



Investment
Management

Schwab S&P 500 Index 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.schwabassetmanagement.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.schwabassetmanagement.com/schwabfunds_prospectus or the SEC's website at www.sec.gov.

The Sector/Industry classifications in this report use the Global Industry Classification Standard (GICS) which was developed by and is the exclusive property of MSCI Inc. (MSCI) and Standard & Poor's (S&P). GICS is a service mark of MSCI and S&P and has been licensed for use by Charles Schwab & Co., Inc. The Industry classifications used in the Portfolio Holdings are sub-categories of Sector classifications.

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

The Investment Environment

For the six-month reporting period ended June 30, 2021, U.S. equity stocks generated positive returns, with several key equity market indices ending the reporting period at or near record highs. Despite persisting COVID-19 pandemic-driven stresses on the global economy and a resurgence of COVID-19 cases in the winter, along with the emergence of new, highly transmissible variant strains of the virus, equity markets continued to be buoyed by the extensive emergency rescue and fiscal stimulus measures enacted by U.S. Congress and the U.S. Federal Reserve (Fed), as well as the rapid rollout of COVID-19 vaccines. Both are driving a robust recovery. The U.S. economy outpaced most other regions, eclipsing its pre-pandemic level by the end of the reporting period. For the six-month reporting period, the S&P 500® Index, a bellwether for the overall U.S. stock market, returned 15.25%.

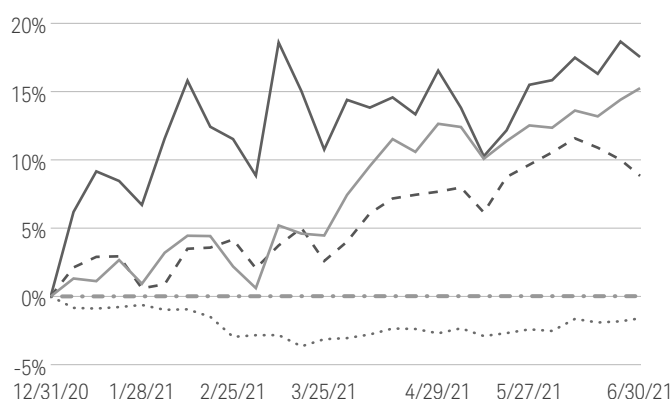
Bolstered by the extensive emergency rescue and fiscal stimulus measures passed by the U.S. Congress and the Fed, the U.S. economy began to recover from the dramatic impact of the COVID-19 pandemic. After a steep slide and subsequent recovery in the second and third quarters of 2020, U.S. gross domestic product (GDP) growth stabilized, growing at an annualized rate of 4.3% for the fourth quarter of 2020 and rising at an annualized rate of 6.4% for the first quarter of 2021. Unemployment, which skyrocketed in April 2020, fell in each subsequent month through March 2021, before experiencing a slight uptick in April 2021. Unemployment dropped again in May before experiencing another slight uptick in June. Inflation remained well below the Fed's traditional 2% target until March 2021, when it jumped, largely due to supply and demand imbalances in the labor market, increased demand, particularly for travel-related services, as well as increasing energy costs. However, inflation continued to rise through the end of the reporting period.

Central banks around the world, including the Fed, maintained the low—and for some international central banks, negative—interest rates instituted prior to, and in response to, the COVID-19 pandemic. In the U.S., the federal funds rate remained in a range of 0.00% to 0.25% through the reporting period. The Fed reiterated its intention to continue its support of the economy and affirmed that it would continue its bond-buying program but acknowledged that it was keeping an eye on rising inflation and the health of the labor market. In June, the Fed reiterated that during periods of economic expansion, such as the one currently underway, it would allow inflation to rise moderately above its previous

ASSET CLASS PERFORMANCE COMPARISON % RETURNS DURING THE 6 MONTHS ENDED JUNE 30, 2021

This graph compares the performance of various asset classes during the report period. Final performance figures for the period are in the key below.

- 15.25% **S&P 500® Index:** measures U.S. large-cap stocks
- 17.54% **Russell 2000® Index:** measures U.S. small-cap stocks
- - 8.83% **MSCI EAFE® Index (Net)*:** measures (in U.S. dollars) large-cap stocks in Europe, Australasia and the Far East
- -1.60% **Bloomberg Barclays US Aggregate Bond Index:** measures the U.S. bond market
- - 0.02% **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.

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.

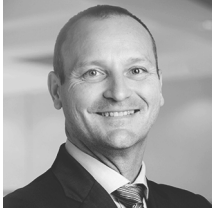
* The net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes.

The Investment Environment (continued)

2% target for periods of time, seeking an average of 2% over the long term. Given that inflation has persistently run below 2% for some time, the Fed expressed confidence that the economy still had a way to go until that limit is reached.

Over the reporting period, value stocks outperformed growth stocks, and small-cap stocks outperformed large-cap stocks. Among the sectors in the S&P 500[®] Index, all posted positive returns for the reporting period. The energy sector was the strongest performer over the reporting period, by a large margin, driven by a combination of the ongoing global economic recovery and rising oil prices supported by improving demand, curtailed supply, and a drawdown in inventories. The financials sector was also a strong performer, driven by its strong financial position, cyclical tailwinds with higher interest rates, and attractive valuations. Most companies in the sector exhibited strong balance sheets with ample capital to withstand a rise in loan defaults, which is possible as stimulus payments expire. The weakest sectors for the reporting period were the utilities and consumer staples sectors, both hampered by the economic recovery, which rendered both sectors less attractive relative to other sectors that are positioned to take advantage of the current business cycle.

Portfolio Management



Christopher Bliss, CFA, Managing Director and Head of Passive Equity Strategies for CSIM, leads the portfolio management team for Schwab's passive equity mutual funds and ETFs. He also has overall responsibility for all aspects of the management of the fund. Before joining CSIM in 2016, Mr. Bliss spent 12 years at BlackRock (formerly Barclays Global Investors) managing and leading institutional index teams, most recently as a managing director and the head of the Americas institutional index team. In this role, Mr. Bliss was responsible for overseeing a team of portfolio managers managing domestic, developed international and emerging markets index strategies. Prior to BlackRock, he worked as an equity analyst and portfolio manager for Harris Bretall and before that, as a research analyst for JP Morgan.



Jeremy Brown, Portfolio Manager, is responsible for the day-to-day co-management of the fund. Prior to joining CSIM in 2017, Mr. Brown spent six years with ALPS Advisors, Inc. in Denver, most recently as a senior analyst on the ETF portfolio management and research team where he performed portfolio management, trading, and analytics/research functions for ALPS ETFs and passive funds. Additionally, Mr. Brown led a number of investment research, commentary, industry trend analysis, and sales and marketing support initiatives.



Ferian Juwono, CFA, Senior Portfolio Manager, is responsible for the day-to-day co-management of the fund. Prior to joining Schwab in 2010, Mr. Juwono worked at BlackRock (formerly Barclays Global Investors) where he spent more than three years as a portfolio manager, managing equity index funds for institutional clients, and two years as a senior business analyst. Prior to that, Mr. Juwono worked for more than four years as a senior financial analyst with Union Bank of California.



Sabya Sinha, Portfolio Manager, is responsible for the day-to-day co-management of the fund. Prior to joining Schwab in 2015, Mr. Sinha spent a year at F-Squared Investments on the product development and analytics team. Prior to F-Squared, he worked at IndexIQ Advisors as a senior index portfolio manager for three years and for Bank of America's Columbia Management subsidiary as a portfolio manager for three years. Mr. Sinha also spent time as a software consultant at DPM Mellon, LLC and an equity trader at Jane Street Capital.

Schwab S&P 500 Index Portfolio

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.schwabassetmanagement.com/schwabfunds_prospectus.

AVERAGE ANNUAL TOTAL RETURNS ¹				
FUND AND INCEPTION DATE	6 MONTHS	1 YEAR	5 YEARS	10 YEARS
Fund: Schwab S&P 500 Index Portfolio (11/01/96)	15.22%	40.75%	17.56%	14.67%
S&P 500 [®] Index	15.25%	40.79%	17.65%	14.84%
Fund Category: Morningstar Large-Cap Blend ²	15.22%	40.99%	16.71%	13.87%

Fund Expense Ratio³: 0.03%

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.

Index ownership – “Standard & Poor’s[®],” “S&P[®],” and “S&P 500[®]” are registered trademarks of Standard & Poor’s Financial Services LLC (S&P), and “Dow Jones[®]” is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones) and have been licensed for use by S&P Dow Jones Indices LLC and its affiliates and sublicensed for certain purposes by CSIM. The “S&P 500[®] Index” is a product of S&P Dow Jones Indices LLC or its affiliates, and has been licensed for use by CSIM. The Schwab S&P 500 Index Portfolio is not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P, or their respective affiliates, and neither S&P Dow Jones Indices LLC, Dow Jones, S&P, nor their respective affiliates make any representation regarding the advisability of investing in the fund.

¹ 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.

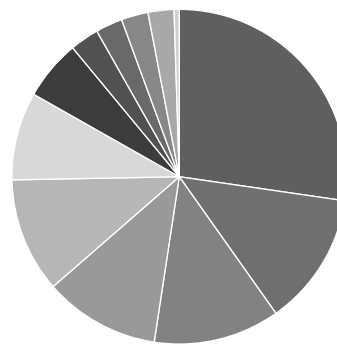
³ As stated in the prospectus.

Performance and Fund Facts as of June 30, 2021

STATISTICS¹

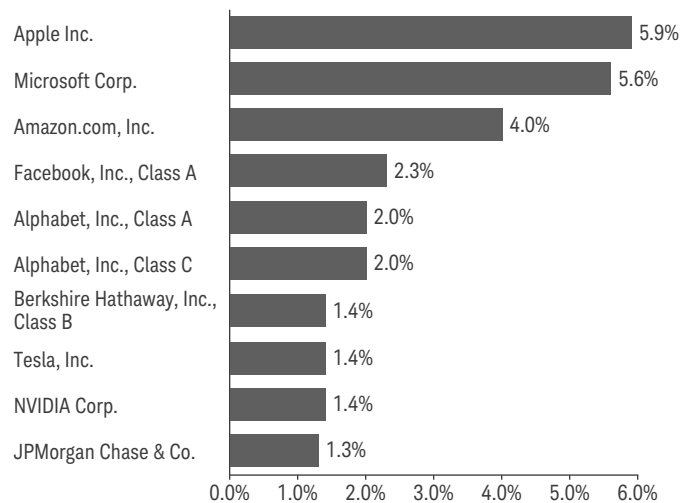
Number of Holdings	507
Weighted Average Market Cap (\$ x 1,000,000)	\$542,788
Price/Earnings Ratio (P/E)	26.9
Price/Book Ratio (P/B)	4.4
Portfolio Turnover Rate	11% ²

SECTOR WEIGHTINGS % OF INVESTMENTS³



- 27.3% Information Technology
- 12.9% Health Care
- 12.2% Consumer Discretionary
- 11.2% Financials
- 11.1% Communication Services
- 8.5% Industrials
- 5.8% Consumer Staples
- 2.8% Energy
- 2.6% Materials
- 2.6% Real Estate
- 2.5% Utilities
- 0.5% Other

TOP EQUITY HOLDINGS % OF NET ASSETS⁴



Portfolio holdings may have changed since the report date.

Source of Sector Classification: S&P and MSCI.

¹ Excludes derivatives.

² Not annualized.

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

⁴ This list is not a recommendation of any security by the investment adviser.

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.

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, 2021 and held through June 30, 2021.

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	BEGINNING ACCOUNT VALUE AT 1/1/21	ENDING ACCOUNT VALUE (NET OF EXPENSES) AT 6/30/21	EXPENSES PAID DURING PERIOD 1/1/21-6/30/21 ²
Schwab S&P 500 Index Portfolio				
Actual Return	0.03%	\$1,000.00	\$1,152.20	\$0.16
Hypothetical 5% Return	0.03%	\$1,000.00	\$1,024.65	\$0.15

¹ Based on the most recent six-month expense ratio.

² 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

	1/1/21– 6/30/21*	1/1/20– 12/31/20	1/1/19– 12/31/19	1/1/18– 12/31/18	1/1/17– 12/31/17	1/1/16– 12/31/16
Per-Share Data						
Net asset value at beginning of period	\$55.41	\$47.48	\$37.10	\$39.51	\$33.01	\$30.09
Income (loss) from investment operations:						
Net investment income (loss) ¹	0.42	0.96	0.91	0.82	0.71	0.62
Net realized and unrealized gains (losses)	8.01	7.58	10.64	(2.51)	6.39	2.85
Total from investment operations	8.43	8.54	11.55	(1.69)	7.10	3.47
Less distributions:						
Distributions from net investment income	(0.79)	(0.53)	(0.78)	(0.68)	(0.59)	(0.55)
Distributions from net realized gains	–	(0.08)	(0.39)	(0.04)	(0.01)	–
Total distributions	(0.79)	(0.61)	(1.17)	(0.72)	(0.60)	(0.55)
Net asset value at end of period	\$63.05	\$55.41	\$47.48	\$37.10	\$39.51	\$33.01
Total return	15.22% ²	18.28%	31.48%	(4.40%)	21.72%	11.68%
Ratios/Supplemental Data						
Ratios to average net assets:						
Total expenses	0.03% ³	0.03%	0.03%	0.03%	0.06% ⁴	0.22%
Net operating expenses	N/A	N/A	N/A	N/A ⁵	0.06% ⁴	0.22%
Net investment income (loss)	1.46% ³	2.03%	2.13%	2.03%	1.97%	2.00%
Portfolio turnover rate	11% ²	14%	6%	5%	3%	2%
Net assets, end of period (x 1,000,000)	\$1,207	\$947	\$588	\$340	\$346	\$282

* Unaudited.

¹ Calculated based on the average shares outstanding during the period.² Not annualized.³ Annualized.⁴ Effective March 1, 2017, the annual operating expense ratio was reduced. The ratio presented for period ended 12/31/17 is a blended ratio.⁵ Effective March 1, 2017, the fund instituted a new fee structure and the contractual expense limitation was terminated.

Portfolio Holdings

as of June 30, 2021 (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 U.S. Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-PORT Part F. The fund's Form N-PORT Part F is available on the SEC's website at www.sec.gov and on the fund's website at www.schwabassetmanagement.com/schwabfunds_prospectus. The fund also makes available its complete schedule of portfolio holdings 60 to 80 days after the end of the fiscal quarter on the fund's website.

SECURITY	NUMBER OF SHARES	VALUE (\$)	SECURITY	NUMBER OF SHARES	VALUE (\$)
COMMON STOCK 99.4% OF NET ASSETS					
Automobiles & Components 2.0%					
Aptiv plc *	8,939	1,406,373	Lockheed Martin Corp.	8,068	3,052,528
BorgWarner, Inc.	7,893	383,126	Masco Corp.	8,352	492,016
Ford Motor Co. *	129,548	1,925,083	Northrop Grumman Corp.	4,942	1,796,071
General Motors Co. *	42,170	2,495,199	Otis Worldwide Corp.	13,348	1,091,466
Tesla, Inc. *	25,453	17,300,404	PACCAR, Inc.	11,491	1,025,572
		23,510,185	Parker-Hannifin Corp.	4,267	1,310,438
			Pentair plc	5,469	369,103
			Quanta Services, Inc.	4,586	415,354
			Raytheon Technologies Corp.	50,023	4,267,462
			Rockwell Automation, Inc.	3,841	1,098,603
			Roper Technologies, Inc.	3,476	1,634,415
			Snap-on, Inc.	1,780	397,705
			Stanley Black & Decker, Inc.	5,343	1,095,262
			Teledyne Technologies, Inc. *	1,542	645,836
			Textron, Inc.	7,428	510,824
			The Boeing Co. *	18,164	4,351,368
			Trane Technologies plc	7,903	1,455,258
			TransDigm Group, Inc. *	1,815	1,174,831
			United Rentals, Inc. *	2,401	765,943
			W.W. Grainger, Inc.	1,440	630,720
			Westinghouse Air Brake Technologies Corp.	5,918	487,051
			Xylem, Inc.	5,925	710,763
					69,495,161
			Commercial & Professional Services 0.8%		
			Cintas Corp.	2,920	1,115,440
			Copart, Inc. *	6,896	909,100
			Equifax, Inc.	4,030	965,225
			IHS Markit Ltd.	12,381	1,394,843
			Jacobs Engineering Group, Inc.	4,285	571,705
			Leidos Holdings, Inc.	4,375	442,312
			Nielsen Holdings plc	11,797	291,032
			Republic Services, Inc.	6,929	762,259
			Robert Half International, Inc.	3,711	330,168
			Rollins, Inc.	7,288	249,250
			Verisk Analytics, Inc.	5,368	937,897
			Waste Management, Inc.	12,823	1,796,631
					9,765,862
			Consumer Durables & Apparel 1.2%		
			D.R. Horton, Inc.	10,862	981,599
			Garmin Ltd.	4,973	719,295
			Hanesbrands, Inc.	11,489	214,500
			Hasbro, Inc.	4,210	397,929
			Leggett & Platt, Inc.	4,384	227,135
			Lennar Corp., Class A	9,107	904,780
			Mohawk Industries, Inc. *	1,927	370,350
			Newell Brands, Inc.	12,456	342,166
			NIKE, Inc., Class B	42,103	6,504,492
			NVR, Inc. *	113	561,983
			PulteGroup, Inc.	8,703	474,923
			PVH Corp. *	2,345	252,299
			Ralph Lauren Corp.	1,588	187,082
			Tapestry, Inc. *	9,314	404,973
			Under Armour, Inc., Class A *	6,208	131,299
			Under Armour, Inc., Class C *	6,466	120,074
Banks 4.3%					
Bank of America Corp.	249,041	10,267,960			
Citigroup, Inc.	68,274	4,830,385			
Citizens Financial Group, Inc.	14,016	642,914			
Comerica, Inc.	4,594	327,736			
Fifth Third Bancorp	23,347	892,556			
First Republic Bank	5,823	1,089,891			
Huntington Bancshares, Inc.	49,089	700,500			
JPMorgan Chase & Co.	99,970	15,549,334			
KeyCorp	31,938	659,520			
M&T Bank Corp.	4,234	615,243			
People's United Financial, Inc.	14,072	241,194			
Regions Financial Corp.	31,634	638,374			
SVB Financial Group *	1,798	1,000,461			
The PNC Financial Services Group, Inc.	14,035	2,677,317			
Truist Financial Corp.	44,430	2,465,865			
U.S. Bancorp	44,780	2,551,117			
Wells Fargo & Co.	136,525	6,183,217			
Zions Bancorp NA	5,391	284,968			
		51,618,552			
Capital Goods 5.8%					
3M Co.	19,139	3,801,580			
A.O. Smith Corp.	4,425	318,865			
Allegion plc	2,961	412,467			
AMETEK, Inc.	7,644	1,020,474			
Carrier Global Corp.	27,008	1,312,589			
Caterpillar, Inc.	18,093	3,937,580			
Cummins, Inc.	4,836	1,179,065			
Deere & Co.	10,304	3,634,324			
Dover Corp.	4,736	713,242			
Eaton Corp. plc	13,155	1,949,308			
Emerson Electric Co.	19,797	1,905,263			
Fastenal Co.	19,015	988,780			
Fortive Corp.	11,225	782,831			
Fortune Brands Home & Security, Inc.	4,555	453,723			
Generac Holdings, Inc. *	2,087	866,418			
General Dynamics Corp.	7,564	1,423,999			
General Electric Co.	290,015	3,903,602			
Honeywell International, Inc.	22,935	5,030,792			
Howmet Aerospace, Inc. *	12,863	443,388			
Huntington Ingalls Industries, Inc.	1,324	279,033			
IDEX Corp.	2,499	549,905			
Illinois Tool Works, Inc.	9,487	2,120,914			
Ingersoll Rand, Inc. *	12,285	599,631			
Johnson Controls International plc	23,675	1,624,815			
L3Harris Technologies, Inc.	6,773	1,463,984			

Portfolio Holdings

as of June 30, 2021 (Unaudited) (continued)

SECURITY	NUMBER OF SHARES	VALUE (\$)	SECURITY	NUMBER OF SHARES	VALUE (\$)
VF Corp.	10,654	874,054	Kinder Morgan, Inc.	64,416	1,174,304
Whirlpool Corp.	2,061	449,339	Marathon Oil Corp.	25,936	353,248
		14,118,272	Marathon Petroleum Corp.	21,060	1,272,445
Consumer Services 2.0%			NOV, Inc. *	12,855	196,939
Booking Holdings, Inc. *	1,357	2,969,238	Occidental Petroleum Corp.	27,827	870,150
Caesars Entertainment, Inc. *	6,868	712,555	ONEOK, Inc.	14,662	815,794
Carnival Corp. *	26,271	692,504	Phillips 66	14,475	1,242,245
Chipotle Mexican Grill, Inc. *	931	1,443,367	Pioneer Natural Resources Co.	7,663	1,245,391
Darden Restaurants, Inc.	4,306	628,633	Schlumberger N.V.	46,195	1,478,702
Domino's Pizza, Inc.	1,278	596,174	Valero Energy Corp.	13,524	1,055,954
Expedia Group, Inc. *	4,655	762,070	Williams Cos., Inc.	40,198	1,067,257
Hilton Worldwide Holdings, Inc. *	9,221	1,112,237			34,251,006
Las Vegas Sands Corp. *	10,810	569,579	Food & Staples Retailing 1.3%		
Marriott International, Inc., Class A *	8,848	1,207,929	Costco Wholesale Corp.	14,597	5,775,595
McDonald's Corp.	24,649	5,693,672	Kroger Co.	25,067	960,317
MGM Resorts International	13,398	571,425	Sysco Corp.	16,913	1,314,986
Norwegian Cruise Line Holdings Ltd. *	12,174	358,037	Walgreens Boots Alliance, Inc.	23,725	1,248,172
Penn National Gaming, Inc. *	4,888	373,883	Walmart, Inc.	45,327	6,392,013
Royal Caribbean Cruises Ltd. *	7,205	614,442			15,691,083
Starbucks Corp.	38,938	4,353,658	Food, Beverage & Tobacco 3.0%		
Wynn Resorts Ltd. *	3,464	423,647	Altria Group, Inc.	61,142	2,915,251
Yum! Brands, Inc.	9,861	1,134,311	Archer-Daniels-Midland Co.	18,483	1,120,070
		24,217,361	Brown-Forman Corp., Class B	6,011	450,464
Diversified Financials 5.1%			Campbell Soup Co.	6,681	304,587
American Express Co.	21,484	3,549,801	Conagra Brands, Inc.	15,962	580,698
Ameriprise Financial, Inc.	3,838	955,201	Constellation Brands, Inc., Class A	5,587	1,306,743
Berkshire Hathaway, Inc., Class B *	62,586	17,393,901	General Mills, Inc.	20,173	1,229,141
BlackRock, Inc.	4,685	4,099,234	Hormel Foods Corp.	9,276	442,929
Capital One Financial Corp.	14,917	2,307,511	Kellogg Co.	8,292	533,424
Cboe Global Markets, Inc.	3,511	417,985	Lamb Weston Holdings, Inc.	4,814	388,297
CME Group, Inc.	11,860	2,522,385	McCormick & Co., Inc.	8,194	723,694
Discover Financial Services	10,082	1,192,600	Molson Coors Beverage Co., Class B *	6,198	332,771
Franklin Resources, Inc.	8,962	286,694	Mondelez International, Inc., Class A	46,356	2,894,469
Intercontinental Exchange, Inc.	18,583	2,205,802	Monster Beverage Corp. *	12,241	1,118,215
Invesco Ltd.	12,452	332,842	PepsiCo, Inc.	45,619	6,759,367
MarketAxess Holdings, Inc.	1,250	579,488	Philip Morris International, Inc.	51,470	5,101,192
Moody's Corp.	5,314	1,925,634	The Coca-Cola Co.	128,141	6,933,710
Morgan Stanley	49,173	4,508,672	The Hershey Co.	4,851	844,947
MSCI, Inc.	2,723	1,451,577	The JM Smucker Co.	3,606	467,229
Nasdaq, Inc.	3,780	664,524	The Kraft Heinz Co.	21,480	875,954
Northern Trust Corp.	6,900	797,778	Tyson Foods, Inc., Class A	9,700	715,472
Raymond James Financial, Inc.	4,025	522,848			36,038,624
S&P Global, Inc.	7,953	3,264,309	Health Care Equipment & Services 6.3%		
State Street Corp.	11,516	947,537	Abbott Laboratories	58,680	6,802,772
Synchrony Financial	17,919	869,430	ABIOMED, Inc. *	1,491	465,356
T. Rowe Price Group, Inc.	7,495	1,483,785	Align Technology, Inc. *	2,380	1,454,180
The Bank of New York Mellon Corp.	26,667	1,366,150	AmerisourceBergen Corp.	4,867	557,223
The Charles Schwab Corp. (a)	49,379	3,595,285	Anthem, Inc.	8,085	3,086,853
The Goldman Sachs Group, Inc.	11,241	4,266,297	Baxter International, Inc.	16,621	1,337,990
		61,507,270	Becton, Dickinson & Co.	9,604	2,335,597
Energy 2.8%			Boston Scientific Corp. *	46,933	2,006,855
APA Corp.	12,438	269,034	Cardinal Health, Inc.	9,548	545,095
Baker Hughes Co.	24,191	553,248	Centene Corp. *	19,258	1,404,486
Cabot Oil & Gas Corp.	13,152	229,634	Cerner Corp.	9,916	775,034
Chevron Corp.	63,808	6,683,250	Cigna Corp.	11,332	2,686,477
ConocoPhillips	44,555	2,713,399	CVS Health Corp.	43,477	3,627,721
Devon Energy Corp.	19,602	572,182	Danaher Corp.	20,966	5,626,436
Diamondback Energy, Inc.	5,956	559,209	DaVita, Inc. *	2,307	277,832
EOG Resources, Inc.	19,275	1,608,306	Dentsply Sirona, Inc.	7,184	454,460
Exxon Mobil Corp.	139,803	8,818,773	DexCom, Inc. *	3,196	1,364,692
Halliburton Co.	29,279	676,930	Edwards Lifesciences Corp. *	20,529	2,126,188
Hess Corp.	9,100	794,612	HCA Healthcare, Inc.	8,682	1,794,917

Portfolio Holdings

as of June 30, 2021 (Unaudited) (continued)

SECURITY	NUMBER OF SHARES	VALUE (\$)	SECURITY	NUMBER OF SHARES	VALUE (\$)
Henry Schein, Inc. *	4,630	343,500	Eastman Chemical Co.	4,492	524,441
Hologic, Inc. *	8,432	562,583	Ecolab, Inc.	8,215	1,692,044
Humana, Inc.	4,260	1,885,987	FMC Corp.	4,241	458,876
IDEXX Laboratories, Inc. *	2,816	1,778,445	Freeport-McMoRan, Inc.	48,416	1,796,718
Intuitive Surgical, Inc. *	3,911	3,596,712	International Flavors & Fragrances, Inc.	8,231	1,229,711
Laboratory Corp. of America Holdings *	3,235	892,375	International Paper Co.	12,989	796,356
McKesson Corp.	5,237	1,001,524	Linde plc	17,172	4,964,425
Medtronic plc	44,426	5,514,599	LyondellBasell Industries N.V., Class A	8,531	877,584
Quest Diagnostics, Inc.	4,345	573,410	Martin Marietta Materials, Inc.	2,052	721,914
ResMed, Inc.	4,813	1,186,501	Newmont Corp.	26,459	1,676,971
STERIS plc	3,242	668,825	Nucor Corp.	9,909	950,570
Stryker Corp.	10,822	2,810,798	Packaging Corp. of America	3,126	423,323
Teleflex, Inc.	1,538	617,953	PPG Industries, Inc.	7,838	1,330,657
The Cooper Cos., Inc.	1,621	642,354	Sealed Air Corp.	5,002	296,369
UnitedHealth Group, Inc.	31,161	12,478,111	The Mosaic Co.	11,373	362,912
Universal Health Services, Inc., Class B	2,566	375,739	The Sherwin-Williams Co.	7,900	2,152,355
West Pharmaceutical Services, Inc.	2,446	878,359	Vulcan Materials Co.	4,366	759,990
Zimmer Biomet Holdings, Inc.	6,897	1,109,175	WestRock Co.	8,869	472,008
		75,647,114			31,203,206
Household & Personal Products 1.5%			Media & Entertainment 9.6%		
Church & Dwight Co., Inc.	8,071	687,811	Activision Blizzard, Inc.	25,672	2,450,136
Clorox Co.	4,093	736,372	Alphabet, Inc., Class A *	9,933	24,254,300
Colgate-Palmolive Co.	27,924	2,271,617	Alphabet, Inc., Class C *	9,404	23,569,433
Kimberly-Clark Corp.	11,153	1,492,048	Charter Communications, Inc., Class A *	4,550	3,282,597
Procter & Gamble Co.	80,847	10,908,686	Comcast Corp., Class A	151,434	8,634,767
The Estee Lauder Cos., Inc., Class A	7,660	2,436,493	Discovery, Inc., Class A *(b)	5,551	170,305
		18,533,027	Discovery, Inc., Class C *	9,885	286,467
Insurance 1.8%			DISH Network Corp., Class A *	8,176	341,757
AFLAC, Inc.	20,911	1,122,084	Electronic Arts, Inc.	9,461	1,360,776
American International Group, Inc.	28,368	1,350,317	Facebook, Inc., Class A *	79,133	27,515,335
Aon plc, Class A	7,455	1,779,956	Fox Corp., Class A	10,759	399,482
Arthur J. Gallagher & Co.	6,784	950,303	Fox Corp., Class B	5,001	176,035
Assurant, Inc.	1,993	311,267	Live Nation Entertainment, Inc. *	4,754	416,403
Chubb Ltd.	14,850	2,360,259	Netflix, Inc. *	14,646	7,736,164
Cincinnati Financial Corp.	4,980	580,767	News Corp., Class A	12,863	331,480
Everest Re Group Ltd.	1,319	332,401	News Corp., Class B	4,019	97,863
Globe Life, Inc.	3,120	297,180	Omnicom Group, Inc.	7,153	572,168
Lincoln National Corp.	5,889	370,065	Take-Two Interactive Software, Inc. *	3,806	673,738
Loews Corp.	7,361	402,279	The Interpublic Group of Cos., Inc.	12,945	420,583
Marsh & McLennan Cos., Inc.	16,780	2,360,610	Twitter, Inc. *	26,375	1,814,864
MetLife, Inc.	24,593	1,471,891	ViacomCBS, Inc., Class B	20,000	904,000
Principal Financial Group, Inc.	8,325	526,057	Walt Disney Co. *	60,011	10,548,133
Prudential Financial, Inc.	13,023	1,334,467			115,956,786
The Allstate Corp.	9,897	1,290,965	Pharmaceuticals, Biotechnology & Life Sciences 6.6%		
The Hartford Financial Services Group, Inc.	11,848	734,220	AbbVie, Inc.	58,335	6,570,854
The Progressive Corp.	19,323	1,897,712	Agilent Technologies, Inc.	10,027	1,482,091
The Travelers Cos., Inc.	8,315	1,244,839	Alexion Pharmaceuticals, Inc. *	7,306	1,342,185
Unum Group	6,721	190,876	Amgen, Inc.	18,975	4,625,156
W.R. Berkley Corp.	4,611	343,197	Bio-Rad Laboratories, Inc., Class A *	709	456,801
Willis Towers Watson plc	4,269	981,955	Biogen, Inc. *	4,974	1,722,347
		22,233,667	Bristol-Myers Squibb Co.	73,791	4,930,715
Materials 2.6%			Catalent, Inc. *	5,606	606,121
Air Products & Chemicals, Inc.	7,305	2,101,502	Charles River Laboratories International, Inc. *	1,654	611,848
Albemarle Corp.	3,841	647,055	Eli Lilly & Co.	26,290	6,034,081
Amcor plc	50,737	581,446	Gilead Sciences, Inc.	41,429	2,852,801
Avery Dennison Corp.	2,732	574,376	Illumina, Inc. *	4,822	2,281,819
Ball Corp.	10,874	881,011	Incyte Corp. *	6,152	517,568
Celanese Corp.	3,706	561,830	IQVIA Holdings, Inc. *	6,331	1,534,128
CF Industries Holdings, Inc.	7,059	363,186	Johnson & Johnson	86,963	14,326,285
Corteva, Inc.	24,391	1,081,741	Merck & Co., Inc.	83,631	6,503,983
Dow, Inc.	24,687	1,562,193	Mettler-Toledo International, Inc. *	770	1,066,712
DuPont de Nemours, Inc.	17,590	1,361,642	Organon & Co. *	8,327	251,975
			PerkinElmer, Inc.	3,728	575,640

Portfolio Holdings as of June 30, 2021 (Unaudited) (continued)

SECURITY	NUMBER OF SHARES	VALUE (\$)
Perrigo Co., plc	4,395	201,511
Pfizer, Inc.	184,875	7,239,705
Regeneron Pharmaceuticals, Inc. *	3,459	1,931,990
Thermo Fisher Scientific, Inc.	12,977	6,546,507
Vertex Pharmaceuticals, Inc. *	8,551	1,724,138
Viatis, Inc.	39,774	568,370
Waters Corp. *	2,048	707,809
Zoetis, Inc.	15,681	2,922,311
		80,135,451

Real Estate 2.6%

Alexandria Real Estate Equities, Inc.	4,546	827,099
American Tower Corp.	15,016	4,056,422
AvalonBay Communities, Inc.	4,622	964,565
Boston Properties, Inc.	4,674	535,594
CBRE Group, Inc., Class A *	11,115	952,889
Crown Castle International Corp.	14,274	2,784,858
Digital Realty Trust, Inc.	9,305	1,400,030
Duke Realty Corp.	12,340	584,299
Equinix, Inc.	2,959	2,374,893
Equity Residential	11,399	877,723
Essex Property Trust, Inc.	2,139	641,721
Extra Space Storage, Inc.	4,401	720,972
Federal Realty Investment Trust	2,328	272,772
Healthpeak Properties, Inc.	17,911	596,257
Host Hotels & Resorts, Inc. *	23,236	397,103
Iron Mountain, Inc.	9,502	402,125
Kimco Realty Corp.	14,264	297,404
Mid-America Apartment Communities, Inc.	3,808	641,343
Prologis, Inc.	24,426	2,919,640
Public Storage	5,030	1,512,471
Realty Income Corp.	12,381	826,308
Regency Centers Corp.	5,198	333,036
SBA Communications Corp.	3,617	1,152,738
Simon Property Group, Inc.	10,863	1,417,404
UDR, Inc.	9,768	478,437
Ventas, Inc.	12,345	704,900
Vornado Realty Trust	5,167	241,144
Welltower, Inc.	13,811	1,147,694
Weyerhaeuser Co.	24,655	848,625
		30,910,466

Retailing 7.1%

Advance Auto Parts, Inc.	2,182	447,615
Amazon.com, Inc. *	14,157	48,702,345
AutoZone, Inc. *	715	1,066,937
Best Buy Co., Inc.	7,389	849,587
CarMax, Inc. *	5,369	693,406
Dollar General Corp.	7,808	1,689,573
Dollar Tree, Inc. *	7,633	759,483
eBay, Inc.	21,386	1,501,511
Etsy, Inc. *	4,215	867,616
Genuine Parts Co.	4,754	601,238
L Brands, Inc.	7,709	555,511
LKQ Corp. *	9,148	450,265
Lowe's Cos., Inc.	23,347	4,528,618
O'Reilly Automotive, Inc. *	2,307	1,306,246
Pool Corp.	1,321	605,890
Ross Stores, Inc.	11,787	1,461,588
Target Corp.	16,343	3,950,757
The Gap, Inc.	6,834	229,964
The Home Depot, Inc.	35,113	11,197,185
The TJX Cos., Inc.	39,846	2,686,417

SECURITY	NUMBER OF SHARES	VALUE (\$)
Tractor Supply Co.	3,793	705,726
Ulta Beauty, Inc. *	1,802	623,078
		85,480,556

Semiconductors & Semiconductor Equipment 5.7%

Advanced Micro Devices, Inc. *	40,133	3,769,693
Analog Devices, Inc.	12,176	2,096,220
Applied Materials, Inc.	30,313	4,316,571
Broadcom, Inc.	13,480	6,427,803
Enphase Energy, Inc. *	4,466	820,092
Intel Corp.	133,347	7,486,101
KLA Corp.	5,063	1,641,475
Lam Research Corp.	4,711	3,065,448
Maxim Integrated Products, Inc.	8,889	936,545
Microchip Technology, Inc.	9,041	1,353,799
Micron Technology, Inc. *	37,042	3,147,829
Monolithic Power Systems, Inc.	1,431	534,407
NVIDIA Corp.	20,576	16,462,858
NXP Semiconductors N.V.	9,105	1,873,081
Qorvo, Inc. *	3,705	724,883
Qualcomm, Inc.	37,247	5,323,714
Skyworks Solutions, Inc.	5,466	1,048,105
Teradyne, Inc.	5,471	732,895
Texas Instruments, Inc.	30,500	5,865,150
Xilinx, Inc.	8,135	1,176,646
		68,803,315

Software & Services 13.9%

Accenture plc, Class A	20,985	6,186,168
Adobe, Inc. *	15,786	9,244,913
Akamai Technologies, Inc. *	5,415	631,389
ANSYS, Inc. *	2,885	1,001,268
Autodesk, Inc. *	7,267	2,121,237
Automatic Data Processing, Inc.	14,054	2,791,405
Broadridge Financial Solutions, Inc.	3,821	617,206
Cadence Design Systems, Inc. *	9,201	1,258,881
Citrix Systems, Inc.	4,086	479,165
Cognizant Technology Solutions Corp., Class A	17,441	1,207,964
DXC Technology Co. *	8,385	326,512
Fidelity National Information Services, Inc.	20,470	2,899,985
Fiserv, Inc. *	19,674	2,102,954
FleetCor Technologies, Inc. *	2,743	702,373
Fortinet, Inc. *	4,486	1,068,520
Gartner, Inc. *	2,858	692,208
Global Payments, Inc.	9,751	1,828,703
International Business Machines Corp.	29,513	4,326,311
Intuit, Inc.	9,026	4,424,274
Jack Henry & Associates, Inc.	2,444	399,618
Mastercard, Inc., Class A	28,888	10,546,720
Microsoft Corp.	248,734	67,382,041
NortonLifeLock, Inc.	19,085	519,494
Oracle Corp.	59,997	4,670,166
Paychex, Inc.	10,611	1,138,560
Paycom Software, Inc. *	1,617	587,731
PayPal Holdings, Inc. *	38,800	11,309,424
PTC, Inc. *	3,461	488,901
Salesforce Com, Inc. *	30,585	7,470,998
ServiceNow, Inc. *	6,524	3,585,264
Synopsys, Inc. *	5,044	1,391,085
The Western Union Co.	13,467	309,337
Tyler Technologies, Inc. *	1,354	612,509
VeriSign, Inc. *	3,261	742,497
Visa, Inc., Class A	55,868	13,063,056
		168,128,837

Portfolio Holdings

as of June 30, 2021 (Unaudited) (continued)

SECURITY	NUMBER OF SHARES	VALUE (\$)
Technology Hardware & Equipment 7.6%		
Amphenol Corp., Class A	19,754	1,351,371
Apple Inc.	518,061	70,953,635
Arista Networks, Inc. *	1,808	655,056
CDW Corp.	4,649	811,948
Cisco Systems, Inc.	139,181	7,376,593
Corning, Inc.	25,641	1,048,717
F5 Networks, Inc. *	1,962	366,227
Hewlett Packard Enterprise Co.	42,975	626,576
HP, Inc.	39,734	1,199,569
IPG Photonics Corp. *	1,181	248,919
Juniper Networks, Inc.	10,785	294,970
Keysight Technologies, Inc. *	6,101	942,055
Motorola Solutions, Inc.	5,611	1,216,745
NetApp, Inc.	7,397	605,223
Seagate Technology Holdings PLC	6,553	576,205
TE Connectivity Ltd.	10,912	1,475,412
Trimble, Inc. *	8,259	675,834
Western Digital Corp. *	10,085	717,749
Zebra Technologies Corp., Class A *	1,773	938,786
		92,081,590

SECURITY	NUMBER OF SHARES	VALUE (\$)
Telecommunication Services 1.5%		
AT&T, Inc.	235,787	6,785,950
Lumen Technologies, Inc.	32,736	444,882
T-Mobile US, Inc. *	19,348	2,802,171
Verizon Communications, Inc.	136,693	7,658,909
		17,691,912

SECURITY	NUMBER OF SHARES	VALUE (\$)
Transportation 1.9%		
Alaska Air Group, Inc. *	4,096	247,030
American Airlines Group, Inc. *	21,107	447,679
C.H. Robinson Worldwide, Inc.	4,376	409,900
CSX Corp.	75,063	2,408,021
Delta Air Lines, Inc. *	21,049	910,580
Expeditors International of Washington, Inc.	5,558	703,643
FedEx Corp.	8,067	2,406,628
J.B. Hunt Transport Services, Inc.	2,747	447,624
Kansas City Southern	3,013	853,794
Norfolk Southern Corp.	8,268	2,194,410
Old Dominion Freight Line, Inc.	3,129	794,140
Southwest Airlines Co. *	19,461	1,033,184
Union Pacific Corp.	21,939	4,825,044
United Airlines Holdings, Inc. *	10,648	556,784
United Parcel Service, Inc., Class B	23,888	4,967,987
		23,206,448

SECURITY	NUMBER OF SHARES	VALUE (\$)
Utilities 2.4%		
Alliant Energy Corp.	8,231	458,961
Ameren Corp.	8,410	673,136
American Electric Power Co., Inc.	16,520	1,397,427
American Water Works Co., Inc.	6,011	926,475
Atmos Energy Corp.	4,300	413,273
CenterPoint Energy, Inc.	19,103	468,406
CMS Energy Corp.	9,526	562,796

SECURITY	NUMBER OF SHARES	VALUE (\$)
Consolidated Edison, Inc.	11,281	809,073
Dominion Energy, Inc.	26,621	1,958,507
DTE Energy Co.	6,421	832,162
Duke Energy Corp.	25,404	2,507,883
Edison International	12,591	728,012
Energy Corp.	6,603	658,319
Eversource Energy	7,545	455,944
Exelon Corp.	11,377	912,890
FirstEnergy Corp.	32,291	1,430,814
NextEra Energy, Inc.	17,899	666,022
NiSource, Inc.	64,780	4,747,078
NRG Energy, Inc.	12,907	316,222
Pinnacle West Capital Corp.	8,054	324,576
PPL Corp.	3,710	304,109
Public Service Enterprise Group, Inc.	25,531	714,102
Sempra Energy	16,722	998,972
The AES Corp.	10,411	1,379,249
The Southern Co.	21,925	571,585
WEC Energy Group, Inc.	34,961	2,115,490
Xcel Energy, Inc.	10,446	929,172
	17,802	1,172,796
		29,433,451

Total Common Stock (Cost \$630,434,684) 1,199,659,202

ISSUER	RATE, MATURITY DATE	FACE AMOUNT (\$)	VALUE (\$)
SHORT-TERM INVESTMENTS 0.6% OF NET ASSETS			
Money Market Fund 0.0%			
Wells Fargo Government Money Market Fund, Select Class 0.03% (c)(d)		157,628	157,628
Time Deposit 0.6%			
Australia & New Zealand Banking Group Ltd. 0.01%, 07/01/21 (e)		6,502,392	6,502,392
			Total Short-Term Investments (Cost \$6,660,020) 6,660,020

	NUMBER OF CONTRACTS	NOTIONAL AMOUNT (\$)	CURRENT VALUE/ UNREALIZED APPRECIATION (\$)
FUTURES CONTRACTS			
Long			
S&P 500 Index, e-mini, expires 09/17/21	33	7,076,190	52,902

- * Non-income producing security.
- (a) Issuer is affiliated with the fund's investment adviser.
- (b) All or a portion of this security is on loan. Securities on loan were valued at \$156,253.
- (c) The rate shown is the 7-day yield.
- (d) Security purchased with cash collateral received for securities on loan.
- (e) The rate shown is the current daily overnight rate.

Portfolio Holdings

as of June 30, 2021 (Unaudited) (continued)

The fund owns shares of an affiliate, The Charles Schwab Corp., since that company is included in its index. Below is the summary of investment activities involving The Charles Schwab Corp. shares during the period ended June 30, 2021:

	VALUE AT 12/31/20	GROSS PURCHASES	GROSS SALES	REALIZED GAINS (LOSSES)	NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION)	VALUE AT 06/30/21	BALANCE OF SHARES HELD AT 06/30/21	DIVIDENDS RECEIVED
The Charles Schwab Corp.	\$2,340,814	\$654,844	(\$307,348)	\$44,155	\$862,820	\$3,595,285	49,379	\$16,781

The following is a summary of the inputs used to value the fund's investments as of June 30, 2021 (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				
Common Stock ¹	\$1,199,659,202	\$-	\$-	\$1,199,659,202
Short-Term Investments ¹	157,628	-	-	157,628
Time Deposit	-	6,502,392	-	6,502,392
Futures Contracts ²	52,902	-	-	52,902
Total	\$1,199,869,732	\$6,502,392	\$-	\$1,206,372,124

¹ As categorized in the Portfolio Holdings.

² Futures contracts are reported at the cumulative unrealized appreciation or depreciation.

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

Statement of Assets and Liabilities

As of June 30, 2021; unaudited

ASSETS			
Investments in securities, at value – affiliated (cost \$1,673,869)			\$3,595,285
Investments in securities, at value – unaffiliated (cost \$635,263,207) including securities on loan of \$156,253			1,202,566,309
Collateral invested for securities on loan, at value (cost \$157,628)			157,628
Deposit with broker for futures contracts			583,000
Receivables:			
Dividends			682,060
Fund shares sold			328,528
Variation margin on futures contracts			10,332
Income from securities on loan			181
			+
			181
Total assets			1,207,923,323
LIABILITIES			
Collateral held for securities on loan			157,628
Payables:			
Investments bought			518,739
Investment adviser fees			28,388
Fund shares redeemed			476,659
			+
			476,659
Total liabilities			1,181,414
NET ASSETS			
Total assets			1,207,923,323
Total liabilities			-
			1,181,414
Net assets			\$1,206,741,909
Net Assets by Source			
Capital received from investors			638,212,212
Total distributable earnings			568,529,697
Net Asset Value (NAV)			
Net Assets	÷	Shares Outstanding	= NAV
\$1,206,741,909		19,138,118	\$63.05

Statement of Operations

For the period January 1, 2021 through June 30, 2021; unaudited

INVESTMENT INCOME	
Dividends received from securities – affiliated	\$16,781
Dividends received from securities – unaffiliated (net of foreign withholding tax of \$740)	7,690,372
Interest received from securities – unaffiliated	149
Securities on loan, net	+ 1,791
Total investment income	7,709,093
EXPENSES	
Investment adviser fees	155,551
Total expenses	- 155,551
Net investment income	7,553,542
REALIZED AND UNREALIZED GAINS (LOSSES)	
Net realized gains on sales of securities – affiliated	44,155
Net realized gains on sales of securities – unaffiliated	6,128,422
Net realized gains on futures contracts	+ 838,639
Net realized gains	7,011,216
Net change in unrealized appreciation (depreciation) on securities – affiliated	862,820
Net change in unrealized appreciation (depreciation) on securities – unaffiliated	136,308,592
Net change in unrealized appreciation (depreciation) on futures contracts	+ (3,217)
Net change in unrealized appreciation (depreciation)	+ 137,168,195
Net realized and unrealized gains	144,179,411
Increase in net assets resulting from operations	\$151,732,953

Statement of Changes in Net Assets

For the current and prior report periods

Figures for the current period are unaudited

OPERATIONS				
	1/1/21-6/30/21		1/1/20-12/31/20	
Net investment income		\$7,553,542		\$15,012,435
Net realized gains (losses)		7,011,216		(11,195,195)
Net change in unrealized appreciation (depreciation)		+ 137,168,195		166,344,680
Increase in net assets from operations		151,732,953		170,161,920
DISTRIBUTIONS TO SHAREHOLDERS				
Total distributions			(\$15,017,859)	(\$10,111,416)
TRANSACTIONS IN FUND SHARES				
	1/1/21-6/30/21		1/1/20-12/31/20	
	SHARES	VALUE	SHARES	VALUE
Shares sold	3,600,442	\$215,760,863	8,541,750	\$378,103,272
Shares reinvested	238,190	15,017,859	222,915	10,111,416
Shares redeemed	+ (1,783,706)	(107,294,886)	(4,076,571)	(190,181,607)
Net transactions in fund shares	2,054,926	\$123,483,836	4,688,094	\$198,033,081
SHARES OUTSTANDING AND NET ASSETS				
	1/1/21-6/30/21		1/1/20-12/31/20	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	17,083,192	\$946,542,979	12,395,098	\$588,459,394
Total increase	+ 2,054,926	260,198,930	4,688,094	358,083,585
End of period	19,138,118	\$1,206,741,909	17,083,192	\$946,542,979

Financial Notes, unaudited

1. Business Structure of the Fund:

Schwab S&P 500 Index 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 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 available exclusively 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 in the future may be offered to pension and retirement plans qualified under the Internal Revenue Code of 1986, as amended. At June 30, 2021, 100% of the fund's shares were held through separate accounts of six 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).

(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 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:

- **Securities traded on an exchange or over-the-counter:** Traded securities are valued at the closing value for the day, or, on days when no closing value has been reported, at the mean of the most recent bid and ask quotes.
- **Futures contracts:** Futures contracts are valued at their settlement prices as of the close of their exchanges.
- **Mutual funds:** Mutual funds are valued at their respective NAVs.
- **Cash management sweep time deposits:** Balances held in cash management sweep time deposits are accounted for on a cost basis, which approximates fair value.
- **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 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

Financial Notes, unaudited (continued)

2. Significant Accounting Policies (continued):

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, mutual funds and futures contracts. 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.
- 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, 2021 are disclosed in the Portfolio Holdings.

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

Futures Contracts: Futures contracts are instruments that represent an agreement between two parties that obligates one party to buy, and the other party to sell, specific instruments at an agreed upon price on a stipulated future date. A fund must give the broker a deposit of cash and/or securities (initial margin) whenever it enters into a futures contract. The amount of the deposit may vary from one contract to another. Subsequent payments (variation margin) are made or received by a fund depending on the daily fluctuations in the value of the futures contract and are accounted for as unrealized appreciation or depreciation until the contract is closed, at which time the gains or losses are realized. Futures contracts are traded publicly on exchanges, and their value may change daily.

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

Financial Notes, unaudited (continued)

2. Significant Accounting Policies (continued):

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.

Securities Lending: Under the trust's Securities Lending Program, the fund (lender) may make short-term loans of its securities to another party (borrower) to generate additional revenue for the fund. The borrower pledges collateral in the form of cash, securities issued or fully guaranteed by the U.S. government or foreign governments, or letters of credit issued by a bank. Collateral at the individual loan level is required to be maintained on a daily marked-to-market basis in an amount at least equal to the current value of the securities loaned. The lending agent provides the fund with indemnification against borrower default (the borrower fails to return the security on loan) reducing the risk of loss as a result of default. The cash collateral of securities loaned is currently invested in money market portfolios operating pursuant to Rule 2a-7 of the 1940 Act. The fund bears the risk of loss with respect to the investment of cash collateral. The terms of the securities lending agreement allow the fund or the lending agent to terminate any loan at any given time and the securities must be returned within the earlier of the standard trade settlement period or the specified time period under the relevant securities lending agreement. Securities lending income, as disclosed in the fund's Statement of Operations, if applicable, represents the income earned from the investment of the cash collateral plus any fees paid by borrowers, less the fees paid to the lending agent and broker rebates which are subject to adjustments pursuant to the securities lending agreement. On loans not collateralized by cash, a fee is received from the borrower, and is allocated between the fund and the lending agent. The aggregate fair value of securities loaned will not at any time exceed one-third of the total assets of the fund, including collateral received from the loan. Securities lending fees paid to the unaffiliated lending agents start at 10% of gross lending revenue, with subsequent breakpoints to a low of 7.5%. In this context, the gross lending revenue equals the income received from the investment of cash collateral and fees paid by borrowers less any rebates paid to the borrowers. Any expenses charged by the cash collateral fund are in addition to these fees. All remaining revenue is retained by the fund, as applicable. No portion of lending revenue is paid to or retained by Charles Schwab Investment Management, Inc. (CSIM or the investment adviser) or any affiliate of CSIM.

As of June 30, 2021, the fund had securities on loan, all of which were classified as common stocks. The value of the securities on loan and the related collateral as of June 30, 2021, are disclosed in the fund's Portfolio Holdings and Statement of Assets and Liabilities.

(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.

Assets and liabilities denominated in foreign currencies are reported in U.S. dollars. For assets and liabilities held on a given date, the dollar value is based on market exchange rates in effect on that date. Transactions involving foreign currencies, including purchases, sales, income receipts and expense payments, are calculated using exchange rates in effect on the transaction date. The fund does not isolate the portion of the fluctuations on investments resulting from changes in foreign currency exchange rates from the fluctuations in market prices of investments held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

When a fund closes out a futures contract position, it calculates the difference between the value of the position at the beginning and at the end of the contract, and records a realized gain or loss accordingly.

(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 date the ex-dividend date is confirmed. Any distributions from underlying funds are recorded in accordance with the character of the distributions as designated by the underlying funds.

(e) Expenses:

Pursuant to an Amended and Restated Investment Advisory and Administration Agreement (Advisory Agreement) between CSIM and the fund, CSIM pays the operating expenses of the fund, excluding acquired fund fees and expenses, taxes, any brokerage expenses, and extraordinary or non-routine expenses. Taxes, any brokerage expenses and extraordinary or non-routine expenses that are specific to the fund are charged directly to the fund.

Financial Notes, unaudited (continued)

2. Significant Accounting Policies (continued):

(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.

3. Risk Factors:

Market Risk. Financial markets rise and fall in response to a variety of factors, sometimes rapidly and unpredictably. Markets may be impacted by economic, political, regulatory and other conditions, including economic sanctions and other government actions. In addition, the occurrence of global events, such as war, terrorism, environmental disasters, natural disasters, and epidemics may also negatively affect the financial markets. 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.

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.

Investment Style Risk. The fund primarily follows the large-cap portion of the U.S. stock market, as measured by the index. It follows these stocks during upturns as well as downturns. Because of its indexing strategy, the fund does not take steps to reduce market exposure or to lessen the effects of a declining market. In addition, because of the fund's expenses, the fund's performance may be below that of the index. Market disruptions could cause delays in the index's rebalancing schedule which may result in the index and, in turn, the fund experiencing returns different than those that would have been achieved under a normal rebalancing schedule.

A significant percentage of the index may be composed of securities in a single industry or sector of the economy. If the fund is focused in an industry or sector, it may present more risks than if it were broadly diversified over numerous industries and sectors of the economy.

Tracking Error Risk. As an index fund, the fund seeks 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.

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, the fund's performance could be impacted.

Large-Cap Company Risk. Large-cap companies are generally more mature and the securities issued by these companies may not be able to reach the same levels of growth as the securities issued by small- or mid-cap companies.

Financial Notes, unaudited (continued)

3. Risk Factors (continued):

Concentration Risk. To the extent that the fund's or the index's portfolio is concentrated in the securities of issuers in a particular market, industry, group of industries, sector, or asset class, the 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.

Derivatives Risk. The 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. The fund's use of derivatives could reduce the fund's performance, increase its volatility, and could cause the 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 the fund.

Liquidity Risk. The fund may be unable to sell certain securities, such as illiquid securities, readily at a favorable time or price, or the fund may have to sell them at a loss.

Securities Lending Risk. Securities lending involves the risk of loss of rights in, or delay in recovery of, the loaned securities if the borrower fails to return the security loaned or becomes insolvent.

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

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

For its advisory services to the fund, CSIM is entitled to receive an annual fee, payable monthly, equal to 0.03% of the fund's average daily net assets.

Interfund Transactions

The fund may engage in transactions with certain other funds in the Fund Complex (for definition refer to Trustees and Officers Section) in accordance with procedures adopted by the Board under Rule 17a-7 of the 1940 Act. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and/or officers. For the period ended June 30, 2021, the fund's total aggregate security transactions with other funds in the Fund Complex was \$2,315,569 and includes realized losses of \$23,765.

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. 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.

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 fund does not pay any interested or non-interested (independent trustees) trustees. The independent trustees are paid by CSIM. For information regarding the trustees, please refer to the Trustees and Officers table at the end of this report.

Financial Notes, unaudited (continued)

6. Borrowing from Banks:

During the period, the fund was a participant with other funds in the Fund Complex in a joint, syndicated, committed \$850 million line of credit (the Syndicated Credit Facility), maturing on September 30, 2021. Under the terms of the Syndicated Credit Facility, in addition to CSIM paying the interest charged on any borrowings by the fund, CSIM paid a commitment fee of 0.15% per annum on the fund's proportionate share of the unused portion of the Syndicated Credit Facility.

During the period, the fund was a participant with other funds in the Fund Complex in a joint, unsecured, uncommitted \$400 million line of credit (the Uncommitted Credit Facility), with State Street Bank and Trust Company, maturing on September 30, 2021. Under the terms of the Uncommitted Credit Facility, CSIM pays interest on the amount the fund 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 June 30, 2021, purchases and sales/maturities of securities (excluding short-term obligations) were as follows:

PURCHASES OF SECURITIES	SALES OF SECURITIES
\$228,208,744	\$111,264,432

8. Derivatives:

The fund entered into equity index futures contracts during the report period. The fund invested in futures contracts to equitize available cash. The value and variation margin for futures contracts held at June 30, 2021 are presented in the Portfolio Holdings and Statement of Assets and Liabilities, respectively. The net realized gains (losses) and change in unrealized appreciation (depreciation) on futures contracts are presented in the Statement of Operations. Refer to financial note 2(b) for the fund's accounting policies with respect to futures contracts and financial note 3 for disclosures concerning the risks of investing in futures contracts. During the period ended June 30, 2021, the month-end average notional amounts of futures contracts held by the fund and the month-end average number of contracts held were as follows:

NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
\$5,888,719	29

9. Federal Income Taxes:

As of June 30, 2021, the tax basis cost of the fund's investments and gross unrealized appreciation and depreciation were as follows:

Tax cost	\$653,366,311
Gross unrealized appreciation	\$553,924,973
Gross unrealized depreciation	(919,160)
Net unrealized appreciation (depreciation)	\$553,005,813

Capital loss carryforwards may be used to offset future realized capital gains for federal income tax purposes. As of December 31, 2020, the fund had capital loss carryforwards of \$2,992,815 available to offset future net capital gains.

The tax-basis components of distributions and components of distributable earnings on a tax basis are finalized at fiscal year-end; accordingly, tax basis balances have not been determined as of June 30, 2021. The tax-basis components of distributions paid during the fiscal year ended December 31, 2020, were as follows:

Ordinary income	\$8,976,180
Long-term capital gains	1,135,236

Financial Notes, unaudited (continued)

9. Federal Income Taxes (continued):

As of December 31, 2020, 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 fiscal year ended December 31, 2020, the fund did not incur any interest or penalties.

10. 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

The Investment Company Act of 1940, as amended (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 amended and restated 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 S&P 500 Index 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 CSIM's affiliates, personnel, business goals and priorities, profitability, third-party oversight, corporate structure and operations. As part of the renewal process, the Independent Trustees' legal counsel, on behalf of the Independent Trustees, sends an information request letter to CSIM seeking certain relevant information. The responses by CSIM are provided to the Trustees in the Board materials for their review prior to their meeting, and the Trustees are provided with the opportunity to request any additional materials. The Board also receives 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. In considering the renewal, 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 participate in question and answer sessions with representatives of CSIM and meet in executive session outside the presence of Fund management.

The Board, including a majority of the Independent Trustees, considered information specifically relating to the continuance of the Agreement with respect to the Fund at meetings held on May 12, 2021 and June 8, 2021, and approved the renewal of the Agreement with respect to the Fund for an additional

one-year term at the meeting on June 8, 2021 called for the purpose of voting on such approval.¹

The Board's approval of the continuance 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 and benchmark data;
3. the Fund's expenses and how those expenses compared to those of certain other similar 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 skilled personnel and specialized talent, and information security resources. The Trustees also considered information provided by CSIM relating to services and support provided with respect to the Fund's portfolio management team, portfolio strategy, and internal investment guidelines, as well as trading infrastructure, liquidity management, product design and analysis, shareholder communications, securities valuation, fund accounting and custody, and vendor and risk oversight. The Trustees also considered investments CSIM has made in its infrastructure, including modernizing CSIM's technology and use of data, increasing expertise in key areas (including portfolio management and trade operations), and improving business continuity, cybersecurity, due diligence, risk management processes, and information security programs, which are designed to provide enhanced services to the Fund and its shareholders. The Trustees considered CSIM's effective implementation of its business continuity plan in response to the COVID-19 pandemic and government-mandated restrictions during the prior year. The Trustees also considered Schwab's wide range of products, services, and channel alternatives such as investment research tools and an array of account features that benefit Fund shareholders who are brokerage clients of Schwab. The Trustees also considered Schwab's reputation as a full service brokerage firm and its

overall financial condition, including Schwab's ability to maintain consistent operations and service levels during recent periods of remote work and market volatility. 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 and market trends, as well as in consideration of the Fund's investment style and strategy attributes and disclosures. 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 Fund's demonstrated performance in tracking its benchmark index. 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 the Board and a designated committee of the Board review performance throughout the year. 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 in comparison to that of other similar mutual funds, such peer groups and comparisons having been selected and calculated by an independent provider of investment company data. CSIM reported to the Board, and the Board took into account, the risk assumed by CSIM in the development of the Fund and provision of services as well as the competitive marketplace for financial products. The Trustees also considered fees charged by CSIM to other mutual funds and the unique insurance dedicated distribution arrangements of the Fund as compared to other funds managed by CSIM. 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 benefits to Fund shareholders

of being part of the Schwab fund complex, including the allocations of certain fixed costs across the Fund and 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. The Trustees noted that CSIM continues to invest substantial sums in its business in order to provide enhanced research capabilities, services and systems to benefit the Fund. 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. Although the Trustees recognized the difficulty of determining economies of scale with precision, the Trustees considered the potential existence of any economies of scale by way of the relatively low advisory fee and unitary fee structure of the Fund and whether those are passed along to the Fund's shareholders through the enhancement of services provided to the Fund in return for fees paid, including through investments by CSIM in CSIM's infrastructure, including modernizing CSIM's technology and use of data, increasing expertise and capabilities in key areas (including portfolio and trade operations), and improving business continuity, cybersecurity, due diligence and information security programs, which are designed to provide enhanced services to the Fund and its shareholders. The Trustees acknowledged that CSIM has shared any economies of scale with the Fund by investing in CSIM's infrastructure, as discussed above, over time and that CSIM's internal costs of providing investment management, technology, administrative, legal and compliance services to the Fund continue to increase as a result of regulatory or other developments. Based on this evaluation, the Board concluded, within the context of its full deliberations, that the Fund obtains reasonable benefits from economies of scale.

In the course of their deliberations, the Trustees may have accorded different weights to various factors and 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 the services provided and the related expenses borne by CSIM and its affiliates and such other matters as the Trustees considered to be relevant in the exercise of their reasonable judgment.

¹ The meeting on June 8, 2021 was held by means of videoconference in reliance on exemptive relief from the in-person voting requirement under the 1940 Act as provided by the Securities and Exchange Commission.

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 103 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.	103	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.	103	Director (2005 – 2020), 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)	Retired. President and Chairman (2014 – 2016), TIAA Charitable (financial services); Senior Managing Director (2003 – 2016), TIAA (financial services).	103	None
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.	103	Director (2004 – present), Corcept Therapeutics Incorporated Director (2009 – present), Adamas Pharmaceuticals, Inc. Director (2003 – 2019), Symantec Corporation
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)	Consultant (2018 – present), Fulham Advisers LLC (management consulting); Chief Investment Officer (2009 – 2017), CareGroup Healthcare System, Inc. (healthcare).	103	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
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).	103	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).	103	None
J. Derek Penn 1957 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2021)	Head of Equity Sales and Trading (2006 – 2018), BNY Mellon (financial services).	103	None

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, SSB; Director (Nov. 2017 – present), Charles Schwab Premier Bank, SSB; Director (July 2019 – present), Charles Schwab Trust Bank; Director (May 2008 – present) and President and Chief Executive Officer (Aug. 2017 – present), Schwab Holdings, Inc.; Director (Oct. 2020 – present), TD Ameritrade Holding Corporation; Director (July 2016 – present), Charles Schwab Investment Management, Inc.	103	Director (2008 – present), The Charles Schwab Corporation

INTERESTED 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
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, SSB; Director (Nov. 2017 – present), Charles Schwab Premier Bank, SSB; 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.; Director (Oct. 2020 – present), TD Ameritrade Holding Corporation.	103	None

OFFICERS OF THE TRUST

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED ³)	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS
Jonathan de St. Paer 1973 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 2018)	Director (Apr. 2019 – present), President (Oct. 2018 – present), Chief Operating Officer (Jan. 2020 – present), and Chief Executive Officer (Apr. 2019 – Nov. 2019), Charles Schwab Investment Management, Inc.; Senior Vice President (June 2020 – present) and Chief Operating Officer (Jan. 2020 – present), Charles Schwab Investment Advisory, Inc.; Chief Executive Officer (Apr. 2019 – present), President (Nov. 2018 – present) and Trustee (Apr. 2019 – Dec. 2020), Schwab Funds, Laudus Funds and Schwab ETFs; Director (Apr. 2019 – present), Charles Schwab Worldwide Funds plc and Charles Schwab Asset Management (Ireland) Limited; Senior Vice President (Apr. 2019 – present), Senior Vice President – Strategy and Product Development (CSIM) (Jan. 2014 – Mar. 2019), and Vice President (Jan. 2009 – Dec. 2013), Charles Schwab & Co., Inc.
Mark Fischer 1970 Treasurer, Chief Financial Officer and Chief Operating 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 (Jan. 2016 – present) and Chief Operating Officer (Dec. 2020 – 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; Chief Financial Officer (Mar. 2020 – present) and 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.
Omar Aguilar 1970 Senior Vice President and Chief Investment Officer (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 (Apr. 2011 – present), Charles Schwab Investment Management, Inc.; Senior Vice President and Chief Investment Officer (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.
Brett Wander 1961 Senior Vice President and Chief Investment Officer (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 (Apr. 2011 – present), Charles Schwab Investment Management, Inc.; Senior Vice President and Chief Investment Officer (June 2011 – present), Schwab Funds, Laudus Funds and Schwab ETFs; Senior Managing Director and 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).
William P. McMahon, Jr. 1972 Senior Vice President and Chief Investment Officer (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2021)	Senior Vice President and Chief Investment Officer (Jan. 2020 – present), Charles Schwab Investment Management, Inc.; Senior Vice President and Chief Investment Officer (June 2021 – present), Schwab Funds, Laudus Funds and Schwab ETFs; Senior Vice President and Chief Investment Officer – ThomasPartners Strategies (Apr. 2018 – Dec. 2019), Charles Schwab Investment Advisory, Inc.; Senior Vice President and Chief Investment Officer (May 2001 – Apr. 2018), ThomasPartners, Inc.

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

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) 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.

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 (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.

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 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. (Schwab), the principal underwriter for The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust, and is a director of CSIM. Mr. Martinetto is an Interested Trustee because he owns stock of CSC and is an employee and director of Schwab.

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.

Notes