or suspended; when a security’s primary pricing source is unable or unwilling to provide a price; or when a

Financial Notes (continued)

2. Significant Accounting Policies (continued):

security's primary trading market is closed during regular market hours. The fund makes fair value determinations in good faith in accordance with the fund's valuation procedures. The Pricing Committee considers a number of factors, including unobservable market inputs when arriving at fair value. The Pricing Committee may employ techniques such as the review of related or comparable assets or liabilities, related market activities, recent transactions, market multiples, book values, transactional back-testing, disposition analysis and other relevant information. The Pricing Committee regularly reviews these inputs and assumptions to calibrate the valuations. Due to the subjective and variable nature of fair value pricing, there can be no assurance that the fund could obtain the fair value assigned to the security upon the sale of such security. The Board convenes on a regular basis to review fair value determinations made by the fund pursuant to the valuation procedures.

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the fund discloses the fair value of its investments in a hierarchy that prioritizes the significant inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). If inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the valuation. If the fund determines that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices in active markets for identical securities – Investments whose values are based on quoted market prices in active markets, and whose values are therefore classified as Level 1 prices, include active listed equities and ETFs. Investments in mutual funds are valued daily at their NAVs, and investments in ETFs are valued daily at the last reported sale price or the official closing price, which are classified as Level 1 prices, without consideration to the classification level of the specific investments held by an underlying fund.
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) – Investments that trade in markets that are not considered to be active, but whose values are based on quoted market prices, dealer quotations or valuations provided by alternative pricing sources supported by observable inputs are classified as Level 2 prices. These generally include U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, less liquid listed equities, and state, municipal and provincial obligations.
- Level 3 – significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments) – Investments whose values are classified as Level 3 prices have significant unobservable inputs, as they may trade infrequently or not at all. When observable prices are not available for these securities, the fund uses one or more valuation techniques for which sufficient and reliable data is available. The inputs used by the fund in estimating the value of Level 3 prices may include the original transaction price, quoted prices for similar securities or assets in active markets, completed or pending third-party transactions in the underlying investment or comparable issuers, and changes in financial ratios or cash flows. Level 3 prices may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the fund in the absence of market information. Assumptions used by the fund due to the lack of observable inputs may significantly impact the resulting fair value and therefore the fund's results of operations.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The levels associated with valuing the fund's investments as of December 31, 2018 are disclosed in the Portfolio Holdings.

(b) Accounting Policies for certain Portfolio Investments (if held):

Cash Management Transactions: The fund may subscribe to the Brown Brothers Harriman & Co. (BBH) Cash Management Service Sweep (CMS Sweep). The BBH CMS Sweep is an investment product that automatically sweeps the fund's cash balances into overnight offshore time deposits with either the BBH Grand Cayman branch or a branch of a pre-approved commercial bank. This fully automated program allows the fund to earn interest on cash balances. Excess cash invested with deposit institutions domiciled outside of the U.S., as with any offshore deposit, may be subject to sovereign actions in the jurisdiction of the deposit institution including, but not limited to, freeze, seizure or diminution. The fund bears the risk associated with the repayment of principal and payment of interest on such instruments by the institution with which the deposit is ultimately placed. Balances in the CMS Sweep are accounted for on a cost basis, which approximates market value.

Financial Notes (continued)

2. Significant Accounting Policies (continued):

(c) Security Transactions:

Security transactions are recorded as of the date the order to buy or sell the security is executed. Realized gains and losses from security transactions are based on the identified costs of the securities involved.

(d) Investment Income:

Interest income is recorded as it accrues. Dividends and distributions from portfolio securities and underlying funds are recorded on the date they are effective (the ex-dividend date), although the fund records certain foreign security dividends on the day it learns of the ex-dividend date. Any distributions from underlying funds are recorded in accordance with the character of the distributions as designated by the underlying funds.

(e) Expenses:

Expenses that are specific to the fund are charged directly to the fund. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets. The fund bears its share of the acquired fund fees and expenses of the underlying funds, which are indirect expenses incurred by the fund through its investments in the underlying funds. Such expenses are reflected in the net asset values of the underlying funds.

(f) Distributions to Shareholders:

The fund makes distributions from net investment income and net realized capital gains, if any, once a year.

(g) Accounting Estimates:

The accounting policies described in this report conform to GAAP. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates and these differences may be material.

(h) Federal Income Taxes:

The fund intends to meet federal income and excise tax requirements for regulated investment companies under subchapter M of the Internal Revenue Code, as amended. Accordingly, the fund distributes substantially all of its net investment income and net realized capital gains, if any, to the participating insurance company's (shareholders) separate accounts each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

(i) Indemnification:

Under the fund's organizational documents, the officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the fund. In addition, in the normal course of business the fund enters into contracts with its vendors and others that provide general indemnifications. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the fund. However, based on experience, the fund expects the risk of loss attributable to these arrangements to be remote.

(j) Recent Accounting Standards:

In August 2018, the FASB issued Accounting Standards Update "Fair Value Measurement (Topic 820)" (ASU 2018-13) which modifies the disclosure requirements for fair value measurement by removing, modifying, or adding certain disclosures. The amendments are effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The fund is permitted to early adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date. The fund has early adopted certain removed or modified disclosures, including the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of transfers between levels upon issuance of ASU 2018-13, and has delayed adoption of the additional disclosures until their effective date. At this time, management is currently evaluating the impact that the adoption of the additional disclosures will have on the fund's financial statements.

3. Risk Factors:

Investing in the fund may involve certain risks, as discussed in the fund's prospectus, including, but not limited to, those described below. Any of these risks could cause an investor to lose money.

Financial Notes (continued)

3. Risk Factors (continued):

Asset Allocation Risk. The fund is subject to the risk that the selection of the underlying funds and the allocation of the fund's assets among the various asset classes and market segments may cause the fund to underperform other funds with a similar investment objective.

Conflicts of Interest Risk. The investment adviser's authority to select and substitute underlying funds from a variety of affiliated and unaffiliated mutual funds and ETFs may create a conflict of interest because the fees paid to it and its affiliates by some underlying funds are higher than the fees paid by other underlying funds. The investment adviser also may have an incentive to select an affiliated underlying fund for other reasons, including to increase assets under management or to support new investment strategies. In addition, other conflicts of interest may exist where the best interests of the affiliated underlying fund may not be aligned with those of the fund. However, the investment adviser is a fiduciary to the fund and is legally obligated to act in the fund's best interests when selecting underlying funds.

Market Risk. Financial markets rise and fall in response to a variety of factors, sometimes rapidly and unpredictably. As with any investment whose performance is tied to these markets, the value of an investment in the fund will fluctuate, which means that an investor could lose money over short or long periods.

ETF Risk. When the fund invests in an ETF, it will bear a proportionate share of the ETF's expenses. In addition, lack of liquidity in the market for an ETF's share can result in its value being more volatile than the underlying portfolio of securities.

Direct Investment Risk. The fund may invest directly in cash, cash equivalents and equity and fixed-income securities, including money market securities, to maintain its allocations. The fund's direct investment in these securities is subject to the same or similar risks as an underlying fund's investment in the same securities.

Underlying Fund Investment Risk. Before investing in the fund, investors should assess the risks associated with the underlying funds in which the fund may invest, which include any combination of the risks described below.

- **Equity Risk.** The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. In addition, equity markets tend to move in cycles, which may cause stock prices to fall over short or extended periods of time.
- **Market Capitalization Risk.** Securities issued by companies of different market capitalizations tend to go in and out of favor based on market and economic conditions. During a period when securities of a particular market capitalization fall behind other types of investments, an underlying fund's performance could be impacted.
- **Foreign Investment Risk.** An underlying fund's investments in securities of foreign issuers involve certain risks that may be greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory and other conditions; changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); the imposition of economic sanctions or other government restrictions; differing accounting, auditing, financial reporting and legal standards and practices; differing securities market structures; and higher transaction costs. These risks may negatively impact the value or liquidity of an underlying fund's investments, and could impair the underlying fund's ability to meet its investment objective or invest in accordance with its investment strategy. There is a risk that investments in securities denominated in, and/or receiving revenues in, foreign currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency hedged, resulting in the dollar value of an underlying fund's investment being adversely affected.
- **Emerging Market Risk.** Emerging market countries may be more likely to experience political turmoil or rapid changes in market or economic conditions than more developed countries. Emerging market countries often have less uniformity in accounting and reporting requirements and greater risk associated with the custody of securities. In addition, the financial stability of issuers (including governments) in emerging market countries may be more precarious than in developed countries. As a result, there may be an increased risk of illiquidity and price volatility associated with an underlying fund's investments in emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar, and, at times, it may be difficult to value such investments.
- **Growth Investing Risk.** Certain of the underlying funds pursue a "growth style" of investing. Growth investing focuses on a company's prospects for growth of revenue and earnings. If a company's earnings or revenues fall short of expectations, its stock price may fall dramatically. Growth stocks also can perform differently from the market as a whole and other types of stocks and can be more volatile than other types of stocks. Since growth companies usually invest a high portion of earnings in their business, they may lack the dividends of value stocks that can cushion stock prices in a falling market. Growth stocks may also be more expensive relative to their earnings or assets compared to value or other stocks.

Financial Notes (continued)

3. Risk Factors (continued):

- Value Investing Risk.** Certain of the underlying funds may pursue a “value style” of investing. Value investing focuses on companies whose stocks appear undervalued in light of factors such as the company’s earnings, book value, revenues or cash flow. If an underlying fund’s investment adviser’s (or sub-adviser’s) assessment of a company’s value or prospects for exceeding earnings expectations or market conditions is wrong, the underlying fund could suffer losses or produce poor performance relative to other funds. In addition, “value stocks” can continue to be undervalued by the market for long periods of time.
- Debt Securities Risk.** Bond prices generally fall when interest rates rise. Bonds with longer maturities tend to be more sensitive to this risk. Underlying fund performance also could be affected if an issuer or guarantor of a bond held by the fund fails to make timely principal or interest payments or otherwise honor its obligations. Lower-quality bonds are considered speculative with respect to their issuer’s ability to make timely payments or otherwise honor their obligations. In addition, prices of lower-quality bonds tend to be more volatile than those of investment-grade bonds, and may fall based on bad news about the issuer, an industry or the overall economy.
- Interest Rate Risk.** An underlying fund’s investments in fixed income securities are subject to the risk that interest rates rise and fall over time. As with any investment whose yield reflects current interest rates, an underlying fund’s yield will change over time. During periods when interest rates are low, an underlying fund’s yield (and total return) also may be low. Changes in interest rates also may affect an underlying fund’s share price: a sharp rise in interest rates could cause the underlying fund’s share price to fall. The longer the underlying fund’s duration, the more sensitive to interest rate movements its share price is likely to be. A change in a central bank’s monetary policy or improving economic conditions, among other things, may result in an increase in interest rates. Certain underlying funds are currently subject to heightened levels of interest rate risk because of the continued economic recovery, along with the fact that the Federal Reserve Board ended its quantitative easing program in 2014, and has begun, and may continue, to raise interest rates.
- Credit Risk.** Certain of the underlying funds are subject to the risk that a decline in the credit quality of a portfolio investment could cause the underlying fund’s share price to fall. An underlying fund could lose money if the issuer or guarantor of a portfolio investment fails to make timely principal or interest payments or otherwise honor its obligations. Securities rated below investment grade (junk bonds) involve greater risk of price declines than investment grade securities due to actual or perceived changes in the issuer’s creditworthiness.
- Prepayment and Extension Risk.** An underlying fund’s investments in fixed income securities are subject to the risk that the securities may be paid off earlier or later than expected. Either situation could cause the underlying fund to hold securities paying lower-than-market rates of interest, which could hurt the underlying fund’s yield or share price.
- U.S. Government Securities Risk.** Some of the U.S. government securities that the underlying funds invest in are not backed by the full faith and credit of the U.S. government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain securities such as those issued by the Federal Home Loan Banks are supported by limited lines of credit maintained by their issuers with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law. Also, any government guarantees on securities the underlying funds own do not extend to shares of the underlying funds themselves.
- Real Estate Investment Risk.** An underlying fund in which the fund may invest may have a policy of concentrating its investments in real estate companies and companies related to the real estate industry. As such, an underlying fund is subject to risks associated with the direct ownership of real estate securities and the fund’s investment in such an underlying fund is subject to risks associated with the direct ownership of real estate securities and an investment in the underlying fund will be closely linked to the performance of the real estate markets. These risks include, among others, declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds or other limits to accessing the credit or capital markets; defaults by borrowers or tenants, particularly during an economic downturn; and changes in interest rates.
- Real Estate Investment Trust (REITs) Risk.** An underlying fund may invest in REITs. An underlying fund’s investments in REITs will be subject to the risks associated with the direct ownership of real estate, including fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions. REITs are also subject to certain additional risks. For example, equity REITs may be affected by changes in the value of the underlying properties owned by the trusts, and mortgage REITs may be affected by the quality of any credit extended. Further, REITs may have their investments in relatively few properties, a small geographic area or a single property type. In addition, REITs have their own expenses, and the underlying fund will bear a proportionate share of those expenses.

Financial Notes (continued)

3. Risk Factors (continued):

- **Mortgage-Backed and Mortgage Pass-Through Securities Risk.** Certain of the mortgage-backed securities in which an underlying fund may invest are not backed by the full faith and credit of the U.S. government and there can be no assurance that the U.S. government would provide financial support to its agencies or instrumentalities where it was not obligated to do so. Mortgage-backed securities tend to increase in value less than other debt securities when interest rates decline, but are subject to similar risk of decline in market value during periods of rising interest rates. Because of prepayment and extension risk, mortgage-backed securities react differently to changes in interest rates than other bonds. Small movements in interest rates – both increases and decreases – may quickly and significantly affect the value of certain mortgage-backed securities. Transactions in mortgage pass-through securities primarily occur through to be announced (TBA) transactions. Default by or bankruptcy of a counterparty to a TBA transaction would expose an underlying fund to possible losses because of an adverse market action, expenses, or delays in connection with the purchase or sale of the pools of mortgage pass-through securities specified in the TBA transaction.
- **Portfolio Turnover Risk.** Certain of the underlying funds may buy and sell portfolio securities actively. If they do, their portfolio turnover rate and transaction costs will rise, which may lower the underlying fund's performance and may increase the likelihood of capital gains distributions.
- **Commodity Risk.** To the extent that an underlying fund invests in commodity-linked derivative instruments, it may subject the underlying fund to greater volatility than investments in traditional securities. Also, commodity-linked investments may be more volatile and less liquid than the underlying commodity. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and other regulatory and market developments. The use of leveraged commodity-linked derivatives creates an opportunity for increased return, but also creates the possibility for a greater loss.
- **Liquidity Risk.** An underlying fund may be unable to sell certain securities, such as illiquid securities, readily at a favorable time or price, or an underlying fund may have to sell them at a loss.
- **Derivatives Risk.** An underlying fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. An underlying fund's use of derivatives could reduce the underlying fund's performance, increase volatility, and could cause the underlying fund to lose more than the initial amount invested. In addition, investments in derivatives may involve leverage, which means a small percentage of assets invested in derivatives can have a disproportionately large impact on an underlying fund.
- **Management Risk.** An underlying fund may be an actively managed mutual fund. An underlying fund's adviser applies its own investment techniques and risk analyses in making investment decisions for the fund, but there can be no guarantee that they will produce the desired results or cause the underlying fund to meet its objectives.
- **Investment Style Risk.** Certain underlying funds seek to track the performance of various segments of the stock market, as measured by their respective indices. Such underlying funds follow these stocks during upturns as well as downturns. Because of their indexing strategy, these underlying funds do not take steps to reduce market exposure or to lessen the effects of a declining market. In addition, because of an underlying fund's expenses, the underlying fund's performance is normally below that of the index.
- **Tracking Error Risk.** An underlying fund may seek to track the performance of its benchmark index, although it may not be successful in doing so. The divergence between the performance of a fund and its benchmark index, positive or negative, is called "tracking error." Tracking error can be caused by many factors and it may be significant.
- **Concentration Risk.** To the extent that an underlying fund's portfolio is concentrated in the securities of issuers in a particular market, industry, group of industries, sector or asset class, the underlying fund may be adversely affected by the performance of those securities, may be subject to increased price volatility and may be more vulnerable to adverse economic, market, political, or regulatory occurrences affecting that market, industry, group of industries, sector or asset class.
- **Money Market Fund Risk.** The fund may invest in underlying money market funds that either seek to maintain a stable \$1 net asset value ("stable share price money market funds") or that have a share price that fluctuates ("variable share price money market funds"). Although an underlying stable share price money market fund seeks to maintain a stable \$1 net asset value, it is possible to lose money by investing in such a money market fund. Because the share price of an underlying variable share

Financial Notes (continued)

3. Risk Factors (continued):

price money market fund will fluctuate, when the fund sells the shares it owns they may be worth more or less than what the fund originally paid for them. In addition, neither type of money market fund is designed to offer capital appreciation. Certain underlying money market funds may impose a fee upon the sale of shares or may temporarily suspend the ability to sell shares if such fund's liquidity falls below required minimums.

Please refer to the fund's prospectus for a more complete description of the principal risks of investing in the fund.

4. Affiliates and Affiliated Transactions:

Investment Adviser

Charles Schwab Investment Management, Inc. (CSIM or the investment adviser), a wholly owned subsidiary of The Charles Schwab Corporation, serves as the fund's investment adviser and administrator pursuant to an Investment Advisory and Administration Agreement between CSIM and the trust.

For its advisory and administrative services to the fund, CSIM is entitled to receive an annual fee, accrued daily and payable monthly, equal to 0.45% of the fund's average daily net assets.

Expense Limitation

CSIM and its affiliates have made an additional agreement with the fund, for so long as CSIM serves as the investment adviser to the fund, which may only be amended or terminated with approval of the fund's Board, to limit the total annual fund operating expenses charged, excluding interest, taxes and certain non-routine expenses (expense limitation) of the fund to 0.58%.

The agreement to limit the fund's total expenses charged is limited to the fund's direct operating expenses and, therefore, does not apply to acquired fund fees and expenses, which are indirect expenses incurred by the fund through its investments in the underlying funds.

Investments in Affiliates

The fund may engage in certain transactions involving related parties. Pursuant to an exemptive order issued by the SEC, the fund may invest in other related ETFs and mutual funds. As of December 31, 2018, the Schwab VIT Balanced Portfolio's ownership percentages of other related funds' shares are:

Schwab Emerging Markets Equity ETF	0.1%
Schwab International Equity ETF	0.0%*
Schwab International Small-Cap Equity ETF	0.1%
Schwab U.S. Aggregate Bond ETF	0.4%
Schwab U.S. Large-Cap ETF	0.1%
Schwab U.S. REIT ETF	0.1%
Schwab U.S. Small-Cap ETF	0.0%*
Schwab U.S. TIPS ETF	0.0%*
Schwab Variable Share Price Money Fund, Ultra Shares	0.2%

* Less than 0.05%

Interfund Borrowing and Lending

Pursuant to an exemptive order issued by the SEC, the fund may enter into interfund borrowing and lending transactions with other funds in the Fund Complex (for definition refer to Trustees and Officers section). All loans are for temporary or emergency purposes and the interest rate to be charged will be the average of the overnight repurchase agreement rate and the short-term bank loan rate. All loans are subject to numerous conditions designed to ensure fair and equitable treatment of all participating funds. The interfund lending facility is subject to the oversight and periodic review by the Board. The fund had no interfund borrowing or lending activity during the period.

Financial Notes (continued)

5. Board of Trustees:

The Board may include people who are officers and/or directors of CSIM or its affiliates. Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these interested persons for their services as trustees, but it did pay non-interested persons (independent trustees), as noted on the fund’s Statement of Operations. For information regarding the trustees, please refer to the Trustees and Officers table at the end of this report.

6. Borrowing from Banks:

During the period, the fund was a participant with other U.S. registered investment companies managed by CSIM in a joint, syndicated, committed \$605 million line of credit (the Syndicated Credit Facility), which matured on October 4, 2018. On October 4, 2018, the Syndicated Credit Facility was amended to run for a new 364 day period with an increased line of \$750 million, maturing on October 3, 2019. Under the terms of the Syndicated Credit Facility, in addition to the interest charged on any borrowings by a fund, the fund paid a commitment fee of 0.15% per annum on its proportionate share of the unused portion of the Syndicated Credit Facility.

During the period, the fund became a participant with other U.S. registered investment companies managed by CSIM in a joint, unsecured, uncommitted \$500 million line of credit (the Uncommitted Credit Facility), with State Street Bank and Trust Company, which matured on November 30, 2018. On November 30, 2018 the Uncommitted Credit Facility was amended to run for a new 364 day period, maturing on November 29, 2019. Under the terms of the Uncommitted Credit Facility, the fund pays interest on the amount it borrows. There were no borrowings from either line of credit during the period.

The fund also has access to custodian overdraft facilities. The fund may have utilized the overdraft facility and incurred an interest expense, which is disclosed on the fund’s Statement of Operations, if any. The interest expense is determined based on a negotiated rate above the current Federal Funds Rate.

7. Purchases and Sales/Maturities of Investment Securities:

For the period ended December 31, 2018, purchases and sales/maturities of securities (excluding short-term obligations) were as follows:

PURCHASES OF SECURITIES	SALES OF SECURITIES
\$13,453,126	\$5,904,356

8. Federal Income Taxes:

As of December 31, 2018, the tax basis cost of the fund’s investments and gross unrealized appreciation and depreciation were as follows:

Tax cost	\$64,535,124
Gross unrealized appreciation	\$3,366,427
Gross unrealized depreciation	(1,794,101)
Net unrealized appreciation (depreciation)	\$1,572,326

As of December 31, 2018, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$1,257,413
Undistributed long-term capital gains	110,682
Net unrealized appreciation (depreciation) on investments	1,572,326
Total	\$2,940,421

The primary difference between book basis and tax basis unrealized appreciation or unrealized depreciation of investments is the tax deferral of losses on wash sales. The tax cost of the funds’ investments, disclosed above, have been adjusted from their book amounts to reflect these unrealized appreciation or depreciation differences, as applicable.

Financial Notes (continued)

8. Federal Income Taxes (continued):

Capital loss carryforwards may be used to offset future realized capital gains for federal income tax purposes. As of December 31, 2018, the fund had no capital loss carryforwards available to offset future net capital gains.

The tax basis components of distributions paid during the current and prior fiscal years were as follows:

Current period distributions

Ordinary income	\$894,683
Long-term capital gains	86,068

Prior period distributions

Ordinary income	\$738,090
Long-term capital gains	377,352

Distributions paid to shareholders are based on net investment income and net realized gains determined on a tax basis, which may differ from net investment income and net realized gains for financial reporting purposes. These differences reflect the differing character of certain income items and net realized gains and losses for financial statement and tax purposes, and may result in reclassification among certain capital accounts on the financial statements.

Permanent book and tax basis differences may result in reclassifications between components of net assets as required. The adjustments will have no impact on net assets or the results of operations.

As of December 31, 2018, management has reviewed the tax positions for open periods (for federal purposes, three years from the date of filing and for state purposes, four years from the date of filing) as applicable to the fund, and has determined that no provision for income tax is required in the fund's financial statements. The fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period ended December 31, 2018, the fund did not incur any interest or penalties.

9. Subsequent Events:

Management has determined there are no subsequent events or transactions through the date the financial statements were issued that would have materially impacted the financial statements as presented.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Schwab Annuity Portfolios and Shareholders of Schwab VIT Balanced Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio holdings, of Schwab VIT Balanced Portfolio (one of the funds constituting Schwab Annuity Portfolios, hereafter referred to as the “Fund”) as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodian, transfer agents and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 19, 2019

We have served as the auditor of one or more investment companies in the Schwab Funds Complex since 1989.

Other Federal Tax Information (unaudited)

For corporate shareholders, 24.64% of the fund's dividend distributions paid during the fiscal year ended December 31, 2018, qualify for the corporate dividends received deduction.

Under section 852(b)(3)(C) of the Internal Revenue Code, the fund hereby designates \$86,068 as long-term capital gain dividends for the fiscal year ended December 31, 2018.

Trustees and Officers

The tables below give information about the trustees and officers of Schwab Annuity Portfolios, which includes the fund covered in this report. The “Fund Complex” includes The Charles Schwab Family of Funds, Schwab Capital Trust, Schwab Investments, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust. The Fund Complex includes 99 funds.

The address for all trustees and officers is 211 Main Street, San Francisco, CA 94105. You can find more information about the trustees and officers in the fund’s Statement of Additional Information, which is available free by calling 1-877-824-5615.

INDEPENDENT TRUSTEES

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED ¹)	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	
		OTHER DIRECTORSHIPS	
Robert W. Burns 1959 Trustee (Trustee of Schwab Strategic Trust since 2009; The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust since 2016)	Retired/Private Investor (Jan. 2009 – present). Formerly, Managing Director, Pacific Investment Management Company, LLC (PIMCO) (investment management firm) and President, PIMCO Funds.	99	None
John F. Cogan 1947 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust and Schwab Annuity Portfolios since 2008; Laudus Trust since 2010; Schwab Strategic Trust since 2016)	Senior Fellow (Oct. 1979 – present), The Hoover Institution at Stanford University (public policy think tank); Senior Fellow (2000 – present), Stanford Institute for Economic Policy Research; Professor of Public Policy (1994 – 2015), Stanford University.	99	Director (2005 – present), Gilead Sciences, Inc.
Nancy F. Heller 1956 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2018)	President and Chairman (2014 – 2016), TIAA Charitable (financial services); Senior Managing Director (2003 – 2016), TIAA (financial services).	99	None
Stephen Timothy Kochis 1946 Trustee (Trustee of Schwab Strategic Trust since 2012; The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust since 2016)	CEO and Owner (May 2012 – present), Kochis Global (wealth management consulting).	99	None

INDEPENDENT TRUSTEES (CONTINUED)

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED ¹)	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	OTHER DIRECTORSHIPS
David L. Mahoney 1954 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust since 2011; Schwab Strategic Trust since 2016)	Private Investor.	99	Director (2003 – present), Symantec Corporation Director (2004 – present), Corcept Therapeutics Incorporated Director (2009 – present), Adamas Pharmaceuticals, Inc.
Jane P. Moncreiff 1961 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2019)	Chief Investment Officer (2009-2017), CareGroup Healthcare System, Inc. (healthcare).	99	None
Kiran M. Patel 1948 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust since 2011; Schwab Strategic Trust since 2016)	Retired. Executive Vice President and General Manager of Small Business Group (Dec. 2008 – Sept. 2013), Intuit, Inc. (financial software and services firm for consumers and small businesses).	99	Director (2008 – present), KLA-Tencor Corporation
Kimberly S. Patmore 1956 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2016)	Consultant (2008 – present), Patmore Management Consulting (management consulting).	99	None
Gerald B. Smith 1950 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust and Schwab Annuity Portfolios since 2000; Laudus Trust since 2010; Schwab Strategic Trust since 2016)	Chairman, Chief Executive Officer and Founder (Mar. 1990 – present), Smith Graham & Co. (investment advisors).	99	Director (2012 – present), Eaton

INTERESTED TRUSTEES

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED ¹)	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	OTHER DIRECTORSHIPS
Walter W. Bettinger II² 1960 Chairman and Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust and Schwab Annuity Portfolios since 2008; Schwab Strategic Trust since 2009; Laudus Trust since 2010)	Director, President and Chief Executive Officer (Oct. 2008 – present), The Charles Schwab Corporation; President and Chief Executive Officer (Oct. 2008 – present) and Director (May 2008 – present), Charles Schwab & Co., Inc.; Director (Apr. 2006 – present), Charles Schwab Bank; Director (Nov. 2017 – present), Charles Schwab Premier Bank; Director (May 2008 – present) and President and Chief Executive Officer (Aug. 2017 – present), Schwab Holdings, Inc.; Director (July 2016 – present), Charles Schwab Investment Management, Inc.	99	Director (2008 – present), The Charles Schwab Corporation
Marie A. Chandoha² 1961 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2016)	Director and Chief Executive Officer (Dec. 2010 – present), President (Dec. 2010 – Oct. 2018), and Chief Investment Officer (Sept. 2010 – Oct. 2011), Charles Schwab Investment Management, Inc.; Trustee (Jan. 2016 – present), Chief Executive Officer (Dec. 2010 – present), President (Dec. 2010 – Oct. 2018), and Chief Investment Officer (Sept. 2010 – Oct. 2011), Schwab Funds, Laudus Funds and Schwab ETFs; Director (Feb. 2011 – present), Charles Schwab Worldwide Funds plc and Charles Schwab Asset Management (Ireland) Limited; Global Head of Fixed Income Business Division (Mar. 2007 – Aug. 2010), BlackRock, Inc. (formerly Barclays Global Investors) (investment management firm).	99	None
Joseph R. Martinetto² 1962 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2016)	Chief Operating Officer (Feb. 2018 – present) and Senior Executive Vice President (July 2015 – Feb. 2018), The Charles Schwab Corporation; Senior Executive Vice President (July 2015 – present), Charles Schwab & Co., Inc.; Chief Financial Officer (July 2015 – Aug. 2017) and Executive Vice President and Chief Financial Officer (May 2007 – July 2015), The Charles Schwab Corporation and Charles Schwab & Co., Inc.; Director (May 2007 – present), Charles Schwab & Co., Inc.; Director (Apr. 2010 – present) and Chief Executive Officer (July 2013 – Apr. 2015), Charles Schwab Bank; Director (Nov. 2017 – present), Charles Schwab Premier Bank; Director (May 2007 – present), Chief Financial Officer (May 2007 – Aug. 2017), Senior Executive Vice President (Feb. 2016 – present), and Executive Vice President (May 2007 – Feb. 2016), Schwab Holdings, Inc.	99	None

OFFICERS OF THE TRUSTNAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED⁹)

PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS

<p>Marie A. Chandoha 1961 Chief Executive Officer (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2010)</p>	<p>Director and Chief Executive Officer (Dec. 2010 – present), President (Dec. 2010 – Oct. 2018), and Chief Investment Officer (Sept. 2010 – Oct. 2011), Charles Schwab Investment Management, Inc.; Trustee (Jan. 2016 – present), Chief Executive Officer (Dec. 2010 – present), President (Dec. 2010 – Oct. 2018), and Chief Investment Officer (Sept. 2010 – Oct. 2011), Schwab Funds, Laudus Funds and Schwab ETFs; Director (Feb. 2011 – present), Charles Schwab Worldwide Funds plc and Charles Schwab Asset Management (Ireland) Limited; Global Head of Fixed Income Business Division (Mar. 2007 – Aug. 2010), BlackRock, Inc. (formerly Barclays Global Investors) (investment management firm).</p>
<p>Jonathan de St. Paer 1973 President (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2018)</p>	<p>President (Oct. 2018 – present), Charles Schwab Investment Management, Inc.; Senior Vice President – Strategy and Product Development (CSIM) (Jan. 2014 – present) and Vice President (Jan. 2009 – Dec. 2013), Charles Schwab & Co., Inc.; President (Nov. 2018 – present), Schwab Funds, Laudus Funds and Schwab ETFs.</p>
<p>Mark Fischer 1970 Treasurer and Chief Financial Officer (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2013)</p>	<p>Treasurer and Chief Financial Officer (Jan. 2016 – present), Schwab Funds, Laudus Funds and Schwab ETFs; Assistant Treasurer (Dec. 2013 – Dec. 2015), Schwab Funds and Laudus Funds; Assistant Treasurer (Nov. 2013 – Dec. 2015), Schwab ETFs; Vice President (Oct. 2013 – present), Charles Schwab Investment Management, Inc.; Executive Director (Apr. 2011 – Sept. 2013), J.P. Morgan Investor Services; Assistant Treasurer (May 2005 – Mar. 2011), Massachusetts Financial Service Investment Management.</p>
<p>George Pereira 1964 Senior Vice President and Chief Operating Officer (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust and Schwab Annuity Portfolios since 2004; Laudus Trust since 2006; Schwab Strategic Trust since 2009)</p>	<p>Senior Vice President and Chief Financial Officer (Nov. 2004 – present) and Chief Operating Officer (Jan. 2011 – present), Charles Schwab Investment Management, Inc.; Senior Vice President and Chief Operating Officer (Jan. 2016 – present), Schwab Funds, Laudus Funds and Schwab ETFs; Treasurer and Chief Financial Officer (June 2006 – Dec. 2015), Laudus Funds; Treasurer and Principal Financial Officer (Nov. 2004 – Dec. 2015), Schwab Funds; Treasurer and Principal Financial Officer (Oct. 2009 – Dec. 2015), Schwab ETFs; Director (Apr. 2005 – present), Charles Schwab Worldwide Funds plc and Charles Schwab Asset Management (Ireland) Limited.</p>
<p>Omar Aguilar 1970 Senior Vice President and Chief Investment Officer – Equities and Multi-Asset Strategies (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2011)</p>	<p>Senior Vice President and Chief Investment Officer – Equities and Multi-Asset Strategies (Apr. 2011 – present), Charles Schwab Investment Management, Inc.; Senior Vice President and Chief Investment Officer – Equities and Multi-Asset Strategies (June 2011 – present), Schwab Funds, Laudus Funds and Schwab ETFs; Head of the Portfolio Management Group and Vice President of Portfolio Management (May 2009 – Apr. 2011), Financial Engines, Inc. (investment management firm); Head of Quantitative Equity (July 2004 – Jan. 2009), ING Investment Management.</p>
<p>Brett Wander 1961 Senior Vice President and Chief Investment Officer – Fixed Income (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2011)</p>	<p>Senior Vice President and Chief Investment Officer – Fixed Income (Apr. 2011 – present), Charles Schwab Investment Management, Inc.; Senior Vice President and Chief Investment Officer – Fixed Income (June 2011 – present), Schwab Funds, Laudus Funds and Schwab ETFs; Senior Managing Director, Global Head of Active Fixed-Income Strategies (Jan. 2008 – Oct. 2010), State Street Global Advisors; Director of Alpha Strategies (Apr. 2006 – Jan. 2008), Loomis, Sayles & Company (investment management firm).</p>
<p>David Lekich 1964 Chief Legal Officer and Secretary, Schwab Funds and Schwab ETFs Vice President and Assistant Clerk, Laudus Funds (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2011)</p>	<p>Senior Vice President (Sept. 2011 – present) and Vice President (Mar. 2004 – Sept. 2011), Charles Schwab & Co., Inc.; Senior Vice President and Chief Counsel (Sept. 2011 – present) and Vice President (Jan. 2011 – Sept. 2011), Charles Schwab Investment Management, Inc.; Secretary (Apr. 2011 – present) and Chief Legal Officer (Dec. 2011 – present), Schwab Funds; Vice President and Assistant Clerk (Apr. 2011 – present), Laudus Funds; Secretary (May 2011 – present) and Chief Legal Officer (Nov. 2011 – present), Schwab ETFs.</p>

OFFICERS OF THE TRUST (CONTINUED)NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST
(TERMS OF OFFICE, AND LENGTH OF TIME SERVED³)

PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS

Catherine MacGregor

<p>1964 Vice President and Assistant Secretary, Schwab Funds and Schwab ETFs Chief Legal Officer, Vice President and Clerk, Laudus Funds (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust since 2005; Schwab Strategic Trust since 2009)</p>	<p>Vice President (July 2005 – present), Charles Schwab & Co., Inc.; Vice President (Sept. 2005 – present), Charles Schwab Investment Management, Inc.; Vice President (Dec. 2005 – present) and Chief Legal Officer and Clerk (Mar. 2007 – present), Laudus Funds; Vice President (Nov. 2005 – present) and Assistant Secretary (June 2007 – present), Schwab Funds; Vice President and Assistant Secretary (Oct. 2009 – present), Schwab ETFs.</p>
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¹ Each Trustee shall hold office until the election and qualification of his or her successor, or until he or she dies, resigns or is removed. The retirement policy requires that each independent trustee retire by December 31 of the year in which the Trustee turns 74 or the Trustee's twentieth year of service as an independent trustee on any trust in the Fund Complex, whichever occurs first.

² Mr. Bettinger, Ms. Chandoha and Mr. Martinetto are Interested Trustees. Mr. Bettinger is an Interested Trustee because he owns stock of The Charles Schwab Corporation (CSC), the parent company of Charles Schwab Investment Management, Inc. (CSIM), the investment adviser for the trusts in the Fund Complex, is an employee and director of Charles Schwab & Co., Inc. (CS&Co), the principal underwriter for The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust and Schwab Annuity Portfolios, and is a director of CSIM. Ms. Chandoha is an Interested Trustee because she owns stock of CSC and is an employee and director of CSIM. Mr. Martinetto is an Interested Trustee because he owns stock of CSC and is an employee and director of CS&Co.

³ The President, Treasurer and Secretary/Clerk hold office until their respective successors are chosen and qualified or until he or she sooner dies, resigns, is removed or becomes disqualified. Each of the other officers serves at the pleasure of the Board.

Glossary

Bloomberg Barclays US Aggregate Bond Index An index that is a broad-based benchmark measuring the performance of the U.S. investment grade, taxable bond market, including U.S. Treasuries, government-related and corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities, and asset-backed securities that are publicly available for sale in the United States. To be eligible for inclusion in the index, securities must be fixed rate, non-convertible, U.S. dollar denominated with at least \$300 million or more of outstanding face value and have one or more years remaining to maturity. The index excludes certain types of securities, including tax-exempt state and local government series bonds, structured notes embedded with swaps or other special features, private placements, floating rate securities, inflation-linked bonds and Eurobonds. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month.

Bloomberg Barclays US Treasury 3–10 Year Index An index which includes all publicly-issued U.S. Treasury securities that have a remaining maturity of greater than or equal to three years and less than ten years, are rated investment grade, and have \$250 million or more of outstanding face value. The securities in the index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. The index excludes state and local government series bonds and coupon issues that have been stripped from bonds. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month.

Bloomberg Barclays US Treasury Bills 1–3 Month Index An index that includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months but more than 1 month, are rated investment grade and have \$250 million or more of outstanding face value. It excludes zero-coupon STRIPS.

Bloomberg Barclays US Treasury Inflation-Linked Bond Index (Series-L) An index which includes all publicly-issued U.S. Treasury Inflation-Protected Securities (TIPS) that have at least one year remaining to maturity, are rated investment grade and have \$250 million or more of outstanding face value. The TIPS in the index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. The index is market capitalization weighted and the TIPS in the index are updated on the last business day of each month. TIPS are publicly issued, dollar denominated U.S. Government securities issued by the U.S. Treasury that have principal and interest payments linked to an official inflation measure (as measured by the Consumer Price Index, or CPI) and their payments are supported by the full faith and credit of the United States.

Dow Jones U.S. Large-Cap Total Stock Market Index An index that is a subset of the Dow Jones U.S. Total Stock Market Index, is designed to measure the performance of large-cap U.S. equity securities. The index is a float-adjusted market capitalization weighted index.

Dow Jones U.S. Select REIT Index An index that is a float-adjusted market-capitalization weighted index comprising of income-producing commercial and/or residential real estate investment trusts (REITs). The index excludes mortgage REITs, net-lease REITs, real estate finance companies, mortgage brokers and bankers, commercial and residential real estate brokers and estate agents, homebuilders, large landowners and sub dividers of unimproved land, hybrid REITs, timber REITs and companies that have more than 25% of their assets in direct mortgage investments.

Dow Jones U.S. Small-Cap Total Stock Market Index An index that is a subset of the Dow Jones U.S. Total Stock Market Index, is designed to measure the performance of small-cap U.S. equity securities. The index is a float-adjusted market capitalization weighted index.

Dow Jones U.S. Total Stock Market Index An index which includes all publicly traded stocks of companies headquartered in the United States for which pricing information is readily available. The index is a float adjusted market capitalization weighted index that reflects the shares of securities actually available to investors in the marketplace.

FTSE Developed ex US Index (Net) An index that is comprised of large- and mid-capitalization companies in developed countries outside the United States, as defined by the index provider. The index defines the large- and mid-capitalization universe as approximately the top 90% of the eligible universe. The Net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes.

FTSE Developed Small Cap ex US Liquid Index (Net) An index comprised of small-capitalization companies in developed countries outside the United States, as defined by the index provider. The index defines the small-capitalization universe as approximately the bottom 10% of the eligible universe with a minimum free float capitalization of \$150 million. The Net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes.

FTSE Emerging Index (Net) An index that is comprised of large- and mid-capitalization companies in emerging market countries, as defined by the index provider. The index defines the large- and mid-capitalization universe as approximately the top 90% of the eligible universe. The Net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes.

FTSE non-US Dollar World Government Bond Index A market capitalization index that measures the total rate of return performance for the government bonds of 22 countries, excluding the U.S., with a remaining maturity of at least 1 year.

MSCI EAFE Index (Net) A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets in Europe, Australasia, and the Far East. The Net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes; returns are calculated applying dividend withholding rates applicable to non-resident persons who do not benefit from double taxation treaties.

MSCI Emerging Markets Index (Net) A free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global emerging markets. This series approximates the minimum possible dividend reinvestment. The returns are calculated applying dividend withholding rates applicable to non-resident persons who do not benefit from double taxation treaties.

Russell 2000 Index An index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

S&P 500 Index An index that is designed to measure the performance of 500 leading publicly traded companies from a broad range of industries.

Schwab VIT Balanced Portfolio

VIT Balanced Composite Index A custom blended index developed by CSIM based on a comparable portfolio asset allocation and calculated using the following portion allocations effective June 8, 2016: 2% Bloomberg Barclays Global Treasury ex-US Capped Index, 34% Bloomberg Barclays US Aggregate Bond Index, 15% Bloomberg Barclays US Treasury Bills 1–3 Month Index, 2% Bloomberg Barclays US Treasury Inflation-Linked Bond Index (Series-L), 3% Bloomberg Commodity Index, 6% Dow Jones U.S. Select REIT Index, 15% Dow Jones U.S. Large-Cap Total Stock Market Index, 4% Dow Jones U.S. Small-Cap Total Stock Market Index, 5% FTSE All Emerging Index (Net), 11% FTSE Developed ex US Index (Net), 2% FTSE Developed Small Cap ex US Liquid Index (Net), and 1% Russell Microcap Index. Prior to June 8, 2016, the composite index was derived using the

following allocations: 15% Dow Jones U.S. Large-Cap Total Stock Market Index, 4% Dow Jones U.S. Small-Cap Total Stock Market Index, 1% Russell Microcap Index, 11% FTSE Developed ex US Index (Net), 2% FTSE Developed Small Cap ex US Liquid Index (Net), 5% FTSE Emerging Index (Net), 6% Dow Jones U.S. Select REIT Index, 3% Dow Jones UBS Commodity Index, 2% Bloomberg Barclays US Treasury Inflation-Linked Bond Index (Series-L), 12% Bloomberg Barclays US Treasury 3–10 Year Index, 2% Bloomberg Barclays US Aggregate: Agencies Index, 6% Bloomberg Barclays US Credit Index, 13% Bloomberg Barclays US Mortgage Backed Securities Index, 2% Bloomberg Barclays Global Treasury ex-US Capped Index, 1% Bloomberg Barclays High Yield Bond Very Liquid Index, and 15% Bloomberg Barclays US Treasury Bills 1–3 Month Index.

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