

# The Schwab Self-Directed Brokerage Account Indicators™

Quarter Ending September 30, 2017

An industry-leading benchmark on retirement plan participant investment activity within self-directed brokerage accounts.

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SCHWAB

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# The Schwab Self-Directed Brokerage Account Indicators<sup>TM</sup>

## Key Schwab Observations for the Third Quarter 2017:

### Asset Balance Summary

Economic data remained solid across the globe, with another strong quarter of growth for U.S. companies and low volatility, with a record number of companies in the S&P 500 beating sales estimates. The economic growth looks set to continue, as the S&P 500 rose nearly 4.0%, its eighth straight quarter of gains. The NASDAQ composite gained almost 5.8% for the quarter, its fifth straight positive quarter since 2015.

In step with the strong quarter, the average participant account balance in the Schwab Personal Choice Retirement Account<sup>®</sup> (PCRA) was up by 11% to \$266.8B from \$240.3B a year ago and also up by 1% from last quarter. Trading volumes were slightly up from last year to 3.1 average trades per quarter. On average, participants held 9.7 positions in their PCRA, very similar to last year. Participants aged 50 and over accounted for 55%, with the 40-49 age group coming in second at 27%.

### Investing Behavior and General Investing Characteristics

#### **Asset Allocation**

Mutual Funds held the majority of participant assets and remained unchanged at 37%, while Equities were the second largest holding at 28%, with Cash & Equivalents coming in at 17%, ETFs at 16% and Fixed Income at 2%. During the year, the participant holdings remained relatively unchanged, with no more than a 1% shift in various holdings.

#### **Equities**

There were several minor shifts in participant Equity Sector Holdings over the course of the year, including Financials, Energy, Consumer Staples and Materials sectors. The largest equity sector holding was Information Technology at 18%, up 3% from last year. It has been the leading sector performer over the last year. Consumer Discretionary, which has been performing better than the rest of the market, was second at 13% and Financials was third at 12%, followed by Health Care (10%) and Industrials (9%), which remained unchanged.

#### **Exchange-Traded Funds (ETFs)**

U.S. Equity ETFs, comprised of Large Caps, the most popular segment, Mid Caps and Small Caps, continued to be the top ETF holding in participant accounts and remained relatively unchanged from last year at 46%, followed by International Equity ETFs at 16%, Sector ETFs at 15% and U.S. Fixed Income at 13%.

#### **Mutual Funds**

Large Cap Stock Funds had the largest allocation at 30%, with a 1% increase from last year. They were followed by Taxable Bond Funds at 20% and International funds at 16%. Overall, the market value allocation was very similar to last year.

#### **Asset Flows**

The largest asset class was Mutual Funds at 95.8%, followed by Equities at 63.1%, ETFs at 48.7% and Fixed Income at 28.1%.

The top three categories in Net Asset Flows were Mutual Funds-Large Cap Stock Funds at 18.3%, Mutual Funds-Taxable Bond Funds at 17.2% and Equity-Information Technology at 10.9%

PAST PERFORMANCE CANNOT GUARANTEE FUTURE RESULTS.

The information above is for general informational purposes only and is not intended as a solicitation of any security instrument nor is it intended as an individualized recommendation or personalized investment advice.

# The Schwab Self-Directed Brokerage Account Indicators™

## PCRA Participants Profile Information - All

Average Age	50
Average PCRA Account Balance	\$222,239

Average Positions (per Account)	
Equity	3.99
Mutual Funds	2.64
ETF	1.36
Cash	1.01
Fixed Income	0.19
TOTAL	9.19

Average Trades in Quarter (per Account)	
Equity	1.54
Mutual Funds	1.49
ETF	0.65
Fixed Income	0.02
TOTAL	3.70

\*\*None of the information constitutes a recommendation by Schwab or a solicitation of an offer to buy or sell any securities. Prospectuses containing more information including management fees and expenses are available at Schwab. Please always read the prospectus carefully before investing or sending money. Small cap funds are subject to greater volatility than those in other asset categories. International investments are subject to additional risks such as currency fluctuation, political instability and the potential for illiquid markets. Since sector funds focus investments on companies involved in a particular sector, the funds may involve a greater degree of risk than an investment in other mutual funds with greater diversification.

Figures are based on Schwab's full PCRA participant population with a minimum balance of \$5,000 in their PCRA account (approximately 125,000 accounts). All data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

Top 10 Equity Holdings**	% of Equity Assets
APPLE INC	9.50%
AMAZON COM INC	3.07%
FACEBOOK INC CLASS	2.90%
BERKSHIRE HATHAWAY CLASS	2.50%
BANK OF AMERICA CORP	1.32%
MICROSOFT CORP	1.29%
ALIBABA GROUP HLDG FSPONSO	1.29%
ALPHABET INC. CLASS	1.24%
TESLA INC	1.11%
NVIDIA CORP	1.07%

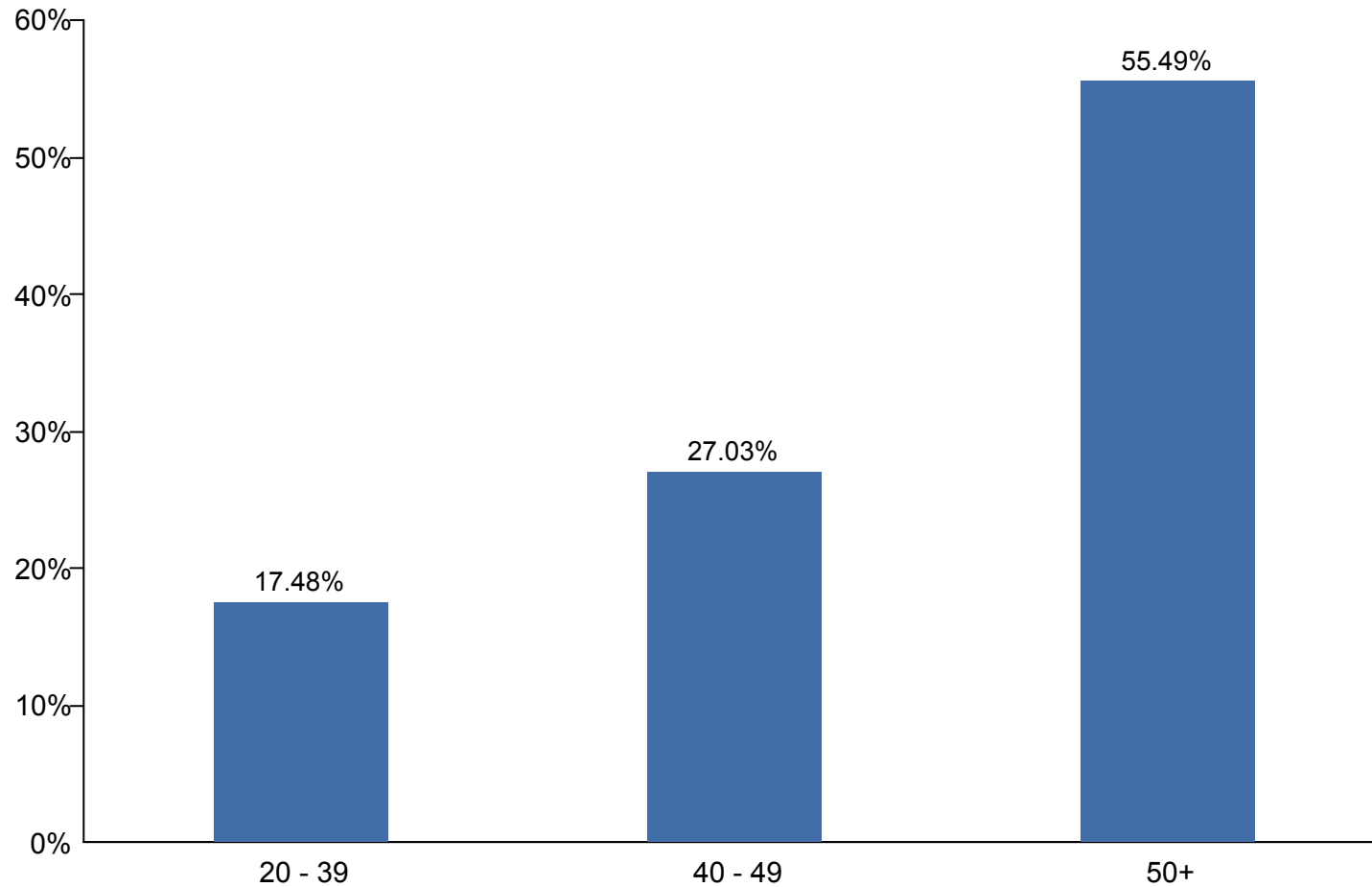
Top 10 ETF Holdings**	% of ETF Assets
SPDR S&P 500 ETF	4.12%
SCHWAB US BROAD MARKET ETF	3.87%
VANGUARD TOTAL STOCK MARKET	3.75%
POWERSHARES QQQ TRUST SRS 1	2.83%
SCHWAB US LARGE CAP ETF	2.75%
SCHWAB INTERNATIONAL EQUITY	2.68%
VANGUARD S&P 500 ETF	1.79%
SCHWAB US AGGREGATE BONDETf	1.78%
SPDR GOLD SHARES ETF	1.77%
SCHWAB US LARGE CAP GROWTH	1.70%

Top 10 Mutual Fund Holdings**	% of MF Assets
SCHWAB S&P 500 INDEX FD	3.63%
SCHWAB TOTAL STOCK MKT INDEX	1.77%
PIMCO INCM CL D	1.29%
PACIFIC FINANCIAL CORE EQTY F	1.07%
DFA US CORE EQTY 2 PORT INSTL	0.89%
VANGUARD 500 INDEX FD INVEST	0.77%
OAKMARK INTL FD INV	0.73%
PACIFIC FINANCIAL DYNAMI	0.73%
SCHWAB INTL INDEX FUND	0.71%
DFA INTL CORE EQTY PORT INSTL	0.68%

# The Schwab Self-Directed Brokerage Account Indicators™

## PCRA Participants within Age Bands - All

As of September 30, 2017



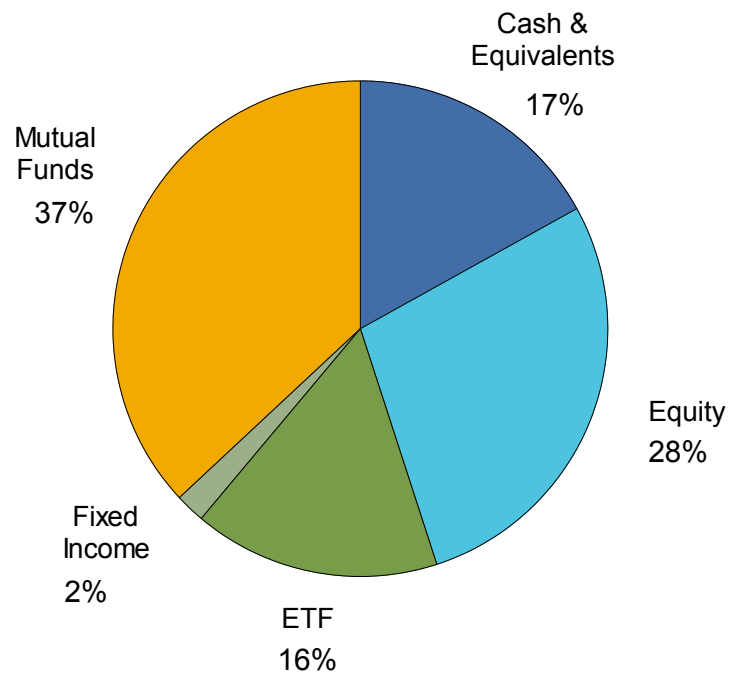
Figures are based on PCRA participants with a minimum balance of \$5,000 in their PCRA account (approximately 125,000 accounts). All data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

# The Schwab Self-Directed Brokerage Account Indicators™

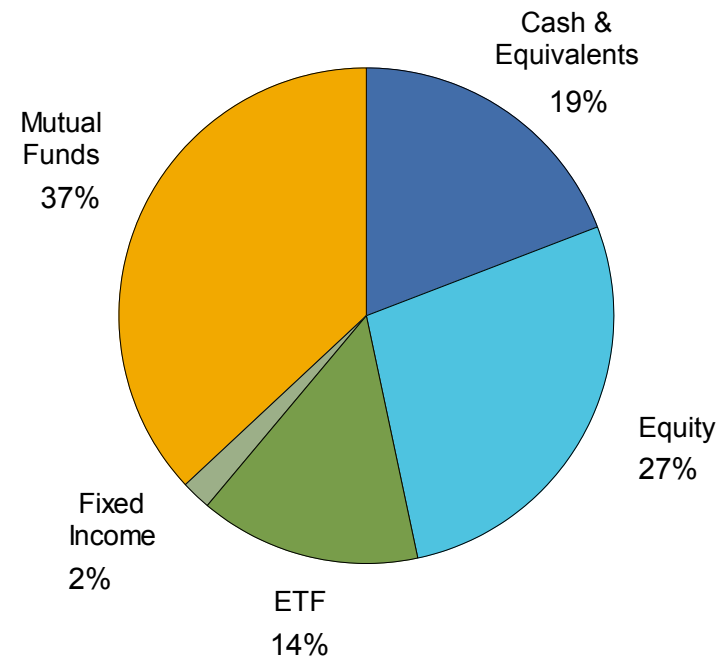
## Market Value Allocation - Asset Classes - All

(Year over Year)

As of September 30, 2017



As of September 30, 2016



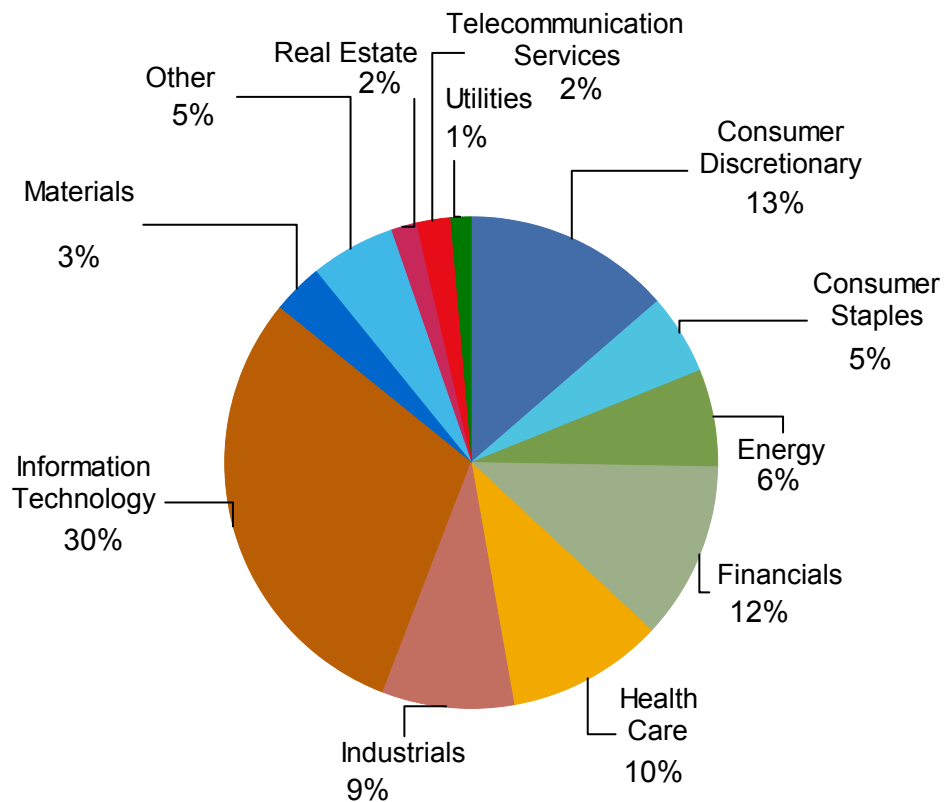
This chart illustrates the percentage of PCRA participant assets in each noted asset class as a percentage of total PCRA assets. Percentages are calculated as of month end, and the percentages may not add up to 100% due to rounding. Money market mutual funds are classified under Cash & Equivalents. Figures are based on all PCRA participants with a minimum balance of \$5,000 in their PCRA account (approximately 125,000 accounts). All data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

# The Schwab Self-Directed Brokerage Account Indicators™

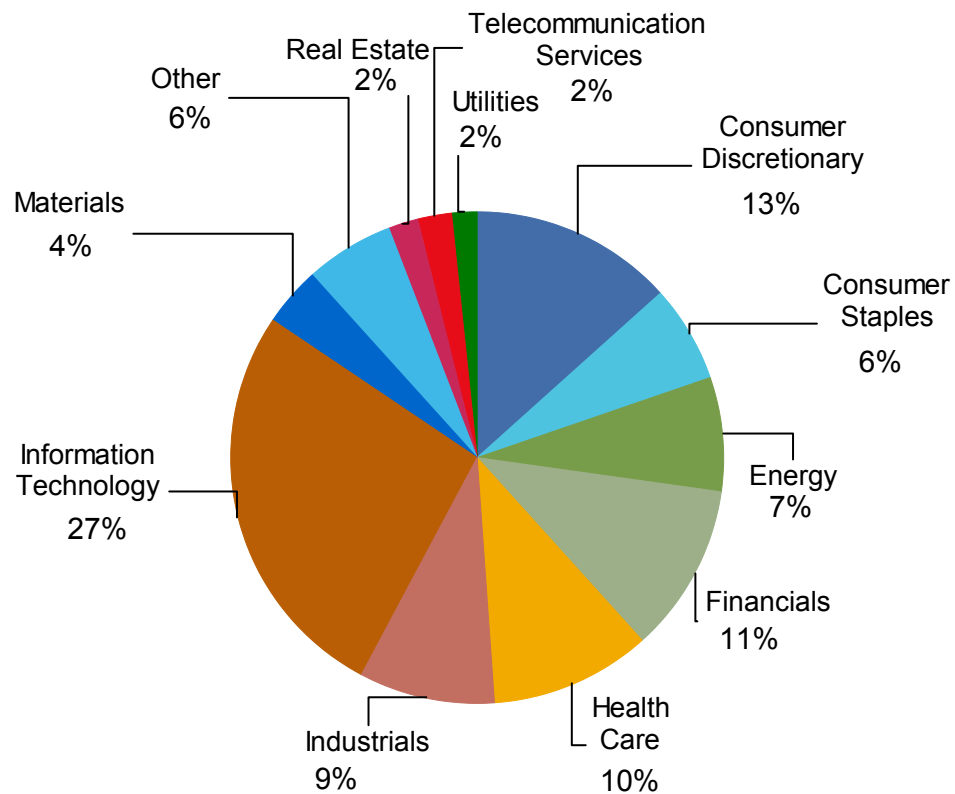
## Market Value Allocation - Equity Sectors - All

(Year over Year)

**As of September 30, 2017**



**As of September 30, 2016**



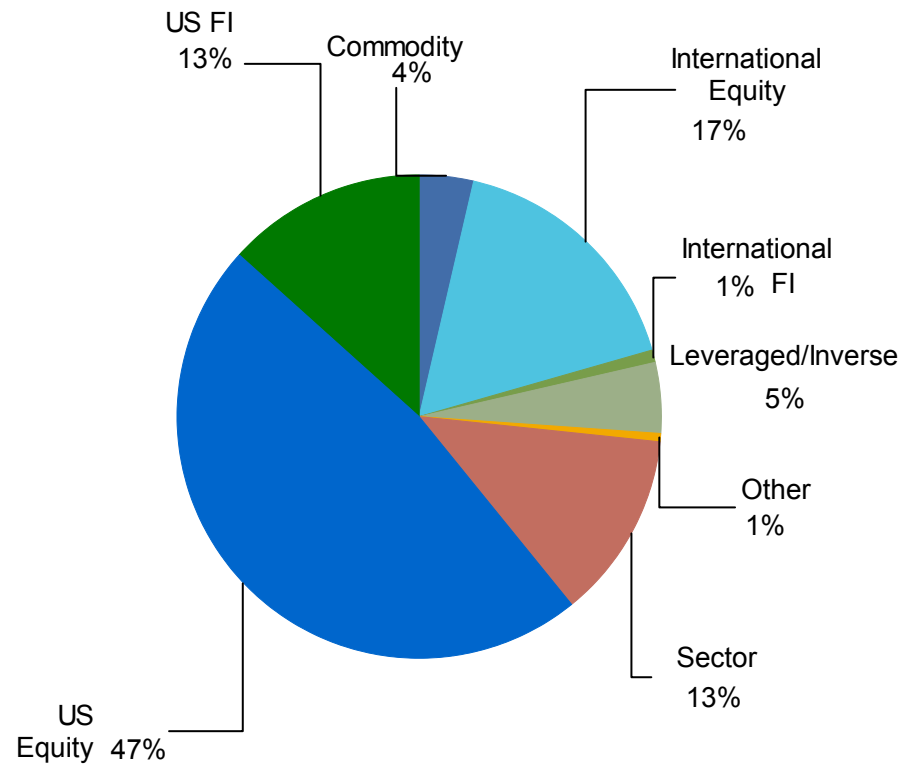
This chart illustrates the percentage of PCRA participant assets in each equity sector, as classified by Standard & Poor's, as a percentage of total PCRA assets within equity securities. Percentages are calculated as of month end, and the percentages may not add up to 100% due to rounding. Figures are based on all PCRA participants with a minimum balance of \$5,000 in their PCRA account (approximately 125,000 accounts). All data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

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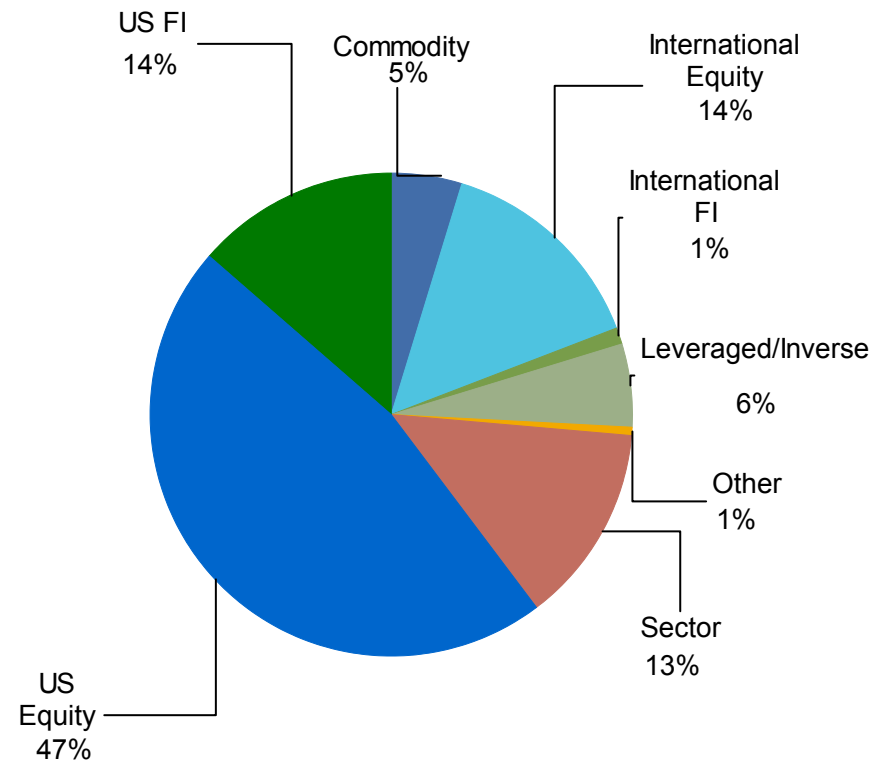
## Market Value Allocation - ETFs - All

(Year over Year)

As of September 30, 2017



As of September 30, 2016



This chart illustrates the percent of PCRA participant assets in each ETF sector, as classified by Morningstar, as a percentage of total PCRA assets within ETF securities. Percentages are calculated as of month end, and the percentages may not add up to 100% due to rounding. Figures are based on all PCRA participants with a minimum balance of \$5,000 in their PCRA account (approximately 125,000 accounts). All data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

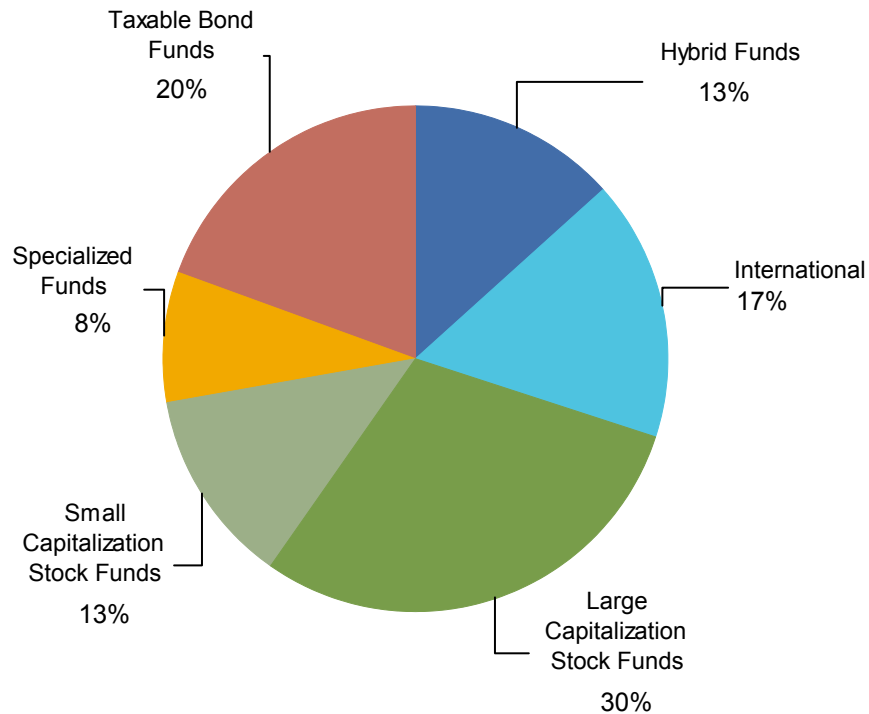


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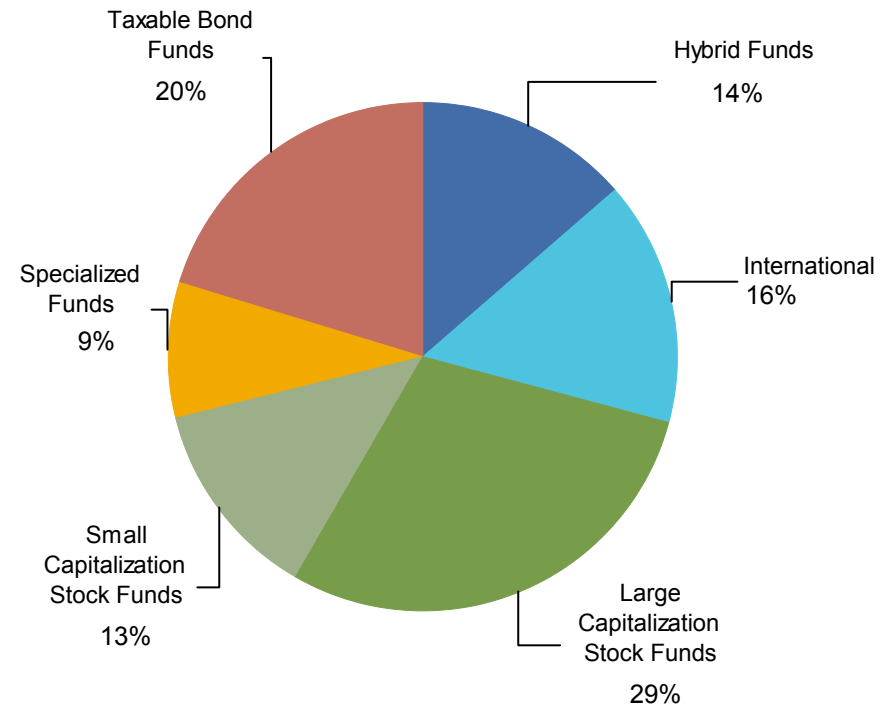
## Market Value Allocation - Mutual Funds - All

(Year over Year)

**As of September 30, 2017**



**As of September 30, 2016**

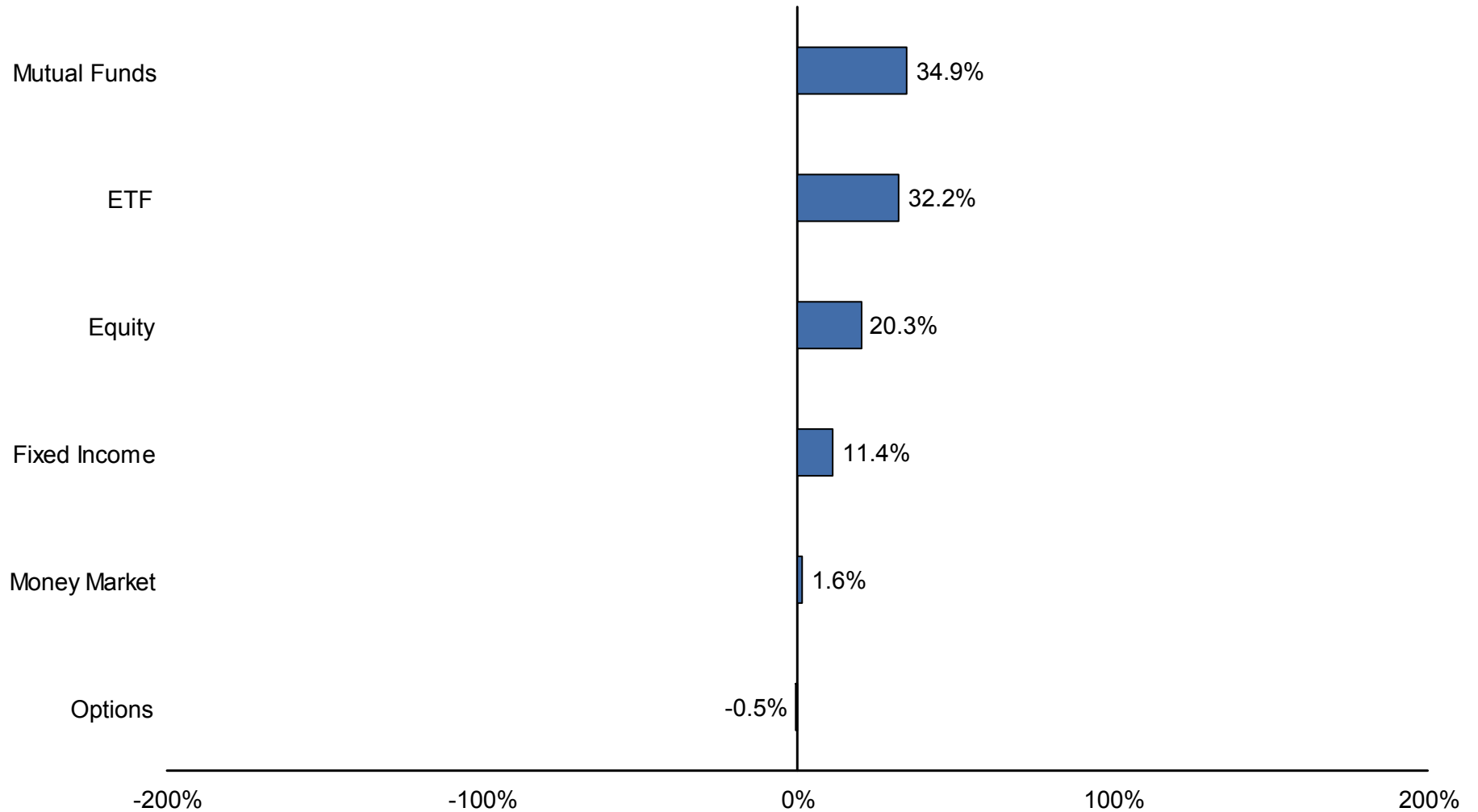


This chart illustrates the percentage of PCRA participant assets in each mutual fund category, as classified by Morningstar Inc., as a percentage of total PCRA long-term mutual fund assets. Percentages are calculated as of month end, and the percentages may not add up to 100% due to rounding. Figures are based on all PCRA participants with a minimum balance of \$5,000 in their PCRA account (approximately 125,000 accounts). Small cap funds are subject to greater volatility than those in other asset categories. International investments are subject to additional risks such as currency fluctuation, political instability and the potential for illiquid markets. Since sector funds focus investments on companies involved in a particular sector, the funds may involve a greater degree of risk than an investment in other mutual funds with greater diversification. Data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

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## Net Asset Flow - Asset Class - All

As of September 30, 2017

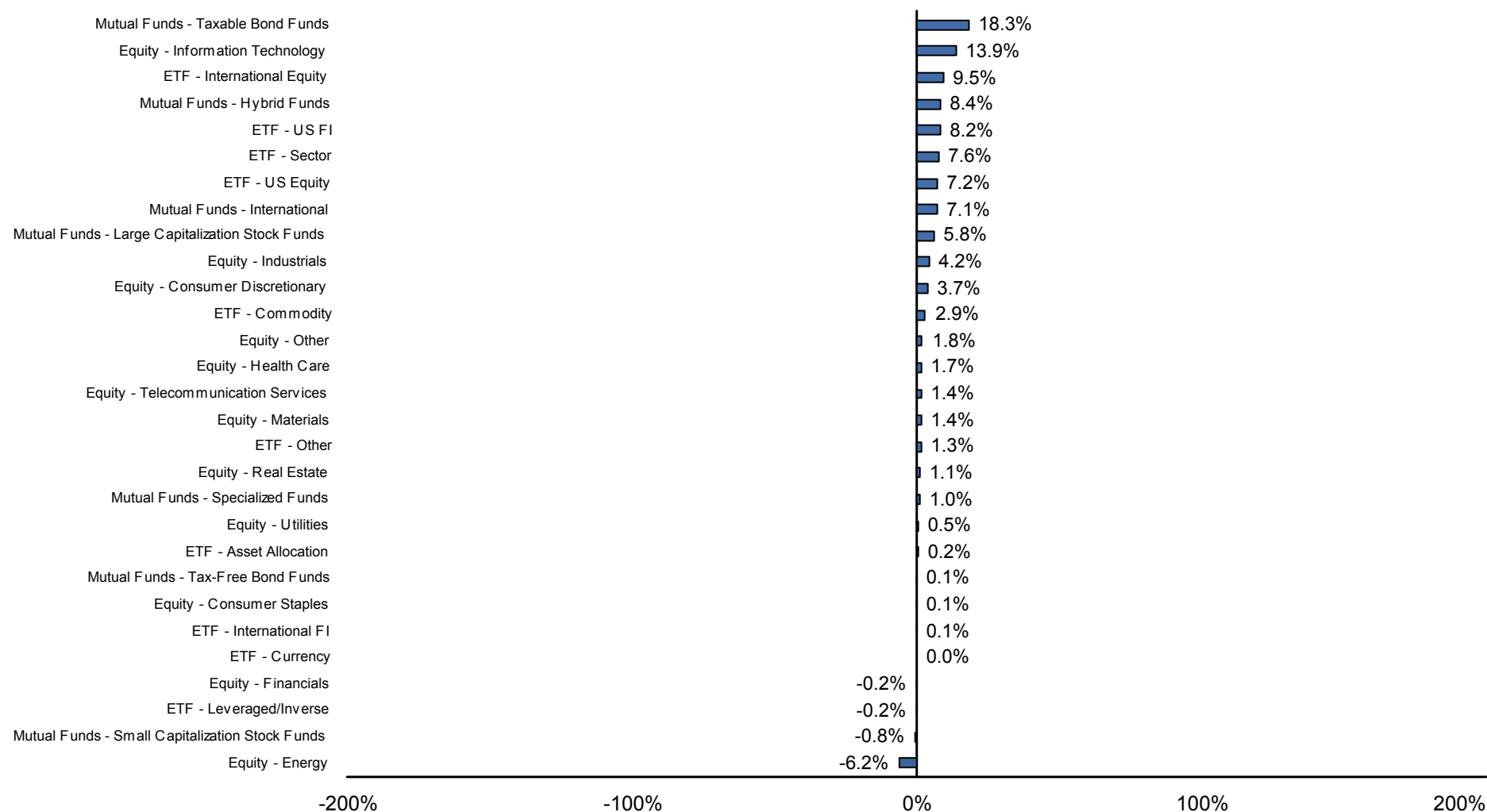


This chart illustrates the percentage of total net flows within each asset class over the three month period ending September 30, 2017. Net flow percentages are calculated by adding the purchases and sales amounts within each respective asset class and dividing by the total net flow over the period. Figures are based on all PCRA participants with a minimum balance of \$5,000 in their PCRA account (approximately 125,000 accounts). All data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

# The Schwab Self-Directed Brokerage Account Indicators™

## Net Asset Flow - All Categories - All

As of September 30, 2017



This chart illustrates the percentage of total net flows within each investment category, as classified by Standard & Poor's and Morningstar Inc., over the three month period ending September 30, 2017.

Net flow percentages are calculated by adding the purchases and sales amounts within each respective investment category and dividing by the total net flows over the period. Figures are based on all PCRA participants with a minimum balance of \$5,000 in their PCRA account (approximately 125,000 accounts). Small cap funds are subject to greater volatility than those in other asset categories. International investments are subject to additional risks such as currency fluctuation, political instability and the potential for illiquid markets. Since sector funds focus investments on companies involved in a particular sector, the funds may involve a greater degree of risk than an investment in n other mutual funds with greater diversification. Data is for informational purposes only. Schwab does not guarantee the accuracy, timeliness or completeness of the information.

# Disclosures

Investment returns will fluctuate and are subject to the market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

For participants who utilize the Personal Choice Retirement Account (PCRA), the following fees and conditions may apply: Schwab's short-term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource® service (and certain other funds with no transaction fee) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds®, which may charge a separate redemption fee, and funds that accommodate short-term trading.

Trades in no-load mutual funds available through Mutual Funds OneSource service (including Schwab Funds) as well as certain other funds, are available without transaction fees when placed through schwab.com or our automated phone channels. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Funds are also subject to management fees and expenses. Charles Schwab & Co., Inc., member SIPC, receives remuneration from fund companies for record keeping, shareholder services and other administrative services for shares purchased through its Mutual Fund OneSource service. Schwab also may receive remuneration from transaction fee fund companies for certain administrative services.

Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly.

Schwab Personal Choice Retirement Account (PCRA) is offered through Charles Schwab & Co., Inc. (Member SIPC), the registered broker/dealer, which also provides other brokerage and custody services to its customers.

The information contained herein is obtained from third-party sources and believed to be reliable, but its accuracy or completeness is not guaranteed.

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**Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses. You can request a prospectus by calling 800-435-4000. Please read the prospectus carefully before investing.**

**Money Market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds see to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.**