

Liquidation and Closure of the Schwab Financial Services Fund™

Thank you for investing in Schwab Funds®. Since you are currently invested in the Schwab Financial Services Fund (the “Fund”), we are writing to let you know that the investment advisor and the Schwab Funds Board of Trustees have decided to close the Fund to new purchases on June 7, 2016, and liquidate on or around August 9, 2016. The Fund is being liquidated due to an upcoming change to the product’s investment universe that Charles Schwab Investment Management (“CSIM”) believes will impact the investment team’s ability to effectively execute the strategy.

What this means for the Fund.

- From now until the Fund’s liquidation, CSIM will waive management fees and reimburse the Fund for operating expenses. In addition, the Fund will waive its early redemption fee on shares owned for 30 days or less.
- From now until the Fund’s liquidation, the Schwab Financial Services Fund will stop accepting purchases and exchanges into the Fund.
- The Fund will begin selling its portfolio of securities and investing in short-term obligations in order to effect the liquidation.
- On or around August 9, 2016, the Fund’s liquidation is expected to be complete and all shareholders remaining in the Fund will have their shares redeemed for cash.

Your next steps.

You can consider the following options:

- **Redeem your investment** prior to August 9, 2016 and have the proceeds liquidated to cash in your account. Please call 1-877-824-5615 for assistance or place your order through one of Schwab’s automated channels.
- **Exchange your shares** into any other Schwab Fund. You will not be charged the redemption fee that is typically charged for redeeming or exchanging Fund shares within 30 days of purchase. Please call 1-877-824-5615 for assistance or place your order through one of Schwab’s automated channels.
- **Take no action.** Your remaining positions will automatically be liquidated to cash on or around August 9, 2016.

Shareholders of the Fund as of record date August 2, 2016 will receive an income distribution from the Fund. Since any distribution of income or capital gain on the redemption of Fund shares may be taxable, you may want to consult a tax advisor prior to year-end.

Investors who own Fund shares through an investment advisor, retirement plan, or intermediary should contact those companies directly for more information.

We value your business and the continued opportunity to assist you in reaching your investment goals. If you have questions about the closure of the Schwab Financial Services Fund, or if we can assist you in any way, please contact 1-877-824-5615.

Sincerely,



Jonathan de St. Paer
Senior Vice President, Charles Schwab Investment Management Strategy and Product
Charles Schwab & Co., Inc.