



Investment  
Management

# Schwab Government Money Market Portfolio™

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### **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](http://www.schwabfunds.com/schwabfunds_prospectus), the SEC's website at [www.sec.gov](http://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](http://www.schwabfunds.com/schwabfunds_prospectus) or the SEC's website at [www.sec.gov](http://www.sec.gov).

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

## Portfolio Management

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**Linda Klingman**, Vice President and Head of Taxable Money Market Strategies, leads the portfolio management team of Schwab's prime and government taxable money funds. Ms. Klingman also has overall responsibility for all aspects of the management of the fund. Prior to joining CSIM in 1990, Ms. Klingman was a senior money market trader with AIM Management. She has managed money market funds since 1988.



**Lynn Paschen**, Senior Portfolio Manager, is responsible for the day-to-day co-management of the fund. Prior to joining CSIM in 2011, Ms. Paschen held a number of positions at American Century Investments. She most recently was a portfolio manager and, from 2000 to 2003, worked as a fixed income trader. She has managed money market funds since 2003.



**Nicole Perret-Gentil**, Portfolio Manager, is responsible for the day-to-day co-management of the fund. Prior to joining CSIM in 2016, Ms. Perret-Gentil worked at Freddie Mac for 15 years, most recently as a Senior Portfolio Manager where she managed and executed trades for a fixed income strategy. Prior to that role, she served as a Portfolio Manager performing fixed income analysis, a Senior Research Analyst for investor and dealer relations, a Senior Securities Operations Analyst in loan and securities operations, and a Lead Mortgage Securities Operations Specialist. She also worked at Merrill Lynch for a year as a Senior Specialist in fixed income global banking and investments.

# Schwab Government Money Market Portfolio

**The Schwab Government Money Market Portfolio** (the fund) seeks the highest current income consistent with stability of capital and liquidity. To pursue its goal, the fund invests in U.S. government securities such as U.S. Treasury bills and notes, other obligations that are issued by the U.S. government, its agencies or instrumentalities, repurchase agreements, and obligations that are issued by private issuers that are guaranteed as to principal or interest by the U.S. government, its agencies or instrumentalities. The fund will invest at least 99.5% of its total assets in cash, U.S. government securities and/or repurchase agreements that are collateralized fully by cash and/or U.S. government securities; under normal circumstances, investing at least 80% of the fund's net assets in U.S. government securities including repurchase agreements that are collateralized fully by U.S. government securities (excluding cash). For more information concerning the fund's investment objective, strategy, and risks, please see the fund's prospectus.

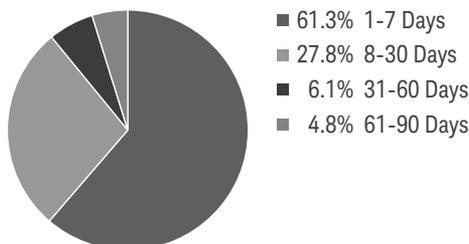
**Market Highlights.** Over the six-month reporting period ended June 30, 2018, yields on taxable money market funds rose. Following three 0.25% rate hikes in 2017, the Federal Reserve (Fed) instituted two more during the reporting period—in March and June—citing continued strength in the labor market and solid economic growth. Short term yields, which are directly influenced by central bank policy, rose in response. The federal funds rate ended the reporting period in a range of 1.75% to 2.00%.

In the minutes from its June meeting, however, the Fed noted that uncertainty and risks associated with trade policy had intensified, which could eventually have a negative effect on business sentiment and investment spending. As a result, the U.S. bond yield curve flattened, and yields remained low relative to historical averages. The yield on the benchmark 10-year U.S. Treasury note rose for a fourth straight quarter, briefly surpassing 3% before investors' concerns drove them to the relative safety of government debt. Despite steady economic growth over the reporting period, inflation remained benign.

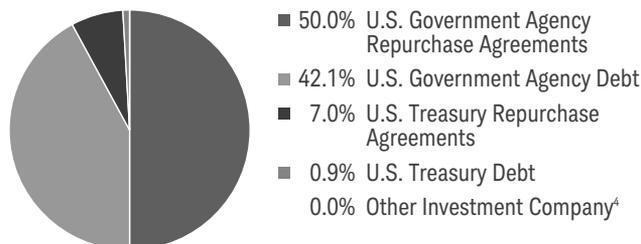
Outside the U.S., monetary policies mostly remained relatively accommodative amid low inflation, though some central banks did take steps toward tighter policies. At its March meeting, the Governing Council of the European Central Bank left interest rates unchanged, announcing that it expects key interest rates to remain at their present levels for an extended period of time and confirming that its net asset purchases are intended to run until at least the end of September 2018. During the reporting period, the Bank of Japan removed the timeframe for achieving its 2% inflation target and maintained its short-term interest rate target at -0.1%.

**Performance, Positioning, and Strategies.** Throughout the reporting period, the fund's investment adviser remained focused on liquidity and stability of capital as market conditions evolved. In anticipation of and in response to the Fed's short-term interest rate increases, the fund's weighted average maturity (WAM) generally declined, beginning the reporting period at 21 days and ending at 13 days.

## PORTFOLIO COMPOSITION BY EFFECTIVE MATURITY % OF INVESTMENTS<sup>1</sup>



## PORTFOLIO COMPOSITION BY SECURITY TYPE % OF INVESTMENTS<sup>3</sup>



## STATISTICS

**Weighted Average Maturity<sup>2</sup>** 13 Days

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

<sup>1</sup> Maturity shown is the date the interest rate on those securities is reset, or the date those securities can be redeemed through demand.

<sup>2</sup> Money funds must maintain a dollar-weighted average maturity of no longer than 60 days and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

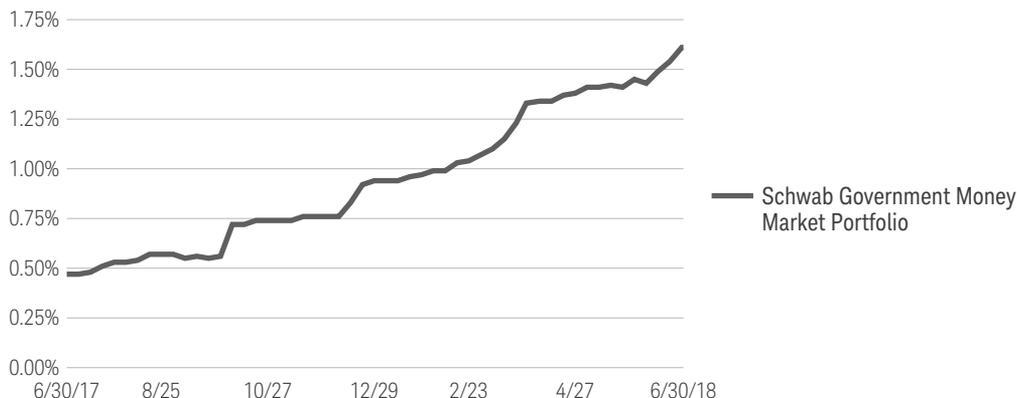
<sup>3</sup> The percentage may differ from the Portfolio Holdings because the above calculation is based on a percentage of total investments, whereas the calculation in the Portfolio Holdings is based on a percentage of net assets.

<sup>4</sup> Less than 0.05%

## Performance and Fund Facts as of June 30, 2018

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit [www.schwabfunds.com/schwabfunds\\_prospectus](http://www.schwabfunds.com/schwabfunds_prospectus).

## SEVEN-DAY AVERAGE YIELD TREND FOR PREVIOUS 12 MONTHS

SEVEN-DAY YIELDS<sup>1</sup>

The seven-day yield is the income generated by the fund's holdings minus the fund's operating expenses. The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate.

	<b>SCHWAB GOVERNMENT MONEY MARKET PORTFOLIO</b>
TICKER SYMBOL	SWPXX
<b>Seven-Day Yield (with waivers)<sup>2</sup></b>	1.61%
<b>Seven-Day Yield (without waivers)<sup>2</sup></b>	1.48%
<b>Seven-Day Effective Yield (with waivers)<sup>2</sup></b>	1.62%

**You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.**

<sup>1</sup> Fund yields do 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 yields would be less than those shown. Please refer to the variable insurance product prospectus for a complete listing of these expenses.

<sup>2</sup> The Seven-Day Yield (with waivers) is the average income paid out over the previous seven days assuming interest income is not reinvested and it reflects the effect of any applicable waivers. Absent such waivers, the fund's yield would have been lower. The Seven-Day Yield (without waivers) is the yield without the effect of any applicable waivers. The Seven-Day Effective Yield is the yield with waivers assuming that all interest income is reinvested in additional shares of the fund. For additional details, see financial note 4.

# 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 January 1, 2018 and held through June 30, 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) <sup>1</sup>	BEGINNING ACCOUNT VALUE AT 1/1/18	ENDING ACCOUNT VALUE (NET OF EXPENSES) AT 6/30/18	EXPENSES PAID DURING PERIOD 1/1/18-6/30/18 <sup>2</sup>
<b>Schwab Government Money Market Portfolio</b>				
Actual Return	0.35%	\$1,000.00	\$1,006.20	\$1.74
Hypothetical 5% Return	0.35%	\$1,000.00	\$1,023.06	\$1.76

<sup>1</sup> Based on the most recent six-month expense ratio; may differ from the expense ratio provided in the Financial Highlights.

<sup>2</sup> Expenses for the fund are equal to its annualized expense ratio, multiplied by the average account value over the period, multiplied by 181 days of the period, and divided by the 365 days of the fiscal year.

## Financial Statements

## FINANCIAL HIGHLIGHTS

	1/1/18– 6/30/18*	1/1/17– 12/31/17	1/1/16– 12/31/16	1/1/15– 12/31/15	1/1/14– 12/31/14	1/1/13– 12/31/13
<b>Per-Share Data</b>						
Net asset value at beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Income (loss) from investment operations:						
Net investment income (loss)	0.01 <sup>1</sup>	0.00 <sup>1,2</sup>	0.00 <sup>1,2</sup>	0.00 <sup>1,2</sup>	0.00 <sup>2</sup>	0.00 <sup>2</sup>
Net realized and unrealized gains (losses)	–	0.00 <sup>2</sup>	0.00 <sup>2</sup>	(0.00) <sup>2,3</sup>	0.00 <sup>2</sup>	0.00 <sup>2,4</sup>
Total from investment operations	0.01	0.00 <sup>2</sup>	0.00 <sup>2</sup>	0.00 <sup>2</sup>	0.00 <sup>2</sup>	0.00 <sup>2</sup>
Less distributions:						
Distributions from net investment income	(0.01)	(0.00) <sup>2</sup>	(0.00) <sup>2</sup>	(0.00) <sup>2</sup>	(0.00) <sup>2</sup>	(0.00) <sup>2</sup>
Net asset value at end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return	0.62% <sup>5</sup>	0.45%	0.01%	0.01%	0.01%	0.01%
<b>Ratios/Supplemental Data</b>						
Ratios to average net assets:						
Net operating expenses	0.35% <sup>6</sup>	0.46% <sup>7</sup>	0.37% <sup>8</sup>	0.12% <sup>8</sup>	0.07% <sup>8</sup>	0.08% <sup>8</sup>
Gross operating expenses	0.50% <sup>6</sup>	0.50%	0.49%	0.54%	0.49%	0.52%
Net investment income (loss)	1.26% <sup>6</sup>	0.44%	0.01%	0.01%	0.01%	0.01%
Net assets, end of period (x 1,000,000)	\$111	\$95	\$106	\$116	\$117	\$106

\* Unaudited.

<sup>1</sup> Calculated based on the average shares outstanding during the period.

<sup>2</sup> Per-share amount was less than \$0.005.

<sup>3</sup> The per share amount does not accord with the change in aggregate gains and losses in securities during the period because of the timing of fund transactions in relation to fluctuating market values.

<sup>4</sup> Net realized and unrealized gains (losses) ratio includes payment from affiliate of \$45,600.

<sup>5</sup> Not annualized.

<sup>6</sup> Annualized.

<sup>7</sup> Effective October 3, 2017, the contractual expense limitation changed. The ratio presented for period ended December 31, 2017 is a blended ratio.

<sup>8</sup> Reflects the effect of a voluntary yield waiver in excess of the contractual expense limitation.

# Portfolio Holdings

as of June 30, 2018 (Unaudited)

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 SEC for the first and third quarter 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](http://www.sec.gov) and may be viewed and copied at the SEC's Public Reference Room in Washington, D.C. Call 1-800-SEC-0330 for information on the operation of the Public Reference Room. The fund also files a complete schedule of portfolio holdings with the SEC monthly on Form N-MFP which is available immediately upon filing. The fund also makes available its complete schedule of portfolio holdings 5 business days after month end on the fund's website at [www.schwabfunds.com/schwabfunds\\_prospectus](http://www.schwabfunds.com/schwabfunds_prospectus) along with a link to the fund's Form N-MFP filings on the SEC's website.

For fixed-rate obligations and repurchase agreements, the rate shown is the coupon rate (the rate established when the obligation was issued) and if the coupon rate is not available, the effective yield at the time of purchase is shown. For variable-rate obligations, the rate shown is the interest rate as of the report date based on each security's rate reset date. The reference rate and spread used is shown parenthetically in the security description, if available; if not, the reference rate is described in a footnote. The date shown in the maturity date column below is either the date on which the principal amount must be paid or the date payment must be made pursuant to a demand feature. If the security's structure includes one of a number of maturity-shortening provisions set forth in Rule 2a-7, such as an interest rate reset, demand feature or put feature, the effective maturity date is also disclosed. If the effective maturity and maturity date are the same, the date will only appear in the maturity date column.

ISSUER	FOOTNOTES	RATE	EFFECTIVE MATURITY	MATURITY DATE	FACE AMOUNT (\$)	VALUE (\$)
<b>FIXED-RATE OBLIGATIONS 35.6% OF NET ASSETS</b>						
<b>U.S. GOVERNMENT AGENCY DEBT 34.7%</b>						
<b>FEDERAL FARM CREDIT BANKS FUNDING CORP</b>		1.87%		07/23/18	100,000	99,891
		1.91%		07/30/18	200,000	199,703
		1.95%		09/12/18	100,000	99,610
<b>FEDERAL HOME LOAN BANKS</b>		1.80%		07/03/18	1,000,000	999,950
		1.73%		07/05/18	500,000	499,928
		1.80%		07/05/18	500,000	499,925
		1.80%		07/06/18	1,000,000	999,800
		1.72%		07/13/18	4,000,000	3,997,898
		1.75%		07/13/18	3,000,000	2,998,400
		1.85%		07/13/18	1,000,000	999,434
		1.79%		07/18/18	7,600,000	7,593,967
		1.79%		07/20/18	1,000,000	999,108
		1.82%		07/20/18	3,500,000	3,496,818
		1.86%		07/25/18	1,000,000	998,813
		1.88%		07/25/18	1,000,000	998,799
		1.81%		07/26/18	1,000,000	998,793
		1.90%		08/01/18	500,000	499,209
		1.91%		08/01/18	600,000	599,045
		1.89%		08/03/18	400,000	399,328
		1.90%		08/03/18	1,900,000	1,896,791
		1.91%		08/03/18	100,000	99,830
		1.90%		08/08/18	1,100,000	1,097,852
		1.89%		08/10/18	1,000,000	997,953
		1.93%		08/17/18	100,000	99,754
		1.92%		08/31/18	2,000,000	1,993,597
		1.93%		08/31/18	300,000	299,035
		1.94%		09/05/18	1,000,000	996,506

## Portfolio Holdings as of June 30, 2018 (Unaudited) (continued)

ISSUER	FOOTNOTES	RATE	EFFECTIVE MATURITY	MATURITY DATE	FACE AMOUNT (\$)	VALUE (\$)
		1.95%		09/11/18	990,000	986,193
		1.93%		09/14/18	1,000,000	996,043
<b>FEDERAL NATIONAL MORTGAGE ASSOCIATION</b>		0.75%		07/27/18	1,000,000	999,199
						<b>38,441,172</b>

**U.S. TREASURY DEBT 0.9%**

<b>UNITED STATES TREASURY</b>		0.75%		07/31/18	1,000,000	<b>999,119</b>
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**TOTAL FIXED-RATE OBLIGATIONS  
(COST \$39,440,291)****39,440,291****VARIABLE-RATE OBLIGATIONS 7.9% OF NET ASSETS****U.S. GOVERNMENT AGENCY DEBT 7.9%****FEDERAL FARM CREDIT BANKS FUNDING CORP**

(1 mo. USD-LIBOR + 0.14%)		2.15%		07/06/18	300,000	300,010
(1 mo. USD-LIBOR + 0.14%)		2.12%	07/02/18	08/01/18	1,000,000	1,000,244

**FEDERAL HOME LOAN BANKS**

(1 mo. USD-LIBOR - 0.15%)		1.96%		07/27/18	1,000,000	1,000,000
(1 mo. USD-LIBOR - 0.12%)		1.94%	07/14/18	09/14/18	1,000,000	1,000,000
(3 mo. USD-LIBOR - 0.27%)		2.05%	07/05/18	10/05/18	500,000	500,000
(1 mo. USD-LIBOR - 0.13%)		1.92%	07/10/18	10/10/18	500,000	500,000
(1 mo. USD-LIBOR - 0.13%)		1.94%	07/15/18	11/15/18	1,000,000	1,000,000
(1 mo. USD-LIBOR - 0.13%)		1.96%	07/16/18	11/16/18	500,000	500,000
(1 mo. USD-LIBOR - 0.05%)		2.05%	07/24/18	01/24/19	500,000	500,247
(1 mo. USD-LIBOR - 0.07%)		1.98%	07/11/18	02/11/19	500,000	500,000
(1 mo. USD-LIBOR - 0.13%)		1.92%	07/12/18	02/12/19	1,000,000	1,000,000
(1 mo. USD-LIBOR - 0.07%)		2.02%	07/25/18	02/25/19	900,000	900,000

**TOTAL VARIABLE-RATE OBLIGATIONS  
(COST \$8,700,501)****8,700,501**

SECURITY	FOOTNOTES	RATE			NUMBER OF SHARES	VALUE (\$)
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**OTHER INVESTMENT COMPANY 0.0% OF NET ASSETS****MONEY MARKET FUND 0.0%**

<b>STATE STREET INSTITUTIONAL U.S. GOVERNMENT MONEY MARKET FUND</b>	(a)	1.82%	n/a	n/a	45,600	<b>45,600</b>
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**TOTAL OTHER INVESTMENT COMPANY  
(COST \$45,600)****45,600**

## Portfolio Holdings as of June 30, 2018 (Unaudited) (continued)

ISSUER	FOOTNOTES	RATE	EFFECTIVE MATURITY	MATURITY DATE	MATURITY AMOUNT (\$)	VALUE (\$)
<b>REPURCHASE AGREEMENTS 57.7% OF NET ASSETS</b>						
<b>U.S. GOVERNMENT AGENCY REPURCHASE AGREEMENTS* 50.6%</b>						
<b>BNP PARIBAS SA</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Treasury and U.S. Government Agency Securities valued at \$11,232,037, 1.75% - 3.00%, due 05/15/23 - 05/20/48)		2.12%		07/02/18	11,001,943	11,000,000
<b>GOLDMAN SACHS &amp; CO LLC</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Government Agency Securities valued at \$1,020,000, 3.50%, due 06/25/48)		2.07%		07/02/18	1,000,173	1,000,000
<b>JP MORGAN SECURITIES LLC</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Treasury and U.S. Government Agency Securities valued at \$8,161,232, 1.63% - 4.00%, due 06/30/20 - 10/01/47)		2.12%		07/02/18	8,001,413	8,000,000
<b>MERRILL LYNCH PIERCE FENNER &amp; SMITH INC</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Government Agency Securities valued at \$16,480,001, 11.60%, due 09/25/27)		2.12%		07/02/18	16,002,827	16,000,000
<b>MIZUHO SECURITIES USA LLC</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Treasury Securities valued at \$11,220,082, 0.63%, due 01/15/26)		2.12%		07/02/18	11,001,943	11,000,000
<b>RBC DOMINION SECURITIES INC</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Treasury Securities valued at \$1,020,213, 0.50% - 1.75%, due 08/31/18 - 01/15/28)		2.12%		07/02/18	1,000,177	1,000,000
<b>ROYAL BANK OF CANADA</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Government Agency Securities valued at \$3,090,546, 3.25% - 4.50%, due 10/20/37 - 06/01/48)		2.12%		07/02/18	3,000,530	3,000,000
<b>WELLS FARGO SECURITIES LLC</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Government Agency Securities valued at \$5,200,919, 2.50% - 7.00%, due 05/01/19 - 07/01/48)		2.12%		07/02/18	5,000,883	5,000,000
						<b>56,000,000</b>
<b>U.S. TREASURY REPURCHASE AGREEMENTS 7.1%</b>						
<b>BARCLAYS BANK PLC</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Treasury Securities valued at \$6,121,166, 0.00% - 8.50%, due 07/19/18 - 02/15/39)		2.10%		07/02/18	6,001,050	6,000,000

# Portfolio Holdings

as of June 30, 2018 (Unaudited) (continued)

ISSUER	FOOTNOTES	RATE	EFFECTIVE MATURITY	MATURITY DATE	MATURITY AMOUNT (\$)	VALUE (\$)
<b>BARCLAYS CAPITAL INC</b>						
Issued 06/29/18, repurchase date 07/02/18 (Collateralized by U.S. Treasury Securities valued at \$1,836,450, 1.50%, due 12/31/18)		2.10%		07/02/18	1,800,723	1,800,408
						<b>7,800,408</b>
<b>TOTAL REPURCHASE AGREEMENTS</b>						
<b>(COST \$63,800,408)</b>						<b>63,800,408</b>

(a) The rate shown is the 7-day yield.

\* Collateralized via U.S. Government Agency Securities or less frequently by higher rated U.S. Treasury Securities.

LIBOR – London Interbank Offered Rate is the interest rate banks charge each other for short-term loans.

The following is a summary of the inputs used to value the fund's investments as of June 30, 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
<b>Assets</b>				
Fixed-Rate Obligations <sup>1</sup>	\$–	\$39,440,291	\$–	\$39,440,291
Variable-Rate Obligations <sup>1</sup>	–	8,700,501	–	8,700,501
Other Investment Company <sup>1</sup>	45,600	–	–	45,600
Repurchase Agreements <sup>1</sup>	–	63,800,408	–	63,800,408
<b>Total</b>	<b>\$45,600</b>	<b>\$111,941,200</b>	<b>\$–</b>	<b>\$111,986,800</b>

<sup>1</sup> As categorized in Portfolio Holdings.

The fund's policy is to recognize transfers between Level 1, Level 2 and Level 3 as of the beginning of the fiscal year. There were no transfers between Level 1, Level 2 and Level 3 for the period ended June 30, 2018. Fund investments in underlying mutual funds are classified as Level 1, without consideration to the classification level of the investments held by the underlying mutual funds, which could be Level 1, Level 2 or Level 3.

# Statement of Assets and Liabilities

As of June 30, 2018; unaudited

## ASSETS

Investments in unaffiliated issuers, at cost and value (Note 2a)	\$48,186,392
Repurchase agreements, at cost and value (Note 2a)	63,800,408
Receivables:	
Fund shares sold	228,837
Interest	27,836
Dividends	67
	+
<b>Total assets</b>	<b>112,243,540</b>

## LIABILITIES

Payables:	
Investment adviser and administrator fees	20,646
Fund shares redeemed	1,471,988
Distributions to shareholders	67,181
Accrued expenses	45,318
	+
<b>Total liabilities</b>	<b>1,605,133</b>

## NET ASSETS

<b>Total assets</b>	112,243,540
<b>Total liabilities</b>	- 1,605,133
<b>Net assets</b>	<b>\$110,638,407</b>

### Net Assets by Source

Capital received from investors	110,590,243
Net investment income not yet distributed	2,564
Net realized capital gains	45,600

### Net Asset Value (NAV)

<b>Net Assets</b>	÷	<b>Shares Outstanding</b>	=	<b>NAV</b>
\$110,638,407		110,637,068		\$1.00

# Statement of Operations

For the period January 1, 2018 through June 30, 2018; unaudited

<b>INVESTMENT INCOME</b>	
Interest	\$810,367
Dividends	+ 67
<b>Total investment income</b>	<b>810,434</b>
<b>EXPENSES</b>	
Investment adviser and administrator fees	176,574
Portfolio accounting fees	26,008
Professional fees	18,719
Custodian fees	11,260
Shareholder reports	8,737
Independent trustees' fees	7,901
Transfer agent fees	921
Other expenses	+ 2,047
Total expenses	252,167
Expense reduction by CSIM and its affiliates	- 75,593
<b>Net expenses</b>	<b>- 176,574</b>
<b>Net investment income</b>	<b>633,860</b>
<b>Increase in net assets resulting from operations</b>	<b>\$633,860</b>

# Statement of Changes in Net Assets

For the current and prior report periods

Figures for the current period are unaudited

<b>OPERATIONS</b>		
	1/1/18-6/30/18	1/1/17-12/31/17
Net investment income	\$633,860	\$449,466
Net realized gains	+ —	2,223
<b>Increase in net assets from operations</b>	<b>633,860</b>	<b>451,689</b>
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>		
<b>Distributions from net investment income</b>	<b>(\$633,860)</b>	<b>(\$450,116)</b>
<b>TRANSACTIONS IN FUND SHARES*</b>		
Shares sold	61,469,602	67,235,376
Shares reinvested	566,680	450,116
Shares redeemed	+ (46,460,360)	(78,281,164)
<b>Net transactions in fund shares</b>	<b>15,575,922</b>	<b>(10,595,672)</b>
<b>NET ASSETS</b>		
Beginning of period	95,062,485	105,656,584
Total increase or decrease	+ 15,575,922	(10,594,099)
<b>End of period</b>	<b>\$110,638,407</b>	<b>\$95,062,485</b>
<b>Net investment income not yet distributed</b>	<b>\$2,564</b>	<b>\$2,564</b>

\* Transactions took place at \$1.00 per share; figures for share quantities are the same as for dollars.

# Financial Notes, unaudited

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## 1. Business Structure of the Fund:

Schwab Government Money Market 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 MarketTrack Growth Portfolio II™

Schwab S&P 500 Index Portfolio

Schwab VIT Balanced Portfolio

Schwab VIT Balanced with Growth Portfolio

Schwab VIT Growth Portfolio

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 a 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 June 30, 2018, 100% of the fund's shares were held through separate accounts of five 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.

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## 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).

### (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.

Securities in the fund are valued at amortized cost (which approximates market value) as permitted in accordance with Rule 2a-7 of the 1940 Act. In the event that security valuations do not approximate market value, securities may be fair valued as determined in accordance with procedures adopted by the Board. 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 a 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

# Financial Notes, unaudited (continued)

## 2. Significant Accounting Policies (continued):

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.

- **Underlying funds:** Mutual funds are valued at their respective NAVs.

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. Investments in mutual funds are valued daily at their NAVs, 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. Securities held by stable NAV money funds operating under Rule 2a-7 of the 1940 Act are valued at amortized cost which approximates current market value and are considered to be valued using Level 2 inputs.
- 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 June 30, 2018 are disclosed in the Portfolio Holdings.

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

**Repurchase Agreements:** In a repurchase agreement, a fund buys a security from another party (the counterparty), usually a financial institution, with the agreement that it be sold back in the future. Repurchase agreements subject a fund to counterparty risk, meaning that the fund could lose money if the other party fails to perform under the terms of the agreement. The fund mitigates this risk by ensuring that a fund's repurchase agreements are collateralized by cash and/or U.S. government securities. All collateral is held by the fund's custodian (or, with multi-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement. In the event of a default by the counterparty, realization of the collateral proceeds could be delayed or limited and the value of the collateral may decline. Investments in repurchase agreements are also based on a review of the credit quality of the repurchase agreement counterparty.

As of June 30, 2018, the fund had investments in repurchase agreements with a gross value of \$63,800,408 as disclosed in the Portfolio Holdings and the Statement of Assets and Liabilities. The value of the related collateral disclosed in the Portfolio Holdings exceeded the value of the repurchase agreements at period end.

**Delayed-Delivery Transactions:** The fund may buy securities at a predetermined price or yield, with payment and delivery taking place after the customary settlement period for that type of security. The fund will assume the rights and risks of ownership at the time of purchase, including the risk of price and yield fluctuations. Typically, no interest will accrue to the fund until the security is delivered. The fund will earmark or segregate appropriate liquid assets to cover its delayed-delivery purchase obligations, if any.

### (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.

## Financial Notes, unaudited (continued)

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### 2. Significant Accounting Policies (continued):

#### (d) Investment Income:

Interest income is recorded as it accrues. If the fund buys a debt security at a discount (less than face value) or a premium (more than face value), it amortizes premiums and accretes discounts from the purchase settlement date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. Certain securities may be callable (meaning that the issuer has the option to pay it off before its maturity date). The fund amortizes the premium and accretes the discount on each callable security to the security's maturity date, except when the purchase price is higher than the call price at the security's call date (in which case the premium is amortized to the call date).

#### (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.

#### (f) Distributions to Shareholders:

The fund declares distributions from net investment income, if any, every day it is open for business. These distributions are paid out to the insurance company separate accounts once a month. The fund makes distributions from net realized capital gains, if any, once a year.

#### (g) Custody Credit:

The fund has an arrangement with its custodian bank, State Street Bank and Trust Company (State Street), under which the fund may receive a credit for its uninvested cash balance to offset its custody fees and accounting fees. The credit amounts, if any, are disclosed in the Statement of Operations as a reduction to the fund's operating expenses.

#### (h) 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.

#### (i) 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.

#### (j) 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.

#### (k) Recent Accounting Standards:

In March 2017, the FASB issued Accounting Standards Update "Premium Amortization on Purchased Callable Debt Securities" which amends the amortization period for a callable debt security held at a premium from the maturity date to the earliest call date. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. At this time, management believes these changes will have no impact to the fund.

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### 3. Risk Factors:

**Investment Risk.** You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

# Financial Notes, unaudited (continued)

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### 3. Risk Factors (continued):

**Interest Rate Risk.** Interest rates rise and fall over time. As with any investment whose yield reflects current interest rates, the fund's yield will change over time. During periods when interest rates are low, the fund's yield (and total return) also will be low or may even be negative, which may make it difficult for the fund to pay expenses out of fund assets or maintain a stable \$1.00 share price. A change in a central bank's monetary policy or improving economic conditions, among other things, may result in an increase in interest rates. The fund is 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. A sudden or unpredictable rise in interest rates may cause volatility in the market and may decrease liquidity in the money market securities markets, making it more difficult for the fund to sell its money market investments at a time when the investment adviser might wish to sell such investments. Decreased market liquidity also may make it more difficult to value some or all of the fund's money market securities holdings. In addition, to the extent the fund makes any reimbursement payments to the investment adviser and/or its affiliates, the fund's yield would be lower.

**Stable Net Asset Value Risk.** If the fund or another money market fund fails to maintain a stable net asset value (or such perception exists in the market place), the fund could experience increased redemptions, which may adversely impact the fund's share price. The fund is permitted, among other things, to reduce or withhold any income and/or gains generated by the fund to maintain a stable \$1.00 share price.

**Repurchase Agreements Risk.** When the fund enters into a repurchase agreement, the fund is exposed to the risk that the other party (i.e. the counterparty) will not fulfill its contractual obligation. In a repurchase agreement, there exists the risk that, when the fund buys a security from a counterparty that agrees to repurchase the security at an agreed upon price (usually higher) and time, the counterparty will not repurchase the security.

**Credit Risk.** The fund is subject to the risk that a decline in the credit quality of a fund investment could cause the fund to lose money or underperform. The fund could lose money if the issuer of a fund investment fails to make timely principal or interest payments or if a guarantor, liquidity provider or counterparty of a fund investment fails to honor its obligations. Even though the fund's investments in repurchase agreements are collateralized at all times, there is some risk to the fund if the other party should default on its obligations and the fund is delayed or prevented from recovering or disposing of the collateral. Negative perceptions of the ability of an issuer, guarantor, liquidity provider or counterparty to make payments or otherwise honor its obligations, as applicable, could also cause the price of that investment to decline. The credit quality of the fund's portfolio holdings can change rapidly in certain market environments and any downgrade or default on the part of a single fund investment could cause the fund's share price or yield to fall.

Many of the U.S. government securities that the fund invests 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. Although maintained in conservatorship by the Federal Housing Finance Agency since September 2008, the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) maintain only lines of credit with the U.S. Treasury. The Federal Home Loan Banks maintain limited access to credit lines from the U.S. Treasury. Other securities, such as obligations issued by 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 a fund owns do not extend to the shares of the fund itself.

**Management Risk.** Any actively managed mutual fund is subject to the risk that its investment adviser will select investments or allocate assets in a manner that could cause the fund to underperform or otherwise not meet its objective. The fund's investment 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. The investment adviser's maturity decisions will also affect the fund's yield, and potentially could affect its share price. To the extent that the investment adviser anticipates interest rate trends imprecisely, the fund's yield at times could lag those of other money market funds.

**Redemption Risk.** The fund may experience periods of heavy redemptions that could cause the fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. Redemptions by a few large investors in the fund may have a significant adverse effect on the fund's ability to maintain a stable \$1.00 share price. In the event any money market fund fails to maintain a stable net asset value, other money market funds, including the fund, could face a market-wide risk of increased redemption pressures, potentially jeopardizing the stability of their \$1.00 share prices.

**Money Market Fund Risk.** The fund is not designed to offer capital appreciation. In exchange for their emphasis on stability and liquidity, money market investments may offer lower long-term performance than stock or bond investments.

# Financial Notes, unaudited (continued)

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### 3. Risk Factors (continued):

**Tax Diversification Risk.** As described above, the fund intends to operate as a government money market fund under the regulations governing money market funds. Additionally, the fund intends to meet the diversification requirements that are applicable to insurance company separate accounts under Subchapter L of the Internal Revenue Code of 1986, as amended (the Diversification Requirements). To satisfy the Diversification Requirements applicable to variable annuity contracts, the value of the assets of the fund invested in securities issued by the U.S. government, its agencies or instrumentalities must remain below specified thresholds. For these purposes, each U.S. government agency or instrumentality is treated as a separate issuer.

Operating as a government money market fund may make it difficult for the fund to meet the Diversification Requirements. This difficulty may be exacerbated by the potential increase in demand for the types of securities in which the fund invests as a result of changes to the rules that govern SEC registered money market funds. A failure to satisfy the Diversification Requirements could have significant adverse tax consequences for variable life insurance and variable annuity contract owners whose contract values are determined by investment in the fund.

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

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### 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, payable monthly, based on a percentage of the fund's average daily net assets as follows:

#### AVERAGE DAILY NET ASSETS

First \$1 billion	0.35%
More than \$1 billion but not exceeding \$10 billion	0.32%
More than \$10 billion but not exceeding \$20 billion	0.30%
More than \$20 billion but not exceeding \$40 billion	0.27%
Over \$40 billion	0.25%

For the period ended June 30, 2018, the aggregate advisory fee paid to CSIM by the fund was 0.35%, as a percentage of the fund's average daily net assets.

#### Contractual 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 the approval of the Board, to limit the total annual fund operating expenses charged, excluding interest, taxes, and certain non-routine expenses (expense limitation) to 0.35%.

#### 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.

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### 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.

## Financial Notes, unaudited (continued)

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### **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), maturing on October 4, 2018. 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 was 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, which matures on November 30, 2018. 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.

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### **7. Federal Income Taxes:**

At June 30, 2018, the tax basis cost of the fund's investments was \$111,941,200 and the unrealized appreciation and depreciation were \$45,600 and (\$0), respectively, with a net unrealized appreciation of \$45,600.

Capital loss carryforwards may be used to offset future realized capital gains for federal income tax purposes. As of December 31, 2017, the fund had no capital loss carryforwards available to offset future net capital gains.

As of December 31, 2017, 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, 2017, the fund did not incur any interest or penalties.

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### **8. 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.

# Investment Advisory Agreement Approval

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The Investment Company Act of 1940 (the 1940 Act) requires that the continuation of a fund's investment advisory agreement must be specifically approved (1) by the vote of the trustees or by a vote of the shareholders of the fund, and (2) by the vote of a majority of the trustees who are not parties to the investment advisory agreement or "interested persons" of any party (the Independent Trustees), cast in person at a meeting called for the purpose of voting on such approval. In connection with such approvals, the fund's trustees must request and evaluate, and the investment adviser is required to furnish, such information as may be reasonably necessary to evaluate the terms of the investment advisory agreement.

The Board of Trustees (the Board or the Trustees, as appropriate) calls and holds one or more meetings each year that are dedicated, in whole or in part, to considering whether to renew the investment advisory and administration agreement (the Agreement) between Schwab Annuity Portfolios (the Trust) and Charles Schwab Investment Management, Inc. (CSIM) with respect to the existing funds in the Trust, including Schwab Government Money Market Portfolio (the Fund), and to review certain other agreements pursuant to which CSIM provides investment advisory services to certain other registered investment companies. In preparation for the meeting(s), the Board requests and reviews a wide variety of materials provided by CSIM, including information about affiliates, personnel, business goals and priorities, profitability, third-party oversight, corporate structure and operations. The Board also receives extensive data provided by an independent provider of investment company data. This information is in addition to the detailed information about the Fund that the Board reviews during the course of each year, including information that relates to the Fund's operations and performance, legal and compliance matters, risk management, portfolio turnover, and sales and marketing activity. The Independent Trustees receive advice from Independent Trustees' legal counsel, including a memorandum regarding the responsibilities of trustees for the approval of investment advisory agreements. In addition, the Independent Trustees meet in executive session outside the presence of Fund management and participate in question and answer sessions with representatives of CSIM.

The Board, including a majority of the Independent Trustees, considered information specifically relating to its consideration of the continuance of the Agreement with respect to the Fund at meetings held on April 26, 2018, and June 5, 2018, and approved the renewal of the Agreement with respect to the Fund for an additional one year term at the meeting held on June 5, 2018. The Board's approval of the Agreement with respect to the Fund was based on consideration and

evaluation of a variety of specific factors discussed at these meetings and at prior meetings, including:

1. the nature, extent and quality of the services provided to the Fund under the Agreement, including the resources of CSIM and its affiliates dedicated to the Fund;
2. the Fund's investment performance and how it compared to that of certain other comparable mutual funds;
3. the Fund's expenses and how those expenses compared to those of certain other comparable mutual funds;
4. the profitability of CSIM and its affiliates, including Charles Schwab & Co., Inc. (Schwab), with respect to the Fund, including both direct and indirect benefits accruing to CSIM and its affiliates; and
5. the extent to which economies of scale would be realized as the Fund grows and whether fee levels in the Agreement reflect those economies of scale for the benefit of Fund investors.

**Nature, Extent and Quality of Services.** The Board considered the nature, extent and quality of the services provided by CSIM to the Fund and the resources of CSIM and its affiliates dedicated to the Fund. In this regard, the Trustees evaluated, among other things, CSIM's experience, track record, compliance program, resources dedicated to hiring and retaining qualified personnel, and information security resources. The Trustees also considered information provided by CSIM relating to the Fund's portfolio management team, portfolio strategy and risk oversight structure, and internal investment guidelines. The Trustees also considered investments in CSIM's infrastructure. The Trustees also considered Schwab's wide range of products, services, and channel alternatives such as investment research tools and Internet access and an array of account features that benefit the Fund and certain of its shareholders. The Trustees also considered Schwab's reputation as a full service brokerage firm and its overall financial condition. Following such evaluation, the Board concluded, within the context of its full deliberations, that the nature, extent and quality of services provided by CSIM to the Fund and the resources of CSIM and its affiliates dedicated to the Fund supported renewal of the Agreement with respect to the Fund.

**Fund Performance.** The Board considered the Fund's performance in determining whether to renew the Agreement with respect to the Fund. Specifically, the Trustees considered the Fund's performance relative to a peer category of other mutual funds and applicable indices/benchmarks, in light of total return, yield, and market trends. As part of this review, the Trustees considered the composition of the peer category, selection criteria and the reputation of the independent provider of investment company data who prepared the peer

category analysis. In evaluating the performance of the Fund, the Trustees considered the risk profile for the Fund and the appropriateness of the benchmark used to compare the performance of the Fund. The Trustees further considered the level of Fund performance in the context of their review of Fund expenses and adviser profitability discussed below and also noted that performance is reviewed throughout the year by a designated committee of the Board and by the Board. Following such evaluation the Board concluded, within the context of its full deliberations, that the performance of the Fund supported renewal of the Agreement with respect to the Fund.

**Fund Expenses.** With respect to the Fund's expenses, the Trustees considered the rate of compensation called for by the Agreement, and the Fund's net operating expense ratio, in each case, in comparison to those of other comparable mutual funds, such peer groups and comparisons having been selected and calculated by an independent provider of investment company data. The Trustees considered the effects of CSIM's and Schwab's practice of waiving management and other fees to prevent total Fund expenses from exceeding a specified cap as well as using voluntary waivers to maintain a certain yield, which CSIM has committed not to recoup. The Trustees also considered fees charged by CSIM to other mutual funds and to other types of accounts, which may include exchange-traded funds and separately managed accounts, but, with respect to such other types of accounts, accorded less weight to such comparisons due to the different legal, regulatory, compliance and operating features of mutual funds as compared to these other types of accounts, and the unique insurance dedicated distribution arrangements of the Fund as compared to other funds managed by CSIM as well as any differences in the nature and scope of the services CSIM provides to these other accounts and any differences in the market for these types of accounts. Following such evaluation, the Board concluded, within the context of its full deliberations, that the expenses of the Fund are reasonable and supported renewal of the Agreement with respect to the Fund.

**Profitability.** The Trustees considered the compensation flowing to CSIM and its affiliates, directly or indirectly and reviewed profitability on a pre-tax basis, without regard to distribution expenses. In this connection, the Trustees reviewed management's profitability analyses. The Trustees also reviewed profitability of CSIM relating to the Schwab fund complex as a whole, noting the benefit to Fund shareholders of being part of the Schwab fund complex, including the allocations of certain fixed costs across other funds in the complex. The Trustees also considered any other benefits derived by CSIM from its relationship with the Fund, such as whether, by virtue of its management of the Fund, CSIM obtains investment information or other research resources

that aid it in providing advisory services to other clients. The Trustees considered whether the compensation and profitability with respect to the Fund under the Agreement and other service agreements were reasonable and justified in light of the quality of all services rendered to the Fund by CSIM and its affiliates. Based on this evaluation, the Board concluded, within the context of its full deliberations, that the profitability of CSIM is reasonable and supported renewal of the Agreement with respect to the Fund.

**Economies of Scale.** The Trustees considered the existence of any economies of scale and whether those are passed along to the Fund's shareholders through a graduated investment advisory fee schedule or other means, including any fee waivers or expense caps by CSIM and its affiliates. In this regard, and consistent with their consideration of Fund expenses, the Trustees considered that CSIM and its affiliates have previously committed resources to minimize the effects on shareholders of diseconomies of scale during periods when Fund assets were relatively small through their contractual expense waivers. For example, such diseconomies of scale may particularly affect newer funds or funds with investment strategies that are from time to time out of favor, but shareholders may benefit from the continued availability of such funds at subsidized expense levels. The Trustees also considered contractual investment advisory fee schedules with respect to the Fund that includes lower fees at higher graduated asset levels. The Board also considered certain commitments by CSIM and its affiliates that are designed to pass along potential economies of scale to the Fund's shareholders. Specifically, the Board considered recent expense cap reductions effective October 3, 2107, as well as CSIM and its affiliates previously negotiated commitments, which may be changed only with Board approval, relating to: (i) reductions of contractual advisory fees or addition of breakpoints for certain funds within the fund complex, and (ii) implementation, by means of expense limitation agreement, of additional reductions in net overall expenses for certain funds. Based on this evaluation, the Board concluded, within the context of its full deliberations, that the Fund obtains reasonable benefit from economies of scale.

In the course of their deliberations, the Trustees did not identify any particular information or factor that was all important or controlling. Based on the Trustees' deliberation and their evaluation of the information described above, the Board, including all of the Independent Trustees, approved the continuation of the Agreement with respect to the Fund and concluded that the compensation under the Agreement with respect to the Fund is fair and reasonable in light of such services and expenses and such other matters as the Trustees have considered to be relevant in the exercise of their reasonable judgment.

## 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 107 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 <sup>1</sup> )	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	OTHER DIRECTORSHIPS
<b>Robert W. Burns</b> 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.	107	Director, PS Business Parks, Inc. (2005 – 2012)
<b>John F. Cogan</b> 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, The Hoover Institution at Stanford University (public policy think tank) (Oct. 1979 – present); Senior Fellow, Stanford Institute for Economic Policy Research (2000 – present); Professor of Public Policy, Stanford University (1994 – 2015).	107	Director, Gilead Sciences, Inc. (2005 – present)
<b>Nancy F. Heller</b> 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, TIAA Charitable (financial services) (2014 – 2016); Senior Managing Director, TIAA (financial services) (2003 – 2016).	107	None
<b>Stephen Timothy Kochis</b> 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, Kochis Global (wealth management consulting) (May 2012 – present); Chairman and CEO, Aspiriant, LLC (wealth management) (Jan. 2008 – Apr. 2012).	107	None

## INDEPENDENT TRUSTEES (CONTINUED)

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED <sup>1</sup> )	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	OTHER DIRECTORSHIPS
<b>David L. Mahoney</b> 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.	107	Director, Symantec Corporation (2003 – present) Director, Corcept Therapeutics Incorporated (2004 – present) Director, Adamas Pharmaceuticals, Inc. (2009 – present)
<b>Kiran M. Patel</b> 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, Intuit, Inc. (financial software and services firm for consumers and small businesses) (Dec. 2008 – Sept. 2013).	107	Director, KLA-Tencor Corporation (2008 – present)
<b>Kimberly S. Patmore</b> 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, Patmore Management Consulting (management consulting) (2008 – present).	107	None
<b>Gerald B. Smith</b> 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 of Smith Graham & Co. (investment advisors) (Mar. 1990 – present).	107	Director, Eaton (2012 – present) Director and Chairman of the Audit Committee, Oneok Partners LP (2003 – 2013) Director, Oneok, Inc. (2009 – 2013) Lead Independent Director, Board of Cooper Industries (2002 – 2012)
<b>Joseph H. Wender</b> 1944 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 Consultant, Goldman Sachs & Co., Inc. (investment banking and securities firm) (Jan. 2008 – present); Co-CEO, Colgin Cellars, LLC (vineyards) (Feb. 1998 – present).	107	Board Member and Chairman of the Audit Committee, Ionis Pharmaceuticals (1994 – present) Lead Independent Director and Chair of Audit Committee, OUTFRONT Media Inc. (2014 – present)

# Schwab Government Money Market Portfolio

## INTERESTED TRUSTEES

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED <sup>1</sup> )	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	OTHER DIRECTORSHIPS
<b>Walter W. Bettinger II<sup>2</sup></b> 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, The Charles Schwab Corporation (Oct. 2008 – present); President and Chief Executive Officer (Oct. 2008 – present), Director (May 2008 – present), Charles Schwab & Co., Inc.; Director, Charles Schwab Bank (Apr. 2006 – present); Director (May 2008 – present), President and Chief Executive Officer (Aug. 2017 – present), Schwab Holdings, Inc.; and Director, Charles Schwab Investment Management, Inc. (July 2016 – present).	107	Director, The Charles Schwab Corporation (2008 – present)
<b>Marie A. Chandoha<sup>2</sup></b> 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, President and Chief Executive Officer (Dec. 2010 – present), Chief Investment Officer (Sept. 2010 – Oct. 2011), Charles Schwab Investment Management, Inc.; Trustee (Jan. 2016 – present), President, Chief Executive Officer (Dec. 2010 – present), and Chief Investment Officer (Sept. 2010 – Oct. 2011), Schwab Funds, Laudus Funds and Schwab ETFs; Director, Charles Schwab Worldwide Funds plc and Charles Schwab Asset Management (Ireland) Limited (Jan. 2011 – present); Global Head of Fixed Income Business Division, BlackRock, Inc. (formerly Barclays Global Investors) (investment management firm) (Mar. 2007 – Aug. 2010).	107	None
<b>Joseph R. Martinetto<sup>2</sup></b> 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), Senior Executive Vice President (July 2015 – Feb. 2018), The Charles Schwab Corporation; Senior Executive Vice President, Charles Schwab & Co., Inc. (July 2015 – present); Chief Financial Officer (July 2015 – Aug. 2017), Executive Vice President and Chief Financial Officer (May 2007 – July 2015), The Charles Schwab Corporation and Charles Schwab & Co., Inc.; Director, Charles Schwab & Co., Inc. (May 2007 – present); Director (Apr. 2010 – present) and Chief Executive Officer (July 2013 – Apr. 2015), Charles Schwab 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.	107	None

## OFFICERS OF THE TRUST

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED <sup>3</sup> )	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS
<b>Marie A. Chandoha</b> 1961 President and 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)	Director, President and Chief Executive Officer (Dec. 2010 – present), Chief Investment Officer (Sept. 2010 – Oct. 2011), Charles Schwab Investment Management, Inc.; Trustee (Jan. 2016 – present), President, Chief Executive Officer (Dec. 2010 – present), and Chief Investment Officer (Sept. 2010 – Oct. 2011), Schwab Funds, Laudus Funds and Schwab ETFs; Director, Charles Schwab Worldwide Funds plc and Charles Schwab Asset Management (Ireland) Limited (Jan. 2011 – present); Global Head of Fixed Income Business Division, BlackRock, Inc. (formerly Barclays Global Investors) (investment management firm) (Mar. 2007 – Aug. 2010).

**OFFICERS OF THE TRUST (CONTINUED)**NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED<sup>3</sup>)

PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS

**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)

Treasurer and Chief Financial Officer, Schwab Funds, Laudus Funds and Schwab ETFs (Jan. 2016 – present); Assistant Treasurer, Schwab Funds and Laudus Funds (Dec. 2013 – Dec. 2015), Schwab ETFs (Nov. 2013 – Dec. 2015); Vice President, Charles Schwab Investment Management, Inc. (Oct. 2013 – present); Executive Director, J.P. Morgan Investor Services (Apr. 2011 – Sept. 2013); Assistant Treasurer, Massachusetts Financial Service Investment Management (May 2005 – Mar. 2011).

**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)

Senior Vice President and Chief Financial Officer (Nov. 2004 – present), Chief Operating Officer (Jan. 2011 – present), Charles Schwab Investment Management, Inc.; Senior Vice President and Chief Operating Officer (Jan. 2016 – present), Treasurer and Chief Financial Officer, Laudus Funds (June 2006 – Dec. 2015); Treasurer and Principal Financial Officer, Schwab Funds (Nov. 2004 – Dec. 2015) and Schwab ETFs (Oct. 2009 – Dec. 2015); Director, Charles Schwab Worldwide Funds plc and Charles Schwab Asset Management (Ireland) Limited (Apr. 2005 – present).

**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)

Senior Vice President and Chief Investment Officer – Equities and Multi-Asset Strategies, Charles Schwab Investment Management, Inc. (Apr. 2011 – present); Senior Vice President and Chief Investment Officer – Equities, Schwab Funds, Laudus Funds and Schwab ETFs (June 2011 – present); Head of the Portfolio Management Group and Vice President of Portfolio Management, Financial Engines, Inc. (investment management firm) (May 2009 – Apr. 2011); Head of Quantitative Equity, ING Investment Management (July 2004 – Jan. 2009).

**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)

Senior Vice President and Chief Investment Officer – Fixed Income, Charles Schwab Investment Management, Inc. (Apr. 2011 – present); Senior Vice President and Chief Investment Officer – Fixed Income, Schwab Funds, Laudus Funds and Schwab ETFs (June 2011 – present); Senior Managing Director, Global Head of Active Fixed-Income Strategies, State Street Global Advisors (Jan. 2008 – Oct. 2010); Director of Alpha Strategies Loomis, Sayles & Company (investment management firm) (Apr. 2006 – Jan. 2008).

**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)

Senior Vice President (Sept. 2011 – present), Vice President (Mar. 2004 – Sept. 2011), Charles Schwab & Co., Inc.; Senior Vice President and Chief Counsel (Sept. 2011 – present), 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, Laudus Funds (Apr. 2011 – present); Secretary (May 2011 – present) and Chief Legal Officer (Nov. 2011 – present), Schwab ETFs.

**Catherine MacGregor**

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)

Vice President, Charles Schwab & Co., Inc., Charles Schwab Investment Management, Inc. (July 2005 – present); Vice President (Dec. 2005 – present), 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, Schwab ETFs (Oct. 2009 – present).

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

Notes

Notes