

Securities Lending in CSIM Products: An Overview

At Charles Schwab Investment Management (CSIM), we believe that shareholders should benefit from the revenue earned from a fund lending its underlying securities. For this reason, 100% of securities lending revenues, net of total costs and expenses, are returned to the participating funds.

CSIM's approach to securities lending

- **CSIM does not retain any of the revenue earned.** 100% of net lending revenue is reinvested directly back into the funds.
- **CSIM works with third-party lending agents** to analyze and monitor which securities can be lent at any given point in time.
- **CSIM's program focuses on lending "hard-to-borrow" securities** that are in high demand, "specials-only".
- **CSIM currently does not lend the Schwab ETFs™** held by our fund of funds products.
- **CSIM minimizes risk by investing cash collateral** in unaffiliated money market portfolios operating under Rule 2a-7 of the 1940 Act.¹

CSIM does not retain any securities lending revenue

	CSIM Approach		
	Approach #1	Approach #2	Approach #3
Fund Lends Securities (Gross revenues)	✓	✓	✓
(-) Third-party Securities Lending Agent Fees	✓	✓	
(-) Revenue Kept by Fund Manager and/or Affiliates			
Fee paid to affiliated lending agent			✓
Manager earns fees in affiliated cash collateral fund		✓	✓
= Net Revenue² Returned to the Fund	✓	✓	✓

¹ Rule 2a-7 of the Investment Company Act of 1940 (1940 Act), as amended (Investment Company Act). The unaffiliated money market funds have operating expenses.

² Securities lending net revenue is the income earned from the investment of 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.



Learn more about securities lending inside the funds

CSIM publishes information regarding securities lending revenue earned in the annual reports for each participating fund. The most recent annual reports for the funds can be found at schwabfunds.com.

- Visit schwabfunds.com to obtain more information about CSIM products and our securities lending program.
- Contact us at **877-824-5615** to speak with a specialist.

What are the risks of securities lending?

Counterparty risk: CSIM employs a thorough validation process with all counterparties and continues to monitor them on a regular basis. Collateral at the individual loan level is required to be maintained on a daily mark-to-market basis in an amount at least equal to the current value of the securities loaned. The lending agent provides the funds with indemnification against borrower default reducing the risk of loss.

Reinvestment risk: Reinvestment risk is prevalent within all securities lending programs when the cash collateral for the securities on loan is reinvested in other market instruments. CSIM seeks to mitigate the reinvestment risk from the cash collateral it receives in exchange for securities on loan by investing in unaffiliated money market portfolios operating under Rule 2a-7 of the Investment Company Act.

Which CSIM products participate?

All Schwab Funds[®], Laudus Funds[®] and Schwab ETFs are evaluated for participation in the securities lending program. However, based upon CSIM's due diligence process, certain funds may not be included in the program, and there may be times when a fund which is a participant in the program will not have securities on loan.

Charles Schwab Investment Management

As one of the nation's largest asset managers, our goal is to provide investors with a diverse selection of foundational products that aim to deliver consistent performance at a competitive cost. Learn more at schwabfunds.com.

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/prospectus. Please read the prospectus carefully before investing.

Securities lending involves the risk of loss if the borrower fails to return the security loaned or becomes insolvent. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

Charles Schwab Investment Management, Inc. (CSIM) is the investment advisor for Schwab Funds, Laudus Funds and Schwab ETFs. Schwab Funds and Laudus Funds are distributed by Charles Schwab & Co., Inc. (Schwab), Member SIPC. Schwab ETFs are distributed by SEI Investments Distribution Co. (SIDCO). CSIM and Schwab, are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation, and are not affiliated with SIDCO.

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