



Exchange traded funds

A clear difference in strategic beta

Fundamental Index® vs. multi-factor strategies

Fundamental Index and multi-factor may at first seem similar, but the two strategic beta strategies are different in several important ways.

Straightforward vs. complex methodology

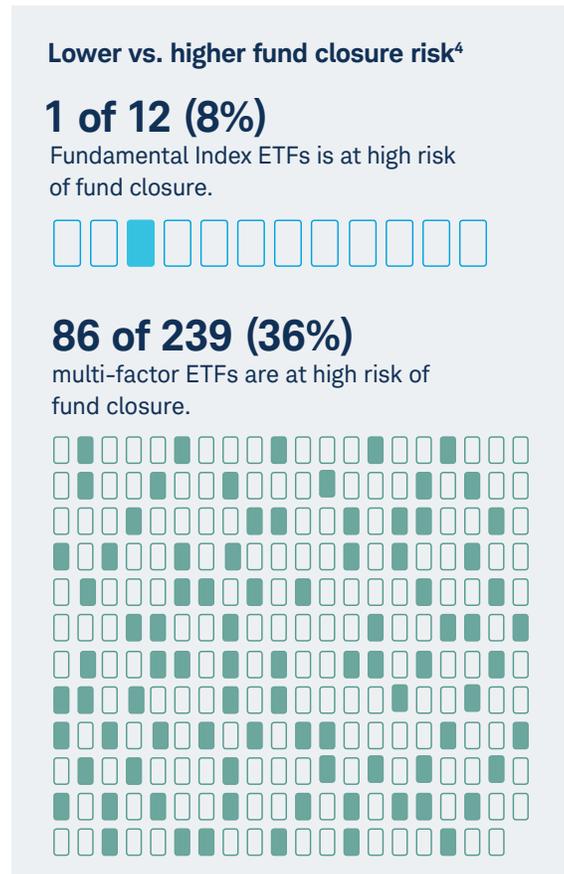
Fundamental Index employs a straightforward, transparent methodology using fundamental measures to select and weight each constituent based on its economic footprint. Multi-factor strategies, by comparison, can involve complexities surrounding how factors are defined, combined, weighted, and constructed.

Proven vs. less established track record

Fundamental Index ETFs have, on average, more than seven years of trading history, compared with most multi-factor ETFs, which have less than four years. Fundamental Index ETFs also have, on average, higher AUM per fund compared with multi-factor ETFs.¹

Lower vs. higher holding costs

Fundamental Index ETFs have, on average, lower expense ratios than multi-factor ETFs.²



*Schwab is a registered trademark of Charles Schwab & Co., Inc. Fundamental Index is a registered trademark of Research Affiliates, LLC.

¹ Strategic Insight Simfund® Mutual Fund Database, as of December 31, 2017, based on Morningstar's strategic beta taxonomy of "fundamentally weighted" and "multi-factor." Morningstar defines "fundamentally weighted" (Fundamental Index) as strategies exclusive to Research Affiliates' RAFI Fundamental Index equity strategies, which select and weight their constituents based on fundamental measures. Morningstar defines "multi-factor" as strategies that set out to combine a variety of factors in an effort to improve risk-adjusted performance relative to a standard benchmark. Where applicable, in instances where ETFs were converted to "strategic beta" strategies, the numbers reflect initial fund inception dates, per Morningstar, and not the date of conversion to strategic beta.

² Ibid.

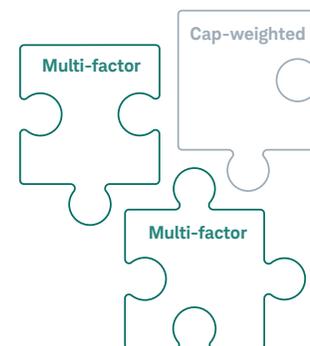
³ Includes all ETFs classified as "fundamentally weighted" by Morningstar, including Schwab Fundamental Index ETFs.

⁴ Closure risk sourced from ETF.com, as of December 31, 2017, based on Morningstar's strategic beta taxonomy of "fundamentally weighted" and "multi-factor." ETF.com assigns a closure risk of low, medium, or high to each ETF based on a quantitative methodology that considers metrics like fund assets under management, issuer strength, and fund rank in segment, among others.



Consistent vs. inconsistent application

Fundamental Index® strategies can serve as a complement to traditional cap-weighted index strategies. Multi-factor strategies are often highly differentiated from one another. Depending on the strategy and construction of the index, it can be less straightforward to combine with a cap-weighted approach.



Schwab® Fundamental Index® ETF lineup

FNDB	Schwab Fundamental U.S. Broad Market Index ETF Expense ratio: 0.25%	FNDX	Schwab Fundamental U.S. Large Company Index ETF Expense ratio: 0.25%	FNDA	Schwab Fundamental U.S. Small Company Index ETF Expense ratio: 0.25%
FNDF	Schwab Fundamental International Large Company Index ETF Expense ratio: 0.25%	FNDC	Schwab Fundamental International Small Company Index ETF Expense ratio: 0.39%	FNDE	Schwab Fundamental Emerging Markets Large Company Index ETF Expense ratio: 0.39%

To learn more, call **877-824-5615** or visit schwabfunds.com.

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

There can be no assurance that the Fundamental Index® methodologies will achieve their desired outcomes. Each investing strategy involves its own set of unique risks and benefits.

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

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