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# Schwab Active Equity Funds

Managed by Charles Schwab  
Investment Management



*Own your tomorrow*<sup>®</sup>

# Schwab Active Equity Funds

For more than 25 years, Charles Schwab Investment Management, Inc. (CSIM) has been committed to building funds designed to serve as the foundation of a well-diversified portfolio. Managed by CSIM, the Schwab Active Equity Funds comprise a suite of mutual funds that share a common foundation with respect to purpose, philosophy, process, and people.

## Purpose

The Schwab Active Equity Funds offer an array of actively managed investment strategies ranging from broad asset-class coverage to sector-specific exposure. Through a disciplined investment process, the Funds seek to deliver consistent, risk-adjusted excess returns to provide shareholders with long-term value. In their pursuit of optimizing potential returns, the portfolios that are constructed by CSIM's experienced Active Equity Portfolio Management & Research Team are thoughtfully developed and well diversified, with a keen eye toward risk management.

## Philosophy

The Schwab Active Equity Funds are guided by our belief that inefficiencies exist in the U.S. and international equity markets and that a disciplined investment process can exploit those inefficiencies. As such, our Portfolio Management & Research Team views active equity analysis as a dynamic process that demands both quantitative and qualitative approaches. In integrating the two, we overlay quantitative signals with a deep understanding of companies, economics and market dynamics—and the interactions among them—striving to build portfolios that can best serve investors over a long time horizon.

### Benefits of Both Approaches:

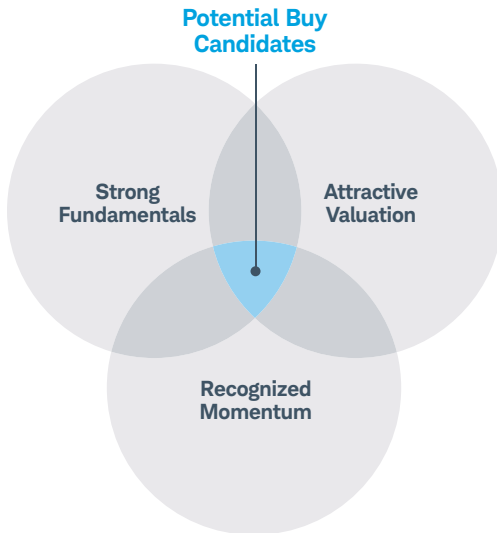
Quantitative	Qualitative
<b>Breadth:</b> The ability to cover a large universe of stocks	<b>Specific company analysis:</b> The ability to analyze a company's financial statements, news, and corporate actions
<b>Timeliness:</b> Analysis can be performed quickly	<b>Forward-looking:</b> Adaptive and anticipatory of changes in the marketplace
<b>Unbiased:</b> Portfolio managers are not emotionally tied to stocks	<b>Inflection points:</b> Better able to deal with market upturns and downturns
A keen eye toward portfolio construction and how securities work together	

### Schwab Active Equity Funds: The “Four Ps”

These “four Ps” offer a framework for what distinguishes the Schwab Active Equity Funds from the competition. In addition, our Portfolio Management & Research Team is highly mindful of risk, managing it at every step of the investment process. Through thorough research and testing, they diligently monitor and evaluate their theses in an effort to continuously improve and optimize the portfolios.

## Process

In managing the Schwab Active Equity Funds, we believe that success comes from discipline and strict adherence to a clearly defined process. In addition to applying Schwab's proprietary stock research, CSIM's Portfolio Management & Research Team evaluates potential investments from the standpoint of three key characteristics:



**Strong Fundamentals:** By reviewing and analyzing company financial statements, including balance sheets, cash flow and income statements, and other financial reports, we seek to determine a company's financial health and its capability to repeat favorable past results.

**Attractive Valuation:** By evaluating current and historic security prices, we seek to determine whether a stock is undervalued or overvalued relative to its long-term potential.

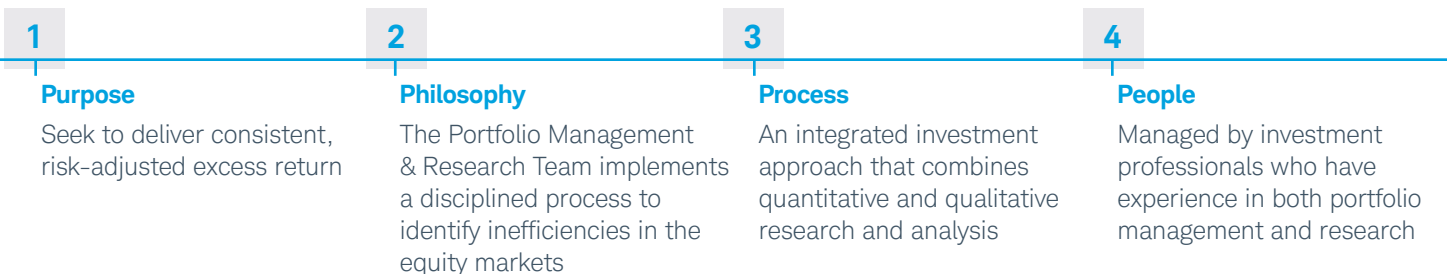
**Recognized Momentum:** By effectively analyzing a stock's momentum, we are better able to test our theses and calibrate optimal entry and exit points.

Our Portfolio Management & Research Team applies their findings of the three components through a bottom-up stock selection process that starts with company fundamentals; we do not seek to identify investment opportunities from a top-down, macroeconomic standpoint. Such a bottom-up approach allows our team to not only analyze individual attributes of the stocks we are considering, but also allows us to evaluate individual companies within the context of an entire portfolio.

## People

Drawing from expertise across many disciplines, the Schwab Active Equity Funds are managed by investment professionals with extensive expertise in portfolio management and investment research. Beyond the relevant educational and business credentials, every member of CSIM's Active Equity Portfolio Management & Research Team possesses a specific and unique set of qualifications—from experience across a range of economic conditions and market cycles to a deep understanding of the strengths and weaknesses of quantitative and qualitative analysis. These diverse attributes and qualifications coalesce to create open, insightful collaboration where ideas can freely be shared, tested, and analyzed for implementation.

See the “**The Schwab Active Equity Fund Lineup**” chart on page 4.



## The Schwab Active Equity Fund Lineup

Fund	Ticker	Morningstar Category	Inception Date
Schwab Core Equity Fund™	SWANX	Large Blend	7/1/1996
Schwab Dividend Equity Fund™	SWDSX	Large Value	9/2/2003
Schwab Financial Services Fund™	SWFFX	Financial	7/3/2000
Schwab Health Care Fund™	SWHFX	Health	7/3/2000
Schwab Hedged Equity Fund™	SWHEX	Long/Short Equity	9/3/2002
Schwab Large-Cap Growth Fund™	SWLSX	Large Growth	10/3/2005
Schwab Small-Cap Equity Fund™	SWSCX	Small Blend	7/1/2003
Schwab® International Core Equity Fund	SICNX	Foreign Large Blend	5/30/2008
Schwab Global Real Estate Fund™	SWASX	Global Real Estate	5/31/2007

### Important Disclosures

**Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses. You can request a prospectus for Schwab Funds® by visiting [www.CSIMfunds.com](http://www.CSIMfunds.com). Please read the prospectuses carefully before investing.**

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.

**Not FDIC insured • No bank guarantee • May lose value**

There can be no assurance that the portfolio selection processes discussed will result in excess or positive results.

Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary funds, and Charles Schwab & Co., Inc. (Schwab) Member SIPC, the distributor for Schwab Funds, are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation.

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