Schwab Funds®

Schwab Taxable Money Funds

As of May 31, 2011

Q: Do Schwab money funds have holdings in European financial institutions?

A: Schwab taxable money funds have no direct holdings in Ireland, Greece, or Portugal, which are the primary countries that have been in the news lately. Schwab money market funds hold securities issued by financial institutions in various other European countries. Each issuer is monitored with an eye toward any changes in its underlying credit fundamentals/creditworthiness.

As of 5/31/2011, the funds do not hold any Tier 2 securities from European issuers and the funds only purchases Tier 1 securities. Approvals and limits within the money funds are based primarily on the fundamental strength of the issuing bank.

CSIM has a strong experienced team of credit analysts who are responsible individually for specific sectors, issuers, regions, and types of instrument. Analysts perform a fundamental analysis considering both macro top down and institution specific bottom up key components. We perform all our own independent credit analysis, assessing each issuer and security for credit quality, liquidity, and appropriateness for our portfolios.

See each money fund's respective monthly portfolio holdings for specific exposure by fund. You can access that information at www.schwabfunds.com/prospectus.

Current and future portfolio holdings are subject to risk. 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 funds seek to preserve the value of your investment at $1 per share, it is possible to lose money by investing in these funds.

Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses. You can request a prospectus by calling Schwab at 1-800-435-4000. Please read the prospectus carefully before investing.

Securities, products, and services are not available in all countries and are subject to country-specific restrictions.

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