

Schwab Money Funds

Current Market and Economic Environment Update

In light of recent market events, including cuts in the federal funds rate, along with the economic impact of the COVID-19 outbreak, Schwab Money Funds continue to seek the highest current income consistent with stability of capital and liquidity. Charles Schwab & Co. and Charles Schwab Investment Management (CSIM) believe that Schwab Money Funds have proven themselves over the past 30 years as a valuable vehicle for investors to manage their cash investment needs.

The following FAQs have been prepared to answer some common questions around money market funds in light of the current market and economic environment.

How do money market funds manage invested funds?

Money market funds have strict investment guidelines and are governed by SEC Rule 2a-7 (the "Rule"). The Rule provides specific criteria when selecting securities which are considered "money market fund eligible." These guidelines mandate that money market funds pay particular attention to: credit quality, diversification, and liquidity. CSIM continues to provide transparency to our shareholders which allows them to monitor the health of the Schwab Money Funds.

CSIM employs experienced credit research, portfolio management and risk management teams who adhere to our disciplined and dynamic investment philosophy and processes to meet these money fund investment requirements, while also managing to the ever-changing dynamics of the short term fixed liquidity markets.

As a result of the 2008 Financial Crisis, the Rule was amended to further protect money market fund investors in times of financial market turmoil. The amendments were designed to help strengthen the money market fund industry's ability to withstand market stresses, such as those experienced in 2008 as well as those we are facing today. The amendments also provided investors more transparency into such things as money market fund daily and weekly liquidity reporting, market-based NAVs, portfolio holdings and daily flows, which allow all investors the ability to better monitor the health of their money fund investment.

Is it possible for money market fund yields to be negative?

We are often asked what happens when yields of the underlying investments in a money market fund are insufficient to cover the fund's expenses. In the past, CSIM has waived its advisory fees to maintain a yield of zero or greater for the Schwab Money Funds. During those periods, however, the yield on the securities in which the money funds were invested were generally positive. If a negative rate environment were to occur, CSIM waiving its fees would be insufficient to maintain a zero or greater yield. CSIM continues to work with key industry groups and regulators to analyze options for money market funds in such an environment.

How can I check the health of Schwab Money Funds?

There has never been an easier way to understand the health of a money market fund.

CSIM provides the following information daily on all of our money funds at www.schwabfunds.com

1. **Daily Net Asset Value (NAV)** or the value of one share of a mutual fund. NAV is calculated by taking a fund's total assets, subtracting liabilities, and dividing the number of shares outstanding.
 - **Transaction NAV:** NAV is calculated using the amortized cost method of accounting to value fund securities. The value shown here is rounded to two decimal places. Transaction NAV is used when calculating net asset value for all Fund share transactions.
 - **Market-based NAV:** NAV calculated using current market quotes (or an appropriate substitute that reflects current market conditions) to value fund securities, and is shown out to four decimal places. The Fund does not currently transact using its Market-Based NAV.

Please note unlike a traditional stable share price money market fund, the Schwab Variable Share Price Money Fund will not use the amortized cost method of valuation or round the per share NAV to the nearest whole cent and does not seek to maintain a stable share price. As a result, the Fund's share price, which is its NAV, will vary and reflect the effects of unrealized appreciation and depreciation and realized losses and gains.

2. **Daily Flows into and out of our money market funds**

3. **Daily and Weekly Liquid Assets** measuring a fund's ability to meet shareholder redemptions

- **Daily Liquid Assets:** A money market fund's total cash, direct U.S. government obligations, government agency discount notes with one day or less until maturity, securities maturing or subject to a demand feature payable within one business days, and receivables scheduled to be paid within one business days.
- **Weekly Liquid Assets:** A money market fund's total cash, direct U.S. government obligations, government agency discount notes with 60 days or less until maturity, securities maturing or subject to a demand feature payable within five business days, and receivables scheduled to be paid within five business days.

4. **Portfolio Holdings on a 30 day "look back" basis**

What might cause a money market fund to implement liquidity fees or redemption gates?

Money market funds are subject to minimum liquidity requirements that prohibit a fund from acquiring certain types of securities if, immediately after the acquisition, the fund's investments in weekly liquid assets would be below 30% of the fund's total assets.

Money market fund boards are permitted to impose a liquidity fee on redemptions (up to 2%) or a redemption gate to temporarily restrict redemptions from such fund up to 10 business days (in any 90-day period) in the event that a fund's weekly liquid assets fall below certain designated thresholds because of market conditions or other factors.

All Schwab Money Funds with the exception of the Schwab Government Money Funds may impose a liquidity fee or redemption gate if a Fund's liquidity falls below required minimums. The Schwab Funds' Board of Trustees has determined not to subject the Government Money Funds to liquidity fees and redemption gates on fund redemptions. Please note that the Board has reserved its ability to change this determination with respect to liquidity fees and/or redemption gates, but only after providing appropriate notice to shareholders.

Daily and weekly liquidity percentages can be found on each fund page on www.schwabfunds.com.

Additional information is available on www.SchwabFunds.com in our [Fees and Gates Brainshark](#).

If the NYSE closes, will Schwab Money Funds continue to trade?

The Schwab Money Funds have the ability to remain open when the NYSE is closed on any day it would typically be open (as described in the funds' prospectus). In these instances, and in the case that the NYSE is closed due to COVID-19

outbreak or other market developments, the Schwab Money Funds may choose to remain open and continue to accept purchase and redemption orders. Please note, however, that the current market environment remains very fluid, and a decision as to whether to remain open ultimately will be dependent on a careful analysis of facts and circumstances at that given time.

Definitions

Liquidity Fees: If a money market fund's weekly liquid assets should fall below 30%, a liquidity fee of up to 2% can be imposed on all redemptions if the fund's Board determines that doing so is in the best interest of the fund. If a money market fund's weekly liquid assets level falls below 10%, a 1% liquidity fee must be imposed on all redemptions, unless the fund's Board determines that either (1) it is not in the best interest of the fund, or (2) imposing a lower or higher liquidity fee (subject to the 2% cap) would be more appropriate.

Redemption Gates: Redemption gate is the temporary suspension of redemptions in a money market fund. A money market fund that imposes a redemption gate would be required to lift it when weekly liquid assets return to 30%, or when the fund's Board determines it is no longer in the best interests of the money market fund. Money market funds are not able to impose a redemption gate for more than 10 business days in any 90-day period.

Disclosures

Investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by visiting schwabfunds.com. Please read it carefully before investing.

You could lose money by investing in the Schwab Money Funds. All Schwab Money Funds with the exception of Schwab Variable Share Price Money Fund seek to preserve the value of your investment at \$1.00 per share, but cannot guarantee they will do so. Because the share price of Schwab Variable Share Price Money Fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. All Schwab Money Funds with the exception of Schwab Government Money Fund, Schwab Retirement Government Money Fund, Schwab U.S. Treasury Money Fund, Schwab Treasury Obligations Money Fund and Schwab Government Money Market Portfolio may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Schwab Money Funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Schwab Money Funds' sponsor has no legal obligation to provide financial support to the Funds, and you should not expect that the sponsor will provide financial support to the Funds at any time.

Diversification and asset allocation strategies do not ensure a profit and do not protect against losses in declining markets.

The opinions expressed are not intended to serve as investment advice, tax advice, a recommendation, offer, or solicitation to buy or sell any securities; or a recommendation regarding specific investment strategies. Information and data provided have been obtained from sources deemed reliable, but are not guaranteed. Charles Schwab Investment Management, Inc., makes no representation about the accuracy of the information contained herein or its appropriateness for any given situation.

Past performance does not guarantee future returns.

Some of the statements in this document may be forward looking and contain certain risks and uncertainties.

The views expressed are subject to change without notice based on economic, market, and other conditions.

Not FDIC-Insured • No Bank Guarantee • May Lose Value

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