

## Schwab Index ETFs and Mutual Funds

The following FAQs have been prepared to answer some common questions concerning index mutual funds and ETFs in light of the current market events concerning the recent sell off and volatility in financial stocks.

In summary, on 3/9/2023 and 3/10/2023, the overall market and a broad cross-section of financial stocks (especially banking and regional banking stocks) saw a wide sell off. This was in part tied to Silicon Valley Bank's (SVB Financial) failure after a run on deposits impeded the institution's ability to raise fresh capital<sup>1</sup>. The California Department of Financial Protection and Innovation closed Silicon Valley Bank on March 10, 2023, and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver.<sup>2</sup>

### 1. Do Schwab Index ETFs and Mutual Funds invest in Silicon Valley Bank?

The Schwab index ETFs and Mutual Funds' exposure to Silicon Valley Bank (ticker: SIVB) is primarily driven by their passive nature. Like many index funds, the investment objective of each Schwab Index ETF and Mutual Fund is to track its respective underlying index as closely as possible before fees and expenses. To the extent that an ETF or mutual fund's underlying index has exposure to this security, the ETF or mutual fund will likely have a proportionate level of exposure.

### 2. Do other Schwab Asset Management™ (SAM) mutual funds or ETFs have exposure to Silicon Valley Bank?

No. As of March 9, 2023, no SAM active mutual funds, active ETFs, or money market funds have exposure to Silicon Valley Bank (ticker: SIVB).

### 3. What is the exposure to Silicon Valley Bank by product as of March 9, 2023?

Ticker	Market Cap Index Equity ETF Name	Shares Held	% of Total Shares of SIVB in overall product	Market Value	% of Total of SIVB in overall product
SCHB	Schwab U.S. Broad Market ETF	31,453	0.01%	3,335,276	0.02%
SCHK	Schwab 1000 Index® ETF	3,982	0.01%	422,251	0.02%
SCHX	Schwab U.S. Large-Cap ETF	50,168	0.01%	5,319,815	0.02%
SCHG	Schwab U.S. Large-Cap Growth ETF	54,781	0.02%	5,808,977	0.04%

Ticker	Market Cap Index Equity Mutual Fund Name	Shares Held	% of Total Shares of SIVB in overall product	Market Value	% of Total of SIVB in overall product
SWTSX	Schwab Total Stock Market Index Fund®	25,186	0.01%	2,670,723	0.02%
SNXFX	Schwab 1000 Index® Fund	19,286	0.01%	2,045,087	0.02%
SWLGX	Schwab U.S. Large-Cap Growth Index Fund	2,044	0.01%	216,746	0.02%
SWPPX	Schwab S&P 500 Index Fund	112,578	0.01%	11,937,771	0.02%
SWP1Z	Schwab S&P 500 Index Portfolio	4,473	0.01%	474,317	0.02%
SWLVX	Schwab U.S. Large-Cap Value Index Fund	703	0.01%	74,546	0.01%
SWMCX	Schwab U.S. Mid-Cap Index Fund	6,083	0.03%	645,041	0.06%

Ticker	Strategic Beta Index Equity ETF Name	Shares Held	% of Total Shares of SIVB in overall product	Market Value	% of Total of SIVB in overall product
FNDB	Schwab Fundamental US Broad Market Index ETF	351	0.00%	37,220	0.01%
FNDX	Schwab Fundamental US Large Company Index ETF	8,203	0.00%	869,846	0.01%
SFLNX	Schwab Fundamental US Large Company Index Fund	5,252	0.00%	556,922	0.01%

Data as if March 9, 2023

Ticker	Index Fixed Income ETF Name	No. of Bonds Held	% of Total Bonds of SIVB in overall product	Market Value	% of Total of SIVB in overall product
SCHZ	Schwab U.S. Aggregate Bond ETF	1,050,000	0.69%	851,538	0.01%
SCHJ	Schwab 1-5 Year Corporate Bond ETF	250,000	3.13%	223,827	0.06%
SCHI	Schwab 5-10 Year Corporate Bond ETF	450,000	5.59%	360,007	0.10%

Ticker	Index Fixed Income Mutual Fund Name	No. of Bonds Held	% of Total Bonds of SIVB in overall product	Market Value	% of Total of SIVB in overall product
SWAGX	Schwab U.S. Aggregate Bond Index Fund	500,000	0.10%	397,153	0.01%
SWSBX	Schwab Short-Term Bond Index Fund	350,000	0.21%	310,976	0.02%

#### 4. Will SIVB be removed from any of the indexes tracked by Schwab Index ETFs and Mutual Funds?

Removal of a security from an index follows a precise and detailed process as defined within each index provider's methodology document. More information can be found by visiting the index provider's websites:

[www.ftserussell.com](http://www.ftserussell.com)

[www.spglobal.com/spdji/en/](http://www.spglobal.com/spdji/en/)

[www.bloomberg.com/professional/product/indices/bloomberg-indices-announcements/](http://www.bloomberg.com/professional/product/indices/bloomberg-indices-announcements/)

#### 5. If SIVB is valued at zero or removed from an index, how will the Schwab Index ETFs and Mutual Funds respond?

Typically index providers will continue to calculate index performance leveraging the last available trade price for each security held within the index until it is determined an alternative action must be made.

When an ETF or mutual fund applies a value to a security, the ETF or mutual fund will use market quotes or official closing prices if they are readily available. In cases where quotes are not readily available or the investment adviser deems them unreliable, the ETF or mutual fund must value securities based on fair values developed using approved methods.

A variance in security values between an ETF or mutual fund and its index is a standard market occurrence.

The investment objective of each Schwab Index ETF and Mutual Fund is to track its respective underlying index as closely as possible before fees and expenses. To the extent that an ETF or mutual fund's underlying index has exposure to this security, the ETF or mutual fund also will likely have a proportionate level of exposure. If the underlying index removes a security from its index, the ETF or mutual fund, in attempt to stay aligned with the index, will likely follow suit.

## Disclosures

1. *Wall Street Journal*, March 10, 2023. "Silicon Valley Bank Closed by Regulators, FDIC Takes Control"
2. *FDIC Creates a Deposit Insurance National Bank of Santa Clara to Protect Insured Depositors of Silicon Valley Bank, Santa Clara, California, March 10, 2023.* <https://www.fdic.gov/news/press-releases/2023/pr23016.html>

For more information, please visit [www.schwabassetmanagement.com](http://www.schwabassetmanagement.com).

For additional information about the indices and terms shown, please visit [www.schwabassetmanagement.com/resources/glossary](http://www.schwabassetmanagement.com/resources/glossary).

**Investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can view and download a prospectus by visiting [www.schwabassetmanagement.com/prospectus](http://www.schwabassetmanagement.com/prospectus). Please read the prospectus 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. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETF are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

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