



INVESTMENT  
MANAGEMENT

January 20, 2016

# Enhanced Money Market Funds Reporting

Schwab Money Funds are making important changes to their reporting features to comply with the new Securities and Exchange (SEC) regulations.

More information is available at:  
[csimfunds.com/mmreformcenter](https://www.csimfunds.com/mmreformcenter)

## Q1. Why are these changes being made?

A. Schwab Money Funds are increasing transparency for investors and complying with SEC website disclosure requirements that were part of the July 2014 money market fund reform amendments.

The amendments require all money market funds to disclose on their website the following by April 14, 2016:

- Percentage of total assets invested in daily and weekly liquid assets;
- Net inflows and outflows; and
- Current net asset value (NAV) per share and market-based NAV per share.

## Q2. How does this fundamentally change the way in which Schwab's Money Funds are managed?

A. The management of all Schwab Money Funds will remain unchanged. These reporting and disclosure changes are intended to provide additional information and transparency for our investors.

## Q3. How can I navigate to this new information?

A. The information will be available on each of the Schwab Money Funds product profile pages by selecting the respective fund ticker on the Product Finder page. ([https://www.csimfunds.com/public/csim/home/products/product\\_finder?assetcriteria=money-market](https://www.csimfunds.com/public/csim/home/products/product_finder?assetcriteria=money-market))

## Q4. When do these changes go live?

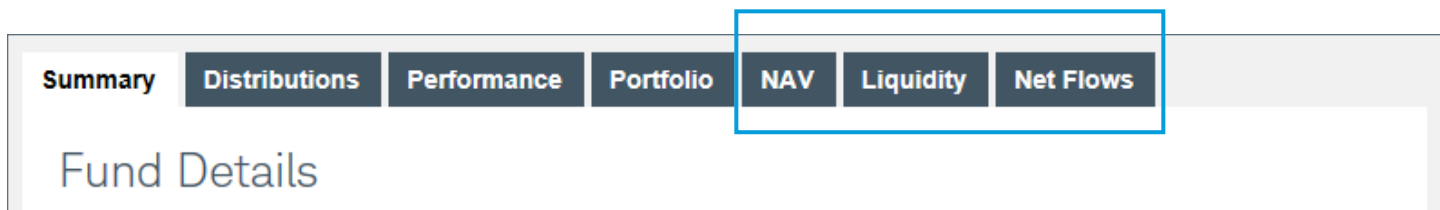
A. As of January 20, 2016, well ahead of April 14, 2016, SEC compliance deadline.

## Q5. Do investors need to take any action?

A. No, this communication is only meant to inform investors of recent changes to our webpages on [csimfunds.com](https://www.csimfunds.com).

## Q6. What changes are being made to CSIM's webpages?

A. We have added three new tabs to each Schwab Money Fund's product profile page to expand information available regarding a fund's Net Asset Value (NAV), Liquidity and Net Flows. In addition, data is available for exporting to Excel.



## Transaction NAV and Market-Based NAV

as of 01/07/2016

[Export Data](#)

Date ▼	Transaction NAV	Market-Based NAV
01/07/2016	\$1.00	\$1.0000
01/06/2016	\$1.00	\$1.0000
01/05/2016	\$1.00	\$1.0000
01/04/2016	\$1.00	\$1.0000
12/31/2015	\$1.00	\$0.9999
12/30/2015	\$1.00	\$0.9999
12/29/2015	\$1.00	\$0.9999
12/28/2015	\$1.00	\$0.9999
12/24/2015	\$1.00	\$0.9999
12/23/2015	\$1.00	\$0.9999

**Transaction NAV**

The Transaction 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**

The Market-Based NAV is 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.

**NAV Tab: The Net Asset Value (NAV) tab shows both Transaction NAV and Market-Based NAV for Schwab Money Funds.**

At Schwab, we are committed to providing our clients with information that helps them to better understand their investments. Along with other major money fund sponsors, we are now disclosing the Market-Based NAV of our domestic money funds on a daily basis. We view this as a positive step toward providing additional transparency into how the Schwab Money Market Funds are managed.

- **It's important, however, to keep these key points in mind:**

- Disclosing the Market-Based NAV is for informational purposes only. It should not be confused with a "Variable (NAV)," which means that investors would buy and sell at something other than a fixed or constant NAV. All Schwab Prime and Municipal Money Market Funds intend to qualify as "retail money market funds" by October 14, 2016, and will continue to seek to maintain a constant NAV of \$1.00 per share.
- Effective April 14, 2016, all Schwab Government Money Market Funds intend to qualify as "government money market funds" under the new regulatory definition, and will continue to seek to maintain a constant NAV of \$1.00 per share.
- Effective April 14, 2016, Schwab Money Market Portfolio intends to convert to a "government money market fund" under the new regulatory definition, and will continue to seek to maintain a constant NAV of \$1.00 per share
- Certain factors can cause a money fund's Market-Based NAV to fluctuate slightly above or below \$1.0000, such as interest rate changes, market and credit conditions, and the flow of assets into and out of the fund. What's important to remember is that a fund's Market-Based NAV can have daily fluctuations, even during very stable market environments.
- As the investment adviser for the Schwab Money Market Funds, Charles Schwab Investment Management (CSIM) continues to utilize a rigorous and disciplined investment approach that prioritizes safety, high credit quality, strong liquidity, and diversification across issuers, over yield.

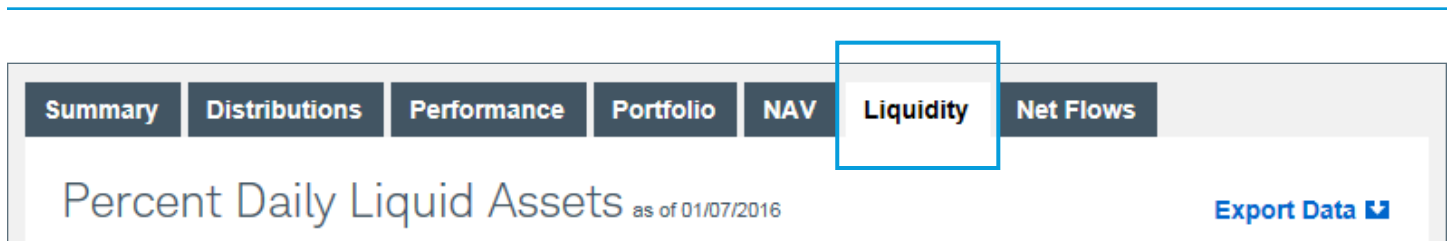
## Transaction NAV

In accordance with SEC Rule 2a-7, the value shown on csimfunds.com is rounded to two decimal places (\$1.00) and is calculated using the amortized cost method of accounting to value fund securities. Transaction NAV is used when calculating net asset value for all Fund share transactions.

**Transaction NAV should not be confused with a “Variable Net Asset Value (NAV),” which means that investors would buy and sell at something other than a fixed or constant NAV.**

## Market-Based NAV

The Market-Based NAV is 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 on csimfunds.com (\$1.0000). **The Funds do not currently transact using the Market-Based NAV.**

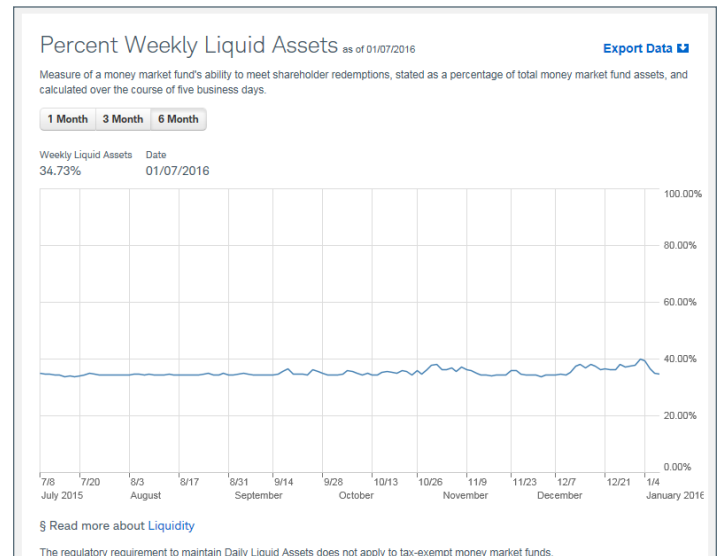


## Liquidity Tab

The Liquidity tab shows a graphic representation of both daily and weekly liquidity for taxable funds and weekly liquidity for municipal funds.



Sample Illustration



Sample Illustration

## Percent Daily Liquid Assets

Measure of a money market fund's ability to meet shareholder redemptions, stated as a percentage of total money market fund assets, and calculated for one business day. The regulatory requirement to maintain Daily Liquid Assets does not apply to municipal money market funds.

## Percent Weekly Liquid Assets

Measure of a money market fund's ability to meet shareholder redemptions, stated as a percentage of total money market fund assets, and calculated over the course of five business days. The regulatory requirement to maintain Weekly Liquid Assets applies to both municipal and taxable money market funds.



Sample Illustration

## Net Flows Tab

### Daily Net Shareholder Flows

Net Shareholder Flows refers to the amount of cash flowing into or out of the fund.

Fund Profile as of 01/07/2016		NAV 01/07/2016	
Inception Date	02/28/2003		\$1.00
Total Net Assets 01/07/2016	\$1,017,613,404.74	Market-Based NAV*	\$1.0000
Net Expense Ratio †	0.35%	Management Style	Active
Shares Outstanding 01/07/2016	1,017,660,453	Morningstar Category	Money Market-Taxable
Daily Net Shareholder Flows*	-\$2,991,368.89		
Daily Liquid Assets*	17.07%		
Weekly Liquid Assets*	34.73%		

Sample Illustration

Fund Profile as of 01/07/2016		NAV 01/07/2016	
Inception Date	07/07/1995		\$1.00
Total Net Assets 01/07/2016	\$548,948,163.53	Market-Based NAV*	\$1.0003
Net Expense Ratio †	0.45%	Management Style	Active
Shares Outstanding 01/07/2016	548,771,106	Morningstar Category	Money Market-Tax-Free
Daily Net Shareholder Flows*	\$850,725.28		
Weekly Liquid Assets*	68.70%		

Sample Illustration

## Q7. Are there specific disclosures made for taxable money market funds vs. municipal money market funds?

A. **Taxable money market funds** will display three New Fields: “Daily Net Shareholder Flows,” “Daily Liquid Assets,” and “Weekly Liquid Assets”.

**Municipal money market funds** will display two new fields: “Daily Net Shareholder Flows” and “Weekly Liquid Assets.” The regulatory requirement to maintain Daily Liquid Assets does not apply to municipal money market funds.

All highlighted fields will provide hyperlinks to new tabs showing graphic representations of data over time.

## Q8: How can I find more information about the new disclosures and definitions?

A. New Definitions have been added to “Data Point Definitions and Index Glossary” .

<https://www.csimfunds.com/public/csim/home/nn/glossary.htm>

# Definitions

**Amortized Cost Method:** Under the amortized cost valuation method, a money market fund's portfolio securities generally are valued at cost plus any amortization of premium or accumulation of discount rather than at their value based on current market factors.

**NAV:** The Net Asset Value of a fund, calculated by totaling the current market value of the portfolio's assets, subtracting liabilities, and dividing that dollar amount by the total number of shares outstanding.

**Market-Based NAV:** The Market-Based NAV is 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 on csimfunds.com (\$1.0000). The Funds do not currently transact using its Market-Based NAV.

**Transaction NAV:** The Transaction NAV is calculated using the amortized cost method of accounting to value fund securities. The value shown on csimfunds.com is rounded to two decimal places (\$1.00). Transaction NAV is used when calculating net asset value for all Fund share transactions.

**Liquid Assets:** See reference to daily and weekly liquid assets invested in money market funds, which have certain requirements as defined under money market fund regulations.

**Daily Liquid Assets** include (i) cash, (ii) direct obligations of the U.S. Government; or (iv) securities that will mature or are subject to a demand feature that is exercisable and payable within one business day

**Weekly Liquid Assets** include (i) cash; (ii) direct obligations of the U.S. Government; (iii) Government securities issued by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, that are issued at a discount to the principal amount to be repaid at maturity and have a remaining maturity of 60 days or less; or (iv) securities that will mature or are subject to a demand feature that is exercisable and payable within five business days.

A taxable money market fund may not acquire any security other than a "daily liquid asset" unless, immediately following such purchase, at least 10% of its total assets would be invested in daily liquid assets and no money market fund may acquire any security other than a "weekly liquid asset" unless, immediately following such purchase, at least 30% of its total assets would be invested in weekly liquid assets.

**Net Shareholder Flows:** The sum of client inflows and outflows for a given date.

**Inflows:** Dollar amount of client subscriptions and income reinvestment to a fund for a given date.

**Outflows:** Dollar amount of client redemptions from a fund for a given date.

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

An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market mutual funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in such funds.

Charles Schwab Investment Management, Inc. ('CSIM'), the investment advisor for Schwab 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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