

# *Schwab Municipal Money Funds*

## **Semiannual Report**

June 30, 2003

Schwab New York  
Municipal Money Fund

Schwab New Jersey  
Municipal Money Fund

Schwab Pennsylvania  
Municipal Money Fund

Schwab Florida  
Municipal Money Fund

Schwab Massachusetts  
Municipal Money Fund

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Fund yield figures and portfolio statistics, plus a discussion of factors that affected fund performance during the report period.

### Financial Statements

Portfolio holdings and fund financials.

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Sweep Shares: **SWNXX** Value Advantage Shares: **SWYXX**

#### Schwab New Jersey Municipal Money Fund . . . . . 16

Ticker Symbol: **SWJXX**

#### Schwab Pennsylvania Municipal Money Fund . . . . . 24

Ticker Symbol: **SWEXX**

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Ticker Symbol: **SWFXX**

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Ticker Symbol: **SWDXX**

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# *From the Chairman*



Charles R. Schwab  
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is written in a cursive, flowing style.

# *Management's Discussion* for the six months ended June 30, 2003



**Randall W. Merk** is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, flowing style.



**Kevin Shaughnessy**, a portfolio manager, is responsible for the day-to-day management of the Schwab New York, New Jersey and Massachusetts municipal money funds. Prior to joining the firm in 2000, he worked for more than ten years in fixed-income portfolio management.



**Walter Beveridge**, a portfolio manager, has been responsible for day-to-day management of the Schwab Pennsylvania and Florida municipal money funds since their inception in 1998. Prior to joining the firm in 1992, he worked for nearly ten years in asset management.

## The Investment Environment and the Funds

**The U.S. economy remained in a holding pattern during the six months of the report period.** Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

**Already at their lowest level in decades, interest rates fell further as the report period progressed.** During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

**Falling interest rates pushed money fund yields to new lows** (see page 5 for fund yield information). We sought to lessen the effects of falling rates on the funds by maintaining comparatively long weighted average maturities. Although the funds' yields did decline, we were successful in slowing that decline, and in keeping the yields higher than they otherwise would have been.

**Strong issuance of short-term muni debt relative to taxable debt made muni yields attractive compared to taxable yields.** Typically, we have seen muni yields average about 80% of taxable yields. During the report period, muni yields at times exceeded 95% of taxable yields (although both were low on an absolute basis). These extremes of valuation allowed us to increase our exposure to high-yielding fixed-rate securities.

**Schwab New York Municipal Money Fund.** To balance its budget in the past two fiscal years, the state has made some spending cuts, but has also relied heavily on one-time solutions (such as deferring aid payments and drawing on tobacco bond proceeds). The budget that the state legislature passed in May (over Governor Pataki's veto) projects a general fund surplus of only \$730 million, or 1.8% of expenditures, at the end of fiscal 2004 (3/31/04). In spite of these concerns, the state's revenue raising ability and the diversity of its economy have kept New York a strong investment-grade credit. As of the report date, the state's credit ratings were A2 from Moody's, AA from Standard & Poor's (with a negative outlook) and AA- from Fitch.

**Schwab New Jersey Municipal Money Fund.** New Jersey's personal income tax receipts continued to decline in fiscal 2003. The state was able to end fiscal 2003 (6/30/03) with a modest surplus of \$250 million,

*In general, we have seen most states taking responsible measures to address the revenue shortfalls they have faced as a result of a weak U.S. economy.*

or 1.1% of expenditures, rather than an anticipated \$1.3 billion general fund deficit, although it had to rely on several one-time solutions in addition to cutting expenditures. The diversity of the state's economy as well as its revenue raising ability have kept New Jersey a strong investment-grade credit. As of the report date, the state's credit ratings were Aa2 from Moody's (with a negative outlook), AA from Standard & Poor's and AA from Fitch (with a negative watch).

**Schwab Pennsylvania Municipal Money Fund.** Conservative fiscal management has left Pennsylvania better able to weather revenue shortfalls than many of its neighbors. The state used the last of its "rainy day" fund to close an estimated budget shortfall of 3.4% for fiscal 2003 (which ended 6/30/03). A fiscal 2004 budget, most parts of which were approved in March 2003, is designed to close an expected \$2.4 billion budget gap. As of the report date, the state's credit ratings were Aa2 from Moody's, AA from Standard & Poor's and AA from Fitch.

**Schwab Florida Municipal Money Fund.** Although it has drawn on some reserves to balance its budget in the last two years, the State of Florida projected a nearly \$1.1 billion fund balance for the end of fiscal 2003 (6/30/03). The state has benefited from its reliance on sales taxes rather than personal income taxes. The number of jobs in the state actually grew 0.5% in 2002, and overall tourism revenues have held fairly steady. With its substantial reserves and strong financial controls, the state's ratings as of the end of the report period were Aa2 from Moody's, AA+ from Standard & Poor's and AA from Fitch.

**Schwab Massachusetts Municipal Money Fund.** *On May 15, 2003, Schwab introduced the Schwab Massachusetts Municipal Money Fund to replace the Federated Massachusetts Municipal Cash Trust as a sweep money fund option for Schwab customers.* Through a combination of dipping into reserves and cutting social services and aid to local governments, Massachusetts overcame a projected \$900 million revenue shortfall to end fiscal 2003 (6/30/03) with a \$895 million surplus, or 4% of expenditures. A similar balance is projected for fiscal 2004. With its diverse economy and strong revenue raising ability, the state's ratings as of the end of the report period were Aa2 from Moody's (with a negative outlook), AA- from Standard & Poor's and AA- from Fitch.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

	New York Municipal Money Fund	New Jersey Municipal Money Fund	Pennsylvania Municipal Money Fund	Florida Municipal Money Fund	Massachusetts Municipal Money Fund
	Sweep Shares	Value Advantage Shares			
Seven-Day Yield <sup>1</sup>	0.34%	0.58%	0.38%	0.46%	0.44%
Seven-Day Effective Yield	0.34%	0.58%	0.38%	0.46%	0.44%
Seven-Day Taxable-Equivalent Effective Yield <sup>2</sup>	0.58%	1.00%	0.62%	0.73%	0.68%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

	New York Municipal Money Fund	New Jersey Municipal Money Fund	Pennsylvania Municipal Money Fund	Florida Municipal Money Fund	Massachusetts Municipal Money Fund
Weighted Average Maturity	48 days	53 days	45 days	52 days	58 days
Credit Quality of Holdings <sup>3</sup> % of portfolio	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1
Credit-Enhanced Securities % of portfolio	68%	75%	77%	75%	61%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

<sup>1</sup> A portion of each fund's expenses was reduced during the reporting period. Without this reduction, the seven-day yields for Schwab New York Municipal Money Fund's Sweep Shares and Value Advantage Shares would have been 0.19% and 0.42%, respectively. The seven-day yields for Schwab New Jersey, Pennsylvania, Florida and Massachusetts Municipal Money Funds would have been 0.18%, 0.23%, 0.25% and 0.13%, respectively.

<sup>2</sup> For New York Municipal Money Fund, the seven-day taxable-equivalent effective yield assumes a 2003 maximum combined federal regular income tax, New York state and New York city rate of 41.82%. Schwab New Jersey, Pennsylvania and Massachusetts Municipal Money Funds assume a 2003 maximum combined federal regular income and state personal income tax rate of 39.14%, 36.82% and 38.45%, respectively. The Florida Municipal Money Fund assumes a 2003 maximum federal regular income tax rate of 35.00%.

<sup>3</sup> Portfolio holdings may have changed since the report date.

# Financial Statements

## Schwab New York Municipal Money Fund

### Financial Highlights

Sweep Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.02	0.03	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.02)	(0.03)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.26 <sup>2</sup>	0.80	2.06	3.39	2.59	2.78
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.69 <sup>3</sup>	0.69	0.69	0.69 <sup>4</sup>	0.69	0.69
Ratio of gross operating expenses to average net assets	0.84 <sup>3</sup>	0.85	0.86	0.87 <sup>4</sup>	0.91	0.97
Ratio of net investment income to average net assets	0.53 <sup>3</sup>	0.80	2.04	3.35	2.57	2.73
Net assets, end of period (\$ x 1,000,000)	1,048	944	889	798	604	468
Value Advantage Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.02	0.04	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.02)	(0.04)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.38 <sup>2</sup>	1.04	2.30	3.64	2.83	3.03
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.45 <sup>3</sup>	0.45	0.45	0.45 <sup>5</sup>	0.45	0.45
Ratio of gross operating expenses to average net assets	0.61 <sup>3</sup>	0.62	0.64	0.67 <sup>5</sup>	0.71	0.78
Ratio of net investment income to average net assets	0.77 <sup>3</sup>	1.04	2.23	3.59	2.81	2.96
Net assets, end of period (\$ x 1,000,000)	734	676	604	419	296	238

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> The ratios of net and gross operating expenses would have been 0.70% and 0.88%, respectively, if certain non-routine expenses (proxy fees) had been included.

<sup>5</sup> The ratios of net and gross operating expenses would have been 0.46% and 0.68%, respectively, if certain non-routine expenses (proxy fees) had been included.



**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>		<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>100.0%</b>	<b>Municipal Securities</b>	1,764,048	1,764,048
<b>100.0%</b>	<b>Total Investments</b>	1,764,048	1,764,048

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**Municipal Securities** 100.0% of investments

**New York 98.4%****✦■ Albany, New York IDA**

IDRB (Newkirk Products Project)			
Series 1995A			
1.05%, 07/07/03	1,000	1,000	
IDRB (United Cerebral Palsy Project) Series B			
1.00%, 07/07/03	10,985	10,985	

**✦■ Babylon, New York**

Resource Recovery (Ogden Martin Project) Series 1998			
1.00%, 07/07/03	5,000	5,000	

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**✦■ Chautauqua County, New York IDA**

Civic Facilities RB (Jamestown Center City Development Project) Series 2000A			
1.04%, 07/07/03	4,950	4,950	
IDRB (Grafcro Industry Project)			
1.05%, 07/07/03	7,600	7,600	

**✦■ Chenango County, New York IDA**

IDRB (Baille Lumber Project) Series 2000A			
1.20%, 07/07/03	4,551	4,551	

**✦■ Dutchess County, New York**

IDRB (Mechtroncis Corp. Project) Series 1998			
1.16%, 07/07/03	3,025	3,025	
IDRB (Trinity Pawling School Corp. Project)			
0.95%, 07/07/03	3,075	3,075	

**East Meadow, New York Union Free School District**

TAN			
0.82%, 06/29/04	4,000	4,036	

**Erie County, New York**

RAN			
1.43%, 09/17/03	10,325	10,348	

**Hempstead, New York Union Free School District**

TAN			
0.92%, 06/29/04	4,400	4,447	

**✦■ Herkimer County, New York IDA**

Civic Facilities RB (Templeton Foundation Project)			
1.10%, 07/07/03	2,000	2,000	

**✦■ Jay Street, New York Development Corp.**

Lease (RB (Jay Street Project) Series 2001A-1			
0.95%, 07/07/03	2,200	2,200	

**✦■ Long Island, New York Power Authority**

▷ Electric System RB Series 2003G			
0.85%, 07/07/03	4,400	4,400	
Electric System RB Subseries 3A			
0.90%, 07/07/03	13,000	13,000	

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶ Electric System RB Subseries 7B 0.95%, 07/07/03	13,450	13,450	▶ GO TOB (Merlot) Series 1997C 1.04%, 07/07/03	26,000	26,000
▶ Electric System RB TOB Series 1998A 1.01%, 07/07/03	1,900	1,900	▶ GO TOB Series 394 1.00%, 07/07/03	6,920	6,920
▶ Electric System RB TOBP (PA 841) 1.00%, 07/07/03	4,365	4,365	▶ GO TOB Series F 0.98%, 07/07/03	3,395	3,395
▶ Electric System RB TOBP (PA-522) 1.00%, 07/07/03	21,000	21,000	▶ TOB 20013204 1.01%, 07/07/03	24,750	24,750
▶▶ <b>Monroe County, New York</b> IDRB (ENBI Corp. Lease Rent Project) Series 1988 1.05%, 07/07/03	2,000	2,000	TOB Subseries 2003G-2 0.90%, 07/07/03	4,755	4,755
<b>Nassau County, New York Interim Finance Authority</b> BAN Series 2002B-2 1.15%, 09/11/03	25,000	25,054	▶ TOBP (PT-820) 1.00%, 07/07/03	10,910	10,910
▶▶ Sales Tax Secured Bond Series 2002 B 0.90%, 07/07/03	5,000	5,000	▶▶ <b>New York City, New York Health &amp; Hospital Corp.</b> RB TOBP (PA-555) 0.98%, 07/07/03	17,620	17,620
▶▶ Sales Tax Secured Bond Series 2002A 0.88%, 07/07/03	15,000	15,000	▶▶ <b>New York City, New York Housing Development Corp.</b> M/F Housing RB (100 Jane Street Development Project) Series A 0.96%, 07/07/03	6,525	6,525
▶▶ <b>New York City, New York</b> ▶ GO Series 1992D 0.95%, 07/07/03	4,300	4,300	M/F Housing RB (One Columbus Project) Series A 0.96%, 07/07/03	20,700	20,700
▶ GO Series 1993B 0.95%, 07/01/03	300	300	M/F Housing RB (Sierra Development) Series 2003A 0.96%, 07/07/03	18,000	18,000
GO Subseries 1993E-3 0.85%, 07/01/03	800	800	M/F Rental Housing RB (Tribeca Tower Project) Series 1997A 1.00%, 07/07/03	2,300	2,300
▶ GO Subseries 1994H-3 0.85%, 07/01/03	2,600	2,600	▶▶ <b>New York City, New York IDA</b> Civic Facility RB (Jewish Board of Family Services Project) 1.00%, 07/07/03	15,820	15,820
GO Subseries 1994H-3 0.85%, 07/01/03	3,500	3,500	RB (Allway Tools, Inc. Project) 1.05%, 07/07/03	1,635	1,635
GO Subseries A-7 0.85%, 07/01/03	200	200	▶ RB TOBP (PT-459) 1.01%, 07/07/03	4,065	4,065
▶ GO Subseries A-8 0.90%, 07/07/03	6,700	6,700	Special Facility RB (Korean Airlines Co. Project) Series 1997A 0.90%, 07/07/03	7,400	7,400
GO Subseries C-2 0.90%, 07/07/03	5,000	5,000			
GO Subseries C-3 0.90%, 07/07/03	15,000	15,000			
GO Subseries C-4 0.90%, 07/07/03	9,900	9,900			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>New York City Municipal Water Finance Authority, New York</b>					
■ RB TOBP (PA-1109) 1.00%, 07/01/03	7,495	7,495	➦■ RB (Future Tax Secured) Series 2001C 0.95%, 07/07/03	2,000	2,000
➦■ TECP Series 5 0.95%, 09/08/03	15,000	15,000	■ RB Subseries 2002-2A 0.95%, 07/01/03	10,000	10,000
■ TECP Series 6 1.00%, 07/17/03	17,900	17,900	■ RB Subseries 2D 0.95%, 07/07/03	2,500	2,500
0.95%, 09/02/03	25,000	25,000	➦■ RB TOB Series 2000A 1.01%, 07/07/03	15,720	15,720
➦■ Water & Sewer System RB 0.98%, 07/07/03	4,995	4,995	■ RB TOBP (PA-917) 1.07%, 07/07/03	14,545	14,545
■ Water & Sewer System RB Series C 0.95%, 07/01/03	200	200	■ TOBP (PT-1724) 1.01%, 07/01/03	6,000	6,000
➦■ Water & Sewer System RB Series 1994G 0.85%, 07/01/03	1,350	1,350	➦■ New York City, New York Trust for Cultural Resources RB (American Museum of Natural History Project) Series 1999B 1.60%, 07/01/03	13,360	13,360
■ Water & Sewer System RB Series 2002C-2 0.88%, 07/07/03	5,200	5,200	➦ New York Metropolitan Transportation Authority		
■ Water & Sewer System RB Sub-Series 2003C-3 0.85%, 07/01/03	3,300	3,300	■ RB (Dedicated Tax Fund) Series 2002B 0.95%, 07/07/03	9,000	9,000
■ Water & Sewer Systems RB Series 2003F Subseries F-1 0.97%, 07/07/03	20,000	20,000	■ RB TOB Series 724X 1.00%, 07/07/03	22,000	22,000
➦■ Water & Sewer System RB TOBP (PA-1054) 1.00%, 07/07/03	10,000	10,000	■ RB TOBP (PA-1031-R) 1.15%, 08/21/03	19,995	19,995
➦■ Water & Sewer System RB TOBP (PA-523) Series 1999B 0.98%, 07/07/03	4,735	4,735	■ Revenue Refunding Bond Series 2002G-2 0.96%, 07/07/03	5,000	5,000
■ Water & Sewer System RB TOBP (PA-838) 1.02%, 07/07/03	4,995	4,995	■ Revenue Refunding Bond Series 2002D-1 0.90%, 07/07/03	9,600	9,600
<b>New York City Transitional Finance Authority, New York</b>			■ Revenue Refunding Bond Series 2002G-1 0.96%, 07/07/03	4,725	4,725
BAN Series 1 1.63%, 11/06/03	25,000	25,075	■ Service Contract TOB Series 678 1.00%, 07/07/03	19,000	19,000
BAN Series 2 0.95%, 02/19/04	8,525	8,581	Transportation Facilities RB (Service Contract) Series 1993P 1.15%, 07/01/03	4,000	4,060
1.07%, 02/19/04	25,000	25,147	TECP 1.10%, 09/10/03	18,500	18,500
1.10%, 02/19/04	40,000	40,226			
Future Secured Tax Revenue Refunding Bond Series 2003A 1.45%, 11/01/03	20,210	20,347			

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
TECP Series 1-A			M/F Housing RB Series 1999A		
0.90%, 09/09/03	25,000	25,000	0.96%, 07/07/03	17,500	17,500
0.90%, 11/10/03	5,000	5,000	RB (101 West End Project)		
<b>+ New York State</b>			Series 1998		
Environmental Quality GO			0.90%, 07/07/03	10,600	10,600
Series 1998G			RB (101 West End Project)		
1.48%, 10/02/03	14,300	14,300	Series 1999		
<b>■ GO Series A</b>			0.90%, 07/07/03	1,600	1,600
1.50%, 10/09/03	16,200	16,200	RB (150 East 44th Street		
<b>+■ New York State Dormitory</b>			Project) Series 2000A		
<b>Authority</b>			0.90%, 07/07/03	43,500	43,500
RB (New York Foundling			RB (345 East 94th Street		
Charitable Corp. Project)			Housing Project)		
0.96%, 07/07/03	4,355	4,355	0.90%, 07/07/03	3,800	3,800
▶ RB Putters Series 107			RB (350 West 43rd Street		
1.20%, 09/04/03	11,625	11,625	Housing Project)		
▶ RB TOB Series 15			Series 2002A		
0.90%, 12/17/03	27,030	27,030	0.98%, 07/07/03	14,000	14,000
▶ RB TOB Series 2001D			RB (66 West 38th Street		
1.00%, 07/07/03	2,900	2,900	Project) Series A		
▶ TOB			1.00%, 07/07/03	11,400	11,400
1.01%, 07/07/03	12,375	12,375	RB (70 Battery Place Project)		
▶ TOBP (PT-797) Series 2003A			Series 1999A		
0.98%, 07/07/03	7,295	7,295	0.96%, 07/07/03	10,100	10,100
<b>+■ New York State Energy</b>			RB (Chelsea Arms Housing		
<b>Research &amp; Development Authority</b>			Project) Series 1998A		
Gas Facilities RB TOB			0.95%, 07/07/03	18,000	18,000
Series 379			RB (East 84th Street Housing		
1.00%, 07/07/03	14,125	14,125	Project) Series 1995A		
TOB (Eagle Trust)			1.15%, 07/07/03	4,000	4,000
Series 1994A			RB (Tribeca Landing)		
1.01%, 07/07/03	14,850	14,850	Series 1997A		
<b>▶ New York State Environmental</b>			1.00%, 07/07/03	4,500	4,500
<b>Facilities Corp.</b>			RB (Tribeca Park) Series 1997A		
Environmental Pollution Control			0.95%, 07/07/03	13,000	13,000
RB TOB Series 1994D			RB (Union Square South		
1.01%, 07/07/03	17,050	17,050	Housing Project)		
TOB (Eagle Trust)			1.00%, 07/07/03	9,000	9,000
1.01%, 07/07/03	24,225	24,225	RB (West 20th Street Project)		
<b>+■ New York State HFA</b>			Series 2001A		
Housing RB (345 East 94th			1.05%, 07/07/03	30,600	30,600
Street Housing Project)			RB (West 38th Street Project)		
0.90%, 07/07/03	26,165	26,165	Series 2001A		
Housing RB (Worth Street			1.00%, 07/07/03	5,200	5,200
Housing Project) Series A			RB Series 1997A		
1.15%, 07/07/03	10,000	10,000	1.00%, 07/07/03	20,000	20,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Service Contract Revenue Refunding Bond Series 2003B 0.90%, 07/07/03	10,000	10,000	RB TOBP (PA-627R) 1.01%, 07/07/03	13,995	13,995
Service Contract Revenue Refunding Bond Series 2003D 0.90%, 07/07/03	15,000	15,000	RB TOBP (PT-289) 1.15%, 07/07/03	5,465	5,465
Service Contract Revenue Refunding Bond Series 2003E 0.90%, 07/07/03	5,000	5,000	TOB Series 1999F 1.00%, 07/07/03	24,795	24,795
Service Contract Revenue Refunding Bond Series 2003G 1.05%, 07/07/03	10,000	10,000	■ <b>New York State Power Authority</b>		
Service Contract Revenue Refunding Bond Series 2003I 1.05%, 07/07/03	12,500	12,500	RB Series 5 0.95%, 07/07/03	8,400	8,400
■ <b>New York State Local Government Assistance Corp.</b>			■ <b>New York State Thruway Authority</b>		
RB Series 1993A 0.90%, 07/07/03	6,600	6,600	General Revenue BAN Series 2003A 1.10%, 04/20/04	30,000	30,006
RB Series 1994B 0.90%, 07/07/03	17,100	17,100	■ General Revenue TOB Series 456 1.00%, 07/07/03	6,995	6,995
RB Series 1995D 0.90%, 07/07/03	7,500	7,500	➤ ■ RB TOBP (Second General Highway & Bridge Trust Fund) (PT-777) 0.98%, 07/07/03	10,000	10,000
RB Series 1995G 0.85%, 07/07/03	8,800	8,800	■ Service Contract RB (Roc-R-142) Series II 1.01%, 07/07/03	4,995	4,995
■ Revenue Refunding Bond Series 2003A-5V 0.92%, 07/07/03	10,000	10,000	■ <b>North Syracuse, New York Central School District</b>		
■ Revenue Refunding Bond Series 2003A-7V 0.90%, 07/07/03	5,000	5,000	BAN Series 2003 0.95%, 06/18/04	29,200	29,423
■ TOB 1.01%, 07/07/03	9,900	9,900	■ <b>Port Authority of New York &amp; New Jersey</b>		
TOB Series 2000-23 1.01%, 07/07/03	20,965	20,965	BAN Series 2003VV 1.12%, 12/15/03	35,000	35,004
■ <b>New York State Mortgage Agency</b>			➤ ■ Special Obligation RB TOB Series 2000B5 1.08%, 07/07/03	1,485	1,485
RB TOB Series 1999Z 1.00%, 07/07/03	8,765	8,765	■ <b>Schenectady, New York</b>		
RB TOB Series 2000B3 1.09%, 07/07/03	790	790	IDRB (Fortitech Holding Corp. Project) Series 1995A 1.10%, 07/07/03	900	900
RB TOBP (PA-153C) 1.01%, 07/07/03	4,640	4,640	■ <b>Sherburne Earlville, New York Central School District</b>		
			BAN Series 2002 1.52%, 09/18/03	5,978	5,989
			■ <b>Suffolk County, New York</b>		
			TAN 1.05%, 08/14/03	5,000	5,003
			1.50%, 09/09/03	8,300	8,316

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>■ Suffolk County, New York Water Authority</b>			<b>+■ Yonkers, New York Civic Facilities</b>		
BAN 2003			IDRB (Consumers Union Facility Project) Series 1989		
0.90%, 07/07/03	10,000	10,000	1.05%, 07/07/03	1,300	1,300
<b>■ Tompkins County, New York Industrial Development Agency</b>			IDRB (Consumers Union Facility Project) Series 1991		
RB (Civic Facility Cornell) Series 2002A			1.05%, 07/07/03	700	700
0.95%, 07/07/03	6,525	6,525	IDRB (Consumers Union Facility Project) Series 1994		
RB (Civic Facility Cornell) Series 2002B					
0.95%, 07/07/03	7,000	7,000	1.05%, 07/07/03	1,740	1,740
<b>■ Triborough, Bridge &amp; Tunnel Authority, New York</b>			<b>Puerto Rico 1.6%</b>		
RB Putters Series 293			<b>Government Development Bank of Puerto Rico</b>		
1.00%, 07/07/03	9,995	9,995	TECP		
RB Series 194			1.00%, 08/07/03	19,000	19,000
1.01%, 07/07/03	9,995	9,995	<b>+■ Puerto Rico Housing Finance Corporation</b>		
RB TOB Series 2002-14			RB TOB Series J		
1.01%, 07/07/03	20,000	20,000	1.20%, 04/01/04	9,900	9,900
+ Revenue Refunding Bond Series 2002C			<b>28,900</b>		
0.85%, 07/07/03	10,000	10,000			
+ Special Obligation RB Series C					
0.90%, 07/07/03	13,200	13,200			
+ Special Obligation Refunding Bond Series 2000A					
0.90%, 07/07/03	8,550	8,550			
TOBP (PA-1070)					
1.00%, 07/07/03	14,000	14,000			
<b>Ulster County, New York</b>					
BAN 2003					
1.00%, 06/11/04	6,500	6,546			
<b>West Genesee Central, New York School District</b>					
BAN 2002					
1.60%, 07/11/03	13,935	13,939			
<b>+■ Westchester County, New York IDA</b>					
IDRB (Levister Redevelopment Co., LLC) Series B					
0.90%, 07/07/03	6,000	6,000			

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**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$1,764,048
Cash	19,997
Receivables:	
Fund shares sold	1,455
Interest	5,329
Investments sold	3,000
Prepaid expenses	+ 21
<b>Total assets</b>	<b>1,793,850</b>

The amortized cost for the fund's securities was \$1,764,048. During the reporting period, the fund had \$224,410 in transactions with other SchwabFunds®.

**Liabilities**

Payables:	
Fund shares redeemed	3,068
Dividends to shareholders	330
Investments bought	8,490
Investment adviser and administrator fees	33
Transfer agent and shareholder service fees	52
Accrued expenses	+ 98
<b>Total liabilities</b>	<b>12,071</b>

**Net Assets**

<b>Total assets</b>	1,793,850
<b>Total liabilities</b>	- 12,071
<b>Net assets</b>	<b>\$1,781,779</b>

**Net Assets by Source**

Capital received from investors	1,781,798
Net realized capital losses	(19)

**Net Assets by Share Class**

Share Class	Net Assets	+	Shares Outstanding	=	NAV
Sweep Shares	\$1,047,748		1,047,837		\$1.00
Value Advantage Shares	\$734,031		734,024		\$1.00

**Federal Tax Data****Cost basis of portfolio** \$1,764,048**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2008	\$58
2009	+ 43
	<b>\$101</b>

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$10,403</b>
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**Net Realized Gains and Losses**

Net realized gains on investments sold	98
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**Expenses**

Investment adviser and administrator fees	3,144
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Transfer agent and shareholder service fees:	
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Sweep Shares	2,225
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Value Advantage Shares	795
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Trustees' fees	17
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Custodian and portfolio accounting fees	82
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Professional fees	14
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Registration fees	24
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Shareholder reports	35
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Other expenses	+	10
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Total expenses	6,346
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Expense reduction	-	1,308
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<b>Net expenses</b>	<b>5,038</b>
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**Increase in Net Assets from Operations**

<b>Total investment income</b>	10,403
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<b>Net expenses</b>	-	5,038
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<b>Net investment income</b>	<b>5,365</b>
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<b>Net realized gains</b>	+	98
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<b>Increase in net assets from operations</b>	<b>\$5,463</b>
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Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

**Transfer Agent Services:**

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05

**Shareholder Services:**

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17

For the fund's independent trustees only.

Includes \$1,272 from the investment adviser (CSIM) and \$36 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the annual operating expenses of this fund through at least April 30, 2004, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.69
Value Advantage Shares	0.45

This limit doesn't include interest, taxes and certain non-routine expenses.



Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$5,365	\$14,200
Net realized gains	+ 98	198
<b>Increase in net assets from operations</b>	<b>5,463</b>	<b>14,398</b>

**Distributions Paid**

Dividends from net investment income		
Sweep Shares	2,599	7,395
Value Advantage Shares	+ 2,766	6,805
<b>Total dividends from net investment income</b>	<b>5,365</b>	<b>14,200</b>

**Transactions in Fund Shares****Shares Sold**

Sweep Shares	1,595,693	2,917,032
Value Advantage Shares	+ 412,572	691,543
<b>Total shares sold</b>	<b>2,008,265</b>	<b>3,608,575</b>

**Shares Reinvested**

Sweep Shares	2,413	7,250
Value Advantage Shares	+ 2,433	6,470
<b>Total shares reinvested</b>	<b>4,846</b>	<b>13,720</b>

**Shares Redeemed**

Sweep Shares	(1,493,981)	(2,869,694)
Value Advantage Shares	+ (357,184)	(625,673)
<b>Total shares redeemed</b>	<b>(1,851,165)</b>	<b>(3,495,367)</b>

**Net transactions in fund shares**

**161,946**      **126,928**

**Net Assets**

Beginning of period	1,619,735	1,492,609
Total increase	+ 162,044	127,126
<b>End of period</b>	<b>\$1,781,779</b>	<b>\$1,619,735</b>

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents shares sold plus shares reinvested, minus shares redeemed.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

# Financial Statements

## Schwab New Jersey Municipal Money Fund

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	2/2/98 <sup>1</sup> – 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>2</sup>	0.01	0.02	0.03	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) <sup>2</sup>	(0.01)	(0.02)	(0.03)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.27 <sup>3</sup>	0.84	2.13	3.38	2.58	2.60 <sup>3</sup>
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.65 <sup>4</sup>	0.65 <sup>5</sup>	0.65	0.65 <sup>6</sup>	0.65	0.65 <sup>4</sup>
Ratio of gross operating expenses to average net assets	0.86 <sup>4</sup>	0.88 <sup>5</sup>	0.90	0.92 <sup>6</sup>	0.94	1.13 <sup>4</sup>
Ratio of net investment income to average net assets	0.53 <sup>4</sup>	0.83	2.08	3.35	2.60	2.75 <sup>4</sup>
Net assets, end of period (\$ x 1,000,000)	489	425	382	321	206	98

\* Unaudited.

<sup>1</sup> Commencement of operations.

<sup>2</sup> Per-share amount was less than \$0.01.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

<sup>5</sup> The ratios of net and gross operating expenses would have been 0.66% and 0.89%, respectively, if certain non-routine expenses (taxes) had been included.

<sup>6</sup> The ratios of net and gross operating expenses would have been 0.66% and 0.93%, respectively, if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- Liquidity-enhanced security
- Variable-rate security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
<b>100.0% Municipal Securities</b>	467,283	467,283
<b>100.0% Total Investments</b>	467,283	467,283

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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**Municipal Securities** 100.0% of investments

**New Jersey 99.7%**
**✦▸▸ Delaware River Port Authority**

RB TOBP (PA-606)		
1.01%, 07/07/03	14,050	14,050
RB TOBP (PA-611)		
1.01%, 07/07/03	1,695	1,695

**Delran Township, New Jersey**

BAN		
1.10%, 01/14/04	2,842	2,852

**East Brunswick Township,  
New Jersey**

BAN		
1.10%, 02/27/04	8,000	8,048

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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**✦▸▸ Essex County, New Jersey**

<b>Improvement Authority</b>		
Lease Revenue TOBP		
(PA-648)		
0.97%, 07/07/03	5,995	5,995
RB (County Asset Sale Project)		
Series 1995		
0.95%, 07/07/03	1,000	1,000

**✦▸▸ Monmouth County, New Jersey  
Improvement Authority**

RB (Pooled Government Loan Program)		
0.83%, 07/07/03	12,085	12,085

**✦▸▸ New Jersey Economic  
Development Authority**

Market Transition Facility Sr. Lien RB Series 1994A		
0.87%, 07/01/03	5,000	5,000

▸▸ Natural Gas Facilities RB TOB (Nui Corp. Project) Series 161		
1.01%, 07/07/03	1,525	1,525

▸▸ RB (500 International Partners Project)		
0.95%, 07/07/03	5,800	5,800

▸▸ RB (Catholic Community Services Project)		
0.95%, 07/07/03	4,910	4,910

▸▸ RB (Geriatric Services Housing Corp. Project)		
0.95%, 07/07/03	10,475	10,475

▸▸ RB (Golf Holdings, LLC) Series 2001A		
0.95%, 07/07/03	22,000	22,000

▸▸ RB (Graphic Management, Inc. Project)		
0.95%, 07/07/03	5,245	5,245

▸▸ RB (Hamilton Industrial Development Project) Series 1998		
1.10%, 07/07/03	6,220	6,220

▸▸ RB (Jewish Home Rockleigh Project) Series 1998A		
1.27%, 07/07/03	4,900	4,900

▸▸ RB (Job Haines Home Project)		
1.00%, 07/07/03	3,700	3,700

▸▸ RB (St. James Prep & Social Service Project) Series 1998		
1.00%, 07/07/03	3,240	3,240

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
■ RB (Stone Brothers Secaucus Project) 1.03%, 07/07/03	1,860	1,860	RB (Princeton Medical Center Project) Series 1999A-3 0.95%, 07/07/03	2,100	2,100
■ RB (Toys R Us, Inc. Project) Series 1984 1.35%, 07/30/03	3,000	3,000	RB (Robert Wood Johnson) Series 2003A-3 0.95%, 07/07/03	2,500	2,500
■ RB (Wechsler Coffee Corp. Project) Series 1998 1.15%, 07/07/03	870	870	RB (St. Joseph's) Series 2003A-6 0.95%, 07/07/03	3,250	3,250
▶■ RB TOBP (PT-779) 0.97%, 07/07/03	9,995	9,995	RB Series 2001A1 0.90%, 07/07/03	6,300	6,300
▶■ Revenue Refunding Bond (Airis Newark, LLC Project) 0.95%, 07/07/03	3,800	3,800	RB Series 2001A3 0.90%, 07/07/03	7,000	7,000
■ Revenue Refunding Bond (Plaza Park Project) 1.10%, 07/07/03	3,615	3,615	▶ RB TOBP (PA-504) 0.97%, 07/07/03	11,630	11,630
■ Special Facility RB (Port Newark Container, LLC) 1.03%, 07/07/03	14,300	14,300	Revenue Refunding Bond (Christian Health Project) Series 1998B 0.94%, 07/07/03	9,400	9,400
TECP (Chambers Cogen) 0.90%, 09/10/03	10,300	10,300	▶▶■ <b>New Jersey Sports &amp; Exposition Authority</b>		
TECP (Keystone) 0.90%, 09/09/03	3,600	3,600	RB (State Contract) Series 2002B-1 0.90%, 07/07/03	4,675	4,675
0.90%, 09/10/03	2,300	2,300	RB Series 1992C 0.90%, 07/07/03	3,500	3,500
■ Thermal Energy Facilities RB (Marina Energy, LLC Project) Series 2001A 0.95%, 07/07/03	7,100	7,100	<b>New Jersey State Educational Facilities Authority</b>		
■ Thermal Energy Facilities RB (Thermal Energy, Ltd. Partnership I Project) Series 1997 1.10%, 07/07/03	4,600	4,600	▶■ RB (Caldwell College) Series 2000B 1.00%, 07/07/03	2,300	2,300
▶■ <b>New Jersey Health Care Facilities Financing Authority</b>			RB (Higher Education Equipment Leasing Fund) Series 2001A 1.02%, 09/01/03	3,300	3,316
RB (Community Hospital Group) Series 2003A-1 0.95%, 07/07/03	1,500	1,500	▶▶■ TOB Series II-R 213 0.98%, 07/07/03	8,610	8,610
RB (Matheny School Hospital) Series 2003A-2 0.95%, 07/07/03	1,750	1,750	▶▶■ <b>New Jersey State Housing &amp; Mortgage Finance Agency</b>		
RB (Meridian Health System) Series 2003A 0.90%, 07/07/03	5,000	5,000	TOB PT-635 1.00%, 07/07/03	4,305	4,305
RB (Meridian Health System) Series 2003B 1.00%, 07/07/03	3,000	3,000	RB TOBP (PT-285) 1.25%, 07/17/03	645	645
			RB TOBP (PT-287) 1.00%, 07/01/03	1,000	1,000
			▶ RB (Home Buyer Project) Series EE 1.10%, 04/01/04	7,430	7,430

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+►■ New Jersey State Transit Corp.</b> TOB (Certificates) Series 2000- 148 0.95%, 07/07/03	500	500	<b>+■ RB (119th Series)</b> 1.55%, 09/15/03 RB Series 2003UU 1.04%, 10/15/03	2,975 12,000	2,996 12,033
<b>+■ New Jersey State Transportation Trust Fund Authority</b> ► TOB Series 203 0.98%, 07/07/03 TOB Series 2000C 0.98%, 07/07/03 ► TOB Series II-R 221 0.98%, 07/07/03	4,895 11,495 4,995	4,895 11,495 4,995	<b>+►■ Special Obligation RB TOB Series 2000B5</b> 1.08%, 07/07/03 <b>+■ TECP</b> 1.05%, 08/11/03 0.90%, 09/08/03 <b>+►■ TOB Series 153</b> 1.00%, 07/07/03 <b>+►■ TOB Series 693</b> 1.01%, 07/07/03 <b>+■ TOBP (PA-518)</b> 1.10%, 04/08/04	800 7,000 2,000 370 7,000 6,795	800 7,000 2,000 370 7,000 6,795
<b>+■ New Jersey State Turnpike Authority</b> RB Series 1991D 0.90%, 07/07/03 ► RB TOB (2000-3002) 0.98%, 07/07/03 ► RB TOBP (PA-719) 1.01%, 07/07/03 ► RB TOBP (PT-747) 1.06%, 07/07/03 ► TOB (Munitops) Series 2000-6 1.01%, 07/07/03	2,000 8,000 3,665 3,595 7,000	2,000 8,000 3,665 3,595 7,000	<b>Princeton Borough, New Jersey BAN</b> 0.90%, 06/11/04 <b>Princeton Township, New Jersey BAN</b> 0.88%, 06/11/04 <b>Sparta Township, New Jersey BAN</b> 1.02%, 06/04/04	8,214 8,962 6,595	8,260 9,014 6,639
<b>Newark, New Jersey BAN</b> 1.65%, 08/01/03 1.75%, 08/01/03 1.85%, 08/01/03	7,984 3,650 6,735	7,990 3,652 6,739	<b>+►■ Trenton, New Jersey Parking Authority</b> Putters RB TOB Series 221 0.95%, 07/07/03 <b>+■ Union County, New Jersey Improvement Authority</b> RB (Cedar Glen Housing Corp.) Series 2001A 0.90%, 07/07/03	4,320 13,100	4,320 13,100
<b>+►■ North Hudson, New Jersey Sewage Authority</b> RB Series 2001B 0.90%, 07/07/03	11,650	11,650	<b>+►■ University Medicine &amp; Dentistry of New Jersey</b> RB Series 2002B 0.98%, 07/07/03 <b>Woodbridge Township, New Jersey BAN</b> 1.52%, 07/08/03	7,000 7,000	7,000 7,001
<b>+ Passaic Valley, New Jersey Sewage Commission</b> Sewer System RB Series 2003F 1.15%, 12/01/03	4,470	4,505			
<b>Port Authority of New York &amp; New Jersey</b> BAN Series 2003VV 1.03%, 12/15/03 1.12%, 12/15/03	2,400 15,000	2,401 15,002			<b>465,703</b>

Portfolio Holdings continued

Issuer

Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Puerto Rico 0.3%

➔■ Puerto Rico Commonwealth

Public Improvement TOB Series 2001R 1.00%, 07/07/03	635	635
Public Improvement TOB Series 3 0.98%, 07/07/03	200	200

➔■ Puerto Rico Housing Finance Corp.

RB TOB Series R 1.00%, 07/07/03	745	745
		<b>1,580</b>

**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$467,283
Cash	9,607
Receivables:	
Interest receivable	1,632
Investments sold	11,041
Prepaid expenses	+ 10
<b>Total assets</b>	<b>489,573</b>

The amortized cost for the fund's securities was \$467,283. During the reporting period, the fund had \$288,300 in transactions with other SchwabFunds®.

**Liabilities**

Payables:	
Dividends to shareholders	75
Investment adviser and administrator fees	7
Transfer agent and shareholder service fees	18
Accrued expenses	+ 32
<b>Total liabilities</b>	<b>132</b>

**Net Assets**

<b>Total assets</b>	489,573
<b>Total liabilities</b>	- 132
<b>Net assets</b>	<b>\$489,441</b>

**Net Assets by Source**

Capital received from investors	489,432
Net realized capital gains	9

**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>÷</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$489,441		489,172		\$1.00

**Federal Tax Data**

**Cost basis of portfolio**      \$467,283

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$2,715</b>
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**Net Realized Gains and Losses**

Net realized gains on investments sold	9
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**Expenses**

Investment adviser and administrator fees	871
Transfer agent and shareholder service fees	1,032
Trustees' fees	14
Custodian and portfolio accounting fees	19
Professional fees	10
Registration fees	10
Shareholder reports	9
Other expenses	+
	6
Total expenses	1,971
Expense reduction	-
	480
<b>Net expenses</b>	<b>1,491</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	2,715
<b>Net expenses</b>	-
	1,491
<b>Net investment income</b>	<b>1,224</b>
<b>Net realized gains</b>	+
	9
<b>Increase in net assets from operations</b>	<b>\$1,233</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.



Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$1,224	\$3,334
Net realized gains	+ 9	339
<b>Increase in net assets from operations</b>	<b>1,233</b>	<b>3,673</b>

**Distributions Paid**

Dividends from net investment income	<b>1,224</b>	<b>3,348</b>
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**Transactions in Fund Shares**

Shares sold	601,826	1,159,279
Shares reinvested	1,136	3,302
Shares redeemed	+ (538,333)	(1,120,441)
<b>Net transactions in fund shares</b>	<b>64,629</b>	<b>42,140</b>

**Net Assets**

Beginning of period	424,803	382,338
Total increase	+ 64,638	42,465
<b>End of period</b>	<b>\$489,441</b>	<b>\$424,803</b>

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

# Financial Statements

## Schwab Pennsylvania Municipal Money Fund

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	2/2/98¹– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00²	0.01	0.02	0.04	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00)²	(0.01)	(0.02)	(0.04)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.30³	0.87	2.20	3.57	2.71	2.72³
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.65⁴	0.65	0.65	0.65⁵	0.65	0.65⁴
Ratio of gross operating expenses to average net assets	0.87⁴	0.89	0.92	0.92⁵	0.94	1.16⁴
Ratio of net investment income to average net assets	0.61⁴	0.87	2.14	3.52	2.68	2.85⁴
Net assets, end of period (\$ x 1,000,000)	316	301	292	225	164	122

\* Unaudited.

¹ Commencement of operations.

² Per-share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized.

⁵ The ratios of net and gross operating expenses would have been 0.66% and 0.93%, respectively, if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>		<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>100.0%</b>	<b>Municipal Securities</b>	315,577	315,577
<b>100.0%</b>	<b>Total Investments</b>	315,577	315,577

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**Municipal Securities** 100.0% of investments

**Pennsylvania 95.6%**

<b>✦■ Allegheny County, Pennsylvania IDA</b>			
	RB (Saureisen Project)		
	1.30%, 07/07/03	1,200	1,200
<b>▷ RB TOB MERLOTS 2002-A48</b>			
	1.08%, 07/07/03	14,495	14,495
<b>✦■ Berks County, Pennsylvania IDA</b>			
	RB (Beacon Container Project)		
	1.20%, 07/07/03	1,420	1,420
<b>✦■ Blair County, Pennsylvania IDA</b>			
	RB (Village of Penn State Project) Series 2002C		
	0.97%, 07/07/03	5,000	5,000

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
<b>✦■ Bucks County, Pennsylvania IDA</b>			
	RB (Klearfold Project)		
	1.30%, 07/07/03	4,000	4,000
<b>✦■ Cambria County, Pennsylvania</b>			
	IDRB Resource Recovery (Cambria Cogen Co. Project)		
	1.05%, 07/07/03	15,250	15,250
<b>✦■ Chester County, Pennsylvania Health &amp; Education Facilities Authority</b>			
	RB (Simpson Meadows Project)		
	1.00%, 07/07/03	3,000	3,000
<b>✦■ Clarion County, Pennsylvania IDA</b>			
	IDRB Energy Development (Piney Creek Project)		
	0.98%, 07/07/03	16,000	16,000
<b>✦■ Delaware County, Pennsylvania Authority</b>			
	Hospital RB (Crozer Chester Medical Center)		
	1.00%, 07/07/03	5,000	5,000
<b>✦■ Delaware County, Pennsylvania IDA</b>			
	RB (YMCA of Philadelphia Project) Series 1999		
	1.10%, 07/07/03	2,565	2,565
<b>✦■ Delaware Valley, Pennsylvania Regional Finance Authority</b>			
	Local Government RB TOB Series 2002E		
	1.04%, 07/07/03	4,555	4,555
<b>✦■ Erie County, Pennsylvania School District</b>			
	GO Series 2001 TOB 2001-5		
	1.10%, 10/08/03	16,800	16,800
<b>✦■ Harrisburg, Pennsylvania Authority</b>			
	RB Series 2002B		
	1.25%, 07/07/03	2,500	2,500
<b>✦■ Lancaster County, Pennsylvania Hospital Authority</b>			
	Health Center RB (Brethren Village Project)		
	1.05%, 07/07/03	1,300	1,300

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Mercer County, Pennsylvania</b>			<b>+■ GO (Macon Trust Receipts)</b>		
GO TOB (Munitops Certificates)			Series 2001F		
Unlimited Series 2001-18			1.06%, 07/07/03	3,575	3,575
1.04%, 07/07/03	3,600	3,600	<b>+■ TOB Series 1997C</b>		
			1.05%, 07/07/03	11,870	11,870
<b>+■ Montgomery County, Pennsylvania Higher Education &amp; Health Authority</b>			<b>+■ TOBP (PA-1035R)</b>		
RB (Madlyn & Leonard			0.90%, 12/18/03	4,995	4,995
Abramson Project)			<b>+■ TOBP (PA-1131)</b>		
1.00%, 07/07/03	3,200	3,200	0.99%, 07/07/03	10,000	10,000
<b>+ Montgomery County, Pennsylvania IDA</b>			<b>+■ Pennsylvania Convention Center Authority</b>		
■ Environmental Facilities RB			RB TOBP (PT-1224)		
(Lonza, Inc. Project)			0.99%, 07/07/03	3,345	3,345
1.09%, 07/07/03	7,000	7,000	<b>■ Pennsylvania Economic Development Finance Authority</b>		
TECP Exelon			<b>+ Exempt Facilities RB (AMTRAK Project) Series 2001B</b>		
1.10%, 07/03/03	10,000	10,000	1.00%, 07/07/03	9,900	9,900
TECP PECO Energy			Exempt Facilities RB (Merck & Company Project) Series 2000		
1.05%, 08/18/03	5,400	5,400	1.05%, 07/07/03	5,000	5,000
<b>+■ Montgomery County, Pennsylvania Redevelopment Authority</b>			<b>+ Exempt Facilities RB</b>		
M/F Housing RB (Brookside			(Reliant Energy Seward Project)		
Manor Apartments)			Series 2001A		
Series 2001A			1.03%, 07/07/03	7,900	7,900
0.85%, 07/07/03	1,300	1,300	<b>+■ Exempt Facilities RB (Reliant Energy Seward, LLC Project)</b>		
<b>+ Northampton County, Pennsylvania Higher Education Authority</b>			Series 2002B		
RB (Lehigh University)			1.15%, 07/07/03	6,000	6,000
0.82%, 08/15/03	1,500	1,509	RB (Merck & Co., Inc. West Point Project)		
<b>+■ Northampton County, Pennsylvania General Purpose Authority</b>			1.05%, 07/07/03	11,700	11,700
RB TOB Series 2002-2			<b>+■ Pennsylvania Energy Development Authority</b>		
1.13%, 12/03/03	3,000	3,000	RB (B&W Ebensburg Project)		
<b>+■ Norwin Pennsylvania School District</b>			0.98%, 07/07/03	8,100	8,100
GO TOB (Munitops Certificates)			<b>Pennsylvania HFA</b>		
Series 2001-12			<b>■ RB TOB Series 1998Y</b>		
1.15%, 12/03/03	8,710	8,710	1.20%, 09/25/03	7,400	7,400
<b>Pennsylvania State</b>			Residential Development		
GO Series 2003			Revenue Refunding Bond		
0.92%, 07/01/04	4,990	5,242	1.25%, 07/01/03	1,375	1,375
			<b>■ S/F Mortgage RB TOBP</b>		
			(PT-278) Series 1999-66A		
			0.90%, 12/18/03	10,340	10,340

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
■ S/F Mortgage RB TOBP (PT-119A) Series 1997 0.99%, 07/07/03	3,965	3,965	<b>Temple University of the Commonwealth System of Higher Education, Pennsylvania</b> RB (University Funding Obligation) 1.20%, 05/04/04	7,100	7,100
■ S/F Mortgage TOBP (P-1055) 1.03%, 07/07/03	3,600	3,600	<b>+ Trinity, Pennsylvania Area School District</b> Revenue Refunding GO Series 1993A 1.10%, 11/01/03	500	506
■ TOB (PA-989R) 1.03%, 07/07/03	5,600	5,600	<b>+■ West Cornwall Township, Pennsylvania Municipal Authority</b> RB (Lebanon Valley Brethren Project) 1.05%, 07/07/03	1,520	1,520
■ TOB (Regulation D) Series L10 1.15%, 07/07/03	6,000	6,000			<b>301,577</b>
▶ TOB Series 1999U 1.20%, 08/14/03	4,895	4,895	<b>Puerto Rico 4.4%</b> <b>Government Development Bank of Puerto Rico</b> TECP 1.00%, 08/07/03	3,500	3,500
<b>Pennsylvania Higher Education Assistance Agency</b> RB (Trustees of University of Pennsylvania) Series B 1.46%, 09/01/03	2,000	2,017	1.00%, 08/15/03	6,500	6,500
<b>+■ Student Loan RB</b> Series 2000A 1.05%, 07/07/03	4,200	4,200	0.90%, 09/19/03	4,000	4,000
<b>+■ Student Loan RB</b> Series 2001A 1.05%, 07/07/03	7,800	7,800			<b>14,000</b>
<b>■ Pennsylvania State University</b> RB Series 2002A 1.00%, 07/07/03	1,300	1,300			
<b>+■ Philadelphia Authority for Industrial Development, Pennsylvania</b> IDRB TOBP (1998PZ) (Philadelphia Airport) Series 1998A 1.68%, 07/10/03	5,000	5,000			
<b>+ Philadelphia School District, Pennsylvania</b> Revenue Refunding Bond Series 1999D 0.87%, 03/01/04	1,000	1,028			
<b>+■ Spring Ford, Pennsylvania Area School District</b> TOB Series 247 1.01%, 07/07/03	3,500	3,500			

**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$315,577	
Cash	45	
Interest receivable	792	
Prepaid expenses	+	19
<b>Total assets</b>		<b>316,433</b>

**Liabilities**

Payables:		
Dividends to shareholders		58
Investment adviser and administrator fees		4
Transfer agent and shareholder service fees		12
Accrued expenses	+	27
<b>Total liabilities</b>		<b>101</b>

**Net Assets**

<b>Total assets</b>		316,433
<b>Total liabilities</b>	-	101
<b>Net assets</b>		<b>\$316,332</b>

**Net Assets by Source**

Capital received from investors	316,332
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**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>+</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$316,332		316,346		\$1.00

The amortized cost for the fund's securities was \$315,577. During the reporting period, the fund had \$409,290 in transactions with other SchwabFunds®.

**Federal Tax Data**

<b>Cost basis of portfolio</b>	\$315,577
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## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$1,960</b>
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**Expenses**

Investment adviser and administrator fees	590
Transfer agent and shareholder service fees	699
Trustees' fees	16
Custodian and portfolio accounting fees	16
Professional fees	11
Registration fees	8
Shareholder reports	7
Other expenses	+
	7
Total expenses	1,354
Expense reduction	-
	344
<b>Net expenses</b>	<b>1,010</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	1,960
<b>Net expenses</b>	-
	1,010
<b>Net investment income</b>	<b>950</b>
<b>Increase in net assets from operations</b>	<b>\$950</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$950	\$2,481
Net realized gains	+ —	27
<b>Increase in net assets from operations</b>	<b>950</b>	<b>2,508</b>

**Distributions Paid**

Dividends from net investment income	<b>950</b>	<b>2,485</b>
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**Transactions in Fund Shares**

Shares sold	466,220	836,701
Shares reinvested	879	2,427
Shares redeemed	+ (451,968)	(829,555)
<b>Net transactions in fund shares</b>	<b>15,131</b>	<b>9,573</b>

**Net Assets**

Beginning of period	301,201	291,605
Total increase	+ 15,131	9,596
<b>End of period</b>	<b>\$316,332</b>	<b>\$301,201</b>

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.



# Financial Statements

## Schwab Florida Municipal Money Fund

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	3/18/98*– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>2</sup>	0.01	0.02	0.04	0.03	0.02
Less distributions:						
Dividends from net investment income	(0.00) <sup>2</sup>	(0.01)	(0.02)	(0.04)	(0.03)	(0.02)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.29 <sup>3</sup>	0.96	2.32	3.62	2.78	2.37 <sup>3</sup>
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.61 <sup>4</sup>	0.59	0.59	0.59 <sup>5</sup>	0.59	0.59 <sup>4</sup>
Ratio of gross operating expenses to average net assets	0.85 <sup>4</sup>	0.87	0.87	0.88 <sup>5</sup>	0.92	1.00 <sup>4</sup>
Ratio of net investment income to average net assets	0.59 <sup>4</sup>	0.95	2.30	3.56	2.75	2.95 <sup>4</sup>
Net assets, end of period (\$ x 1,000,000)	1,016	1,785	1,518	1,435	1,215	1,016

\* Unaudited.

<sup>1</sup> Commencement of operations.

<sup>2</sup> Per-share amount was less than \$0.01.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

<sup>5</sup> The ratios of net and gross operating expenses would have been 0.60% and 0.89%, respectively, if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>		<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>100.0%</b>	<b>Municipal Securities</b>	1,055,035	1,055,035
<b>100.0%</b>	<b>Total Investments</b>	1,055,035	1,055,035

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**Municipal Securities 100.0% of investments**
**California 4.9%**
**✦ California Higher Education Loan Authority**

Revenue Refunding Bond (Student Loan)			
Series 1987C-1			
1.65%, 07/01/03	10,000	10,000	

**▷ California State**

GO TECP			
1.05%, 08/07/03	16,000	16,000	
1.10%, 08/07/03	1,000	1,000	
1.15%, 08/12/03	25,000	25,000	

**52,000**

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**District of Columbia 1.2%**
**▷ Metropolitan Washington, D.C.**
**Airport Authority**

TECP			
1.10%, 07/10/03	13,000	13,000	

**Florida 79.6%**
**✦■ Alachua County, Florida Health**
**Facilities Authority**

RB (Oak Hammock University of Florida Project)			
Series 2002A			
1.00%, 07/01/03	2,400	2,400	

**✦■ Brevard County, Florida HFA**

M/F Housing Revenue Refunding Bond (Shore View Apartment Project)			
1.00%, 07/07/03	1,900	1,900	

**✦■ Broward County, Florida Educational Facilities Authority**

RB (Nova SouthEastern)			
Series 2000A			
1.00%, 07/07/03	5,500	5,500	

**✦■ Broward County, Florida HFA**

M/F Housing Revenue Refunding Bond (Island Club Apartments Project) Series 2001A			
1.08%, 07/07/03	100	100	

**▷ S/F Mortgage RB TOBP (PT-589)**

1.08%, 07/07/03	2,615	2,615	
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**Broward County, Florida School District**

Refunding GO			
1.10%, 02/15/04	9,625	9,857	

**✦■ Charlotte County, Florida HFA**

M/F Housing RB (Murdock Circle Apartments Project)			
1.13%, 07/07/03	4,200	4,200	

**✦■ Clay County, Florida Utility System**

RB Series 2003A			
1.00%, 07/07/03	840	840	

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Dade County, Florida</b>			IDRB (Sunshine State Project)		
IDRB (Dolphins Stadium Project)			Series 1999A-3		
Series 1985C			1.05%, 07/07/03	115	115
1.00%, 07/07/03	500	500	IDRB (Vutec Corp. Project)		
▶ Water & Sewer Systems RB			Series 1999A1		
0.95%, 07/07/03	600	600	1.10%, 07/07/03	1,760	1,760
<b>+▲ Dade County, Florida School District</b>			<b>+■ Florida Housing Finance Corp.</b>		
Refunding GO			M/F Housing RB		
0.90%, 07/15/04	15,530	16,194	1.09%, 07/07/03	6,100	6,100
<b>■ Escambia County, Florida HFA</b>			M/F Housing RB Series 1983J		
+ S/F Mortgage RB			0.97%, 07/07/03	3,270	3,270
Series 2001C			M/F Housing RB (South Pointe Project) Series 1998J		
1.10%, 07/07/03	2,290	2,290	1.00%, 07/07/03	100	100
S/F Mortgage RB			M/F RB (Victoria Park Apartments) Series J -1		
Series 2002B			1.00%, 07/07/03	1,000	1,000
1.15%, 09/04/03	2,725	2,725	RB (Heron Park Project)		
+ S/F Mortgage RB TOB			Series 1996U		
Series 1997A			1.04%, 07/07/03	3,605	3,605
1.13%, 07/07/03	4,365	4,365	RB (Tiffany Club Project)		
S/F Mortgage RB TOBP (PT-121)			Series 1996P		
1.08%, 07/07/03	6,100	6,100	1.03%, 07/07/03	350	350
+ S/F Mortgage RB TOBP (PT-519)			RB (Timberline Apartments) Series 1999P		
1.08%, 07/07/03	3,135	3,135	1.00%, 07/07/03	835	835
<b>+■ Eustis, Florida</b>			▶ RB TOB Series 2000J		
Multi-Purpose RB			1.10%, 07/07/03	4,225	4,225
1.00%, 07/07/03	1,010	1,010	RB TOBP (PT-471)		
<b>+ Florida Capital Projects Financial Authority</b>			1.15%, 10/02/03	14,760	14,760
Airport RB			<b>+ Florida Local Government Finance Community</b>		
Series 2001I			TECP		
1.09%, 06/01/04	3,480	3,580	1.10%, 08/05/03	8,855	8,855
<b>+■ Florida Development Finance Corp.</b>			1.15%, 08/08/03	2,989	2,989
IDRB (Central Farms, Ltd. Project) Series 1999A4			1.10%, 08/12/03	2,000	2,000
1.10%, 07/07/03	1,180	1,180	1.10%, 08/15/03	30,615	30,615
IDRB (Pioneer Ram Project)			<b>Florida State Board of Education</b>		
Series 1998A3			<b>+■ Capital Outlay Public Education</b>		
1.10%, 07/07/03	1,070	1,070	GO TOB Series 1998A		
IDRB (Schmitt Family Project)			1.11%, 07/07/03	11,000	11,000
Series 1999A2			<b>+■ Capital Outlay Revenue</b>		
1.10%, 07/07/03	2,125	2,125	Refunding Series 2001B TOB		
			1.05%, 07/07/03	14,100	14,100

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Capital Outlay TOB Series 137</b> 1.08%, 07/07/03	17,905	17,905	<b>+■ Halifax, Florida Hospital Medical Center</b> RB (Florida Health Care Plan, Inc. Project) 0.95%, 07/07/03	500	500
<b>■ Capital Outlay TOB Series 233</b> 1.04%, 07/07/03	6,145	6,145	<b>+ Hillsborough County, Florida Aviation Authority</b> <b>■ RB TOBP (PT-745)</b> 1.11%, 07/07/03	5,495	5,495
<b>■ Capital Outlay TOB Series 286</b> 1.20%, 07/16/03	5,275	5,275	TECP 1.10%, 07/24/03	35,000	35,000
<b>+■ Capital Outlay TOB Series 1998E</b> 1.05%, 07/07/03	12,280	12,280	1.10%, 08/07/03	4,000	4,000
<b>■ Capital Outlay TOBP (PA-697)</b> 1.15%, 08/14/03	16,015	16,015	1.10%, 08/13/03	2,700	2,700
<b>▶ Lottery RB Series 2001B</b> 1.44%, 07/01/03	6,030	6,030	1.00%, 08/26/03	2,000	2,000
<b>+ Florida State Board of Finance Department of General Services</b> RB (Environmental Department Preservation 2000 Project) Series 1997A 1.10%, 07/01/03	1,700	1,700	<b>+ Hillsborough County, Florida Capital Improvement Program</b> <b>■ RB TOB Series 222</b> 1.04%, 07/07/03	9,230	9,230
<b>■ RB TOB Series 317</b> 1.04%, 07/07/03	23,090	23,090	TECP 1.12%, 12/18/03	31,148	31,148
<b>+ Florida State Correctional Privatization Commission COP</b> 1.08%, 08/01/03	1,565	1,569	1.15%, 12/18/03	9,000	9,000
<b>+ Florida State Education System</b> University System Improvement Revenue Refunding Bond Series 2003A 0.84%, 07/01/04	5,230	5,394	TECP Series B 1.00%, 08/26/03	7,000	7,000
<b>+■ Gainesville, Florida</b> IDRB (Exactech, Inc. Project) 1.05%, 07/07/03	3,000	3,000	<b>+■ Hillsborough County, Florida Educational Facilities Authority</b> RB (University of Tampa Project) 1.05%, 07/07/03	5,700	5,700
IDRB (Lifesouth Community Blood Centers Project) Series 1999 1.00%, 07/07/03	5,870	5,870	<b>+■ Hillsborough County, Florida IDA</b> Educational Facilities RB (Berkeley Preparatory School) 1.00%, 07/07/03	4,785	4,785
<b>+ Greater Orlando, Florida Aviation Authority</b> <b>■ Airport Facilities Revenue Refunding Bond Series 2002E</b> 1.10%, 07/07/03	100	100	RB (Independent Day School Project) 1.05%, 07/07/03	2,000	2,000
TECP 1.15%, 08/21/03	16,337	16,337	<b>+■ Jacksonville, Florida</b> Industrial Development Revenue Refunding Bond (Pavilion Associates, Ltd. Project) 0.95%, 07/07/03	600	600

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Jacksonville, Florida Economic Development Commission</b>			<b>+■ Lee County, Florida IDA</b>		
Educational Facilities RB			Educational Facilities RB		
(Epsiposal High School)			(Canterbury School, Inc.		
1.00%, 07/07/03	6,000	6,000	Project)		
RB (Bolles School Project)			1.00%, 07/07/03	6,000	6,000
Series 1999A			Health Care Facilities RB		
1.00%, 07/07/03	830	830	(Cypress Cove Health Park		
			Project) Series 2002B		
<b>► Jacksonville, Florida Electric Authority</b>			1.05%, 07/07/03	2,850	2,850
■ RB (Water & Sewer Systems)			<b>+ Leon County, Florida School District</b>		
Series 2000B			Sales tax RB		
0.95%, 07/07/03	150	150	1.05%, 07/01/04	5,590	5,615
■ RB TOB Series 2000FF			<b>+■ Manatee County, Florida HFA</b>		
1.08%, 07/07/03	9,955	9,955	M/F Housing RB (Centre Court		
■ RB TOB Series 226			Apartments Project)		
1.04%, 07/07/03	5,000	5,000	Series 2000A		
Water & Sewer TECP			1.03%, 07/07/03	3,760	3,760
1.05%, 07/02/03	5,600	5,600	M/F Housing RB (Sabal Palm		
1.10%, 07/02/03	45,000	45,000	Harbor Project)		
<b>+■ Jacksonville, Florida Health Facilities Authority</b>			Series 2000A		
Hospital RB Series 2003B			1.13%, 07/07/03	7,285	7,285
0.95%, 07/01/03	8,500	8,500	M/F Housing RB (Sabal Palm		
Hospital RB Series 2003C			Harbor Project)		
0.95%, 07/01/03	9,500	9,500	Series 2000B		
RB Revenue Refunding Bond			1.13%, 07/07/03	3,920	3,920
(Genesis Rehabilitation			M/F Housing Revenue		
Hospital)			Refunding Bond (Hampton		
1.00%, 07/01/03	900	900	McGuire Project)		
RB (River Garden Project)			Series 1989A		
Series 1994			1.00%, 07/07/03	3,635	3,635
1.05%, 07/07/03	3,555	3,555	<b>+ Martin County, Florida</b>		
<b>+► Jacksonville, Florida Port Authority</b>			Refunding GO		
TOB			0.93%, 02/01/04	1,970	1,982
1.34%, 07/07/03	10,100	10,100	<b>+ Miami, Florida</b>		
<b>+■ Lake Shore, Florida Hospital Authority</b>			Refunding GO		
Health Facilities RB (Lakeshore			0.83%, 07/01/04	1,760	1,780
Hospital Project)			<b>+■ Miami, Florida HFA</b>		
Series 1991			RB (Jewish Home for the Aged,		
1.00%, 07/07/03	3,200	3,200	Inc. Project) Series 1996		
<b>+► Lee County, Florida Airport</b>			1.00%, 07/07/03	8,300	8,300
RB TOB Series 811X			<b>+► Miami-Dade County, Florida</b>		
1.09%, 07/07/03	4,958	4,958	IDRB (Airis Miami LLC Project)		
			Series 1999A		
			0.95%, 07/07/03	11,200	11,200

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>■</b> IDRB (Gulliver Schools Project) Series 2000 1.05%, 07/07/03	3,900	3,900	RB (Adventist Health Systems) Series 1992B 0.95%, 07/07/03	3,400	3,400
<b>+</b> <b>Miami-Dade County, Florida Aviation Authority</b> TECP 1.05%, 07/02/03	8,066	8,066	<b>■</b> <b>Orange County, Florida IDA</b> IDRB (Central Florida Kidney Centers Project) 1.00%, 07/07/03	5,000	5,000
1.10%, 07/02/03	2,007	2,007	IDRB (Central Florida YMCA Project) Series 2002A 1.05%, 07/07/03	5,000	5,000
1.02%, 08/06/03	8,641	8,641	IDRB (Goodwill Industries, Inc. Project) 1.00%, 07/07/03	6,000	6,000
1.10%, 09/03/03	7,500	7,500	RB (Center For Drug Free Living Project) 1.00%, 07/07/03	9,360	9,360
1.15%, 09/03/03	7,500	7,500	<b>+</b> <b>Palm Beach County, Florida</b> IDRB (Palm Beach Day Care School Project) Series 1999 1.00%, 07/07/03	7,000	7,000
0.95%, 09/12/03	12,500	12,500	IDRB (South Florida Blood Banks Project) 1.00%, 07/07/03	8,940	8,940
<b>+</b> <b>Miami-Dade County, Florida IDA</b> IDRB (Airbus Service Co. Project) Series 1998A 1.15%, 07/07/03	9,040	9,040	RB (Complete Alcohol Rehabilitation Project) 1.00%, 07/07/03	5,300	5,300
IDRB (Arctic Partners, Ltd. Project) 1.10%, 07/07/03	2,440	2,440	RB (Norton Gallery Art School Project) Series 1995 1.00%, 07/07/03	2,500	2,500
IDRB (Badia Spices, Inc. Project) 1.05%, 07/07/03	3,575	3,575	RB (Raymond F. Kravis Center Project) 0.85%, 07/07/03	100	100
IDRB (Fine Arts Lamps Project) Series 1998 1.05%, 07/07/03	1,800	1,800	RB (Zoological Society, Inc. Project) 1.05%, 07/07/03	5,500	5,500
RB (Belen Jesuit Preparatory School Project) Series 1999 1.00%, 07/07/03	7,240	7,240	Student Housing Revenue Refunding Bond (Community College Foundation Project) 1.00%, 07/07/03	3,000	3,000
<b>+</b> <b>Nassau County, Florida</b> Pollution Control RB (Rayonier Project) Series 1999 0.95%, 07/07/03	7,515	7,515	<b>+</b> <b>Palm Beach County, Florida Airport</b> RB (Galaxy Aviation Project) Series 2000A 1.05%, 07/07/03	6,000	6,000
<b>+</b> <b>Orange County, Florida HFA</b> M/F Housing RB (Andover Place Apartments) 1.00%, 07/07/03	200	200	<b>+</b> <b>Palm Beach County, Florida</b> <b>Criminal Justice Facilities</b> TOB Series 191 1.45%, 09/10/03	7,495	7,495
M/F Housing RB (Glenn Millenia Project) Series 2001C 1.12%, 07/07/03	3,355	3,355			
M/F Housing RB (Smokewood Project) Series 1992A 1.00%, 07/07/03	4,950	4,950			
M/F Housing RB Series 2000E (Windsor Pines) 1.13%, 07/07/03	3,200	3,200			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Palm Beach County, Florida</b>			<b>+ Sarasota County, Florida</b>		
<b>Educational Facilities Authority</b>			<b>■ RB (Sarasota County Family</b>		
RB (Lynn University Project)			YMCA Project)		
1.00%, 07/07/03	3,590	3,590	1.00%, 07/07/03	3,005	3,005
<b>+ Palm Beach County,</b>			Utility Systems Revenue		
<b>Florida Health Facilities Authority</b>			Refunding Bond		
TECP			Series 2002C		
1.10%, 07/17/03	10,000	10,000	1.69%, 10/01/03	2,375	2,383
<b>+■ Palm Beach County, Florida HFA</b>			<b>+ Sarasota County,</b>		
M/F Housing RB (Azalea Place			<b>Florida School Board</b>		
Apartments Project)			Refunding COP		
Series 1999A			0.97%, 07/01/04	7,940	8,020
1.13%, 07/07/03	3,100	3,100	<b>+■ Seminole County, Florida IDA</b>		
M/F Revenue Refunding Bond			IDRB (Amrhein Family Project)		
(Spinnaker Landing Project)			1.05%, 07/07/03	4,560	4,560
1.00%, 07/07/03	2,945	2,945	<b>+■ SouthEast Volusia,</b>		
<b>+■ Palm Beach County, Florida</b>			<b>Florida Hospital District</b>		
<b>School Board</b>			RB (Bert Fish Medical Center		
COP Series 2002B			Project)		
0.90%, 07/07/03	850	850	1.05%, 07/07/03	1,185	1,185
<b>+ Pinellas County, Florida</b>			<b>+■ St. Petersburg, Florida</b>		
Resource Recovery RB			Capital Improvement RB		
1.20%, 10/01/03	2,850	2,878	(Airport & Golf Course Project)		
<b>■ Pinellas County, Florida HFA</b>			Series 1997C		
<b>+ M/F Housing RB (Mariners</b>			1.05%, 07/07/03	585	585
Pointe Apartments)			Capital Improvement RB		
1.03%, 07/07/03	1,600	1,600	(Airport & Golf Course Project)		
<b>► S/F Housing RB TOBP</b>			Series B		
(PT-352)			1.00%, 07/07/03	3,315	3,315
1.08%, 07/07/03	3,500	3,500	<b>+■ Sumter County, Florida IDA</b>		
<b>+■ Pinellas County, Florida IDA</b>			RB (Robbins Manufacturing		
IDRB (H&S Swanson's Tool Co.			Project) Series 1997		
Project)			1.15%, 07/07/03	1,500	1,500
1.05%, 07/07/03	3,785	3,785	<b>+■ Tallahassee &amp; Leon Counties,</b>		
IDRB (Restorative Care of			<b>Florida Civic Center Authority</b>		
America Project)			Capital Improvement RB		
1.15%, 07/07/03	1,745	1,745	Series A		
<b>+■ Polk County, Florida IDA</b>			1.00%, 07/07/03	1,290	1,290
IDRB (Juice Bowl Products, Inc.			<b>+■ Tampa Bay, Florida Water Utility</b>		
Project)			<b>System</b>		
1.05%, 07/07/03	2,170	2,170	RB TOB Series 2001N		
RB (Pavermodule, Inc. Project)			1.06%, 07/07/03	5,200	5,200
1.05%, 07/07/03	3,310	3,310	<b>+■ Tampa, Florida</b>		
			Education Facilities RB (Pepin		
			Academy of Tampa, Inc.)		
			1.03%, 07/07/03	4,100	4,100

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Tampa, Florida Health Care Facilities</b> RB (Lifelink Foundation Inc., Project) 1.00%, 07/07/03	5,000	5,000	<b>Kentucky 1.2%</b> <b>■ Kentucky Housing Corp.</b> Revenue TOB Series 1998O 1.65%, 07/10/03	11,995	<b>11,995</b>
<b>+►■ Tampa, Florida Occupational License Tax</b> Revenue Refunding Bond Series 2002C 0.85%, 07/07/03	500	500	<b>Maine 2.4%</b> <b>▲ Maine State</b> TAN 0.80%, 06/30/04	25,000	<b>25,235</b>
<b>+■ Tampa, Florida Regional Water Supply Authority</b> Water Utility System RB 1.05%, 07/07/03	600	600	<b>Massachusetts 0.5%</b> <b>Clinton, Massachusetts</b> BAN 1.20%, 02/06/04	5,000	<b>5,024</b>
<b>+■ Volusia County, Florida Health Facilities Authority</b> RB (South West Volusia Health Project) Series 1994A 1.00%, 07/07/03	2,890	2,890	<b>Michigan 0.4%</b> <b>+►■ Wayne Charter County, Michigan Airport</b> RB (Detroit Metropolitan Wayne County Airport Project) Series 2002A 0.98%, 07/07/03	4,500	<b>4,500</b>
<b>+■ West Orange, Florida Healthcare District</b> RB Series 1999B 0.90%, 07/07/03	1,100	1,100	<b>North Carolina 0.1%</b> <b>■ North Carolina State</b> Revenue Refunding Bond GO Series 2002E 0.95%, 07/07/03	800	<b>800</b>
		<b>840,138</b>	<b>Pennsylvania 0.9%</b> <b>+►■ Delaware Valley, Pennsylvania Regional Finance Authority</b> Local Government RB TOBP (PT-1651) 1.04%, 07/07/03	9,870	<b>9,870</b>
<b>Georgia 3.3%</b>			<b>South Carolina 0.4%</b> <b>+ Myrtle Beach, South Carolina</b> Water & Sewer System Revenue Refunding Bond 1.16%, 03/01/04	4,160	<b>4,238</b>
<b>+►■ Atlanta, Georgia Airport</b> Revenue Refunding Bond Series 2003B-1 1.00%, 07/07/03	26,000	26,000	<b>Texas 0.7%</b> <b>■ Gulf Coast of Texas Waste Disposal Authority</b> Environmental Facilities RB (Exxonmobil Project) Series 2001B 0.90%, 07/01/03	7,200	<b>7,200</b>
Revenue Refunding Bond Series 2003C-2 1.00%, 07/07/03	5,000	5,000			
<b>+■ Pike County, Georgia Development Authority</b> RB (Southern Mills, Inc. Project) 1.15%, 07/07/03	4,000	4,000			
		<b>35,000</b>			
<b>Indiana 0.5%</b>					
<b>■ Indiana State HFA</b> S/F Mortgage Revenue TOB Series A45 1.13%, 07/07/03	5,185	<b>5,185</b>			



Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Washington 2.2%

➔■ Energy Northwest,

Washington Electric

Putters RB TOB Series 242Z

1.08%, 07/07/03	6,295	6,295
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TOBP (PT-615)

1.03%, 07/07/03	10,000	10,000
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Washington Public Power

Supply System

Revenue Refunding Bond

(Nuclear Project No. 2)

Series 1997B

1.12%, 07/01/03	7,000	7,000
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23,295

West Virginia 1.7%

➔■ West Virginia School Building

Authority

RB TOBP (PA-914)

0.90%, 12/18/03	17,555	17,555
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**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$1,055,035	
Cash	58	
Receivables:		
Interest	2,861	
Prepaid expenses	+	18
<b>Total assets</b>		<b>1,057,972</b>

**Liabilities**

Payables:		
Dividends to shareholders	181	
Investment adviser and administrator fees	16	
Transfer agent and shareholder service fees	37	
Investments bought	41,428	
Accrued expenses	+	56
<b>Total liabilities</b>		<b>41,718</b>

**Net Assets**

<b>Total assets</b>	1,057,972	
<b>Total liabilities</b>	-	41,718
<b>Net assets</b>		<b>\$1,016,254</b>

**Net Assets by Source**

Capital received from investors	1,016,339
Net realized capital losses	(85)

**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>÷</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$1,016,254		1,016,362		\$1.00

The amortized cost for the fund's securities was \$1,055,035. During the reporting period, the fund had \$1,178,246 in transactions with other SchwabFunds®.

**Federal Tax Data****Cost basis of portfolio** \$1,055,035**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2008	\$99
2010	+ 31
	<hr/>
	<b>\$130</b>

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$6,787</b>
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**Net Realized Gains and Losses**

Net realized gains on investments sold	45
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**Expenses**

Investment adviser and administrator fees	2,130
Transfer agent and shareholder service fees	2,547
Trustees' fees	17
Custodian and portfolio accounting fees	45
Professional fees	11
Registration fees	25
Shareholder reports	14
Other expenses	+
	6
Total expenses	4,795
Expense reduction	-
	1,333
<b>Net expenses</b>	<b>3,462</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	6,787
<b>Net expenses</b>	-
	3,462
<b>Net investment income</b>	<b>3,325</b>
<b>Net realized gains</b>	+
	45
<b>Increase in net assets from operations</b>	<b>\$3,370</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.66% of average daily net assets. Prior to May 1, 2003, this limit was 0.59%. These limits do not include interest, taxes and certain non-routine expenses.

Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
 Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$3,325	\$8,632
Net realized gains or losses	+ 45	(31)
<b>Increase in net assets from operations</b>	<b>3,370</b>	<b>8,601</b>

**Distributions Paid**

Dividends from net investment income	<b>3,325</b>	<b>8,632</b>
--------------------------------------	--------------	--------------

**Transactions in Fund Shares**

Shares sold	1,634,595	3,528,005
Shares reinvested	3,040	8,424
Shares redeemed	+ (2,406,321)	(3,269,159)
<b>Net transactions in fund shares</b>	<b>(768,686)</b>	<b>267,270</b>

**Net Assets**

Beginning of period	1,784,895	1,517,656
Total increase or decrease	+ (768,641)	267,239
<b>End of period</b>	<b>\$1,016,254</b>	<b>\$1,784,895</b>

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

# Financial Statements

## Schwab Massachusetts Municipal Money Fund

### Financial Highlights

	5/16/03 <sup>1</sup> – 6/30/03 <sup>*</sup>
<b>Per-Share Data (\$)</b>	
Net asset value at beginning of period	1.00
Income from investment operations:	
Net investment income	0.00 <sup>2</sup>
Less distributions:	
Dividends from net investment income	(0.00) <sup>2</sup>
Net asset value at end of period	1.00
Total return (%)	0.06 <sup>3</sup>
<b>Ratios/Supplemental Data (%)</b>	
Ratio of net operating expenses to average net assets	0.60 <sup>4</sup>
Ratio of gross operating expenses to average net assets	0.88 <sup>4</sup>
Ratio of net investment income to average net assets	0.49 <sup>4</sup>
Net assets, end of period (\$ x 1,000,000)	331

\* Unaudited.

<sup>1</sup> Commencement of operations.

<sup>2</sup> Per-share amount is less than \$0.01.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▶ Liquidity-enhanced security
- Variable-rate security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>	<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>100.0% Municipal Securities</b>	330,458	330,458
<b>100.0% Total Investments</b>	330,458	330,458

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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<b>Municipal Securities</b>	100.0% of investments
-----------------------------	-----------------------

**Massachusetts 94.5%****Ayer, Massachusetts**

BAN		
0.89%, 06/24/04	5,063	5,090

**Canton, Massachusetts**

BAN		
0.90%, 01/29/04	5,000	5,032

**Dighton & Rehoboth, Massachusetts Regional School District**

BAN		
1.00%, 06/04/04	5,000	5,023
1.03%, 06/04/04	5,000	5,033

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
<b>➔■ Massachusetts Bay Transportation Authority</b>			
TOBP (PT-1218)			
0.96%, 07/07/03		1,000	1,000
<b>➔■ Massachusetts Municipal Wholesale Electric Co. Power Supply System</b>			
RB TOB Series 674			
0.98%, 07/07/03		8,000	8,000
<b>+ Massachusetts Port Authority</b>			
TECP			
1.05%, 07/07/03		1,000	1,000
<b>Massachusetts State</b>			
BAN Series 2001A			
1.00%, 09/01/03		3,000	3,015
▶ Refunding GO Series 2001B			
1.10%, 07/07/03		10,000	10,000
▶ Revenue Refunding Bond Series 2001C			
1.10%, 07/07/03		10,800	10,800
➔■ TOB Series 2002C			
1.00%, 07/07/03		3,485	3,485
➔■ TOBP (PA-793)			
0.96%, 07/07/03		3,000	3,000
➔■ TOBP (PT-789)			
0.96%, 07/07/03		12,495	12,495
<b>■ Massachusetts State Development Finance Agency</b>			
RB (Assumption College) Series 2002A			
0.99%, 07/07/03		13,300	13,300
▶ RB (Boston University) Series 2002R-3			
1.05%, 07/07/03		7,000	7,000
RB (Dean College Issue)			
1.00%, 07/07/03		5,000	5,000
RB (Gordon College)			
0.99%, 07/07/03		5,000	5,000
RB (Judge Rotenburg Center)			
1.00%, 07/07/03		4,000	4,000
RB (The Rivers School)			
1.00%, 07/07/03		5,000	5,000
▶ RB (Wentworth Institute)			
1.00%, 07/07/03		9,600	9,600
RB (YOU, Inc.)			
1.00%, 07/07/03		5,000	5,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
✚ TECP			✚ RB (Williston Northampton Project) Series 1995B		
0.95%, 09/10/03	3,500	3,500	1.00%, 07/07/03	5,000	5,000
0.95%, 10/08/03	3,000	3,000			
■ <b>Massachusetts State Health &amp; Educational Facilities Authority</b>			✚ <b>Massachusetts State Port Authority</b>		
✚ RB (Capital Assets Program)			Revenue Refunding Bond		
Series 1985D			Series 2003C		
0.90%, 07/07/03	200	200	1.02%, 07/01/04	2,200	2,221
✚ RB (Endicott College)			✚ ■ <b>Massachusetts State Turnpike Authority</b>		
Series 1998B			TOB (Western Turnpike)		
0.95%, 07/07/03	4,000	4,000	Series N		
✚ RB (Hallmark Health System)			1.00%, 07/07/03	10,000	10,000
Series 1998B					
1.00%, 07/07/03	12,625	12,625	■ <b>Massachusetts State Water Abatement Trust</b>		
RB (Massachusetts Institute of Technology) Series 2001J-1			TOB (Merlots) Series 1999N		
0.95%, 07/07/03	1,300	1,300	1.04%, 07/07/03	15,000	15,000
▶ RB (Partners Healthcare Systems) Series 2003D-4			TOBP (PT-1185)		
0.90%, 07/07/03	10,000	10,000	0.96%, 07/07/03	5,000	5,000
RB (Partners Healthcare Systems) Series 2003D-6			✚ <b>Massachusetts Water Resources Authority</b>		
0.95%, 07/07/03	300	300	TECP		
✚ RB (Sherrill House)			1.10%, 07/07/03	5,000	5,000
Series 2002A-1			0.95%, 08/12/03	10,000	10,000
0.95%, 07/07/03	10,000	10,000	1.05%, 08/12/03	10,000	10,000
✚ RB (The Boston Home, Inc.)			0.95%, 09/04/03	4,000	4,000
Series 2002B					
0.99%, 07/07/03	5,000	5,000	<b>Plainville, Massachusetts</b>		
RB (Williams College)			BAN 2003		
Series 1993E			0.96%, 12/19/03	9,335	9,358
0.90%, 07/07/03	9,105	9,105	✚ ■ <b>Route 3 North Massachusetts Transportation Improvement Association</b>		
▶ RB TOB Series 2002D			Lease RB Series 2002B		
1.00%, 07/07/03	14,000	14,000	0.90%, 07/07/03	3,050	3,050
✚ ■ <b>Massachusetts State HFA</b>					
RB Series 2003F			<b>Woburn, Massachusetts</b>		
0.95%, 07/07/03	6,600	6,600	BAN 2003		
TOBP (PT-162)			0.95%, 06/11/04	10,000	10,075
0.96%, 07/07/03	5,000	5,000			
■ <b>Massachusetts State Industrial Finance Agency</b>			✚ ▲ <b>Worcester, Massachusetts Regional Transportation Authority</b>		
✚ IDR (Ark-Les Electronic Products Corp. Project)			RAN		
1.15%, 07/07/03	2,200	2,200	0.88%, 06/30/04	7,560	7,607
▶ RB (Whitehead Institute BioMed Research Project)					
0.90%, 07/07/03	2,200	2,200			
					<b>312,214</b>

Portfolio Holdings continued

Issuer

Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Puerto Rico 5.5%

Government Development Bank  
of Puerto Rico

TECP		
1.00%, 08/07/03	3,500	3,500
1.00%, 08/15/03	6,500	6,500
1.00%, 09/04/03	1,619	1,619
0.90%, 09/19/03	4,225	4,225

➔■ Puerto Rico Commonwealth

Highway & Transportation  
Authority

Highway RB TOB Series II-R-66		
1.01%, 07/07/03	2,400	2,400
		<hr/> 18,244

End of portfolio holdings. For totals, please see the first page of holdings for this fund.



## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$330,458	
Cash	199	
Receivables:		
Interest	+	623
<b>Total assets</b>		<b>331,280</b>

**Liabilities**

Payables:		
Dividends to shareholders		53
Investment adviser and administrator fees		3
Transfer agent and shareholder service fees		12
Accrued expenses	+	12
<b>Total liabilities</b>		<b>80</b>

**Net Assets**

<b>Total assets</b>		331,280
<b>Total liabilities</b>	-	80
<b>Net assets</b>		<b>\$331,200</b>

**Net Assets by Source**

Capital received from investors	331,200
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**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>+</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$331,200		331,200		\$1.00

The amortized cost for the fund's securities was \$330,458. During the reporting period, the fund had \$184,600 in transactions with other SchwabFunds®.

**Federal Tax Data**

<b>Cost basis of portfolio</b>	\$330,458
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## Statement of

**Operations**

For May 16, 2003 (commencement of operation) through June 30, 2003; unaudited.  
All numbers x 1,000.

**Investment Income**

Interest	<b>\$465</b>
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**Expenses**

Investment adviser and administrator fees	162
Transfer agent and shareholder service fees	192
Trustees' fees	3
Custodian and portfolio accounting fees	4
Professional fees	2
Registration fees	6
Shareholder reports	4
Other expenses	+
	1
Total expenses	374
Expense reduction	-
	118
<b>Net expenses</b>	<b>256</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	465
<b>Net expenses</b>	-
	256
<b>Net investment income</b>	<b>209</b>
<b>Increase in net assets from operations</b>	<b>\$209</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

Includes \$115 from the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.60% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

**Changes in Net Assets**

For the current report period only; unaudited. Because the fund commenced operations on May 16, 2003, it has no prior report period. All numbers x 1,000.

**Operations**

	5/16/03-6/30/03
Net investment income	\$209
<b>Increase in net assets from operations</b>	<b>209</b>

**Distributions Paid**

Dividends from net investment income	<b>209</b>
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**Transactions in Fund Shares**

Shares sold	444,597
Shares reinvested	157
Shares redeemed	+ (113,554)
<b>Net transactions in fund shares</b>	<b>331,200</b>

**Shares Outstanding and Net Assets**

Beginning of period	—
Total increase	+ 331,200
<b>End of period</b>	<b>\$331,200</b>

Because all transactions in this section and in "Shares outstanding and net assets" took place at \$1.00 a share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

## Financial Notes unaudited

### Business Structure of the Funds

**Each of the funds discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company.** The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

**The Schwab New York Municipal Money Fund offers two share classes :** Sweep Shares and Value Advantage Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums. The Schwab New Jersey, Pennsylvania, Florida Municipal Money and Massachusetts Funds each offers one share class.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

### Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

**The funds declare dividends every day they are open for business.** These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

**The funds may buy securities on a delayed-delivery basis.** In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

**The funds pay fees for various services.** Through their trust, the funds have agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

### The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

#### The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund  
 Schwab Government Money Fund  
 Schwab U.S. Treasury Money Fund  
 Schwab Value Advantage Money Fund®  
 Schwab Municipal Money Fund  
 Schwab California Municipal Money Fund  
**Schwab New York Municipal Money Fund**  
**Schwab New Jersey Municipal Money Fund**  
**Schwab Pennsylvania Municipal Money Fund**  
**Schwab Florida Municipal Money Fund**  
**Schwab Massachusetts Municipal Money Fund**  
 Schwab Institutional Advantage Money Fund®  
 Schwab Retirement Money Fund®  
 Schwab Government Cash Reserves

**Trustees may include people who are officers and/or directors of the investment adviser or Schwab.** Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund’s Statement of Operations.

**The funds may engage in certain transactions involving affiliates.** The funds may make direct transactions with certain other Schwab Funds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

**The funds intend to meet federal income and excise tax requirements for regulated investment companies.** Accordingly, the funds distribute substantially all of their net investment income and realized net capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

**Under the funds’ organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds.** In addition, in the normal course of business the funds enter into contracts with their vendors and others that provide general indemnifications. The funds’ maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the funds. However, based on experience, the funds expect the risk of loss to be remote.

## Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

**The funds value their securities at amortized cost,** which approximates market value.

**Security transactions** are recorded as of the date the order to buy or sell the security is executed.

**Interest income** is recorded as it accrues. If a fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security’s call date and price, rather than the maturity date and price.

**Realized gains and losses** from security transactions are based on the identified costs of the securities involved.

**Expenses** that are specific to a fund are charged directly to that fund. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their net assets.

**For funds offering multiple share classes,** all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

**Each fund maintains its own account for purposes of holding assets and accounting,** and is considered a separate entity for tax purposes. Within its account, each fund also keeps certain assets in segregated accounts, as may be required by securities law.

**The accounting policies described above conform with accounting principles generally accepted in the United States of America.** Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It’s possible that once the results are known, they may turn out to be different from these estimates.

# Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

**agency discount notes** Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

**Alternative Minimum Tax (AMT)** A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

**asset-backed securities** Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

**bond** A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

**bond anticipation notes** Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

**capital gain, capital loss** The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

**commercial paper** Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

**credit-enhanced security** A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

**credit quality** The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

## Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

<b>ACES</b>	Adjustable convertible extendable security
<b>BAN</b>	Bond anticipation note
<b>COP</b>	Certificate of participation
<b>GAN</b>	Grant anticipation note
<b>GO</b>	General obligation
<b>HDA</b>	Housing Development Authority
<b>HFA</b>	Housing Finance Agency
<b>IDA</b>	Industrial Development Authority
<b>IDB</b>	Industrial Development Board
<b>IDRB</b>	Industrial Development Revenue Bond
<b>M/F</b>	Multi-family
<b>RAN</b>	Revenue anticipation note
<b>RB</b>	Revenue bond
<b>S/F</b>	Single-family
<b>TAN</b>	Tax anticipation note
<b>TECP</b>	Tax-exempt commercial paper
<b>TOB</b>	Tender option bond
<b>TOBP</b>	Tender option bond partnership
<b>TRAN</b>	Tax and revenue anticipation note
<b>VRD</b>	Variable-rate demand

**credit ratings** Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

**credit risk** The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

**dollar-weighted average maturity (DWAM)** See weighted average maturity.

**effective yield** A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

**expense ratio** The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

**face value** The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

**interest** Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

**liquidity-enhanced security** A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

**maturity** Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

**money market securities** High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

**municipal securities** Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

**net asset value per share (NAV)** The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

**144A security** A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

**outstanding shares, shares outstanding** When speaking of a company or mutual fund, indicates all shares currently held by investors.

**revenue anticipation notes** Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

**taxable-equivalent yield** The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ( $4.5\% \div [1 - 0.25\%] = 6.0\%$ ).

**total return** The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

**tax anticipation notes** Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

**Tier 1, Tier 2** Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

**weighted average maturity** For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

**yield** The income paid out by an investment, expressed as an annual rate and calculated as a percentage of the investment's market value.

## Notes



## Notes

## Notes

# Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

## Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

### Internet<sup>1</sup>

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

### Schwab by Phone™<sup>2</sup>

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

### TelBroker®

Automated touch-tone phone service at **1-800-272-4922**.

### Mail

Write to SchwabFunds at:  
P.O. Box 3812  
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

## The SchwabFunds Family

### Stock Funds

Schwab S&P 500 Fund  
Schwab 1000 Fund®  
Schwab Small-Cap Index Fund®  
Schwab Total Stock Market Index Fund®  
Schwab International Index Fund®  
Schwab Core Equity Fund™  
Schwab Small-Cap Equity Fund™  
Schwab Hedged Equity Fund™  
Schwab Dividend Equity Fund™  
Schwab Focus Funds  
    Communications Focus Fund  
    Financial Services Focus Fund  
    Health Care Focus Fund  
    Technology Focus Fund  
Schwab MarketMasters Funds™  
    Schwab U.S. MarketMasters Fund™  
    Schwab Small-Cap MarketMasters Fund™  
    Schwab International MarketMasters Fund™  
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    Schwab Growth Portfolio  
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### Bond Funds

Schwab YieldPlus Fund®  
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Schwab Total Bond Market Fund  
Schwab GNMA Fund  
Schwab Short/Intermediate Tax-Free Bond Fund  
Schwab Long-Term Tax-Free Bond Fund  
Schwab California Short/Intermediate Tax-Free Bond Fund  
Schwab California Long-Term Tax-Free Bond Fund

### Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.<sup>3</sup> Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

<sup>1</sup> Shares of Sweep Investments™ may not be purchased directly over the Internet.

<sup>2</sup> Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

<sup>3</sup> Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

**Investment Adviser**

Charles Schwab Investment Management, Inc.  
101 Montgomery Street, San Francisco, CA 94104

**Distributor**

SchwabFunds®  
P.O. Box 3812, Englewood, CO 80155-3812

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# *Schwab Municipal Money Fund*

## **Semiannual Report**

June 30, 2003

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# *From the Chairman*



Charles R. Schwab  
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is written in a cursive, flowing style.

# *Management's Discussion* for the six months ended June 30, 2003



**Randall W. Merk** is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, flowing style.





**Walter Beveridge**, a portfolio manager, is responsible for day-to-day management of the fund. Prior to joining the firm in 1992, he worked for nearly ten years in asset management.

## The Investment Environment and the Fund

**The U.S. economy remained in a holding pattern during the six months of the report period.** Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

**Already at their lowest level in decades, interest rates fell further as the report period progressed.** During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

**Falling interest rates pushed money fund yields to new lows** (see next page for fund yield information). We sought to lessen the effects of falling rates on the fund by maintaining a comparatively long weighted average maturity. Although the fund's yield did decline, we were successful in slowing that decline, and in keeping the fund's yield higher than it otherwise would have been.

**Strong issuance of short-term muni debt relative to taxable debt made muni yields attractive compared to taxable yields.** Typically, we have seen muni yields average about 80% of taxable yields. During the report period, muni yields at times exceeded 95% of taxable yields (although both were low on an absolute basis). These extremes of valuation allowed us to increase our exposure to high-yielding fixed-rate securities.

**In general, we have seen most states take responsible measures to address the revenue shortfalls they have faced as a result of a weak U.S. economy.** Most states, especially those that have been hard hit by fall-offs in income tax revenue, such as California, New York and New Jersey, have resorted to a combination of spending cuts and one-time solutions in order to balance their budgets. California in particular had to address an unprecedented \$38 billion deficit going into fiscal 2004. Although the fund did begin the report period with substantial holdings in California securities, we significantly decreased our California position over the period, and ended the period with a very small position in this state's securities.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

	Sweep Shares	Value Advantage Shares	Select Shares®	Institutional Shares
Seven-Day Yield <sup>1</sup>	0.41%	0.63%	0.73%	0.84%
Seven-Day Effective Yield	0.42%	0.63%	0.73%	0.84%
Seven-Day Taxable-Equivalent Effective Yield <sup>2</sup>	0.65%	0.97%	1.12%	1.29%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	52 days
Credit Quality of Holdings <sup>3</sup> % of portfolio	100% Tier 1
Credit-Enhanced Securities % of portfolio	70%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

<sup>1</sup> A portion of the fund's expenses was reduced during the reporting period. Without this reduction, the seven-day yields for the fund's Sweep Shares, Value Advantage Shares, Select Shares and Institutional Shares would have been 0.26%, 0.49%, 0.49% and 0.49%, respectively.

<sup>2</sup> Taxable-equivalent effective yield assumes a 2003 maximum federal regular income tax rate of 35.00%.

<sup>3</sup> Portfolio holdings may have changed since the report date.

# Financial Statements

## Schwab Municipal Money Fund

### Financial Highlights

Sweep Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.02	0.03	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.02)	(0.03)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.29 <sup>2</sup>	0.91	2.23	3.53	2.70	2.92
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.66 <sup>3</sup>	0.66	0.66	0.66 <sup>4</sup>	0.66	0.66
Ratio of gross operating expenses to average net assets	0.81 <sup>3</sup>	0.82	0.83	0.83 <sup>4</sup>	0.85	0.88
Ratio of net investment income to average net assets	0.58 <sup>3</sup>	0.90	2.21	3.47	2.67	2.87
Net assets, end of period (\$ x 1,000,000)	7,472	7,435	7,265	6,780	6,090	5,247
Value Advantage Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.02	0.04	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.02)	(0.04)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.39 <sup>2</sup>	1.12	2.45	3.75	2.91	3.14
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.45 <sup>3</sup>	0.45	0.45	0.45 <sup>5</sup>	0.45	0.45
Ratio of gross operating expenses to average net assets	0.58 <sup>3</sup>	0.59	0.61	0.63 <sup>5</sup>	0.65	0.69
Ratio of net investment income to average net assets	0.79 <sup>3</sup>	1.11	2.35	3.70	2.89	3.08
Net assets, end of period (\$ x 1,000,000)	4,874	4,480	3,778	2,919	2,270	1,620

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.<sup>2</sup> Not annualized.<sup>3</sup> Annualized.<sup>4</sup> The ratios of net and gross operating expenses would have been 0.67% and 0.84%, respectively, if certain non-routine expenses (proxy fees) had been included.<sup>5</sup> The ratios of net and gross operating expenses would have been 0.46% and 0.64%, respectively, if certain non-routine expenses (proxy fees) had been included.

Select Shares <sup>*</sup>	6/2/03 <sup>1</sup> – 6/30/03 <sup>*</sup>
<b>Per-Share Data (\$)</b>	
Net asset value at beginning of period	1.00
Income from investment operations:	
Net investment income	0.00 <sup>2</sup>
Less distributions:	
Dividends from net investment income	(0.00) <sup>2</sup>
Net asset value at end of period	1.00
Total return (%)	0.06 <sup>3</sup>
<b>Ratios/Supplemental Data (%)</b>	
Ratio of net operating expenses to average net assets	0.35 <sup>4</sup>
Ratio of gross operating expenses to average net assets	0.58 <sup>4</sup>
Ratio of net investment income to average net assets	0.78 <sup>4</sup>
Net assets, end of period (\$ x 1,000,000)	196
<b>Institutional Shares</b>	
<b>6/2/03<sup>1</sup>– 6/30/03<sup>*</sup></b>	
<b>Per-Share Data (\$)</b>	
Net asset value at beginning of period	1.00
Income from investment operations:	
Net investment income	0.00 <sup>2</sup>
Less distributions:	
Dividends from net investment income	(0.00) <sup>2</sup>
Net asset value at end of period	1.00
Total return (%)	0.06 <sup>3</sup>
<b>Ratios/Supplemental Data (%)</b>	
Ratio of net operating expenses to average net assets	0.24 <sup>4</sup>
Ratio of gross operating expenses to average net assets	0.58 <sup>4</sup>
Ratio of net investment income to average net assets	0.88 <sup>4</sup>
Net assets, end of period (\$ x 1,000,000)	198

\* Unaudited.

<sup>1</sup> Commencement of operations.

<sup>2</sup> Per-share amount was less than \$0.01.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Market Value (\$x1,000)
100.0%	<b>Municipal Securities</b>	13,113,511	13,113,511
100.0%	<b>Total Investments</b>	13,113,511	13,113,511

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
--------	--	----------------------------	----------------------------

**Municipal Securities** 100.0% of investments

**Alabama 0.7%**

✦■	<b>Alabama State IDA</b>		
	RB (Scientific Project)		
	1.30%, 07/07/03	2,160	2,160
✦■	<b>Birmingham, Alabama Special Care Facilities Authority</b>		
	RB (Medical Center East)		
	Series 2003A		
	1.00%, 07/07/03	36,500	36,500

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
✦■	<b>Citronelle, Alabama IDB</b>		
	Pollution Control Revenue Refunding Bond (AKZO Chemicals, Inc. Project)		
	1.05%, 07/07/03	2,600	2,600
✦▷■	<b>Daphne, Alabama Utilities Board of Water, Gas, &amp; Sewer</b>		
	Revenue Refunding Bond		
	1.07%, 07/07/03	8,540	8,540
✦■	<b>Dothan, Alabama IDB</b>		
	RB (Baxley Blowpipe Project)		
	1.18%, 07/07/03	400	400
✦■	<b>Fort Payne, Alabama IDA</b>		
	RB (Charleston Hosiery Project)		
	Series 1997		
	1.15%, 07/07/03	1,200	1,200
✦■	<b>Headland, Alabama IDB</b>		
	RB (Golden Peanut Project)		
	1.15%, 07/07/03	1,585	1,585
✦▷■	<b>Hoover, Alabama Board of Education</b>		
	Capital Outlay Tax Anticipation Warrants TOB		
	1.06%, 07/07/03	9,860	9,860
✦■	<b>Indian Springs Village, Alabama Educational Building Authority</b>		
	RB (J. Bruno Academy Project)		
	1.25%, 07/07/03	1,320	1,320
✦■	<b>Mobile County, Alabama IDB</b>		
	RB (Ultraform Co. Project)		
	Series 1995B		
	1.05%, 07/07/03	1,000	1,000
✦■	<b>Scottsboro, Alabama</b>		
	GO		
	1.00%, 07/07/03	4,075	4,075
✦■	<b>Stevenson, Alabama IDB</b>		
	Environmental Improvement RB (Mead Corp. Project)		
	1.03%, 07/07/03	17,300	17,300
✦■	<b>Tuscaloosa, Alabama IDB</b>		
	RB (Knight Special Project)		
	1.35%, 07/07/03	990	990
			<b>87,530</b>

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Alaska 0.4%</b>			<b>+■ Chandler, Arizona IDA</b>		
■ <b>Alaska State Housing Finance Corp.</b>			RB (South Bay Circuits Project)		
Housing Development RB			Series 1999A		
Series 2000A			1.15%, 07/07/03	1,400	1,400
1.05%, 07/07/03	18,715	18,715	<b>+■ Phoenix, Arizona Civic Improvement</b>		
+► TOB Series 1999D			Excise Tax RB (Airport		
1.08%, 07/07/03	21,805	21,805	Improvements)		
► TOB Series ROC 11-R 197			1.02%, 07/07/03	1,000	1,000
1.05%, 07/07/03	5,995	5,995	<b>Salt River, Arizona Project</b>		
+ <b>Alaska Student Loan Corp.</b>			<b>Agriculture Improvement</b>		
Student Loan RB Series			TECP		
1998A			0.90%, 10/09/03	40,250	40,250
1.12%, 07/01/03	4,425	4,425	<b>+► Yavapai County, Arizona</b>		
■ <b>Valdez, Alaska Marine Terminal</b>			IDRB (Yavapai Regional Medical		
Revenue Refunding Bond (B.P.			Center)		
Pipelines, Inc. Project) Series			1.00%, 07/07/03	14,650	14,650
2003A					
0.95%, 07/01/03	1,500	1,500			
Revenue Refunding Bond					
(Exxon Pipeline Co. Project)					
Series 1993C					
0.85%, 07/01/03	4,400	4,400			
		<b>56,840</b>			<b>100,975</b>
<b>Arizona 0.8%</b>			<b>Arkansas 0.1%</b>		
■ <b>Arizona Educational Loan</b>			<b>+■ Arkansas Development Finance Authority</b>		
<b>Marketing Corp.</b>			IDRB (C&C Holding Co. Project)		
+► RB Series 1990A			Series 1998		
1.10%, 07/07/03	12,905	12,905	1.15%, 07/07/03	1,130	1,130
+ RB Series 1991A			<b>+■ Independence County, Arkansas</b>		
1.05%, 07/07/03	3,000	3,000	IDRB (Ideal Baking Project)		
+► <b>Arizona Health Facilities</b>			1.15%, 07/07/03	3,300	3,300
<b>Authority</b>			<b>+■ IDRB (Townsend of Arkansas,</b>		
Hospital System RB (Arizona			Inc. Project)		
Volunteer Hospital Federation)			1.05%, 07/07/03	9,000	9,000
Series 1985A					
1.00%, 07/07/03	11,090	11,090			
Hospital System RB (Arizona					
Volunteer Hospital Federation)					
Series 1985B					
1.00%, 07/07/03	9,330	9,330			
Hospital System RB (Northern					
Arizona Health Care) Series					
1996B					
1.00%, 07/07/03	7,350	7,350			
			<b>California 8.3%</b>		
			<b>+■ Access Loans For Learning</b>		
			<b>Student Loan Corp. of California</b>		
			RB (Student Loan Program)		
			Series II A-1		
			1.05%, 07/07/03	35,000	35,000
			RB (Student Loan Program)		
			Series II A-2		
			1.04%, 07/07/03	20,000	20,000
			RB (Student Loan Program)		
			Series II A-3		
			1.05%, 07/07/03	23,700	23,700

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>➔■ Bay Area, California Toll Bridge Authority</b> RB (San Francisco Bay Area Project) Series 2003C 1.00%, 07/07/03	21,500	21,500	<b>► GO TECP</b> 1.20%, 07/09/03	38,000	38,000
<b>➔▲ California College Community Financing Authority</b> TRAN Series 2003A 0.80%, 06/30/04	73,475	74,349	<b>➔■ California State Department of Water Resources</b> Power Supply RB Series 2000C-17 0.95%, 07/07/03	10,000	10,000
<b>➔ California Higher Education Loan Authority</b> Revenue Refunding Bond (Student Loan) Series 1987C-1 1.65%, 07/01/03	43,300	43,300	Power Supply RB Series 2001B-1 1.00%, 07/01/03	2,000	2,000
Student Loan RB Series 1992A-3 1.10%, 07/01/03	44,900	44,900	Power Supply RB Series 2002B-2 1.10%, 07/01/03	10,000	10,000
Student Loan RB Series 1992A-4 1.15%, 04/01/04	10,725	10,725	Power Supply RB Series 2002B-5 0.95%, 07/01/03	35,700	35,700
<b>■ California Pollution Control Financing Authority</b> Solid Waste Disposal RB (Shell Martinez Refining Project) Series 1994A 0.93%, 07/01/03	4,600	4,600	<b>► Power Supply RB Series 2002C-7</b> 1.00%, 07/07/03	37,000	37,000
Solid Waste Disposal RB (Shell Martinez Refining Project) Series 1996A 0.95%, 07/01/03	3,000	3,000	<b>▲ California Statewide Community Development Authority</b> TRAN Series 2003A-3 0.88%, 06/30/04	55,900	56,519
<b>➔ Solid Waste Disposal RB (Waste Management Project) Series 2002A</b> 0.96%, 07/07/03	500	500	<b>➔■ East Bay, California Municipal Utilities District</b> Water System Revenue Refunding Bond Subseries 2002A 0.85%, 07/07/03	50,000	50,000
<b>➔ California School Cash Reserve Program Authority</b> RB Series 2002A 1.59%, 07/03/03	21,640	21,642	<b>➔■ Irvine Ranch, California Improvement Bond Act of 1915</b> Special Assessment Bond (Assessment District No. 93-14 0.90%, 07/01/03	19,420	19,420
1.67%, 07/03/03	50,000	50,004	<b>➔■ Irvine Ranch, California Water District</b> COP (Capital Improvement Project) 0.90%, 07/01/03	16,900	16,900
<b>▲ RB Series 2003A</b> 0.90%, 07/06/04	153,870	155,567	<b>➔■ Irvine, California Unified School District</b> RB (Community Facilities District) Series 2003 DN 0.85%, 07/01/03	36,900	36,900
<b>California State</b> <b>➔■ GO Series 2003A-3</b> 0.95%, 07/01/03	9,000	9,000			
<b>➔■ GO Series 2003C-2</b> 0.90%, 07/07/03	25,200	25,200			

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
► <b>Los Angeles County, California</b>			+■ <b>Southern California Public Power Authority</b>		
Wastewater System TECP			Revenue Refunding Bond		
1.05%, 07/07/03	17,500	17,500	(Southern Transmission Project)		
			0.85%, 07/07/03	22,300	22,300
➔■ <b>Los Angeles, California</b>			+■ <b>Vallejo, California Unified School District</b>		
<b>Community College District</b>			COP (Capital Improvement Financing Projects)		
Revenue Refunding COP			Series 1999E		
Series 2002A			0.95%, 07/07/03	7,450	7,450
0.85%, 07/07/03	2,900	2,900			
► <b>Metropolitan Water District of Southern California</b>					<b>1,085,516</b>
Waterworks RB Series			<b>Colorado 1.8%</b>		
2001B-3			+■ <b>Adams County, Colorado</b>		
0.90%, 07/01/03	21,300	21,300	IDRB (City View Park Project)		
Waterworks RB Series			1.10%, 07/07/03	6,000	6,000
2001C-1			+■ <b>Arapahoe County, Colorado</b>		
1.00%, 07/01/03	32,775	32,775	IDRB (Denver Jet Center Project)		
			1.30%, 07/30/03	3,500	3,500
➔■ <b>Northern California Power Agency</b>			+► <b>Arvada, Colorado</b>		
Revenue Refunding Bond			RB		
(Hydroelectric No. 1 Project)			1.25%, 07/01/03	4,300	4,300
Series 2002 A			+■ <b>Colorado Health Facilities Authority</b>		
0.85%, 07/07/03	25,110	25,110	RB (National Benevolent Association Project)		
► <b>Orange County, California</b>			1.05%, 07/07/03	625	625
<b>Sanitation District</b>			■ <b>Colorado HFA</b>		
COP Series 2000A			+ Economic Development RB		
0.85%, 07/01/03	4,000	4,000	(Pemracs Limited, LLP Project)		
+ <b>San Diego County, California</b>			Series 2000A		
TECP			1.15%, 07/07/03	3,715	3,715
1.00%, 07/17/03	15,000	15,000	► S/F Mortgage TOB Series		
▲ <b>South Coast, California Local Educational Agency</b>			1999M		
TRAN			1.13%, 07/07/03	3,815	3,815
0.80%, 06/30/04	35,000	35,415	+► <b>Colorado Student Obligation Bond Authority</b>		
➔■ <b>Southeast California Resource Recovery Facilities Authority</b>			Student Loan RB (Colorado University) Series 1990A		
Lease Revenue Refunding Bond			1.05%, 07/07/03	14,400	14,400
Series 1995A			Student Loan RB Series		
0.92%, 07/07/03	7,700	7,700	1989A		
► <b>Southern California HFA</b>			1.00%, 07/07/03	9,400	9,400
S/F Mortgage RB TOBP					
(PT-629)					
1.12%, 07/07/03	38,640	38,640			



Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Student Loan RB Series 1999A-2 1.00%, 07/07/03	8,400	8,400	<b>Connecticut 0.0%</b>		
Student Loan RB Series 1999A-3 1.00%, 07/07/03	29,800	29,800	■ <b>Connecticut State Health &amp; Educational Facilities Authority</b> RB (Yale University) Series 2003X-2 0.85%, 07/07/03	5,000	<b>5,000</b>
<b>➤ Denver, Colorado City &amp; County</b>			<b>Delaware 0.7%</b>		
<b>Airport System</b>			■ <b>Delaware State</b>		
RB Series 1992F 1.10%, 07/07/03	18,575	18,575	GO Refunding Bond TOB Series 258 1.04%, 07/07/03	3,995	3,995
RB Series 1992G 1.10%, 07/07/03	19,050	19,050	<b>➤ Delaware State Economic Development Authority</b>		
▶ Revenue Refunding Bond RB Series 2000B 1.15%, 07/07/03	10,000	10,000	RB (Hospital Billing Collection Project) Series 1985B 0.95%, 07/07/03	20,900	20,900
▶ Revenue Refunding Bond RB Series 2000C 1.10%, 07/07/03	50,000	50,000	RB (Hospital Billing Collection Project) Series 1985C 0.95%, 07/07/03	15,000	15,000
<b>➤ Lowry, Colorado Economic Redevelopment Authority</b>			<b>➤ New Castle County, Delaware</b>		
Improvement RB Series 2003B 1.00%, 07/07/03	14,140	14,140	Airport Facility RB (Flight Safety International, Inc. Project) 1.08%, 07/07/03	16,600	16,600
Revenue Refunding Bond Series 2003A 1.00%, 07/07/03	11,360	11,360	<b>➤ Sussex County, Delaware</b>		
<b>➤ Regional Transportation District, Colorado</b>			IDRB (Perdue Agri-recycle, LLC Project) 1.05%, 07/07/03	5,300	5,300
■ <b>COP (Transit Vehicles Project)</b> Series 2002A 0.95%, 07/07/03	15,000	15,000	RB (Baywood, LLC Project) Series 1997A 1.25%, 07/07/03	2,400	2,400
TECP 1.00%, 11/06/03	7,500	7,500	<b>➤ Wilmington, Delaware</b>		
<b>➤ Smith Creek, Colorado Metropolitan District</b>			RB (Delaware Art Museum, Inc. Project) 1.00%, 07/07/03	21,800	21,800
RB 0.95%, 07/07/03	2,250	2,250			<b>85,995</b>
<b>➤ Westminster, Colorado Economic Development Authority</b>			<b>District of Columbia 0.8%</b>		
Tax Increment RB (Westminster Plaza Urban Renewal Project) 1.15%, 07/07/03	6,460	6,460	■ <b>District of Columbia Enterprise Zone</b>		
		<b>238,290</b>	RB (Crowell & Morning, LLP Project) 1.05%, 07/07/03	4,100	4,100
			<b>➤ District of Columbia HFA</b>		
			M/F Housing RB (Edgewood Terrace III Development) 1.05%, 07/07/03	4,000	4,000

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>➤ District of Columbia</b>			M/F Housing RB (Reflections Airport Project)		
RB (American Psychological Association)			0.95%, 07/07/03	13,000	13,000
1.05%, 07/07/03	2,780	2,780	M/F Housing RB (Sanctuary Apartments Project)		
RB (Arnold & Porter Project)			1.08%, 07/07/03	9,000	9,000
1.05%, 07/07/03	3,000	3,000	M/F Housing Revenue Refunding Bond (Fishermen's Landing Project)		
<b>➤ Metropolitan Washington, D.C.</b>			0.93%, 07/07/03	1,070	1,070
<b>Airport Authority</b>			M/F Housing Revenue Refunding Bond (Island Club Apartments Project) Series 2001A		
➤ RB TOB Series 240			1.08%, 07/07/03	2,900	2,900
1.11%, 07/07/03	6,900	6,900	M/F Housing Revenue Refunding Bond (South Pointe Project)		
➤ Revenue Refunding Bond Series 2002C			0.95%, 07/07/03	7,750	7,750
1.00%, 07/07/03	10,000	10,000	M/F Housing Revenue Refunding Bond (Water's Edge Project)		
➤ TOBP (PT-689)			0.95%, 07/07/03	400	400
1.11%, 07/07/03	5,870	5,870	<b>➤ Broward County, Florida Port Facilities</b>		
TECP			Revenue Refunding Bond (Port Everglades Project)		
1.13%, 07/02/03	32,800	32,800	1.00%, 07/07/03	9,400	9,400
1.10%, 07/10/03	22,000	22,000	➤ Charlotte County, Florida HFA		
<b>➤ Washington, D.C.</b>			M/F Housing RB (Murdock Circle Apartments Project)		
Revenue Refunding TOBP (PT-750)			1.13%, 07/07/03	6,250	6,250
1.15%, 08/28/03	14,640	14,640	➤ Clay County, Florida Utility System		
Revenue Refunding TOBP (PT-806)			RB Series 2003A		
1.10%, 11/13/03	6,215	6,215	1.00%, 07/07/03	2,400	2,400
		<b>112,305</b>	➤ Collier County, Florida Health Facilities Authority		
<b>Florida 8.0%</b>			RB (Cleveland Clinic Health) Series 2003C-2		
➤ Alachua County, Florida Health Facilities Authority			1.00%, 07/01/03	3,100	3,100
RB (Oak Hammock University of Florida Project) Series 2002A			➤ Collier County, Florida HFA		
1.00%, 07/01/03	2,400	2,400	M/F Housing RB (Brittany Bay Apartments Project) Series 2001A		
➤ Brevard County, Florida Educational Facilities Authority			1.03%, 07/07/03	3,350	3,350
RB (Florida Institute of Technology) Series 2002B					
1.00%, 07/07/03	10,000	10,000			
<b>Brevard County, Florida School Board</b>					
RAN					
1.13%, 04/30/04	14,450	14,523			
➤ Broward County, Florida HFA					
M/F Housing RB (Landings Inverrary Apartments Project)					
1.08%, 07/07/03	7,500	7,500			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>◆ Collier County, Florida IDA</b> IDRB (Community School of Naples, Inc. Project) 1.00%, 07/07/03	8,150	8,150	RB (Tiffany Club Project) Series 1996P 1.03%, 07/07/03	6,900	6,900
<b>◆ Dade County, Florida</b> IDRB (Dolphins Stadium Project) Series 1985C 1.00%, 07/07/03	550	550	RB (Timberline Apartments) Series 1999P 1.00%, 07/07/03	5,300	5,300
IDRB (Micheal-Ann Russell Jewish Community Center Project) 1.00%, 07/07/03	5,185	5,185	RB (Vinings Hampton Village) Series 2001D 1.10%, 07/07/03	10,800	10,800
▶ RB (Water & Sewer Systems) 0.95%, 07/07/03	81,200	81,200	<b>◆ Florida Local Government Finance Commission</b> TECP 1.10%, 09/11/03	8,000	8,000
<b>◆ Eustis, Florida</b> Multi-Purpose RB 1.00%, 07/07/03	2,700	2,700	<b>◆ Florida Ocean Highway &amp; Port Authority</b> RB 1.10%, 07/07/03	10,700	10,700
<b>◆ Florida Development Finance Corp.</b> IDRB (Sunshine State Project) Series 1999A-3 1.05%, 07/07/03	1,185	1,185	<b>◆ Florida State Municipal Power Agency</b> RB (Stanton Project) 0.95%, 07/07/03	6,150	6,150
<b>◆ Florida Housing Finance Corp.</b> M/F Housing RB (Buena Vista Project) Series 1985MM 0.97%, 07/07/03	10,000	10,000	<b>◆ Florida State Turnpike Authority</b> RB TOB Series 273 1.04%, 07/07/03	5,745	5,745
M/F Housing RB (South Pointe Project) Series 1998J 1.00%, 07/07/03	5,400	5,400	<b>◆ Greater Orlando, Florida Aviation Authority</b> Airport Facilities Revenue Refunding Bond Series 2002E 1.10%, 07/07/03	15,300	15,300
M/F Housing Revenue Refunding Bond RB (Reflections Project) Series 2001A 0.95%, 07/07/03	12,500	12,500	<b>◆ Gulf Breeze, Florida</b> RB (Local Government Loan Program) Series 1985B 1.00%, 07/07/03	26,930	26,930
M/F RB (Victoria Park Apartments) Series J - 1 1.00%, 07/07/03	8,370	8,370	RB (Local Government Loan Program) Series 1985C 1.00%, 07/07/03	29,160	29,160
RB (Ashley Lake II Project) Series 1989J 1.04%, 07/07/03	10,800	10,800	RB (Local Government Loan Program) Series 1985E 1.00%, 07/07/03	3,505	3,505
RB (Caribbean Key Apartments) Series 1996F 1.03%, 07/07/03	3,400	3,400	<b>◆ Halifax, Florida Hospital Medical Center</b> RB (Florida Health Care Plan, Inc. Project) 0.95%, 07/07/03	4,700	4,700
RB (Heritage Pointe Project) Series 1999I-1 1.00%, 07/07/03	9,500	9,500			
RB (Heron Park Project) Series 1996U 1.04%, 07/07/03	130	130			

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+ Hillsborough County, Florida</b>			M/F Housing RB (University Club Apartments Project) Series 2002A 1.25%, 07/07/03	6,700	6,700
■ IDRB (Tampa Metropolitan YMCA Project) Series 2000K 1.05%, 07/07/03	9,100	9,100	<b>+■ Manatee County, Florida HFA</b>		
TECP Series B 1.00%, 08/26/03	700	700	M/F Housing RB (La Mirada Gardens Project) Series 2002A 1.25%, 07/07/03	4,000	4,000
<b>+■ Jacksonville, Florida</b>			<b>+■ Marion County, Florida IDA</b>		
Industrial Development Revenue Refunding Bond (Pavilion Associates, Ltd. Project) 0.95%, 07/07/03	4,200	4,200	M/F Housing Revenue Refunding Bond (Chambrel Project) 0.95%, 07/07/03	7,741	7,741
<b>+■ Jacksonville, Florida Economic Development Commission</b>			<b>+■ Miami-Dade County, Florida</b>		
RB (Bolles School Project) Series 1999A 1.00%, 07/07/03	2,400	2,400	IDRB (Airis Miami LLC Project) Series 1999A 0.95%, 07/07/03	54,200	54,200
<b>Jacksonville, Florida Electric Authority</b>			<b>+ Miami-Dade County, Florida Aviation Authority</b>		
■ RB (Water & Sewer Systems) Series 2000B 0.95%, 07/07/03	4,300	4,300	TECP 1.13%, 07/02/03	9,005	9,005
■ RB TOB Series 2000FF 1.08%, 07/07/03	3,585	3,585	1.15%, 07/11/03	4,500	4,500
Revenue Refunding Bond (St. John River) Issue 2 Series 16 1.09%, 10/01/03	9,000	9,088	0.97%, 08/06/03	12,538	12,538
▶ Water & Sewer TECP 1.05%, 07/02/03	11,400	11,400	0.95%, 09/12/03	1,098	1,098
<b>+■ Jacksonville, Florida Health Facilities Authority</b>			<b>+■ Okeechobee County, Florida</b>		
RB Revenue Refunding Bond (Genesis Rehabilitation Hospital) 1.00%, 07/01/03	6,600	6,600	Exempt Facility RB (Okeechobee Landfill, Inc. Project) 1.10%, 07/07/03	15,000	15,000
<b>+■ Lakeland, Florida Educational Facilities</b>			<b>+ Orange County, Florida Health Facilities Authority</b>		
RB (Florida Southern College Project) 1.00%, 07/07/03	30,000	30,000	TECP 1.10%, 07/22/03	9,000	9,000
<b>+■ Lee County, Florida HFA</b>			0.95%, 09/04/03	21,000	21,000
M/F Housing RB (Cape Coral Apartments Project) Series 1999A 1.13%, 07/07/03	6,160	6,160	0.95%, 09/09/03	20,000	20,000
			<b>+■ Orange County, Florida HFA</b>		
			M/F Housing RB (Andover Place Apartments) 1.00%, 07/07/03	7,570	7,570
			M/F Housing RB (Highland Pointe Apartments Project) Series 1988J 0.95%, 07/07/03	7,555	7,555
			M/F Housing RB (Smokewood Project) Series 1992A 1.00%, 07/07/03	15,000	15,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB (West Pointe Villas Project) Series 2000F 1.03%, 07/07/03	5,750	5,750	<b>➔■ Palm Beach County, Florida School Board</b> COP Series 2002B 0.90%, 07/07/03	19,400	19,400
M/F Housing Revenue Refunding Bond RB (Heather Glenn Apartments Project) Series 2001E 0.90%, 07/07/03	11,900	11,900	<b>➔■ Pasco County, Florida</b> COP 1.00%, 07/07/03	29,000	29,000
<b>➔■ Orange County, Florida School Board</b> COP Series 2002B 0.90%, 07/01/03	3,000	3,000	<b>➔■ Pinellas County, Florida Educational Facilities Authority</b> RB (Caterbury School of Florida Project) 0.95%, 07/07/03	2,285	2,285
<b>➔ Orlando &amp; Orange Counties, Florida Expressway Authority</b> RB Series 2003A 0.94%, 07/01/04	3,455	3,526	RB (Shorecrest Prep School Project) 0.95%, 07/07/03	1,000	1,000
<b>■ Revenue Refunding Bond</b> Series 2003C-2 0.90%, 07/07/03	4,500	4,500	<b>➔■ Pinellas County, Florida HFA</b> M/F Housing RB (Mariners Pointe Apartments) 1.03%, 07/07/03	7,300	7,300
<b>■ Revenue Refunding Bond</b> Series 2003C-3 0.90%, 07/07/03	10,000	10,000	<b>➔■ Pinellas County, Florida Industrial Council</b> RB (Operation Par, Inc. Project) 1.05%, 07/07/03	5,260	5,260
<b>■ Revenue Refunding Bond</b> Series 2003C-4 0.90%, 07/07/03	20,330	20,330	<b>➔■ Pinellas County, Florida IDA</b> RB (Pact, Inc. Project) 1.00%, 07/07/03	8,100	8,100
<b>■ Orlando Utilities Commission, Florida</b> RB (Water & Electric) Series 1985B 0.95%, 07/07/03	82,300	82,300	<b>➔■ SouthEast Volusia, Florida Hospital District</b> RB (Bert Fish Medical Center Project) 1.05%, 07/07/03	10,220	10,220
<b>➔■ Palm Beach County, Florida</b> IDRB (Benjamin Private School Project) 1.00%, 07/07/03	9,000	9,000	<b>➔■ Sunshine State of Florida Government Finance Commission</b> TECP 1.05%, 07/03/03	21,605	21,605
<b>➔ Palm Beach County, Florida Health Facilities Authority</b> ■ Revenue Refunding Bond RB (Joseph L. Morse Geriatric Center) 1.00%, 07/07/03	7,155	7,155	1.05%, 07/10/03	7,732	7,732
TECP 1.10%, 07/14/03	4,800	4,800	0.90%, 09/09/03	14,810	14,810
			<b>➔■ Tallahassee &amp; Leon Counties, Florida Civic Center Authority</b> Capital Improvement RB Series A 1.00%, 07/07/03	13,400	13,400

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Tampa, Florida</b>			<b>■ Revenue Refunding Bond</b>		
RB (Tampa Prep School Project)			Series 2003B-1		
0.95%, 07/07/03	11,000	11,000	1.00%, 07/07/03	46,330	46,330
<b>+■ Tampa, Florida Occupational License Tax</b>			<b>■ Revenue Refunding Bond</b>		
Revenue Refunding Bond			Series 2003C-2		
Series 2002B			1.00%, 07/07/03	11,710	11,710
0.90%, 07/07/03	7,000	7,000	<b>■ TOBP (PT-737)</b>		
Revenue Refunding Bond			1.11%, 07/07/03	3,385	3,385
Series 2002C			<b>+■ Atlanta, Georgia Urban Residential Finance Authority</b>		
0.85%, 07/07/03	20,700	20,700	M/F Housing RB (Brentwood Creek Apartments Project)		
<b>+■ Tampa, Florida Regional Water Supply Authority</b>			1.05%, 07/07/03	4,625	4,625
Water Utility System RB			M/F Housing RB (Brentwood Meadows Apartments Project)		
1.05%, 07/07/03	6,400	6,400	1.05%, 07/07/03	3,000	3,000
<b>+■ Volusia County, Florida Educational Facility Authority</b>			M/F Housing RB (Brentwood Village Apartments Project)		
RB (Bethune Cookman College Project)			1.05%, 07/07/03	6,070	6,070
1.00%, 07/07/03	10,675	10,675	M/F Housing RB (Carver Redevelopment Phase III Project)		
<b>+■ Volusia County, Florida Health Facilities Authority</b>			1.05%, 07/07/03	3,500	3,500
RB (South West Volusia Health Project) Series 1994A			M/F Housing RB (Delmonte Brownlee Project) Series 2001A		
1.00%, 07/07/03	6,000	6,000	1.05%, 07/07/03	4,600	4,600
<b>+■ West Orange, Florida Healthcare District</b>			M/F Housing RB (Peaks At West Atlanta Apartments Project)		
RB Series 1999B			1.05%, 07/07/03	5,000	5,000
0.90%, 07/07/03	9,800	9,800	M/F Housing RB (Street Apartments Project) Series 2003ZM		
		<b>1,046,591</b>	1.08%, 07/07/03	7,000	7,000
<b>Georgia 4.7%</b>			M/F Senior Housing RB (Big Bethel Village Project)		
<b>+■ Athens-Clarke, Jackson &amp; Morgan Counties, Georgia</b>			1.05%, 07/07/03	4,500	4,500
IDRB (Mayfield Dairy Farms, Inc. Project)			<b>+■ Augusta, Georgia Housing Authority</b>		
1.10%, 07/07/03	7,350	7,350	M/F Housing RB (G-Hope Ltd. Partnership Project)		
<b>+ Atlanta, Georgia Airport</b>			1.05%, 07/07/03	3,800	3,800
<b>■ RB TOB Series 376</b>			<b>+■ Bartow County, Georgia</b>		
1.08%, 07/07/03	11,195	11,195	IDRB (Bartow Paving Co. Project)		
Revenue Refunding Bond			1.15%, 07/07/03	2,000	2,000
Series 2003A					
0.89%, 01/01/04	15,895	15,983			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
IDRB (Matthew Contracting Project) 1.10%, 07/07/03	1,600	1,600	<b>+■ Columbus, Georgia Housing Authority</b> M/F Housing RB (Eagles Trace Apartments Project) 1.05%, 07/07/03	6,400	6,400
<b>+■ Cartersville, Georgia Development Authority</b> IDRB (Cartersville Facilities Project) 1.12%, 07/07/03	2,200	2,200	<b>+■ Crisp County – Cordele, Georgia</b> IDRB (Georgia Ductile Project) 1.09%, 07/07/03	13,400	13,400
<b>+■ Cherokee County, Georgia</b> IDRB (Universal Alloy) 1.10%, 07/07/03	2,700	2,700	<b>+■ Dawson County, Georgia Development Authority</b> IDRB (World Wide Manufacturing Project) 1.15%, 07/07/03	2,450	2,450
<b>+■ Clayton County, Georgia Development Authority</b> IDRB (Wilson Holdings Project) 1.05%, 07/07/03	800	800	<b>■ Dekalb County, Georgia Development Authority</b> <b>+ IDRB (Arbor Montessori School Project) 1.00%, 07/07/03</b>	1,100	1,100
Special Facilities RB (Delta Air Lines) Series 2000C 1.05%, 07/07/03	19,500	19,500	IDRB (Siemens Energy, Inc. Project) 1.05%, 07/07/03	7,500	7,500
<b>+■ Clayton County, Georgia Housing Authority</b> M/F Housing RB (Hyde Park Club Apartments Project) 1.05%, 07/07/03	12,195	12,195	<b>+■ Dekalb County, Georgia HFA</b> M/F Housing RB (Brittany Apartments Project) 0.98%, 07/07/03	8,000	8,000
<b>+■ Cobb County, Georgia HFA</b> M/F Housing RB (Walton Green Project) 1.10%, 07/07/03	13,500	13,500	M/F Housing RB (Eagle Trace Apartments Project) Series 1996 1.03%, 07/07/03	8,950	8,950
M/F Housing RB (Woodchase Village Apartments Project) 1.03%, 07/07/03	4,000	4,000	M/F Housing RB (Mountain Crest Apartments Project) Series 2002A-1 1.05%, 07/07/03	7,915	7,915
M/F Housing Revenue Refunding Bond RB (Walton Park Apartments Project) 1.05%, 07/07/03	21,100	21,100	M/F Housing RB (Villas of Friendly Heights Apartments Project) 1.05%, 07/07/03	3,575	3,575
<b>+■ Columbus, Georgia Development Authority</b> RB (Foundation Properties, Inc. Project) 1.05%, 07/07/03	11,500	11,500	M/F Housing RB (Wesley Club Apartments Project) 1.05%, 07/07/03	5,970	5,970
RB (Foundation Property's, Inc. Project) 1.05%, 07/07/03	3,950	3,950	<b>Dekalb County, Georgia School District</b> TAN Series 2002-2007 1.13%, 12/31/03	30,000	30,130

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Douglas County, Georgia</b> IDRB (Blue Circle Project) 1.10%, 07/07/03	3,800	3,800	<b>+■ Gwinnett County, Georgia HFA</b> M/F Housing RB 1.00%, 07/07/03	5,000	5,000
<b>+■ Effingham County, Georgia</b> IDRB (Temcor Project) 1.05%, 07/07/03	4,000	4,000	<b>+■ Hapeville, Georgia</b> IDRB (Hapeville Hotel Ltd. Project) 0.90%, 07/01/03	4,600	4,600
<b>+■ Fayette County, Georgia</b> <b>Development Authority</b> Educational Facilities RB (Catholic School Properties, Inc. Project) 1.00%, 07/07/03	10,100	10,100	<b>+■ Hart County, Georgia Industrial</b> <b>Building Authority</b> IDRB (Awh Corp. Project) 1.10%, 07/07/03 IDRB (Dundee Mills Project) 1.05%, 07/07/03	4,300 2,505	4,300 2,505
<b>+ Fulton County, Georgia Building</b> <b>Authority</b> Revenue Refunding Bond RB Series 2002C 1.28%, 01/01/04	4,725	4,753	<b>+■ Houston County, Georgia</b> <b>Development Authority</b> IDRB (Douglas Asphalt County Project) 1.05%, 07/07/03	2,100	2,100
<b>+■ Fulton County, Georgia</b> <b>Development Authority</b> RB (Atlanta International School Project) 1.00%, 07/07/03 RB (Federal Road, LLC Project) 1.05%, 07/07/03 RB (Trinity School Project) 1.00%, 07/07/03 RB (Woodruff Arts Center Project) 1.00%, 07/07/03	2,700 7,000 7,000 10,000	2,700 7,000 7,000 10,000	<b>+■ Jefferson County, Georgia</b> <b>Development Authority</b> IDRB (Grove River Mills Project) 1.15%, 07/07/03 <b>+■ Laurens County, Georgia</b> <b>Development Authority</b> Solid Waste Disposal RB (Southeast Paper Manufacturing Co. Project) 1.10%, 07/07/03	2,100 2,100 51,000	2,100 2,100 51,000
<b>+■ Gainesville, Georgia</b> <b>Redevelopment Authority</b> Educational Facilities RB (Riverside Military Project) 1.00%, 07/07/03	30,000	30,000	<b>+■ Lawrenceville, Georgia Housing</b> <b>Authority</b> M/F Housing RB Series 2002 1.10%, 07/07/03	7,700	7,700
<b>■ Georgia State</b> GO TOB Series 981003 1.05%, 07/07/03 GO TOB Series 795 1.04%, 07/07/03 GO TOBP (PA-897) 0.99%, 07/07/03	20,245 4,000 10,575	20,245 4,000 10,575	<b>+■ Lowndes County, Georgia</b> <b>Development Authority</b> M/F Housing RB (FMPH Valdosta, Limited Partnership Project) 1.05%, 07/07/03 <b>+■ Macon-Bibb County, Georgia</b> <b>Hospital Authority</b> RB (The Medical Center of Central Georgia Project) 1.00%, 07/07/03	4,945 4,000	4,945 4,000
<b>+■ Gordon County, Georgia</b> <b>Development Authority</b> RB (Constantine Dyeing, LLC Project) 1.05%, 07/07/03	5,280	5,280			



Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Miller County, Georgia Development Authority</b> IDRB (Birdsong Corp. Project) 1.05%, 07/07/03	2,800	2,800	<b>+■ Whitfield County, Georgia Development Authority</b> RB (Product Concepts Project) 1.05%, 07/07/03	960	960
<b>+ Rockdale County, Georgia Water Sewer Authority</b> RB Series 1999B 1.38%, 07/01/03	12,710	12,710	<b>+■ Winder-Barrow County, Georgia Joint Development Authority</b> Solid Waste Disposal RB 1.05%, 07/07/03	6,000	6,000
<b>+■ Roswell, Georgia HFA</b> M/F Housing RB (Gables Realty Wood Crossing Project) 1.00%, 07/07/03	11,650	11,650	<b>+■ Winder-Barrow County, Georgia Industrial Building Authority</b> IDRB (Progress Container Corp. Project) 1.05%, 07/07/03	2,795	2,795
<b>+■ Savannah Georgia Housing Authority</b> M/F Housing RB (Indigo Pointe Apartments) Series 2001A 1.05%, 07/07/03	3,500	3,500	<b>+■ Worth County, Georgia</b> IDRB Revenue Refunding Bond (Seabrook Project) Series 1996B 1.05%, 07/07/03	1,300	1,300
M/F Housing RB (Live Oak Plantation Apartments) Series 2001A 1.05%, 07/07/03	2,500	2,500			<b>621,601</b>
<b>+■ Savannah, Georgia Economic Development Authority</b> RB (Georgia Kaolin, Inc.) 1.10%, 07/07/03	11,000	11,000	<b>■ Hawaii 0.4%</b>		
RB (Home Depot Project) Series 1995B 1.05%, 07/07/03	5,000	5,000	<b>+►■ Hawaii State Department of Budget &amp; Finance</b> Special Purpose RB TOBP (PA-795R) 1.08%, 07/07/03	9,095	9,095
<b>+■ Summerville, Georgia Development Authority</b> RB (Image Industry Project) 1.10%, 07/07/03	11,000	11,000	<b>►■ Hawaii State Housing Finance &amp; Development Corp.</b> TOB 1.13%, 07/07/03	6,355	6,355
<b>+■ Thomasville, Georgia Hospital Authority</b> RB (JD Archbold Project) 1.00%, 07/07/03	6,000	6,000	<b>+►■ Honolulu, Hawaii City &amp; County</b> GO Series 2001C 1.30%, 12/04/03	37,600	37,600
<b>+■ Walton County, Georgia Development Authority</b> RB (Tucker Door & Trim Corp. Project) 1.15%, 07/07/03	2,600	2,600			<b>53,050</b>
<b>+■ Webster County, Georgia</b> IDRB (Tolleson Lumber Co., Inc. Project) 1.10%, 07/07/03	5,600	5,600	<b>■ Idaho 1.0%</b>		
			<b>+■ Idaho HFA</b> Housing RB (Assisted Living Concepts Project) 1.10%, 07/07/03	3,380	3,380
			<b>▲ Idaho State</b> TAN 0.80%, 06/30/04	125,000	126,484

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>➤ Idaho State University Foundation, Inc.</b>			<b>➤ Chicago, Illinois Metropolitan Water Reclamation District</b>		
RB (L E & Thelma Stevens Project)			Capital Improvement GO Series 2003E		
1.00%, 07/07/03	3,955	3,955	0.90%, 07/07/03	12,000	12,000
		<b>133,819</b>	RB Series 2002A		
			0.90%, 07/07/03	7,100	7,100
<b>Illinois 6.9%</b>			<b>➤ Chicago, Illinois Midway Airport</b>		
<b>➤ Aurora, Illinois</b>			RB TOB		
M/F Housing RB (Apartments at Fox Valley) Series 1999A			1.05%, 07/07/03	24,480	24,480
1.00%, 07/07/03	9,445	9,445	<b>➤ Chicago, Illinois O'Hare International Airport</b>		
<b>➤ Carol Stream, Illinois</b>			RB (ACES General Airport Second Lien) Series B1		
M/F Housing Revenue Refunding Bond RB (St. Charles Square Project)			1.02%, 07/07/03	25,400	25,400
1.15%, 07/07/03	4,415	4,415	RB (ACES General Airport Second Lien) Series B2		
<b>➤ Centralia, Illinois</b>			1.02%, 07/07/03	13,000	13,000
IDRB (Consolidated Foods Corp. & Hollywood Brands, Inc. Project)			<b>➤ Revenue Refunding TOBP (PT-755)</b>		
1.00%, 07/07/03	10,000	10,000	1.11%, 07/07/03	6,315	6,315
<b>Chicago, Illinois</b>			Special Facility RB (O'Hare Technical Center II Project)		
<b>➤ GO Series B</b>			1.06%, 07/07/03	15,500	15,500
0.98%, 07/07/03	20,000	20,000	Special Facility RB		
<b>➤ GO Series 2003</b>			1.10%, 07/07/03	41,484	41,484
1.15%, 01/07/04	2,000	2,001	<b>➤ Special Facility RB TOB Series 2001B6</b>		
<b>➤ IDRB (Morse Automotive Project)</b>			1.13%, 07/07/03	11,070	11,070
1.05%, 07/07/03	1,600	1,600	Special Facility Revenue Refunding Bond RB (Lufthansa German Project)		
<b>➤ Project &amp; Refunding GO Series 2002A</b>			0.98%, 07/07/03	43,770	43,770
1.19%, 01/01/04	5,180	5,253	<b>➤ Chicago, Illinois Skyway Toll Bridge</b>		
<b>➤ RB (Homestart Program) Series 2000A</b>			Revenue Refunding Bond		
1.09%, 07/07/03	20,000	20,000	0.87%, 01/01/04	5,000	5,246
<b>➤ Senior Lien RB TOB</b>			<b>➤ East Dundee, Kane &amp; Cook Counties, Illinois</b>		
1.05%, 07/07/03	12,975	12,975	IDRB (Otto Engine Project)		
<b>➤ S/F Mortgage RB TOB Series 1999N</b>			1.06%, 07/07/03	1,950	1,950
1.13%, 07/07/03	6,025	6,025	<b>➤ Elmhurst, Illinois</b>		
<b>➤ Water Second Lien RB</b>			IDRB (ELM Machining Corp. Project)		
1.00%, 07/07/03	2,000	2,000	1.20%, 07/07/03	2,090	2,090
<b>➤ Chicago, Illinois Board of Education</b>					
Unlimited Tax GO TOB					
1.04%, 07/07/03	7,120	7,120			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>➤■ Gilberts, Illinois Special Service Area No. 10</b>			<b>✚ RB (Loyola Academy Project)</b>		
RB (Timber Trails Project)			1.05%, 07/07/03	13,000	13,000
1.05%, 07/07/03	4,883	4,883	<b>✚ RB (McCormick Theological Project) Series 2001B</b>		
<b>➤■ Glendale Heights, Illinois</b>			1.05%, 07/07/03	12,500	12,500
IDRB (York Corrugated Container Project)			<b>► RB (Palos Community Hospital Project)</b>		
1.10%, 07/07/03	1,200	1,200	1.00%, 07/07/03	10,000	10,000
<b>➤■ Hampshire, Illinois</b>			<b>✚ RB (Presbyterian Homes Project)</b>		
IDRB (Poli-Film America Project)			1.05%, 07/07/03	9,000	9,000
Series 1998A			<b>✚ RB (Roll Service, Inc. Project)</b>		
1.15%, 07/07/03	4,000	4,000	1.10%, 07/07/03	2,230	2,230
<b>■ Illinois Development Finance Authority</b>			<b>✚ RB (Sacred Heart School Project)</b>		
<b>✚ IDRB (Arc Tronics, Inc. Project)</b>			1.05%, 07/07/03	4,600	4,600
1.10%, 07/07/03	2,190	2,190	<b>✚ RB (Slovak American Charitable Project)</b>		
<b>✚ IDRB (Camcraft, Inc. Project)</b>			1.05%, 07/07/03	7,940	7,940
1.25%, 07/07/03	2,400	2,400	<b>✚ RB (St. Ignatius College Prep. Project)</b>		
<b>✚ IDRB (Catholic Charities)</b>			1.05%, 07/07/03	2,200	2,200
1.20%, 07/07/03	910	910	<b>✚ RB (St. Ignatius College Project)</b>		
<b>✚ IDRB (Molding Project)</b>			1.05%, 07/07/03	2,500	2,500
1.30%, 07/07/03	4,300	4,300	<b>✚ RB (Variable Rest Haven Illiana Christian)</b>		
<b>► IDRB (Presbyterian Home Lake Forest)</b>			1.07%, 07/07/03	8,295	8,295
Series 1996A			<b>✚ RB (Wheaton Academy Project)</b>		
1.05%, 07/07/03	6,000	6,000	1.05%, 07/07/03	8,000	8,000
<b>✚ IDRB (Radiological Society Project)</b>			<b>✚ Residential Rental RB (River Oak Project)</b>		
1.00%, 07/07/03	3,730	3,730	1.05%, 07/07/03	32,000	32,000
<b>✚ IDRB (River Graphics Corp. Project)</b>			<b>✚ Revenue Refunding Bond RB (Francis W. Parker Project)</b>		
1.20%, 07/07/03	2,690	2,690	0.95%, 07/07/03	2,500	2,500
<b>✚ RB (Carmel High School Project)</b>			<b>► Water Facilities Revenue Refunding Bond RB (Illinois American Water Co. Project)</b>		
1.05%, 07/07/03	3,200	3,200	1.05%, 07/07/03	5,000	5,000
<b>✚ RB (Catholic Charities Housing Project) Series 1993A</b>			<b>➤■ Illinois Educational Facility Authority</b>		
1.20%, 07/07/03	9,160	9,160	RB (Chicago Historical Society)		
<b>✚ RB (Chicago Academy of Science Project)</b>			1.00%, 07/07/03	7,900	7,900
1.05%, 07/07/03	8,415	8,415	<b>► TOB</b>		
<b>✚ RB (Chicago Horticultural Society Project)</b>			1.08%, 07/07/03	2,000	2,000
1.05%, 07/07/03	18,000	18,000			
<b>✚ RB (Korex Corp. Project)</b>					
1.15%, 07/07/03	4,000	4,000			
<b>✚ RB (Lake Forest Academy Project)</b>					
1.05%, 07/07/03	4,000	4,000			

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Illinois HDA</b>			<b>+■ Illinois Student Assistance Commission</b>		
Homeowner Mortgage RB Subseries 2003A-1 1.13%, 04/29/04	8,000	8,000	Student Loan RB Series 1996A 1.03%, 07/07/03	7,600	7,600
Homeowner Mortgage RB Subseries 2003A-2 1.18%, 04/29/04	26,500	26,500	<b>+■ Lombard, Illinois</b>		
<b>+■ M/F Revenue Refunding Bond</b> RB (Hyde Park Tower Apartments Project) Series 2000A 1.10%, 07/07/03	4,500	4,500	IDRB Revenue Refunding Bond (B & H Partnership Project) 1.40%, 07/07/03	1,850	1,850
<b>+■ Illinois Health Facility Authority</b>			<b>+■ Oak Forest, Illinois</b>		
RB (Bensenville Home Society Project) Series 1989A 1.00%, 07/07/03	2,125	2,125	RB (Homewood Pool-South Suburban Mayors & Managers Association Project) 1.04%, 07/07/03	10,000	10,000
RB (Washington & Jane Smith Home) 1.05%, 07/07/03	2,800	2,800	<b>+■ Orland Park, Illinois</b>		
<b>+►■ Illinois Metropolitan Pier &amp; Exposition Authority</b>			IDRB (Orland Properties Project) 1.40%, 07/07/03	825	825
Dedicated Tax RB TOB Series A42 1.08%, 07/07/03	18,490	18,490	<b>+■ Palatine, Illinois Special Facilities</b>		
TOB (McCormick Place Exposition Project) 1.05%, 07/07/03	9,790	9,790	Limited Obligation RB (Little City Community Development Project) 1.05%, 07/07/03	4,000	4,000
TOB (McCormick Place) 1.05%, 07/07/03	14,355	14,355	<b>+■ Richton Park, Illinois</b>		
<b>+■ Illinois Regional Transportation Authority</b>			IDRB (Avatar Corp. Project) 1.25%, 07/07/03	1,900	1,900
GO TOB 1.05%, 07/07/03	12,055	12,055	<b>+■ Rockford, Illinois</b>		
►GO TOB 1.05%, 07/07/03	9,730	9,730	IDRB (Industrial Welding Supply, Inc. Project) 1.20%, 07/07/03	2,000	2,000
<b>Illinois State</b>			IDRB (Ring Can Corp. Project) 1.05%, 07/07/03	1,500	1,500
<b>+►■ Dedicated Tax TOB Series N</b> 1.08%, 07/07/03	2,940	2,940	<b>+■ Tinley Park, Illinois</b>		
GO Certificates Series 2003 0.98%, 05/15/04	200,000	200,897	IDRB (Beverly Manufacturing Co. Project) Series 1997A 1.24%, 07/07/03	2,270	2,270
<b>+►■ GO TOB</b> 1.05%, 07/07/03	14,125	14,125	<b>+►■ University of Illinois</b>		
<b>+►■ GO TOB</b> 1.05%, 07/07/03	14,000	14,000	RB TOB (Merlot) Series 2000S 1.08%, 07/07/03	3,500	3,500
<b>+►■ GO TOB Series 2001-2</b> 1.06%, 07/07/03	5,000	5,000	<b>+■ Will-Kankakee, Illinois Regional Development Authority</b>		
			IDRB (Toltec Steel Services, Inc. Project) 1.00%, 07/07/03	8,030	8,030

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Yorkville, Illinois</b>			<b>+■ Indiana Transportation Finance Authority</b>		
IDRB (F.E. Wheaton & Co., Inc. Project)			BAN		
1.20%, 07/07/03	1,080	1,080	0.95%, 10/03/03	27,000	27,038
		<b>908,844</b>	<b>►■ Indiana University, Indiana</b>		
<b>Indiana 3.5%</b>			RB		
<b>+■ Elkhart County, Indiana</b>			0.95%, 07/07/03	5,561	5,561
Economic Development RB			<b>+■ Indianapolis, Indiana</b>		
(White Plains Apartments Project) Series 1998A			M/F Housing RB (Nora Pines Apartments Project)		
1.10%, 07/07/03	1,900	1,900	0.98%, 07/07/03	5,000	5,000
<b>+■ Gary, Indiana Redevelopment District</b>			<b>► Thermal Energy System RB</b>		
Economic Growth RB Series			TOB		
20001-A			1.05%, 07/07/03	9,900	9,900
1.05%, 07/07/03	8,010	8,010	<b>+►■ Indianapolis, Indiana Local Public Improvement Bond Bank</b>		
<b>+■ Indiana Bond Bank</b>			TOB Series 784		
BAN (Advance Funding Program Notes) Series 2003A			1.04%, 07/07/03	8,000	8,000
1.10%, 01/27/04	207,500	208,562	<b>+■ Marion, Indiana</b>		
TAN (Midyear Funding Program) Series 2003A			Economic Development RB		
0.93%, 04/15/04	67,000	67,168	(Wesleyan University Project)		
<b>+■ Indiana Development Finance Authority</b>			1.00%, 07/07/03	7,500	7,500
IDRB (Big Sky Park Project)			<b>■ St. Joseph County, Indiana</b>		
1.06%, 07/07/03	5,600	5,600	<b>+ Economic Development RB</b>		
IDRB (Cives Corp. Project)			(Pine Oaks Apartments Project) Series 1997A		
1.10%, 07/07/03	7,150	7,150	1.15%, 07/07/03	1,000	1,000
<b>Indiana Health Facility Financing Authority</b>			<b>+ Economic Development RB</b>		
RB (Ascension Health Credit Group) Series 2001A-2			Series 1997B		
1.83%, 07/03/03	25,000	25,000	1.15%, 07/07/03	3,430	3,430
<b>+►■ Indiana Hospital Equipment Financing Authority</b>			<b>► Educational Facilities RB</b>		
Insured RB Series 1985A			(University of Notre Dame)		
1.00%, 07/07/03	32,975	32,975	0.85%, 07/07/03	4,200	4,200
<b>►■ Indiana State HFA</b>			<b>+■ Saint Joseph County, Indiana Economical Development Authority</b>		
S/F Mortgage RB TOB Series 2000P			RB (Western Manor Project)		
1.15%, 07/07/03	7,370	7,370	1.15%, 07/07/03	2,130	2,130
TOB Series 1999A			<b>+►■ University of Southern Indiana Auxiliary System</b>		
1.13%, 07/07/03	9,995	9,995	RB Series 2001B		
			1.00%, 07/07/03	10,700	10,700

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Vigo County, Indiana</b>			<b>Kentucky 1.1%</b>		
Economic Development Revenue Bond (Sister's Providence Project)			<b>+■ Elizabethtown, Kentucky</b>		
1.10%, 07/07/03	3,500	3,500	IDRB (Aztec Project)		
			1.10%, 07/07/03	3,000	3,000
		<b>461,689</b>	<b>+■ Jefferson County, Kentucky</b>		
			M/F Housing Revenue		
			Refunding Bond RB (Camden Brookside Project)		
			1.05%, 07/07/03	8,900	8,900
			RB (University of Louisville Athletic Department)		
			1.10%, 07/07/03	4,400	4,400
			<b>+►■ Kentucky Higher Education</b>		
			<b>Student Loan Corp.</b>		
			Insured Student Loan RB Series		
			1991E		
			1.00%, 07/07/03	12,600	12,600
			Insured Student Loan RB Series		
			1996A		
			1.00%, 07/07/03	23,850	23,850
			<b>■ Kentucky Housing Corp.</b>		
			RB TOB Series 1998W		
			1.13%, 07/07/03	19,320	19,320
			TOB (Merlots) Series 2000U		
			1.13%, 07/07/03	9,685	9,685
			TOB (Merlots) Series 2002A-31		
			1.13%, 07/07/03	5,915	5,915
			<b>+►■ Louisville &amp; Jefferson Counties,</b>		
			<b>Kentucky Metropolitan Sewer</b>		
			<b>District</b>		
			TOB Series A		
			1.05%, 07/07/03	6,115	6,115
			<b>■ Louisville &amp; Jefferson County,</b>		
			<b>Kentucky Regional Airport</b>		
			<b>Authority</b>		
			Special Facilities RB (UPS Project) Series 1999C		
			0.90%, 07/01/03	29,800	29,800
			<b>+■ Murray, Kentucky</b>		
			IDRB Revenue Refunding Bond		
			(Dean Foods Co. Project)		
			1.10%, 07/07/03	6,000	6,000
			<b>+■ Richmond, Kentucky</b>		
			IDRB (Mikron Project)		
			1.10%, 07/07/03	7,175	7,175

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Wickliffe, Kentucky Pollution Control &amp; Solid Waste Disposal</b> Revenue Refunding Bond RB (Westvaco Corp. Project) 1.00%, 07/07/03	4,250	4,250	<b>Ouachita Parish, Louisiana</b> IDRB (Sulzer Escher Wyss, Inc. Project) 1.10%, 07/07/03	1,500	1,500
		<b>141,010</b>	<b>St. James Parish, Louisiana</b> Pollution Control Revenue Refunding TECP (Texaco Project) Series 1988A 1.05%, 07/09/03	36,500	36,500
<b>Louisiana 1.2%</b>			Pollution Control Revenue Refunding TECP (Texaco Project) Series 1988B 1.05%, 07/09/03	44,030	44,030
<b>Calcasieu Parish, Louisiana</b> IDRB (Weingarten Realty Project) 1.05%, 07/07/03	1,990	1,990		<b>158,315</b>	
<b>East Baton Rouge Parish, Louisiana Pollution Control</b> Revenue Refunding Bonds RB (Exxon Corp. Project) 0.85%, 07/01/03	12,000	12,000	<b>Maine 0.2%</b>		
<b>Lafayette Parish, Louisiana</b> IDRB (Westwood Village Project) 1.05%, 07/07/03	3,735	3,735	<b>Maine Finance Authority</b> RB (Jackson Laboratories) 1.04%, 07/07/03	6,000	6,000
<b>Lake Charles, Louisiana Harbor &amp; Terminal District</b> Dock & Wharf RB (Conoco, Inc. Project) 1.10%, 07/07/03	10,500	10,500	<b>Maine State</b> TAN 0.80%, 06/30/04	20,000	20,188
<b>Louisiana Public Facilities Authority</b> IDRB (Kenner Hotel LTD. Project) 0.90%, 07/01/03	6,900	6,900	<b>Maine State Housing Authority</b> Mortgage Purchase TOB Series 193 1.10%, 07/07/03	5,020	5,020
<b>Lease Purchase RB</b> 1.03%, 07/07/03	20,000	20,000		<b>31,208</b>	
<b>Louisiana State Offshore Terminal Authority</b> Revenue Refunding Bond (1st. Stage Loop, Inc.) 1.00%, 07/07/03	10,000	10,000	<b>Maryland 0.6%</b>		
Revenue Refunding Bond (Deepwater Port) Series 2003B 1.05%, 07/07/03	5,700	5,700	<b>Anne Arundel County, Maryland</b> TECP Series A 1.00%, 10/07/03	5,000	5,000
<b>New Orleans, Louisiana Aviation Board</b> RB Series 1993B 1.05%, 07/07/03	5,460	5,460	TECP Series B 1.00%, 10/08/03	5,000	5,000
			<b>Baltimore County, Maryland Consolidated Public Improvement</b> TECP 1.05%, 07/07/03	20,000	20,000
			<b>Maryland State Community Housing Development Administration Department</b> S/F Mortgage Revenue TOBP (PA-634) 1.08%, 07/07/03	5,105	5,105
			TOB Series 1999G 1.13%, 07/07/03	32,335	32,335

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Maryland State Economic Development Corp.</b>			<b>■ RB (Brandon Residential Treatment)</b>		
Economic Development RB (Hunter Douglas Project)			1.00%, 07/07/03	2,355	2,355
1.05%, 07/07/03	3,400	3,400	<b>■ RB (Fiba Technologies) TECP</b>		
IDRB (Dixon Valve Project)			1.05%, 07/07/03	2,200	2,200
1.15%, 07/07/03	2,225	2,225	0.95%, 10/08/03	2,750	2,750
<b>+■ Maryland State Emery Financing Administration</b>			<b>■ Massachusetts State Health &amp; Educational Facilities Authority</b>		
Limited Obligation Local District			<b>+■ RB (Capital Assets Program)</b>		
RB (Comfort Link Project)			Series 1985D		
1.05%, 07/07/03	10,000	10,000	0.90%, 07/01/03	25,900	25,900
		<b>83,065</b>	RB (Harvard University) Series 2000BB		
<b>Massachusetts 2.7%</b>			1.05%, 07/07/03	41,800	41,800
<b>Ayer, Massachusetts</b>			RB (Harvard University) Series 2000Y		
BAN			0.85%, 07/07/03	32,000	32,000
0.89%, 06/24/04	5,000	5,027	RB (Massachusetts Institute of Technology) Series 2001J-1		
<b>Douglas, Massachusetts</b>			0.95%, 07/07/03	15,700	15,700
BAN			RB (Massachusetts Institute of Technology) Series 2001J-2		
1.12%, 04/07/04	14,000	14,094	0.85%, 07/07/03	22,800	22,800
<b>Massachusetts Bay Transportation Authority</b>			RB (Partners Healthcare Systems) Series 2003D-6		
Revenue Refunding Bond (General Transportation System Project) Series 1993A			0.95%, 07/01/03	4,200	4,200
1.11%, 03/01/04	1,000	1,027	RB (Williams College) Series 2003I		
<b>+■ TOBP (PT-1218)</b>			1.10%, 04/01/04	20,400	20,400
0.96%, 07/07/03	9,000	9,000	<b>► RB TOB Series 2002D</b>		
<b>► Massachusetts State</b>			1.00%, 07/07/03	1,510	1,510
<b>+■ GO TOB Series 2001O</b>			<b>Massachusetts State HFA</b>		
1.00%, 07/07/03	2,785	2,785	<b>+■ RB Series 2003F</b>		
<b>■ Revenue Refunding Bond Series 2001C</b>			0.95%, 07/07/03	3,500	3,500
1.10%, 07/07/03	9,200	9,200	S/F Housing BAN Series 2003M		
TECP			1.15%, 05/01/04	10,000	10,000
0.85%, 08/04/03	56,000	56,000	<b>► Massachusetts State Industrial Finance Agency</b>		
<b>+ Massachusetts State Development Finance Agency</b>			RB (Whitehead Institute BioMed Research Project)		
<b>■ RB (Assumption College) Series 2002A</b>			0.90%, 07/07/03	5,000	5,000
0.99%, 07/07/03	6,600	6,600	<b>+■ Massachusetts State Turnpike Authority</b>		
<b>► RB (Boston University) Series 2002R-3</b>			Metropolitan Highway System		
1.05%, 07/07/03	10,000	10,000	RB TOB Series 335		
			0.98%, 07/07/03	10,000	10,000



Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>■ Massachusetts State Water Pollution Abatement Trust</b> TOB (Merlots) Series 1999N 1.04%, 07/07/03	1,500	1,500	<b>➔■ Detroit, Michigan Water Supply System</b> Refunding Revenue Bond (Senior Lien) Series 2003D 1.00%, 07/07/03	21,900	21,900
<b>➔■ Route 3 North Massachusetts Transportation Improvement Association</b> Lease RB Series 2002B 0.90%, 07/07/03	24,950	24,950	<b>■ Georgetown Township, Michigan Economic Development Corp.</b> Limited Obligation RB (Sunset Manor, Inc. Project) 1.08%, 07/07/03	9,180	9,180
<b>Woburn, Massachusetts</b> BAN 0.95%, 06/11/04	7,850	7,909	<b>■ Grand Rapids, Michigan Economic Development Corp.</b> RB (Amway Hotel Corp. Project) Series 1991A 1.04%, 07/07/03	8,755	8,755
<b>✚ Worcester, Massachusetts Regional Transportation Authority</b> RAN 0.88%, 06/30/04	6,000	6,037	<b>■ Macomb County, Michigan Hospital Finance Authority</b> Hospital Revenue Refunding Bond (Mt. Clemens General) Series 2003A-2 0.98%, 07/01/03 1.00%, 07/01/03	5,000 9,200	5,000 9,200
		<b>354,244</b>	<b>Michigan State</b> GO 1.00%, 09/30/03	175,000	175,214
<b>Michigan 5.0%</b> <b>■ Allen Park, Michigan Public School District</b> TOB Series 229 1.05%, 07/07/03	6,410	6,410	<b>✚ Michigan State Building Authority</b> TECP 1.05%, 08/28/03	55,500	55,500
<b>✚ Ann Arbor, Michigan Economic Development Corp.</b> Limited Obligation RB (Glacier Hills, Inc. Project) Series 2000A 1.08%, 07/07/03 Limited Obligation RB (Glacier Hills, Inc. Project) Series 2000B 1.08%, 07/07/03	13,245 9,325	13,245 9,325	<b>Michigan State HDA</b> RB Series D 1.40%, 12/01/03	17,000	17,000
<b>➔■ Detroit, Michigan City School District</b> GO TOB Series 2002A 1.06%, 07/07/03	4,620	4,620	<b>➔■ TOBP (PT-556)</b> 1.08%, 07/07/03	3,630	3,630
<b>➔■ Detroit, Michigan Sewage Disposal System</b> RB TOB Series 1999A 1.05%, 07/07/03 RB TOB Series 2002G 1.06%, 07/07/03	34,650 4,260	34,650 4,260	<b>✚ Michigan State Hospital Finance Authority</b> RB (Martin Luther Memorial Home Inc. Project) 1.05%, 07/07/03	7,925	7,925
			<b>■ Michigan State Strategic Fund</b> Limited Obligation RB (Advance Plastics Corp.) 1.20%, 07/07/03 Limited Obligation RB (American Cancer Society Great Lakes) 1.05%, 07/07/03	2,130 4,670	2,130 4,670

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Limited Obligation RB (EPI Printers, Inc. Project) 1.20%, 07/07/03	1,200	1,200	<b>Minnesota 2.1%</b>		
Limited Obligation RB (Mans Project) 1.14%, 07/07/03	840	840	<b>►► Bloomington, Minnesota Port Authority</b>		
Limited Obligation RB (Mechanics Uniform Rental Project) 1.20%, 07/07/03	1,000	1,000	Special Tax Revenue Refunding Bond RB (Mall of America Project) Series 1999B 1.10%, 07/07/03	9,300	9,300
Limited Obligation RB (Orchestra Place Renewal Project) 1.14%, 07/07/03	15,000	15,000	<b>►► Dakota County, Minnesota Community Development Agency</b>		
Limited Obligation RB (United Machining Project) 1.20%, 07/07/03	5,000	5,000	S/F RB TOBP (PT-627) 1.13%, 07/07/03	7,245	7,245
Limited Obligation RB Series 1998B (Mans Project) 1.20%, 07/07/03	1,415	1,415	<b>► Eden Prairie, Minnesota</b>		
<b>►► Michigan State Trunk Line</b>			M/F Housing RB (Leased Housing Associates) Series 2003A 1.15%, 07/07/03	6,000	6,000
Revenue Refunding TOB Series 1998A 1.06%, 07/07/03	46,666	46,666	<b>■ Hennepin County, Minnesota</b>		
<b>► Oakland County, Michigan</b>			Unlimited GO Series 1996C 1.15%, 07/07/03	2,650	2,650
<b>Economic Development Corp.</b>			<b>► Hennepin County, Minnesota</b>		
Limited Obligation RB (Husky Envelope Products, Inc. Project) 1.20%, 07/07/03	2,620	2,620	<b>Housing &amp; Redevelopment Authority</b>		
Limited Obligation RB (Pontiac Vision Schools Project) 1.05%, 07/07/03	10,200	10,200	M/F Housing RB (City Apartments at Loring Park) 1.10%, 07/07/03	2,600	2,600
<b>►► Wayne Charter County,</b>			M/F Housing Revenue Refunding Bond RB (Stone Arch Apartments Project) 1.05%, 07/07/03	2,800	2,800
<b>Michigan Airport</b>			<b>► Mendota Heights, Minnesota</b>		
RB (Detroit Metropolitan Wayne County Airport Project) 1.02%, 07/07/03	87,500	87,500	IDRB (Dakota Business Plaza Project) 1.30%, 07/07/03	2,300	2,300
RB (Detroit Metropolitan Wayne County Airport Project) Series 1996B 0.98%, 07/07/03	41,505	41,505	<b>► Minneapolis St. Paul Metropolitan Airports Commission</b>		
RB (Detroit Metropolitan Wayne County Airport Project) Series 2002A 0.98%, 07/07/03	52,900	52,900	RB Series 2000B 1.35%, 01/01/04	2,875	2,934
			TECP 0.95%, 08/06/03	15,400	15,400
			1.00%, 09/03/03	24,500	24,500
			<b>■ TOBP (PT-735)</b>		
			1.11%, 07/07/03	5,225	5,225
		<b>658,460</b>			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Minnesota School District</b> COP (Tax & Aid Anticipation Borrowing Program) 1.47%, 08/20/03	42,745	42,790	<b>+■ Mississippi Business Financial Corp.</b> IDRB (Electric Mills Wood Project) 1.15%, 07/07/03	5,000	5,000
<b>+■ Minnesota State</b> Agriculture & Economic Development RB (Evangelical Lutheran Project) 1.10%, 07/07/03	7,500	7,500	IDRB (Omega Motion Project) 1.10%, 07/07/03	5,000	5,000
<b>■ Minnesota State HFA</b> Residential Housing RB Series 2001B 1.35%, 08/28/03	30,600	30,600	IDRB (VC Regional Assembly & Manufacturing Project) 1.05%, 07/07/03	8,110	8,110
Residential Housing RB Series 2001C 1.35%, 08/28/03	10,000	10,000	<b>+►■ Mississippi Development Bank</b> Special Obligation TOBP (PT-520) 1.03%, 07/07/03	38,365	38,365
S/F Housing RB Series 2001D 1.35%, 08/28/03	19,920	19,920	<b>+■ Mississippi Hospital Equipment &amp; Facilities Authority</b> RB (Baptist Memorial Hospital Project) 1.01%, 07/07/03	16,870	16,870
<b>+■ Minnesota State Higher Education Facilities Authority</b> RB (St. Thomas University Project) Series 5-L 1.05%, 07/07/03	4,000	4,000	<b>►■ Mississippi State</b> GO Refunding Bond TOB 1.05%, 07/07/03	14,880	14,880
RB (University of St. Thomas Project) 1.05%, 07/07/03	9,700	9,700	<b>+►■ Mississippi State HFA</b> S/F TOB Series 1997G 1.13%, 07/07/03	8,440	8,440
<b>Rochester, Minnesota Health Care Facilities</b>					<b>104,465</b>
<b>►■ RB TOB Series 177</b> 1.04%, 07/07/03	7,130	7,130	<b>Missouri 0.2%</b>		
TECP 1.00%, 08/21/03	1,500	1,500	<b>+■ Clay County, Montana</b> IDRB (KC Salad Real Estate Project) 1.14%, 07/07/03	1,800	1,800
► 1.05%, 08/21/03	46,000	46,000	<b>+■ Missouri State Development Finance Board</b> IDRB (Milbank Manufacturing Co. Project) 1.25%, 07/07/03	3,000	3,000
1.05%, 08/21/03	18,550	18,550	<b>+■ Missouri State Health and Educational Facilities Authority</b> Health Facilities RB (National Benevolent Association Project) 1.05%, 07/07/03	2,640	2,640
<b>+■ St. Louis Park, Minnesota</b> M/F Housing RB (At the Park Project) Series 2002A 1.15%, 07/07/03	3,300	3,300			
		<b>281,944</b>			
<b>Mississippi 0.8%</b>					
<b>■ Jackson County, Mississippi</b> Pollution Control Revenue Refunding Bond (Chevron U.S.A., Inc. Project) 0.90%, 07/01/03	7,800	7,800			

**Portfolio Holdings** continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ × 1,000)	Mkt. Value (\$ × 1,000)
+■ St. Louis, Missouri	IDRB (Kessler Container Project) 1.10%, 07/07/03	2,200	2,200
▲ St. Louis, Missouri General Fund	TRAN 0.86%, 06/25/04	10,000	10,111
+■ Washington, Missouri	IDRB (Pauwels Transformer Project) 1.28%, 07/07/03	3,000	3,000
			<hr/> 22.751

Montana 0.1%

**Montana State Health Facility  
Authority**

RB (Health Care Pooled Loan Program Project) Series 1985A	0.95%, 07/07/03	5,155	<b>5,155</b>
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Nebraska 0.3%

### **+ Dodge County, Nebraska**

IDRB (Oilgear Project)	1.24%, 07/07/03	1,390	1,390
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**+■ Lancaster County, Nebraska**  
**Hospital Authority No. 1**  
RB (Bryan Leigh Medical Center  
Project)

1.05%, 07/01/03	3,500	3,500
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**Nebraska Investment Finance Authority**

S/F Housing RB (Merlot) TOB		
Series 20000		
1.13%, 07/07/03	2,985	2,985

S/F Housing RB TOB Series			
1998X			
1.13%, 07/07/03	10,735	10,735	

### **+■ Stanton County, Nebraska**

IDRB (Nucor Corp. Project)		
1.13%, 07/07/03	19,300	19,300
		<u>37,910</u>

Issuer

Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Nevada 1.5%

## Clark County, Nevada

<b>+■ Economic Development RB</b>			
(University of Nevada Las Vegas Project)			
1.00%, 07/07/03	560	560	

+■ IDR B (Southwest Gas Corp. Project) Series 2003A 1.10%, 07/07/03		<b>12,500     12,500</b>
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<b>+■ TOB Series 801</b>		
1.04%, 07/07/03	7,468	7,468

### Clark County, Nevada Airport

Improvement RB (System Subordinate Lien) Series 1995A2	1.02%, 07/07/03	1,200	1,200
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Sub Lien RB Series 1999B1		
0.98%, 07/07/03	47,960	47,960

<b>+■ Sub Lien RB Series 2001C</b>		
0.90%, 07/07/03	10,000	10,000

### ✚ Clark County, Nevada Highway Motor Vehicle Fuel Tax

Motor Vehicle Fuel Tax			
TECP			
1.05%, 08/21/03	6.700	6.700	

## Clark County Nevada School District

TOB Series 2001F		
1.06%, 07/07/03	21,715	21,715

**+■ Nevada Housing Division**

M/F Housing RB (Apache Pines Apartments Project) Series 1999A		
1.00%, 07/07/03	7415	7415

M/F Housing RB Series		
1989A		
0.95%, 07/07/03	5,100	5,100

Multi-Unit Housing RB (Banbridge Apartment Project) Series 2000A		
1.00%, 07/07/03	3,960	3,960

Multi-Unit Housing RB (City  
Center Project) Series  
2000A

1.00%, 07/07/03	9,350	9,350
Multi-Unit Housing RB		

(Oakmont Project)		
1.00%, 07/07/03	4,350	4,350

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Multi-Unit Housing RB (Reno Apartments Project) Series 2002A 1.00%, 07/07/03	17,850	17,850	<b>+■ New Jersey Economic Development Authority</b> RB (Catholic Community Services Project) 0.95%, 07/07/03	50	50
Multi-Unit Housing RB (Silver Pines Apartments) Series 2002A 0.95%, 07/07/03	5,400	5,400	<b>+►■ New Jersey Sports &amp; Exposition Authority</b> RB Series 1992C 1.00%, 07/07/03	11,000	11,000
Multi-Unit Housing RB (St. Rose Apartments Project) Series 2002A 1.00%, 07/07/03	14,770	14,770	<b>+►■ New Jersey State Transit Corp.</b> TOB (Certificates) Series 2000-148 0.95%, 07/07/03	2,305	2,305
Multi-Unit Housing RB Series 2003A 1.00%, 07/07/03	5,150	5,150	<b>Woodbridge Township, New Jersey</b> BAN 1.50%, 07/08/03 1.52%, 07/08/03	7,000 23,000	7,002 23,003
<b>+►■ Washoe County, Nevada</b> GO TOB 1.06%, 07/07/03	21,000	21,000			
		<b>202,448</b>			<b>60,445</b>
<b>New Hampshire 0.4%</b>			<b>New Mexico 0.3%</b>		
<b>+►■ New Hampshire Health &amp; Education Facilities Authority</b> RB (Dartmouth Hitchcock Obligation) Series 2001A 0.95%, 07/07/03	9,000	9,000	<b>+►■ New Mexico Mortgage Finance Authority</b> TOBP (PT-646) 1.13%, 07/07/03 TOBP (PT-709) 1.13%, 07/07/03	4,220 12,565	4,220 12,565
<b>+■ New Hampshire State Business Finance Authority</b> Solid Waste Disposal RB (Lonza Biologics, Inc. Project) 1.10%, 07/07/03	30,000	30,000	<b>+■ Santa Fe, New Mexico Gross Receipts Tax</b> Wastewater Systems RB Series 1997B 1.04%, 07/07/03	16,800	16,800
<b>+►■ New Hampshire State HFA</b> S/F Revenue TOB Series 1998G 1.13%, 07/07/03 S/F Revenue TOB Series 1998U 1.13%, 07/07/03	3,635 9,995	3,635 9,995			<b>33,585</b>
		<b>52,630</b>	<b>New York 5.5%</b>		
<b>New Jersey 0.5%</b>			<b>+■ Dutchess County, New York</b> IDRB (Trinity Pawling School Corp. Project) 0.95%, 07/07/03	1,725	1,725
<b>East Brunswick Township, New Jersey</b> BAN 1.10%, 02/27/04	16,985	17,085	<b>+■ Long Island, Power Authority New York</b> Electric System RB Series 1998-2B 0.85%, 07/01/03	10,500	10,500

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶ Electric System RB TOB Series 1998A 1.01%, 07/07/03	10,970	10,970	<b>New York City Transitional Finance Authority, New York BAN</b> 1.05%, 11/06/03	8,500	8,542
<b>Metropolitan Transportation Authority, New York</b>			BAN Series 2 1.10%, 02/19/04	50,000	50,284
▶ RB (Dedicated Tax Fund) Series 2002B 0.95%, 07/07/03	4,000	4,000	▶ Future Tax Secured RB Series 2001B 0.95%, 07/01/03	1,200	1,200
RB Series 2002F 1.50%, 11/15/03	15,900	15,989	■ Future Tax Secured TOB Series 1999B 1.04%, 07/07/03	14,790	14,790
<b>Nassau County Interim Finance Authority, New York</b>			▶ RB Subseries 2002-2A 0.95%, 07/01/03	11,500	11,500
BAN Series 2002B-2 1.15%, 09/11/03	21,920	21,967	▶ RB Subseries 2D 0.95%, 07/07/03	11,200	11,200
▶ <b>New York City, New York</b>			▶ TOBP (PT-1724) 1.01%, 07/07/03	4,640	4,640
GO Subseries 1993E-3 0.85%, 07/01/03	6,400	6,400	▶ <b>New York State Dormitory Authority</b>		
▶ GO Subseries 1994H-3 0.85%, 07/01/03	2,000	2,000	RB TOB Series 15 0.90%, 12/17/03	20,000	20,000
▶ GO Series 1994H-3 0.85%, 07/01/03	4,100	4,100	▶ <b>New York State Energy Research &amp; Development Authority</b>		
▶ GO Subseries C-3 0.90%, 07/07/03	10,000	10,000	Gas Facilities RB TOB Series 379 1.00%, 07/07/03	1,570	1,570
▶ GO TOB (Merlot) Series 1997C 1.04%, 07/07/03	17,825	17,825	Pollution Control Revenue Refunding Bond RB (Orange & Rockland Utilities, Inc. Project) Series 1994A 0.85%, 07/07/03	19,000	19,000
TOB Subseries 2003G-2 0.90%, 07/07/03	5,500	5,500	▶ <b>New York State HFA</b>		
▶ <b>New York City Municipal Water Finance Authority, New York</b>			RB (101 West End Project) 0.90%, 07/07/03	67,250	67,250
TECP Series 6 1.07%, 07/17/03	23,800	23,800	RB (150 East 44th Street Project) Series 2000A 0.90%, 07/07/03	3,420	3,420
▶ Water & Sewer System RB Series 1993C 0.90%, 07/01/03	5,400	5,400	RB (345 East 94th Street Housing Project) 0.90%, 07/07/03	7,300	7,300
▶ Water & Sewer System RB Series 1994G 0.85%, 07/01/03	5,000	5,000	RB (East 84th Street Housing Project) Series 1995A 1.15%, 07/07/03	5,100	5,100
■ Water & Sewer System RB Subseries 2003C-3 0.85%, 07/01/03	24,050	24,050	RB (Union Square South Housing Project) 1.00%, 07/07/03	21,800	21,800
■ Water & Sewer System RB Subseries 2003F-2 0.95%, 07/01/03	1,500	1,500			
▶ Water & Sewer System RB TOB Series 158 1.00%, 07/07/03	9,995	9,995			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
RB (West 23rd Street) 1.00%, 07/07/03	46,000	46,000	<b>North Carolina 1.6%</b>		
RB Series 1997A 1.00%, 07/07/03	27,100	27,100	<b>+■ Burke County, North Carolina Industrial Facilities &amp; Pollution Control Financing Authority</b>		
Service Contract Revenue Refunding Bond Series 2003D 0.90%, 07/07/03	16,500	16,500	IDRB (Bauer Industries, Inc. Project) 1.15%, 07/07/03	2,455	2,455
<b>■ New York State Mortgage Agency</b>			<b>+■ Durham, North Carolina Housing Authority</b>		
RB Series 2000K 1.00%, 07/07/03	5,000	5,000	M/F Housing RB (Pendleton Townhomes Project) 1.05%, 07/07/03	5,490	5,490
RB TOB Series 1999H 1.00%, 07/07/03	14,995	14,995	<b>+■ Fayetteville, North Carolina Public Works Commission</b>		
TOB Series 1999F 1.00%, 07/07/03	10,700	10,700	Revenue Refunding Bond 0.90%, 07/07/03	6,400	6,400
<b>■ New York State Power Authority</b>			<b>+■ Forsyth County, North Carolina Industrial Facilities &amp; Pollution Control Financing Authority</b>		
TECP 0.90%, 08/14/03	48,000	48,000	RB (Plymouth Printing Project) 1.15%, 07/07/03	1,400	1,400
TECP Series 2 1.08%, 08/07/03	34,700	34,700	<b>+■ Gates County, North Carolina Industrial Facilities &amp; Pollution Control Financing Authority</b>		
<b>Port Authority of New York &amp; New Jersey</b>			IDRB (Coxe-Lewis Project) 1.20%, 07/07/03	1,315	1,315
BAN Series 2003VV 1.03%, 12/15/03	17,600	17,609	<b>+■ Guilford County, North Carolina Industrial Facilities &amp; Pollution Control Financing Authority</b>		
1.12%, 12/15/03	50,000	50,006	RB (Neal Manufacturing Project) 1.10%, 07/07/03	1,800	1,800
<b>+■ Special Obligation RB TOB</b>			RB (Vitafoam, Inc. Project) 1.10%, 07/07/03	5,000	5,000
1.01%, 07/07/03	4,345	4,345	<b>■ Hertford County, North Carolina Industrial Facilities &amp; Pollution Control Financing Authority</b>		
<b>+■ Triborough Bridge &amp; Tunnel Authority, New York</b>			IDRB (Nucor Corp. Project) 1.08%, 07/07/03	17,500	17,500
General Purpose RB Series 2001B 0.90%, 07/07/03	12,000	12,000	IDRB (Nucor Corp. Project) Series 2000A 1.13%, 07/07/03	26,500	26,500
<b>+■ Westchester County, New York IDA</b>			<b>+■ Johnston County, North Carolina Industrial Facilities &amp; Pollution Control Financing Authority</b>		
RB (Levister Redevelopment Co., LLC) Series A 0.90%, 07/07/03	1,000	1,000	RB (Flanders Corp. Project) 1.10%, 07/07/03	4,500	4,500
<b>+■ Yonkers, New York Civic Facilities</b>					
IDRB (Consumers Union Facility Project) Series 1994 1.05%, 07/07/03	460	460			
		<b>716,732</b>			

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>■ Mecklenburg County, North Carolina</b> GO Series 2003B 1.00%, 07/07/03	7,000	7,000	<b>+■ Sampson County, North Carolina</b> <b>Industrial Facilities &amp; Pollution Control Financing Authority</b> IDRB (Crumpler Plastic Project) 1.15%, 07/07/03	3,700	3,700
<b>+■ North Carolina Capital Facilities Finance Agency</b> Capital Facilities RB (Durham Academy Project) 1.00%, 07/07/03	23,400	23,400	<b>+■ Union County, North Carolina</b> <b>Industrial Facilities &amp; Pollution Control Financing Authority</b> RB (Rock-Tenn Converting County Project) 1.05%, 07/07/03	1,750	1,750
<b>■ North Carolina Educational Facilities Finance Agency</b> RB (Davidson College) Series 2000B 1.00%, 07/07/03	19,000	19,000	<b>■ Wake County, North Carolina</b> Public Improvement GO Series 2003B 1.09%, 04/01/04	8,000	8,039
<b>+ RB (High Point University Project)</b> 1.00%, 07/07/03	4,810	4,810	<b>+■ Wake County, North Carolina</b> <b>Housing Authority</b> M/F Housing RB (Walnut Ridge Apartments Project) 1.05%, 07/07/03	10,075	10,075
<b>+ RB (Queens College) Series 1999B</b> 1.00%, 07/07/03	5,975	5,975	<b>+■ Wilmington, North Carolina</b> <b>Housing Authority</b> M/F Housing RB (Garden Lake Estates Project) 1.05%, 07/07/03	7,215	7,215
<b>■ North Carolina HFA</b> TOB Series 1998L 1.65%, 07/10/03	12,000	12,000			<b>212,274</b>
<b>+■ North Carolina Medical Care Community Hospital</b> RB (Pooled Equipment Financing Project) 0.90%, 07/07/03	20,000	20,000			
<b>■ North Carolina State</b> Revenue Refunding Bond GO Series 2002E 0.95%, 07/07/03	10,200	10,200	<b>North Dakota 0.1%</b>		
Revenue Refunding Bond RB Series 2002B 0.90%, 07/07/03	550	550	<b>+■ Richland County, North Dakota</b> Solid Waste Disposal RB (Minn-Dak Farmers Co-Op Project) Series 1986B 1.25%, 07/07/03	740	740
<b>+■ Rockingham County, North Carolina Industrial Facilities &amp; Pollution Control Financing Authority</b> IDRB (McMichael Mills Project) 1.10%, 07/07/03	2,100	2,100	Solid Waste Disposal RB (Minn-Dak Farmers Co-Op Project) Series 1996A 1.25%, 07/07/03	8,080	8,080
<b>+■ Rowan County, North Carolina Industrial Facilities Pollution Control Financing Authority</b> IDRB (Taylor-Clay Products Project) 1.10%, 07/07/03	4,100	4,100			<b>8,820</b>
			<b>Ohio 1.2%</b>		
			<b>+■ Cleveland, Ohio Airport System</b> RB Series 1997D 0.98%, 07/07/03	32,275	32,275



Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Cuyahoga County, Ohio</b> Economic Development RB (Hathaway Brown School Project) 1.05%, 07/07/03	14,650	14,650	<b>Oklahoma 1.1%</b>		
<b>+►■ Hamilton County, Ohio</b> Sales Tax RB TOB Series 202 1.05%, 07/07/03	14,410	14,410	<b>+■ Broken Bow, Oklahoma Economic Development Authority</b> Solid Waste Disposal RB (J M Huber Project) Series 2003A 1.05%, 07/07/03	7,500	7,500
<b>+►■ Hamilton, Ohio</b> Electric System RB Series 2002A 0.98%, 07/07/03	27,000	27,000	<b>+■ Muldrow, Oklahoma Public Works Authority</b> IDRB (Oklahoma Foods Project) 1.30%, 07/07/03	5,500	5,500
<b>+■ Ohio Air Quality Development Authority</b> RB (JMG Funding, LP) Series 1994A 1.02%, 07/07/03	16,400	16,400	<b>+■ Oklahoma County, Oklahoma Industrial Authority</b> RB (National Cowboy Hall of Fame Project) 1.00%, 07/07/03	1,160	1,160
RB (Limited Partnership Project) Series 1994B 1.10%, 07/07/03	14,400	14,400	<b>+■ Oklahoma Development Finance Authority</b> RB (Shawnee Funding, Ltd.) 1.05%, 07/07/03	3,100	3,100
<b>Ohio State</b> Major New State Infrastructure RB 0.85%, 06/15/04	6,400	6,592	<b>►■ Oklahoma HFA</b> S/F Housing RB TOBP (PT-360) 1.08%, 07/07/03	5,250	5,250
<b>►■ Ohio State HFA</b> Mortgage RB TOB 1.10%, 07/07/03	7,060	7,060	<b>+►■ Oklahoma State Student Loan Authority</b> RB Series 1996A 1.00%, 07/07/03	32,580	32,580
Mortgage RB TOB Series 2000AA 1.13%, 07/07/03	4,475	4,475	RB Series 1997A 1.03%, 07/07/03	33,000	33,000
Mortgage RB TOBP (PA-806) 1.08%, 07/07/03	410	410	RB Series 1998A 1.03%, 07/07/03	33,100	33,100
<b>+ Ohio State Water Development Authority</b> Revenue Refunding Bond (Pure Water Development Project) 1.10%, 12/01/03	4,500	4,554	RB Series 2000A-4 1.03%, 07/07/03	20,945	20,945
<b>+■ Port of Greater Cincinnati, Ohio Development Authority</b> RB (National Underground Railroad) Series 2003RA 1.05%, 07/07/03	15,000	15,000	<b>+■ Tulsa, Oklahoma Industrial Authority</b> Hospital RB (YMCA of Greater Tulsa Project) 1.00%, 07/07/03	2,600	2,600
		<b>157,226</b>			<b>144,735</b>

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Oregon 0.9%</b>			<b>+■ Cambria County, Pennsylvania</b>		
<b>+■ Gilliam County, Oregon</b>			IDRB Resource Recovery (Cambria Cogen Co. Project)		
Solid Waste Disposal RB (Waste Management Project) Series 2000A			1.05%, 07/07/03	74,750	74,750
1.05%, 07/07/03	10,000	10,000	IDRB Resource Recovery (Cambria Cogen Co. Project)		
			1.30%, 07/07/03	32,105	32,105
<b>+■ Oregon State Economic Development</b>			<b>+►■ Central Bucks, Pennsylvania School District</b>		
IDRB			GO Series 2000A		
1.00%, 07/07/03	4,100	4,100	1.05%, 07/07/03	1,650	1,650
RB (Kettle Foods Project) Series 186			<b>+■ Chester County, Pennsylvania</b>		
1.10%, 07/07/03	5,260	5,260	<b>Health &amp; Education Facilities Authority</b>		
RB (Pendleton Flour Mills Project)			RB (Simpson Meadows Project)		
1.10%, 07/07/03	4,845	4,845	1.00%, 07/07/03	930	930
<b>+■ Oregon State Health, Housing, Educational &amp; Cultural Facilities Authority</b>			<b>+■ Clarion County, Pennsylvania IDA</b>		
RB (Quatama Crossing Housing Project)			IDRB Energy Development (Piney Creek Project)		
1.00%, 07/07/03	4,600	4,600	0.98%, 07/07/03	465	465
<b>Oregon State Housing &amp; Community Services Department</b>			<b>+►■ Dauphin County, Pennsylvania</b>		
S/F Mortgage RB Series 2002Q			<b>General Authority</b>		
1.35%, 12/23/03	27,500	27,500	RB (Education & Health Loan Program)		
<b>+■ Port of Portland, Oregon</b>			1.06%, 07/07/03	7,785	7,785
Special Obligation RB (Portland Bulk Terminals Limited Liability Corp. Project)			<b>+►■ Delaware River Port Authority of Pennsylvania &amp; New Jersey</b>		
1.05%, 07/07/03	32,500	32,500	RB TOBP (PA-606)		
<b>Portland, Oregon</b>			1.01%, 07/07/03	3,250	3,250
<b>+■ M/F Housing RB (Village of Lovejoy Fountain)</b>			<b>+►■ Delaware Valley, Pennsylvania</b>		
1.10%, 07/07/03	8,500	8,500	<b>Regional Finance Authority</b>		
<b>▲ TAN</b>			Local Government RB TOB Series 2001J		
0.83%, 06/29/04	22,165	22,420	1.06%, 07/07/03	14,510	14,510
		<b>119,725</b>	<b>+►■ Erie County, School District</b>		
			GO TOB (Munitops Certificates) Series 2001-1B		
			1.10%, 10/08/03	15,845	15,845
			<b>+►■ Emmaus, Pennsylvania General Authority</b>		
			RB		
			1.00%, 07/07/03	1,725	1,725
			<b>+■ Harrisburg, Pennsylvania</b>		
			<b>Authority</b>		
			RB		
			1.38%, 07/07/03	8,380	8,380
<b>Pennsylvania 7.6%</b>					
<b>+■ Bucks County, Pennsylvania</b>					
IDRB (Schuman & Sons Project)					
1.15%, 07/07/03	165	165			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>➔■ Harrisburg, Pennsylvania Water Authority</b> RB Series 2002B 1.05%, 07/07/03	2,500	2,500	<b>➔■ Northampton County, General Purpose Authority, Pennsylvania</b> RB TOB Series 2002-2 1.13%, 12/03/03	6,995	6,995
<b>■ Lancaster County, Pennsylvania Hospital Authority</b> Health Center RB (Brethren Village Project) 1.05%, 07/07/03	4,100	4,100	<b>■ Northampton County IDA, Pennsylvania</b> IDRB (Binney & Smith) Series 2002A 1.10%, 07/07/03	3,250	3,250
▶ Health Center RB (Masonic Homes Project) 1.00%, 07/07/03	17,435	17,435	IDRB (Binney & Smith) Series 2002B 1.10%, 07/07/03	870	870
<b>➔■ Mercer County, Pennsylvania</b> GO TOB (Munitops Certificates) Unlimited Series 2001-18 1.04%, 07/07/03	5,400	5,400	<b>➔■ Pennsylvania Convention Center Authority</b> RB TOBP (PT-1224) 0.99%, 07/07/03	3,900	3,900
<b>■ Montgomery County, Pennsylvania Higher Education &amp; Health Authority</b> RB (Madlyn & Leonard Abramson Project) 1.00%, 07/07/03	2,300	2,300	<b>■ Pennsylvania Energy Development Authority</b> RB (B&W Ebensburg Project) 0.98%, 07/07/03	22,990	22,990
<b>■ Montgomery County, Pennsylvania IDA</b> ■ IDRB (Friends Central School Project) 1.03%, 07/07/03	8,000	8,000	RB (Piney Creek Project) Series 1986A 0.98%, 07/07/03	24,035	24,035
Pollution Control Revenue Refunding TECP 1.05%, 08/18/03	27,160	27,160	RB (Piney Creek Project) Series 1986C 0.98%, 07/07/03	4,155	4,155
1.05%, 08/21/03	9,200	9,200	<b>■ Pennsylvania HFA</b> RB TOB Series 1998Y 1.20%, 09/25/03	8,095	8,095
1.08%, 09/05/03	9,530	9,530	S/F Mortgage RB TOBP (PT-119A) Series 1997 0.99%, 07/07/03	395	395
<b>■ Montgomery County, Pennsylvania Redevelopment Authority</b> M/F Housing RB (Brookside Manor Apartments) Series 2001A 0.85%, 07/07/03	8,210	8,210	S/F Mortgage TOBP (P-1055) 1.03%, 07/07/03	3,895	3,895
M/F Housing RB (Glenmore Association) 1.05%, 07/07/03	3,750	3,750	TOB Series 1999U 1.20%, 08/14/03	24,710	24,710
M/F Housing RB (Kingswood Apartments Project) Series 2001A 0.85%, 07/07/03	1,205	1,205	<b>■ Pennsylvania Higher Education Assistance Agency</b> RB (Ursinus College) 1.05%, 07/07/03	3,200	3,200
			▶ Student Loan RB Series 1984A 1.05%, 07/07/03	27,500	27,500
			▶ Student Loan RB Series 1988A 1.00%, 07/07/03	72,700	72,700

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶ Student Loan RB Series 1988B 1.00%, 07/07/03	24,300	24,300	✦ Exempt Facilities RB (Reliant Energy Seward, LLC Project) Series 2002B 1.15%, 07/07/03	18,000	18,000
▶ Student Loan RB Series 1994A 1.00%, 07/07/03	31,000	31,000	RB (Merck & Co., Inc. West Point Project) 1.05%, 07/07/03	2,300	2,300
▶ Student Loan RB Series 1997A 1.05%, 07/07/03	23,900	23,900	✦▶ <b>Pennsylvania State Public School Building Authority</b> RB Series 1999D 1.05%, 07/07/03	6,900	6,900
▶ Student Loan RB Series 1999A 0.98%, 07/07/03	6,200	6,200	▶ <b>Pennsylvania State Turnpike Commission</b> RB Series 2001U 0.95%, 07/07/03	39,200	39,200
▶ Student Loan RB Series 2000A 1.05%, 07/07/03	39,000	39,000	RB Series A-3 0.95%, 07/07/03	7,000	7,000
▶ Student Loan RB Series 2001A 1.05%, 07/07/03	14,700	14,700	■ <b>Pennsylvania State University, Pennsylvania</b> RB Series 2001A 1.00%, 07/07/03	5,000	5,000
▶ Student Loan RB Series 2003A-1 1.05%, 07/07/03	2,000	2,000	✦ RB Series 2002A 1.00%, 07/07/03	3,700	3,700
▶ <b>Pennsylvania State</b> ✦ TOB Series 1997C 1.05%, 07/07/03	1,000	1,000	✦▶ <b>Philadelphia Authority For Industrial Development</b> IDRB (City Line Holiday Inn Project) 0.95%, 07/07/03	6,800	6,800
✦ TOBP (PA-1035R) 0.90%, 12/18/03	10,000	10,000	IDRB (Girard Estate Aramark Project) 0.95%, 07/07/03	10,000	10,000
✦ TOBP (PA-1112) 0.99%, 07/07/03	14,770	14,770	IDRB (Girard Estate Facility Leasing Project) 0.95%, 07/07/03	13,500	13,500
TOBP (PA-1131) 1.05%, 07/07/03	1,110	1,110	▶ IDRB TOBP (PA-982) (Philadelphia Airport) Series 1998A 1.68%, 07/10/03	12,710	12,710
✦ TOBP (PA-935) 0.99%, 07/07/03	35,325	35,325	✦▶ <b>Philadelphia, Pennsylvania Gas Works</b> RB TOBP (PA-877) 0.99%, 07/07/03	5,995	5,995
■ <b>Pennsylvania State Economic Development Finance Authority</b> ✦ Exempt Facilities RB (AMTRAK Project) Series 2001B 1.00%, 07/07/03	2,600	2,600	✦▶ <b>Philadelphia, Pennsylvania Hospitals &amp; Higher Education Facilities Authority</b> RB (Wills Eye Hospital Project) 0.95%, 07/07/03	13,800	13,800
✦ Exempt Facilities RB (Reliant Energy Seward Project) Series 2001A 1.03%, 07/07/03	58,100	58,100			
✦ Exempt Facilities RB (Reliant Energy Seward, LLC Project) Series 2002A 1.03%, 07/07/03	35,000	35,000			

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<b>➔■ Philadelphia, Pennsylvania</b>			<b>Rhode Island 0.5%</b>		
<b>Water &amp; Wastewater</b>			<b>■ Rhode Island Housing &amp; Mortgage Finance Corp.</b>		
RB Series 1997B			TOB Series 1999E		
0.90%, 07/07/03	11,900	11,900	1.13%, 07/07/03	19,020	19,020
Water & Wastewater Revenue			<b>➔■ Rhode Island State Industrial Facilities Corp.</b>		
Refunding Bond			IDRB (Greystone of Lincoln Project)		
0.90%, 07/07/03	27,915	27,915	1.30%, 07/07/03	2,200	2,200
<b>■ Quakertown, Pennsylvania</b>			<b>➔■ Rhode Island State Student Loan Authority</b>		
<b>General Authority</b>			Higher Education Loan RB		
RB (Pooled Financing Program)			Series 1995-1		
Series 1996A			1.03%, 07/07/03	20,700	20,700
0.95%, 07/01/03	15,073	15,073	Higher Education Loan RB		
RB (Pooled Financing Program)			Series 1996-2		
Series 1998A			1.03%, 07/07/03	2,900	2,900
0.95%, 07/01/03	1,905	1,905	RB		
<b>■ Quakertown, Pennsylvania</b>			1.05%, 06/01/04	19,000	19,000
<b>Hospital Authority</b>					<b>63,820</b>
RB (Hospital Pooled Financing Group)			<b>South Carolina 1.2%</b>		
0.95%, 07/01/03	7,400	7,400	<b>➔■ Berkeley County, South Carolina</b>		
<b>Temple University of the Commonwealth System of Higher Education, Pennsylvania</b>			<b>School District</b>		
RB (University Funding Obligation)			TOB Series 32A		
1.20%, 05/04/04	14,000	14,000	1.08%, 07/07/03	7,575	7,575
<b>■ Washington County, Pennsylvania Authority</b>			<b>➔■ Florence County, South Carolina</b>		
Municipal Facilities Lease RB			<b>Public Facilities Corp.</b>		
Series 1995B-1			COP (Law Enforcement Center)		
0.95%, 07/07/03	7,900	7,900	1.02%, 07/07/03	29,515	29,515
<b>■ West Cornwall Township, Pennsylvania Municipal Authority</b>			<b>■ Greenville, South Carolina</b>		
RB (Lebanon Valley Crethren Project)			<b>County &amp; City</b>		
1.05%, 07/07/03	200	200	IDRB (Stevens Aviation Technology Services Project)		
		<b>997,243</b>	1.15%, 07/07/03	3,500	3,500
<b>Puerto Rico 0.0%</b>			<b>➔■ South Carolina Economic Development Authority</b>		
<b>➔■ Puerto Rico Commonwealth</b>			Hospital Facility RB (Sanders Brothers Construction Project)		
<b>Highway &amp; Transportation Authority</b>			1.15%, 07/07/03	1,050	1,050
RB TOBP (PA-605)			IDRB (Electric City Printing Project)		
0.96%, 07/07/03	1,210	<b>1,210</b>	1.15%, 07/07/03	2,000	2,000

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
RB (Thomas & Betts Corp. Project) 1.15%, 07/07/03	3,250	3,250	<b>+■ South Dakota State Health &amp; Educational Facilities Authority</b>		
<b>+■ South Carolina State Housing Finance &amp; Development Authority</b>			▶ RB (Mckenna Hospital) 1.15%, 07/07/03	27,445	27,445
M/F Housing RB (Ashley Apartments Project) 1.05%, 07/07/03	4,300	4,300	RB (Rapid City Regional Hospital) 1.00%, 07/01/03	3,500	3,500
M/F Rental Housing RB (Peidmont) Series 2000B-1 1.05%, 07/07/03	5,755	5,755			<b>67,445</b>
M/F Rental Housing RB (Spartanburg) Series 2000C-1 1.05%, 07/07/03	1,960	1,960	<b>Tennessee 3.1%</b>		
M/F Rental Housing Revenue Refunding Bond RB (Fairway Project) Series 2001A 0.95%, 07/07/03	7,735	7,735	<b>+■ Bristol, Tennessee Health &amp; Educational Facilities Board</b>		
▶ <b>South Carolina State Public Service Authority</b>			RB (Kings College Project) 1.00%, 07/07/03	7,650	7,650
TECP 1.08%, 07/03/03	11,779	11,779	<b>+■ Chattanooga, Tennessee Health Education &amp; Housing Facilities Board</b>		
1.08%, 07/09/03	22,424	22,424	RB (Baylor School Project) 1.00%, 07/07/03	2,035	2,035
1.05%, 07/10/03	31,446	31,446	<b>+■ Clarksville, Tennessee Public Building Authority</b>		
<b>+■ South Carolina Transportation Infrastructure</b>			Pooled Financing RB 1.00%, 07/01/03	17,900	17,900
RB TOB Series 1999A 1.05%, 07/07/03	22,610	22,610	<b>+■ Franklin County, Tennessee</b>		
<b>+■ Spartanburg County, South Carolina</b>			IDRB (Hi-Tech Project) 1.10%, 07/07/03	4,700	4,700
IDRB (Bemis, Inc.) 1.05%, 07/07/03	4,750	4,750	<b>+■ Grundy County, Tennessee</b>		
		<b>159,649</b>	IDRB Limited Obligation (Toyo Seat USA Corp. Project) 1.30%, 07/07/03	4,255	4,255
<b>South Dakota 0.5%</b>			<b>+■ Hendersonville, Tennessee</b>		
<b>■ South Dakota HDA</b>			IDRB Revenue Refunding Bond (Betty Machinery Co. Project) 1.05%, 07/07/03	5,300	5,300
▶ Homeownership Mortgage RB Series 2001F 1.15%, 07/07/03	20,000	20,000	<b>+■ Huntingdon, Tennessee</b>		
+ M/F Housing RB (Harmon Apartments Project) 1.15%, 07/07/03	6,500	6,500	IDRB (Associated Rubber Co. Project) 1.05%, 07/07/03	2,500	2,500
▶ RB (Home Ownership Mortgage Bonds) Series 2003 C-1 0.95%, 07/07/03	10,000	10,000	<b>+■ Jackson County, Tennessee</b>		
			IDRB Solid Waste Facilities (Ameristeel Corp. Project) 1.10%, 07/07/03	3,800	3,800
			▶ RB Energy Authority Gas System 1.00%, 07/07/03	5,900	5,900

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
► RB Energy Authority Water System 1.00%, 07/07/03	5,000	5,000	Local Government Public Improvement Bond Series II-C 1.01%, 07/07/03	855	855
➤ <b>McMinn County, Tennessee</b> IDRB Solid Waste Disposal (Bowater, Inc. Project) 1.10%, 07/07/03	13,500	13,500	Local Government Public Improvement Bond Series III-C1 1.01%, 07/07/03	8,530	8,530
■ <b>Metropolitan Government of Nashville &amp; Davidson County, IDB Tennessee</b>			RB Local Government Public Improvement Bond Series 1995C1 1.01%, 07/07/03	4,555	4,555
➤ IDRB (David Lipscomb University Project) 1.00%, 07/07/03	8,840	8,840	RB Local Government Public Improvement Bond Series 1996D1 1.01%, 07/07/03	1,970	1,970
➤ IDRB (Bind Technologies, Inc.) 1.10%, 07/07/03	3,050	3,050	RB Local Government Public Improvement Bond Series 1996E4 1.01%, 07/07/03	2,515	2,515
➤ M/F Housing IDRB (Arbor Crest) Series 1985B 1.00%, 07/07/03	12,550	12,550	RB Local Government Public Improvement Bond Series 1996F1 1.01%, 07/07/03	8,850	8,850
➤ M/F Housing IDRB (Arbor Knoll) Series 1985A 1.00%, 07/07/03	1,000	1,000	RB Local Government Public Improvement Bond Series 1996F2 1.01%, 07/07/03	6,310	6,310
➤ RB (Nashville Symphony Project) 1.00%, 07/07/03	3,100	3,100	➤ <b>Shelby County, Tennessee</b> <b>Health, Education, &amp; Housing Facilities Board</b>		
<b>Metropolitan Government of Nashville &amp; Davidson County, Tennessee</b>			■ M/F Housing RB Series 1997A 1.15%, 07/07/03	5,000	5,000
► TOB Series 219 1.05%, 07/07/03	5,995	5,995	■ RB (Rhodes College) 1.00%, 07/07/03	9,800	9,800
■ <b>Metropolitan Nashville &amp; Davidson County, Tennessee</b> <b>Health &amp; Educational Facilities Board</b>			■ RB (St. Benedict at Auburndale High School Project) 1.03%, 07/07/03	5,000	5,000
RB (Ascension Health Credit) Series B-1 1.60%, 07/28/03	20,000	20,000	TECP 0.95%, 07/21/03	59,300	59,300
➤ RB (Ensworth School Project) 1.00%, 07/07/03	10,000	10,000	■ <b>Tennessee HDA</b>		
➤ <b>Montgomery County, Tennessee</b> <b>Public Building Authority</b> RB (Pooled Financing) 1.00%, 07/01/03	14,500	14,500	➤ Mortgage Finance TOB Series 1997K 1.13%, 07/07/03	2,435	2,435
➤ <b>Sevier County, Tennessee</b> <b>Public Building Authority</b> Local Government Public Improvement Bond Series 1996G 1.01%, 07/07/03	5,475	5,475	RB TOB Series 2001H 1.11%, 07/07/03	6,035	6,035

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Tennessee State</b>				<b>+■ Brazos River, Texas Higher Education Authority</b>			
TECP Series A				RB Series 1993B1			
1.12%, 07/11/03		20,000	20,000	0.98%, 07/07/03		33,000	33,000
1.05%, 08/08/03		10,000	10,000	<b>+■ Calhoun County, Texas Navigation District</b>			
1.05%, 08/13/03		10,000	10,000	Solid Waste Disposal RB (Formosa Plastics Corp. Project)			
1.05%, 09/10/03		10,000	10,000	1.05%, 07/07/03		19,800	19,800
0.90%, 09/12/03		15,000	15,000	<b>+■ Capital Industrial Development Corp., Texas</b>			
<b>Tennessee Volunteer State Student Loan Funding Corp.</b>				Solid Waste Disposal RB (Texas Disposal System, Inc. Project)			
RB Series 1987A		15,000	15,000	1.10%, 07/07/03		4,500	4,500
0.98%, 07/07/03							
RB Series 1987A-2		3,100	3,100	<b>+■ Clear Creek, Texas Independent School District</b>			
RB Series 1997A-3		39,100	39,100	TOB Series 793		6,000	6,000
0.98%, 07/07/03				1.04%, 07/07/03			
			<b>400,405</b>	<b>+■ Collin County, Texas HFA</b>			
<b>Texas 10.8%</b>				M/F Housing RB (Huntington Apartments Project)			
<b>■ Amarillo, Texas Health Facilities Corp.</b>				1.13%, 07/07/03		6,150	6,150
RB (High Plains Baptist Hospital)		3,000	3,000	<b>+■ Dallas Area Rapid Transit, Texas</b>			
Revenue Refunding Bond RB				RB TOB		16,130	16,130
1.10%, 07/07/03		3,155	3,155	1.05%, 07/07/03			
<b>■ Austin, Texas Public Improvement</b>				<b>+ Dallas Fort Worth, Texas International Airport</b>			
TOB		6,000	6,000	Joint Revenue Refunding Bond RB		2,775	2,808
1.05%, 07/07/03				1.30%, 11/01/03			
<b>■ Austin, Texas Water &amp; Wastewater Systems</b>				RB TOB Series 351		2,500	2,500
RB TOB Series A63		6,425	6,425	1.11%, 07/07/03			
1.08%, 07/07/03						<b>■ RB TOBP (PA-1061)</b>	
<b>■ Bexar County, Texas Health Facilities Development Corp.</b>				1.11%, 07/07/03			
RB (Chandler Memorial Home Project)		3,945	3,945	<b>■ RB TOBP (PA-1125)</b>		4,000	4,000
1.04%, 07/07/03				1.11%, 07/07/03			
<b>■ Board of Regents Texas A &amp; M, Texas</b>				<b>■ RB TOBP (PT-805)</b>		9,995	9,995
TOB (Permanent University Fund)		1.15%, 11/13/03					
1.05%, 07/07/03		28,445	28,445	<b>■ Dallas Fort Worth, Texas International Airport Facility Improvement Corp.</b>			
				Revenue Refunding Bond RB (United Parcel Service, Inc. Project)		12,500	12,500
				0.90%, 07/01/03			



Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>➤■ Denton, Texas Utility System</b> RB TOB Series 369 1.04%, 07/07/03	5,230	5,230	<b>➤■ Gulf Coast Industrial Development Authority, Texas</b> IDRB (Gruma Corp. Project) 1.10%, 07/07/03	6,440	6,440
<b>➤■ El Paso County, Texas</b> Water & Sewer RB TOB Series 1999 1.13%, 07/07/03	11,535	11,535	<b>Gulf Coast Waste Disposal Authority, Texas</b> ■ RB Pollution Control (Amoco Oil Co. Project) 0.85%, 07/01/03	12,000	12,000
<b>➤■ Euless, Texas</b> IDRB (Ferguson Enterprises, Inc. Project) 1.05%, 07/07/03	4,950	4,950	RB (Amoco Oil Project) 1.10%, 10/01/03	9,200	9,200
<b>➤■ Grand Prairie, Texas</b> IDRB (NTA Leasing Co. Project) 1.15%, 07/07/03	1,515	1,515	<b>➤ Harris County, Texas Flood Control District</b> TECP 1.08%, 08/22/03	25,300	25,300
<b>➤■ Grapevine, Texas Industrial Development Corp.</b> Airport RB (Singer County Project) 1.15%, 04/01/04	18,975	18,975	0.95%, 08/26/03	5,235	5,235
<b>➤■ Greater East Texas Higher Education Authority</b> RB (Student Loan Corp.) Series 1998A 1.04%, 07/07/03	6,500	6,500	<b>➤■ Harris County, Texas Health Facility Development Corp.</b> TOB 1.05%, 07/07/03	14,850	14,850
Student Loan RB Series 1992B 1.75%, 07/01/03	14,000	14,000	<b>➤■ Harris County, Texas Housing Finance Corp.</b> M/F Housing RB (Dominion Square Apartments Project) 1.13%, 07/07/03	2,895	2,895
1.04%, 07/07/03	30,200	30,200	<b>➤■ Harris County, Texas Houston Sports Authority</b> Special Jr. Lien RB (Rodeo Project) Series 2001C 0.95%, 07/07/03	2,000	2,000
Student Loan RB Series 1993A 1.04%, 07/07/03	48,150	48,150	<b>➤ Houston, Texas Airport System</b> RB Series 1998B 1.78%, 07/01/03	2,900	2,900
Student Loan RB Series 1993B1 1.04%, 07/07/03	7,000	7,000	<b>■ Houston, Texas Independent School District</b> School Building Refunding GO 1.09%, 06/03/04	100,000	99,963
Student Loan RB Series 1995A 1.05%, 07/07/03	35,700	35,700	<b>■ Houston, Texas Public Improvement</b> Revenue Refunding TOB Series 1998A 1.05%, 07/07/03	21,655	21,655
Student Loan RB Series 1995B 1.75%, 07/01/03	10,000	10,000			
Student Loan RB Series 1996A 1.04%, 07/07/03	56,000	56,000			

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Houston, Texas Water &amp; Sewer System</b>			<b>➔■ Matagorda County, Texas Navigation District No. 1</b>		
➔■ RB TOB Series 2202F 1.06%, 07/07/03	6,530	6,530	RB TOB (Merlots) Series 2001A44 1.13%, 07/07/03	19,385	19,385
➔ Revenue Refunding Bond Series 1992C 1.15%, 12/01/03	2,000	2,038	<b>➔■ North Texas Higher Education Authority</b>		
▶ TECP 1.10%, 07/09/03	25,000	25,000	▶ Income Tax Student Loan RB Series 1996C 1.00%, 07/07/03	5,600	5,600
➔■ Humble, Texas Independent School District			Income Tax Student Loan RB Series 2000A 1.00%, 07/07/03	8,000	8,000
School Building GO 1.06%, 09/18/03	42,000	42,002	Income Tax Student Loan RB Series 2001A 1.00%, 07/07/03	13,405	13,405
➔■ Katy, Texas Independent School District			Income Tax Student Loan Refunding RB Series 1987 1.00%, 07/07/03	87,750	87,750
TOB (School Building) Series 2000A 1.05%, 07/07/03	10,145	10,145	Income Tax Student Loan Refunding RB Series 1990 1.00%, 07/07/03	27,100	27,100
➔■ Lavaca-Navidad River, Texas Authority Contract			▶ Income Tax Student Loan Refunding RB Series 1996A 1.00%, 07/07/03	8,600	8,600
RB (Texas Water Supply System Contract) (Formosa Plastics Corp. Project) 1.05%, 07/07/03	13,600	13,600	▶ Income Tax Student Loan Refunding RB Series 1996B 1.00%, 07/07/03	4,000	4,000
■ Lower Neches Valley, Texas Pollution Control Authority			▶ Income Tax Student Loan Refunding RB Series 1996D 1.00%, 07/07/03	4,000	4,000
RB (Chevron USA, Inc. Project) 1.10%, 08/15/03	3,500	3,500	Income Tax Student Loan Refunding RB Series 1998 1.00%, 07/07/03	9,000	9,000
➔■ Lower Colorado River Authority, Texas			<b>➔■ Panhandle Plains, Texas Higher Education Authority</b>		
Revenue Refunding Bond TOB Series 1999A 1.05%, 07/07/03	10,770	10,770	Student Loan RB Series 1991A 1.03%, 07/07/03	2,200	2,200
➔■ Lubbock, Texas Educational Facilities Authority			Student Loan RB Series 1992A 1.03%, 07/07/03	20,300	20,300
RB (Lubbock Christian University Project) 1.10%, 07/07/03	6,300	6,300	Student Loan RB Series 1993A 1.03%, 07/07/03	45,700	45,700
➔■ Mansfield, Texas Industrial Development Corp.					
RB (Southern Champion Tray Project) 1.05%, 07/07/03	2,500	2,500			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>➤■ Robertson County, Texas</b>			1.04%, 08/29/03	2,600	2,607
<b>Industrial Development Corp.</b>			1.05%, 08/29/03	3,000	3,008
IDRB (Sanderson Farms			1.10%, 08/29/03	25,000	25,066
Project)			1.24%, 08/29/03	1,500	1,504
1.10%, 07/07/03	3,700	3,700	1.25%, 08/29/03	3,900	3,909
<b>➤■ San Antonio, Texas IDA</b>			1.40%, 08/29/03	71,500	71,654
IDRB (Gruma Corp. Project)			1.41%, 08/29/03	29,600	29,664
1.10%, 07/07/03	4,095	4,095	1.44%, 08/29/03	25,000	25,052
<b>►■ Southeast Texas Housing</b>			1.45%, 08/29/03	45,000	45,093
<b>Finance Corp.</b>			1.48%, 08/29/03	10,000	10,020
➤ TOBP (PT-165)			1.49%, 08/29/03	10,000	10,020
1.08%, 07/07/03	8,575	8,575	1.50%, 08/29/03	20,000	20,040
TOBP (PT-193)			1.52%, 08/29/03	20,000	20,039
1.08%, 07/07/03	8,710	8,710	<b>➤■ Trinity River Authority, Texas</b>		
<b>➤■ Texas Capital Health Facilities</b>			Solid Waste Disposal RB		
<b>Development Corp.</b>			(Community Waste Project)		
RB (Island On Lake Travis Ltd.			1.05%, 07/07/03	5,795	5,795
Project)			<b>►■ University of Texas</b>		
0.98%, 07/07/03	8,500	8,500	TOB Series 173		
<b>■ Texas Department of Housing</b>			1.05%, 07/07/03	5,000	5,000
<b>&amp; Community Affairs</b>			<b>➤■ Waco, Texas Educational</b>		
➤ M/F Housing RB (Creek Point			<b>Finance Corp.</b>		
Apartments Project)			RB (Baylor University) Series		
1.05%, 07/07/03	7,200	7,200	2002A		
► RB TOB (Residential Mortgage)			1.05%, 07/07/03	9,900	9,900
Series 1999C					<b>1,411,803</b>
1.13%, 07/07/03	14,950	14,950	<b>Utah 1.6%</b>		
➤ Single Family Housing RB TOB			<b>➤■ Intermountain Power Agency,</b>		
Series 178			<b>Utah</b>		
1.10%, 07/07/03	4,250	4,250	Power Supply RB TOB Series		
<b>➤■ Texas Municipal Gas Corp.</b>			1997B		
Gas Reserve Senior Lien RB			1.04%, 07/07/03	16,495	16,495
1.00%, 07/07/03	2,435	2,435	Power Supply RB TOB Series		
<b>Texas State</b>			409		
► GO (Veterans Housing Fund II)			1.04%, 07/07/03	15,330	15,330
Series 2002A-2			<b>➤■ Salt Lake City, Utah</b>		
1.00%, 07/07/03	6,000	6,000	RB (Rowland Hall St. Marks		
► Revenue Refunding Bond RB			Project)		
(Veterans Housing Assistance			1.00%, 07/07/03	9,515	9,515
Fund)			<b>➤■ Salt Lake City, Utah Airport</b>		
0.90%, 07/07/03	12,761	12,761	RB		
► TOB Series 290			1.03%, 07/07/03	9,600	9,600
1.04%, 07/07/03	8,660	8,660	<b>➤■ Salt Lake City, Utah Hospital</b>		
TRAN			RB TOB (IHC Health Services)		
0.83%, 08/29/03	20,000	20,061	1.05%, 07/07/03	26,730	26,730
0.98%, 08/29/03	6,550	6,569			

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>■ Utah State</b>			<b>■ Loudoun County, Virginia IDA</b>		
TOBP (PT-429)			RB (Howard Hughes Medical)		
1.03%, 07/07/03	31,085	31,085	Series 2003A		
			0.90%, 07/01/03	18,700	18,700
<b>■ Utah State Board of Regents</b>			RB (Howard Hughes Medical)		
► Revenue Refunding TOB Series			Series 2003B		
1998A			0.90%, 07/07/03	4,200	4,200
1.05%, 07/07/03	30,060	30,060	RB (Howard Hughes Medical)		
Student Loan RB Series			Series 2003D		
1993A			1.00%, 07/07/03	5,000	5,000
1.00%, 07/07/03	35,000	35,000	RB (Howard Hughes Medical)		
► Student Loan RB Series			Series 2003F		
1995L			0.90%, 07/07/03	4,000	4,000
1.00%, 07/07/03	27,500	27,500			
<b>■ Utah State Building Ownership Authority</b>			<b>■ Montgomery County, Virginia</b>		
Lease Revenue Refunding TOB			IDRB (Virginia Tech Foundation		
Series 1998C			Project)		
1.05%, 07/07/03	9,695	9,695	1.00%, 07/07/03	4,655	4,655
			IDRB (Virginia Tech Foundation)		
<b>■ Woods Cross City, Utah</b>			Series 2001A		
M/F Housing RB (Springwood			1.00%, 07/07/03	9,300	9,300
Apartments Project) Series			IDRB (Virginia Tech Foundation)		
2001-A			Series 2001B		
1.00%, 07/07/03	3,605	3,605	1.10%, 07/07/03	1,585	1,585
		<b>214,615</b>	<b>■ Norfolk, Virginia Parking System</b>		
			Revenue Refunding TOB		
<b>Vermont 0.1%</b>			1.05%, 07/07/03	9,450	9,450
<b>■ Vermont Economic Development Authority</b>					
IDRB (AGRI Mark, Inc. Project)			<b>■ Portsmouth, Virginia</b>		
Series 1999A			<b>Redevelopment &amp; Housing Authority</b>		
1.15%, 07/07/03	17,000	17,000	M/F Housing RB (Churchland		
<b>■ IDRB (AGRI Mark, Inc. Project)</b>			North Apartments Project)		
Series 1999B			1.05%, 07/07/03	6,705	6,705
1.15%, 07/07/03	1,000	1,000			
		<b>18,000</b>	<b>■ Richmond, Virginia</b>		
			IDRB (Church Schools of		
<b>Virginia 0.7%</b>			Virginia Diocese)		
<b>■ Chesterfield County, Virginia IDA</b>			1.00%, 07/07/03	9,775	9,775
Solid Waste Disposal Facility RB					
(Tidewater Fibre Corp. Project)			<b>■ Virginia Beach, Virginia</b>		
1.10%, 07/07/03	6,300	6,300	<b>Development Authority</b>		
			M/F Housing RB (Silver Hill at		
<b>■ King George County, Virginia IDA</b>			Thalia, LLC Project)		
Solid Waste Disposal Facility RB			1.05%, 07/07/03	4,300	4,300
(Garnet of Virginia Project)					<b>87,670</b>
1.10%, 07/07/03	3,700	3,700			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Washington 4.5%</b>					
<b>+■ Douglas County, Washington Economic Development Corp.</b>			RB (McFarland Cascade Project)		
RB (Executive Flight Program)			1.10%, 07/07/03	2,000	2,000
1.10%, 07/07/03	6,500	6,500	RB (Solid Waste Lemay Enterprises Project)		
			1.05%, 07/07/03	3,070	3,070
<b>+■ Energy Northwest, Washington Electric</b>			<b>+■ Port of Centralia, Washington</b>		
▶ RB TOB Project #3			IDRB Solid Waste Disposal (Lemay Enterprises Project)		
1.05%, 07/07/03	29,700	29,700	1.05%, 07/07/03	1,930	1,930
▶ RB TOB (Project #3) Series 2003A			<b>+■ Port of Moses Lake, Washington Public Corp.</b>		
1.03%, 07/07/03	8,690	8,690	RB (National Frozen Foods Corp.)		
▶ RB TOB Series 150			1.00%, 07/07/03	3,800	3,800
1.05%, 07/07/03	12,495	12,495	<b>+■ Port of Seattle, Washington</b>		
▶ Revenue Refunding Bond (Project No. 3) Series 2003D-3-2			RB TOBP (PT-728)		
0.97%, 07/07/03	8,000	8,000	1.08%, 07/07/03	4,430	4,430
Revenue Refunding Bond (Project No. 3) Series 2003E			Special Facilities RB TOB Series 1999J		
0.95%, 07/07/03	5,000	5,000	1.13%, 07/07/03	49,795	49,795
▶ TOBP (PT-615)			TOBP (PA-759R)		
1.03%, 07/07/03	6,230	6,230	1.08%, 07/07/03	5,100	5,100
<b>■ Everett, Washington Industrial Development Corp.</b>			<b>+ Port of Tacoma, Washington</b>		
Exempt Facilities RB (Kimberly Clark Corp. Project)			TECP		
1.10%, 07/07/03	3,200	3,200	0.95%, 07/10/03	4,000	4,000
<b>+ IDRB (Partners Trust/Synsor Project)</b>			1.05%, 07/10/03	20,000	20,000
1.10%, 07/07/03	3,500	3,500	1.10%, 07/10/03	5,000	5,000
<b>King County, Washington BAN</b>			<b>+■ Seattle, Washington</b>		
1.52%, 10/01/03	85,000	85,208	Drain & Wastewater RB TOBP (PT-1605)		
<b>+■ Olympia, Washington Economic Development Authority</b>			1.03%, 07/07/03	6,875	6,875
Solid Waste Disposal RB (Lemay Enterprises Project)			<b>+■ Seattle, Washington HDA</b>		
1.05%, 07/07/03	7,445	7,445	RB (Capitol Hill Housing Improvement & HRG Project)		
<b>+■ Pierce County, Washington Economic Development Corp.</b>			1.10%, 07/07/03	3,560	3,560
RB (Flex-A-Lite Consolidated Project)			RB (Casa Pacifica Apartments Project)		
1.10%, 07/07/03	2,550	2,550	1.10%, 07/07/03	3,000	3,000
RB (K & M Holdings II Project)			<b>+■ Snohomish County, Washington Public Utility District 001</b>		
1.15%, 07/07/03	1,500	1,500	Revenue Refunding Bond RB (Generation System) Series 2002A-1		
			0.90%, 07/07/03	26,300	26,300

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Revenue Refunding Bond RB (Generation System) Series 2002A-2 0.90%, 07/07/03	7,000	7,000	RB (Tank Project) Series 1998B 1.10%, 07/07/03	1,210	1,210
<b>➤■ Spokane County, Washington Industrial Development Corp.</b> RB (Metal Sales Manufacturing Corp. Project) 1.18%, 07/07/03	1,260	1,260	Solid Waste Disposal RB (Waste Management Project) Series 2000H 1.06%, 07/07/03	6,825	6,825
<b>➤■ Tacoma, Washington Housing Authority</b> RB (Crown Assisted Living Project) 1.10%, 07/07/03	3,305	3,305	Solid Waste Disposal RB (Waste Management Project) Series 2000I 1.05%, 07/07/03	10,240	10,240
<b>➤■ Tacoma, Washington School District No. 10</b> GO TOB 1.05%, 07/07/03	43,655	43,655	Solid Waste Disposal RB (Waste Management Project) Series 2000L 1.06%, 07/07/03	7,235	7,235
<b>➤■ Washington Health Care Facilities Authority</b> RB (Yakima Valley Farm Workers Clinic) 1.00%, 07/07/03	3,300	3,300	Solid Waste Disposal RB (Waste Management Project) Series 2001C 1.06%, 07/07/03	5,500	5,500
<b>■ Washington State</b> GO TOB 1.05%, 07/07/03	13,380	13,380	<b>➤■ Washington State Housing Finance Commission</b> M/F Housing Mortgage RB (Brittany Park Phase 3 Project) 0.98%, 07/07/03	3,480	3,480
<b>➤ GO TOB Series B</b> 1.05%, 07/07/03	30,485	30,485	M/F Housing Mortgage RB (Canyon Lake II) Series 1993A 0.98%, 07/07/03	4,440	4,440
<b>➤ GO TOB Series 228</b> 1.05%, 07/07/03	5,950	5,950	M/F Housing Mortgage RB (Lake Washington Apartments Project) 1.10%, 07/07/03	8,350	8,350
<b>➤ TOB Series 2002G</b> 1.09%, 07/07/03	5,170	5,170	M/F Housing Mortgage RB (Meridian Court Apartments) 1.05%, 07/07/03	6,700	6,700
Various Purpose GO TOB Series 1998C 1.05%, 07/07/03	12,150	12,150	M/F Housing Mortgage RB (Merrill Gardens Project) Series 1997A 0.98%, 07/07/03	6,125	6,125
<b>➤■ Washington State Economic Development Finance Authority</b> IDRB (Tonkin Building) Series 1997A 1.10%, 07/07/03	1,000	1,000	M/F Housing Mortgage RB (Rosecreek Apartments Project) 1.03%, 07/07/03	3,570	3,570
RB (Hunter Douglas Project) Series 1997A 1.05%, 07/07/03	3,500	3,500	M/F Housing Mortgage RB (Woodrose Apartment Project) Series 1999A 0.98%, 07/07/03	6,750	6,750
RB (Skills, Inc. Project) 1.10%, 07/07/03	3,000	3,000			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB (Brittany Park Project) 0.98%, 07/07/03	8,405	8,405	<b>+■ Marion County, West Virginia Solid Waste Disposal Facilities</b> RB (Grant Town Project) Series 1990B 1.05%, 07/07/03	22,025	22,025
M/F Housing RB (Carlyle Care Center Project) Series 2000A 1.15%, 07/01/03	3,055	3,055	RB (Grant Town Project) Series 1990C 1.05%, 07/07/03	19,000	19,000
M/F Housing RB (Lakewood Meadows Apartments Project) Series 2000A 1.05%, 07/07/03	3,140	3,140	RB (Grant Town Project) Series 1990D 1.05%, 07/07/03	3,600	3,600
Non-Profit Housing RB (Emerald Heights Project) 1.00%, 07/01/03	1,300	1,300	<b>+■ West Virginia State Hospital Finance Authority</b> RB (St. Joseph's Hospital Project) 1.04%, 07/07/03	1,500	1,500
► TOBP (PT-636) 1.13%, 07/07/03	20,280	20,280	<b>+►■ West Virginia State Parkways, Economic Development &amp; Tourism Authority</b> Revenue Refunding Bond 0.90%, 07/07/03	17,600	17,600
<b>Washington State Public Power Supply System</b> Revenue Refunding Bond (Nuclear Project No. 2) Series 1998A 1.07%, 07/01/03	11,770	11,770			
<b>+■ Yakama Indian Nation, Washington Confederated Tribes &amp; Bands</b> RB (Yakama Forests Products Project) 1.10%, 07/07/03	4,300	4,300			<b>74,825</b>
<b>+■ Yakima County, Washington Public Corp.</b> IDRB (Cowie Growers Project) 1.10%, 07/07/03	3,000	3,000	<b>Wisconsin 1.1%</b> <b>+■ Chilton, Wisconsin</b> IDRB (Kaytee Products, Inc. Project) 1.20%, 07/07/03	520	520
RB (Hi-Country Foods Project) 1.10%, 07/07/03	5,900	5,900	<b>+■ Colburn, Wisconsin</b> IDRB (Heartland Farms Project) 1.24%, 07/07/03	5,900	5,900
RB (Michaelson Packaging Project) 1.10%, 07/07/03	2,100	2,100	<b>+■ Kenosha, Wisconsin</b> IDRB (Asyst Tech, LLC Project) 1.06%, 07/07/03	5,000	5,000
RB (Printing Press Project) 1.10%, 07/07/03	1,200	1,200	<b>+■ Lac Du Flambeau, Band of Lake Superior, Wisconsin Chippewa Indians</b> Special Obligation Bond (Simpson Electric Co. Project) 1.10%, 07/07/03	3,200	3,200
		<b>586,908</b>	<b>+►■ Milwaukee County, Wisconsin Airport</b> RB TOBP (PT-681) 1.11%, 07/07/03	18,470	18,470
<b>West Virginia 0.6%</b>					
<b>+■ Fayette County, West Virginia Solid Waste Disposal Facilities</b> RB (Georgia-Pacific Corp. Project) 1.05%, 07/07/03	11,100	11,100			

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Racine, Wisconsin School District</b>			<b>Wyoming 0.3%</b>		
TRAN			■ <b>Lincoln County, Wyoming</b>		
1.52%, 07/15/03	26,900	26,904	Pollution Control RB (ExxonMobil Corp. Project) Series 1987A		
➤■ <b>Rhineland, Wisconsin</b>			0.90%, 07/01/03	25,300	25,300
IDRB (Lake Shore, Inc. Project)			■ <b>Unita County, Wyoming</b>		
1.24%, 07/07/03	3,820	3,820	Pollution Control RB (Chevron U.S.A., Inc. Project)		
➤■ <b>Southeast Wisconsin</b>			0.90%, 07/01/03	5,000	5,000
<b>Professional Baseball Park District</b>			■ <b>Wyoming Community Development Authority</b>		
Sales Tax RB TOB Series 2000Y			Housing RB TOB		
1.08%, 07/07/03	5,000	5,000	1.08%, 07/07/03	5,560	5,560
■ <b>Wisconsin Housing &amp; Economic Development Authority</b>			Housing RB TOBP (PT-533)		
▶ Home Ownership RB Series 2002C			1.08%, 07/07/03	5,975	5,975
0.95%, 07/07/03	3,000	3,000			<b>41,835</b>
▶ Home Ownership RB Series 2002D					
1.00%, 07/07/03	2,375	2,375			
➤▶ Home Ownership RB TOB Series 1999R					
1.10%, 07/07/03	17,625	17,625			
➤▶ Home Ownership RB TOB Series 1999S					
1.15%, 07/07/03	13,240	13,240			
▶ Home Ownership TOBP (PT-194)					
1.08%, 07/07/03	11,095	11,095			
➤▶ Housing RB TOB Series 650					
1.04%, 07/07/03	16,380	16,380			
➤ RB (Ultratec, Inc. Project)					
1.24%, 07/07/03	2,490	2,490			
➤■ <b>Wisconsin Rapids, Wisconsin</b>					
IDRB (Theile Kaolin of Wisconsin, Inc. Project)					
1.05%, 07/07/03	4,500	4,500			
➤■ <b>Wisconsin State Health &amp; Educational Facilities Authority</b>					
RB (Lutheran College)					
1.15%, 07/07/03	7,000	7,000			
		<b>146,519</b>			

**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.



## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$13,113,511
Cash	85,045
Receivables:	
Fund shares sold	41,893
Interest	36,824
Investments sold	6,752
Prepaid expenses	+ 188
<b>Total assets</b>	<b>13,284,213</b>

**Liabilities**

Payables:	
Fund shares redeemed	28,499
Dividends to shareholders	2,625
Investments bought	512,094
Investment adviser and administrator fees	227
Transfer agent and shareholder service fees	361
Accrued expenses	+ 501
<b>Total liabilities</b>	<b>544,307</b>

**Net Assets**

<b>Total assets</b>	13,284,213
<b>Total liabilities</b>	– 544,307
<b>Net assets</b>	<b>\$12,739,906</b>

**Net Assets by Source**

Capital received from investors	12,741,999
Net investment income not yet distributed	4
Net realized capital losses	(2,097)

**Net Assets by Share Class**

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$7,471,834		7,474,393		\$1.00
Value Advantage Shares	\$4,873,912		4,873,714		\$1.00
Select Shares®	\$196,252		196,251		\$1.00
Institutional Shares	\$197,908		197,908		\$1.00

The amortized cost for the fund's securities was \$13,113,511. During the reporting period, the fund had \$2,186,231 in transactions with other SchwabFunds®.

**Federal Tax Data****Cost basis of portfolio** \$13,113,586**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2004	\$338
2005	523
2007	775
2008	+ 873
	<b>\$2,509</b>

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$76,209</b>
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**Net Realized Gains and Losses**

Net realized gains on investments sold	497
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**Expenses**

Investment adviser and administrator fees	21,325
Transfer agent and shareholder service fees:	
Sweep Shares	16,775
Value Advantage Shares	5,296
Select Shares®	20
Institutional Shares	19
Trustees' fees	31
Custodian and portfolio accounting fees	472
Professional fees	22
Registration fees	189
Shareholder reports	229
Other expenses	+
	36
Total expenses	44,414
Expense reduction	-
	8,925
<b>Net expenses</b>	<b>35,489</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	76,209
<b>Net expenses</b>	-
	35,489
<b>Net investment income</b>	<b>40,720</b>
<b>Net realized gains</b>	+
	497
<b>Increase in net assets from operations</b>	<b>\$41,217</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

**Transfer Agent Services:**

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05
Select Shares®	0.05
Institutional Shares	0.05

**Shareholder Services:**

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17
Select Shares®	0.17
Institutional Shares	0.17

For the fund's independent trustees only.

Includes \$8,152 from the investment adviser (CSIM) and \$773 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the annual operating expenses of this fund through at least April 30, 2004, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.66
Value Advantage Shares	0.45
Select Shares®	0.35
Institutional Shares	0.24

This limit doesn't include interest, taxes and certain non-routine expenses.

## Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$40,720	\$109,422
Net realized gains	+ 497	347
<b>Increase in net assets from operations</b>	<b>41,217</b>	<b>109,769</b>

**Distributions Paid****Dividends from Net Investment Income**

Sweep Shares	21,584	64,407
Value Advantage Shares	18,987	45,015
Select Shares <sup>®</sup>	68	—
Institutional Shares	+ 77	—
<b>Total dividends from net investment income</b>	<b>40,716</b>	<b>109,422</b>

**Transactions in Fund Shares****Shares Sold**

Sweep Shares	12,529,214	24,400,497
Value Advantage Shares	3,316,817	5,574,437
Select Shares <sup>®</sup>	221,922	—
Institutional Shares	+ 201,633	—
<b>Total shares sold</b>	<b>16,269,586</b>	<b>29,974,934</b>

**Shares Reinvested**

Sweep Shares	19,982	63,259
Value Advantage Shares	16,193	41,570
Select Shares <sup>®</sup>	17	—
Institutional Shares	+ 24	—
<b>Total shares reinvested</b>	<b>36,216</b>	<b>104,829</b>

**Shares Redeemed**

Sweep Shares	(12,513,056)	(24,293,754)
Value Advantage Shares	(2,939,412)	(4,913,621)
Select Shares <sup>®</sup>	(25,688)	—
Institutional Shares	+ (3,749)	—
<b>Total shares redeemed</b>	<b>(15,481,905)</b>	<b>(29,207,375)</b>
<b>Net transactions in fund shares</b>	<b>823,897</b>	<b>872,388</b>

**Net Assets**

Beginning of period	11,915,508	11,042,773
Total increase	+ 824,398	872,735
<b>End of period</b>	<b>\$12,739,906</b>	<b>\$11,915,508</b>

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars. The fund started offering Select Shares<sup>®</sup> and Institutional Shares on June 2, 2003.

Represents shares sold plus shares reinvested, minus shares redeemed.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

## Financial Notes unaudited

### Business Structure of the Fund

**The fund discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company.** The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

**The fund offers four share classes:** Sweep Shares, Value Advantage Shares, Select Shares and Institutional Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

### Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

**The fund declares dividends every day it is open for business.** These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

**The fund may buy securities on a delayed-delivery basis.** In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value

at the time of settlement. The fund has set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

**The fund pays fees for various services.** Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

**Trustees may include people who are officers and/or directors of the investment adviser or Schwab.** Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout

### The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The fund discussed in this report is highlighted.

#### The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund

Schwab Government Money Fund

Schwab U.S. Treasury Money Fund

Schwab Value Advantage Money Fund®

**Schwab Municipal Money Fund**

Schwab California Municipal Money Fund

Schwab New York Municipal Money Fund

Schwab New Jersey Municipal Money Fund

Schwab Pennsylvania Municipal Money Fund

Schwab Florida Municipal Money Fund

Schwab Massachusetts Municipal Money Fund

Schwab Institutional Advantage Money Fund®

Schwab Retirement Money Fund®

Schwab Government Cash Reserves

the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

**The fund may engage in certain transactions involving affiliates.** The fund may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

**The fund intends to meet federal income and excise tax requirements for regulated investment companies.** Accordingly, the fund distributes substantially all of their net investment income and realized net capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

**Under the fund's organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the fund.** In addition, in the normal course of business the fund enters into contracts with its vendors and others that provide general indemnifications. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the fund. However, based on experience, the fund expects the risk of loss to be remote.

## Accounting Policies

The following are the main policies the fund uses in preparing their financial statements.

**The fund values its securities at amortized cost,** which approximates market value.

**Security transactions** are recorded as of the date the order to buy or sell the security is executed.

**Interest income** is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than its face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

**Realized gains and losses** from security transactions are based on the identified costs of the securities involved.

**Expenses** that are specific to the fund are charged directly to the fund. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their net assets.

**For funds offering multiple share classes,** all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

**The fund maintains its own account for purposes of holding assets and accounting,** and is considered a separate entity for tax purposes. Within its account, the fund also keeps certain assets in segregated accounts, as may be required by securities law.

**The accounting policies described above conform with accounting principles generally accepted in the United States of America.** Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

# Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

**agency discount notes** Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

**Alternative Minimum Tax (AMT)** A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

**asset-backed securities** Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

**bond** A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

**bond anticipation notes** Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

**capital gain, capital loss** The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

**commercial paper** Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

**credit-enhanced security** A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

**credit quality** The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

## Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

<b>ACES</b>	Adjustable convertible extendable security
<b>BAN</b>	Bond anticipation note
<b>COP</b>	Certificate of participation
<b>GAN</b>	Grant anticipation note
<b>GO</b>	General obligation
<b>HDA</b>	Housing Development Authority
<b>HFA</b>	Housing Finance Agency
<b>IDA</b>	Industrial Development Authority
<b>IDB</b>	Industrial Development Board
<b>IDRB</b>	Industrial Development Revenue Bond
<b>M/F</b>	Multi-family
<b>RAN</b>	Revenue anticipation note
<b>RB</b>	Revenue bond
<b>S/F</b>	Single-family
<b>TAN</b>	Tax anticipation note
<b>TECP</b>	Tax-exempt commercial paper
<b>TOB</b>	Tender option bond
<b>TOBP</b>	Tender option bond partnership
<b>TRAN</b>	Tax and revenue anticipation note
<b>VRD</b>	Variable-rate demand

**credit ratings** Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

**credit risk** The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

**dollar-weighted average maturity (DWAM)** See weighted average maturity.

**effective yield** A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

**expense ratio** The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

**face value** The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

**interest** Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

**liquidity-enhanced security** A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

**maturity** Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

**money market securities** High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

**municipal securities** Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

**net asset value per share (NAV)** The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

**144A security** A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

**outstanding shares, shares outstanding** When speaking of a company or mutual fund, indicates all shares currently held by investors.

**revenue anticipation notes** Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

**taxable-equivalent yield** The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ( $4.5\% \div [1 - 0.25\%] = 6.0\%$ ).

**total return** The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

**tax anticipation notes** Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

**Tier 1, Tier 2** Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

**weighted average maturity** For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

**yield** The income paid out by an investment, expressed as an annual rate and calculated as a percentage of the investment's market value.

## Notes



## Notes

## Notes

# Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

## Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

### Internet<sup>1</sup>

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

### Schwab by Phone™<sup>2</sup>

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

### TelBroker®

Automated touch-tone phone service at **1-800-272-4922**.

### Mail

Write to SchwabFunds at:  
P.O. Box 3812  
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

## The SchwabFunds Family

### Stock Funds

Schwab S&P 500 Fund  
Schwab 1000 Fund®  
Schwab Small-Cap Index Fund®  
Schwab Total Stock Market Index Fund®  
Schwab International Index Fund®  
Schwab Core Equity Fund™  
Schwab Small-Cap Equity Fund™  
Schwab Hedged Equity Fund™  
Schwab Dividend Equity Fund™  
Schwab Focus Funds  
    Communications Focus Fund  
    Financial Services Focus Fund  
    Health Care Focus Fund  
    Technology Focus Fund  
Schwab MarketMasters Funds™  
    Schwab U.S. MarketMasters Fund™  
    Schwab Small-Cap MarketMasters Fund™  
    Schwab International MarketMasters Fund™  
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### Asset Allocation Funds

Schwab MarketTrack Portfolios®  
    Schwab All Equity Portfolio  
    Schwab Growth Portfolio  
    Schwab Balanced Portfolio  
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Schwab YieldPlus Fund®  
Schwab Short-Term Bond Market Fund  
Schwab Total Bond Market Fund  
Schwab GNMA Fund  
Schwab Short/Intermediate Tax-Free Bond Fund  
Schwab Long-Term Tax-Free Bond Fund  
Schwab California Short/Intermediate Tax-Free Bond Fund  
Schwab California Long-Term Tax-Free Bond Fund

### Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.<sup>3</sup> Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

<sup>1</sup> Shares of Sweep Investments™ may not be purchased directly over the Internet.

<sup>2</sup> Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

<sup>3</sup> Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

**Investment Adviser**

Charles Schwab Investment Management, Inc.  
101 Montgomery Street, San Francisco, CA 94104

**Distributor**

SchwabFunds®  
P.O. Box 3812, Englewood, CO 80155-3812

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# *Schwab California Municipal Money Fund*

**Semiannual Report**

June 30, 2003

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# *From the Chairman*



Charles R. Schwab  
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is written in a cursive, flowing style.

# *Management's Discussion* for the six months ended June 30, 2003



**Randall W. Merk** is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about world events and the economy—particularly here in California—demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors. Although there has been uncertainty about California's fiscal health, I have confidence in our portfolio team's ability to manage our funds appropriately.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

*Randall W. Merk*





**Kevin Shaughnessy**, a portfolio manager, is responsible for the day-to-day management of the fund. Prior to joining the firm in 2000, he worked for more than ten years in fixed-income portfolio management.

## The Investment Environment and the Fund

**The U.S. economy remained in a holding pattern during the six months of the report period.** Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

**Already at their lowest level in decades, interest rates fell further as the report period progressed.** During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

**Falling interest rates pushed money fund yields to new lows** (see page 5 for fund yield information). We sought to lessen the effects of falling rates on the fund by maintaining a comparatively long weighted average maturity. Although the fund's yield did decline, we were successful in slowing that decline, and in keeping the fund's yield higher than it otherwise would have been.

**Strong issuance of short-term muni debt relative to taxable debt made muni yields attractive compared to taxable yields.** Typically, we have seen muni yields average about 80% of taxable yields. During the report period, muni yields at times exceeded 95% of taxable yields (although both were low on an absolute basis). These extremes of valuation allowed us to increase our exposure to high-yielding fixed-rate securities.

**California faced an unprecedented \$38 billion deficit going into fiscal 2004.** After a protracted and partisan session, the state legislature adopted a budget in late July, closing the gap through a combination of spending cuts, deferrals and the anticipated sale of \$10.7 billion in deficit bonds. The state legislative analyst's office projects a fiscal 2005 deficit of \$8 billion, absent further corrective action.

During the past two years, the state lost 2% of its jobs (mostly in technology-heavy Northern California). It is uncertain how quickly it may regain these jobs.

*We invested in securities from a diverse range of California issuers, evaluating each investment individually and buying only those that met our highest standards for credit quality.*

Although the state lost a larger percentage of its job base in the recession of the early 1990s, in recent years it had grown more dependent on income taxes. Much of the tax revenue was derived from stock-related income, especially options, which became widely used by the technology and business services industries in the late 1990s. Further, the state increased spending without full regard for the volatility of these revenues. As economic and revenue growth slowed, a politically divided legislature failed to cut spending or raise revenues proportionately, passing deficit budgets and relying on one-time solutions that left the underlying problems largely unaddressed.

**After the report period ended, Standard & Poor's and Moody's downgraded their credit ratings for the state. S&P rated California BBB, a low investment-grade rating, and Moody's rated it A3, a mid-level investment-grade rating.** Both cited the state's lack of progress in adopting a fiscal 2004 budget and the size of projected future budget gaps. As of the report date, Fitch rated the state A, but both Moody's and Fitch continue to have California on their watch lists for possible further downgrades. Although a budget is now in place for fiscal 2004, the agencies may still adjust their ratings to reflect future shortfall projections and the state's reliance on bond sales to close the gap for fiscal 2004.

Although California has experienced fiscal crises before, so far the state has always paid its general obligation debt on time. General and related obligations have a continuing appropriation that requires the state's controller to make cash payments to its bondholders even if the state has not adopted a budget. We also note that the type of direct state securities the fund buys have constitutional priority over most state spending.

**During the report period, the fund took several steps to help ensure that its investments would continue to be of the highest credit quality.** First, as the budget crisis deepened, we reduced our holdings of direct state obligations and increased our holdings of other municipal issuers within the state, such as cities, universities, counties and school districts. In addition, we favored securities whose credit was enhanced by highly rated banks and insurance companies. As of the report date, approximately 70% of the portfolio carried these credit enhancements, including many of our direct state holdings.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

# Performance and Fund Facts as of 6/30/03

## Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

	Sweep Shares	Value Advantage Shares
Seven-Day Yield <sup>1</sup>	0.44%	0.64%
Seven-Day Effective Yield	0.44%	0.64%
Seven-Day Taxable-Equivalent Effective Yield <sup>2</sup>	0.75%	1.09%

## Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	61 days
Credit Quality of Holdings <sup>3</sup> % of portfolio	100% Tier 1
Credit-Enhanced Securities % of portfolio	70%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

<sup>1</sup> A portion of the fund's expenses was reduced during the reporting period. Without this reduction, the seven-day yields for the fund's Sweep Shares and Value Advantage Shares would have been 0.27% and 0.50%, respectively.

<sup>2</sup> Taxable-equivalent effective yield assumes a 2003 maximum combined federal regular income and California state personal income tax rate of 41.05%.

<sup>3</sup> Portfolio holdings may have changed since the report date.

# Financial Statements

## Schwab California Municipal Money Fund

### Financial Highlights

Sweep Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.02	0.03	0.02	0.03
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.02)	(0.03)	(0.02)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.28 <sup>2</sup>	0.83	1.99	3.02	2.42	2.64

<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.65 <sup>3</sup>	0.65	0.65	0.65 <sup>4</sup>	0.65	0.65
Ratio of gross operating expenses to average net assets	0.82 <sup>3</sup>	0.82	0.82	0.83 <sup>4</sup>	0.85	0.89
Ratio of net investment income to average net assets	0.56 <sup>3</sup>	0.83	1.98	2.98	2.41	2.60
Net assets, end of period (\$ x 1,000,000)	4,058	4,056	3,897	3,923	3,457	2,611

Value Advantage Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.02	0.03	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.02)	(0.03)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.38 <sup>2</sup>	1.03	2.19	3.22	2.62	2.84

<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.45 <sup>3</sup>	0.45	0.45	0.45 <sup>5</sup>	0.45	0.45
Ratio of gross operating expenses to average net assets	0.59 <sup>3</sup>	0.59	0.61	0.62 <sup>5</sup>	0.65	0.70
Ratio of net investment income to average net assets	0.76 <sup>3</sup>	1.03	2.11	3.20	2.60	2.79
Net assets, end of period (\$ x 1,000,000)	3,305	3,081	2,563	2,170	1,604	1,359

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> The ratios of net and gross operating expenses would have been 0.66% and 0.84%, respectively, if certain non-routine expenses (proxy fees) had been included.

<sup>5</sup> The ratios of net and gross operating expenses would have been 0.46% and 0.63%, respectively, if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- ▲ Delayed delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>		<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>100.0%</b>	<b>Municipal Securities</b>	7,797,585	7,797,585
<b>100.0%</b>	<b>Total Investments</b>	7,797,585	7,797,585

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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<b>Municipal Securities</b> 100.0% of investments
---

**California 97.4%**

**✦■ ABAG Financing Authority for Non-Profit Corporations, California**

COP (Harker School Project)			
1.00%, 07/07/03	4,700	4,700	
▷ COP (Lucile Salter Packard Project)			
0.95%, 07/07/03	4,600	4,600	
M/F Housing RB (Artech Building Project)			
0.95%, 07/07/03	3,200	3,200	

<b>Issuer</b>	<b>Security Type, Project, Series, Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
	M/F Housing RB (Crossing Apartments) Series 2002A		
	0.92%, 07/07/03	55,700	55,700
	M/F Housing RB (Miramar Apartments)		
	0.92%, 07/07/03	30,000	30,000
	M/F Housing RB (Mountain View Apartments) Series 1997A		
	1.15%, 07/07/03	6,325	6,325
▷	Munitops RB TOB Series 2002A		
	1.25%, 07/07/03	9,995	9,995
▷	RB (Lease Pass Thru Obligations) Series 2003A		
	1.05%, 07/07/03	8,000	8,000
	RB (Public Policy Institute of California Project) Series 2002A		
	1.00%, 07/07/03	9,000	9,000
	Revenue Refunding Bond (Valley Christian Schools)		
	1.05%, 07/07/03	17,000	17,000
<b>✦■ Alameda County, California</b>			
	IDRB (Aitchison Family Project) Series 1993A		
	1.05%, 07/07/03	2,640	2,640
	IDRB (JMS Family Partners) Series A		
	1.05%, 07/07/03	1,000	1,000
	IDRB (Malmberg Engineering, Inc. Project) Series 1999A		
	1.00%, 07/07/03	2,520	2,520
	IDRB (Scientific Technology Project) Series 1994A		
	1.10%, 07/07/03	2,300	2,300
<b>✦▶■ Anaheim, California</b>			
	COP (1993 Refunding Project)		
	0.85%, 07/07/03	10,215	10,215
	COP (Police Facility Financing Project)		
	0.85%, 07/07/03	2,200	2,200
<b>✦■ Anaheim, California Housing Authority</b>			
	M/F Housing RB (Casa Grande Apartments) Series 1997A		
	0.90%, 07/07/03	3,695	3,695

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB (Park Vista Apartments) 1.00%, 07/07/03	21,000	21,000	➦■ RB (San Francisco Conservatory) 0.95%, 07/07/03	2,830	2,830
M/F Housing RB (Port Trinidad Apartments) Series 1997C 0.90%, 07/07/03	2,040	2,040	➦➦■ RB (St Mary's College Project) Series B 0.95%, 07/07/03	8,150	8,150
M/F Housing RB (Sage Park Project) Series A 0.92%, 07/07/03	5,500	5,500	➦■ RB (University of Judaism Project) Series A 1.05%, 07/07/03	5,400	5,400
➦➦■ <b>Anaheim, California Union High School District</b> COP 0.90%, 07/07/03	5,500	5,500	➦■ RB (University of San Francisco) 1.00%, 07/07/03	57,000	57,000
➦➦■ <b>Bay Area, California Toll Bridge Authority</b> RB (San Francisco Bay Area Project) Series 2001A 1.05%, 07/07/03	6,700	6,700	➦➦■ RB TOB Series 413 0.98%, 07/07/03	8,995	8,995
RB (San Francisco Bay Area Project) Series 2001C 0.90%, 07/07/03	34,050	34,050	TECP (Stanford Project) 0.90%, 09/12/03	5,000	5,000
▲ RB (San Francisco Bay Area Project) Series 2003C 0.90%, 07/07/03	33,300	33,300	➦■ <b>California Health Facilities Financing Authority</b> ▲ RB (California Prebyterian Homes) Series 1998 0.98%, 07/07/03	29,900	29,900
Toll Bridge RB TOB Series 2001Q 1.00%, 07/07/03	10,125	10,125	➦ RB (Catholic Health Care) Series A 1.00%, 07/07/03	9,300	9,300
➦➦■ <b>Big Bear Lake, California</b> Water RB TOBP (PA-597) 1.15%, 10/09/03	8,445	8,445	RB (Scripps Memorial Hospital) Series A 0.95%, 07/07/03	13,800	13,800
➦■ <b>Burbank, California</b> <b>Redevelopment Agency</b> M/F Housing RB 1.00%, 07/07/03	14,060	14,060	➦ TOB Putters Series 181 1.00%, 07/07/03	9,995	9,995
■ <b>California Alternative Energy Source Financing Authority</b> RB (GE Capital Corp. Arroyo Project) Series 1993B 1.00%, 07/07/03	13,360	13,360	➦■ <b>California HFA</b> ➦ Home Mortgage RB Series 1999J-2 1.00%, 07/07/03	12,855	12,855
RB (GE Capital Corp. Arroyo Project) Series A 0.90%, 07/07/03	25,330	25,330	➦ Home Mortgage RB Series 2002B 1.15%, 07/01/03	22,500	22,500
■ <b>California Education Facilities Authority</b> ➦■ RB (Chapman University) 1.10%, 07/07/03	4,800	4,800	➦ Home Mortgage RB Series 2002F 0.95%, 07/01/03	17,000	17,000
			➦ Home Mortgage RB Series N 0.95%, 07/01/03	19,385	19,385
			M/F Housing RB Series 2001G 1.05%, 07/07/03	66,695	66,695
			M/F Housing RB Series 2002A 1.00%, 07/07/03	26,175	26,175
			M/F Housing RB Series 2002E 1.00%, 07/07/03	71,055	71,055
			➦ RB Series 2002P 1.05%, 07/07/03	61,000	61,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
✦ RB Series 2003D 0.93%, 07/07/03	25,000	25,000	✦ RB (Green Team of San Jose Project) Series 1997A 1.05%, 07/07/03	1,100	1,100
✦ RB Series 2003D 0.93%, 07/07/03	25,000	25,000	✦ RB (Wadham Energy Project) Series 1987B 1.00%, 07/07/03	4,000	4,000
✦ RB TOBP (PT-651A) 1.12%, 07/07/03	40,445	40,445	✦ Resource Recovery RB (Sanger Project) Series 1990A 1.00%, 07/07/03	19,200	19,200
Revenue TOB Series 1998E 1.01%, 07/07/03	5,210	5,210	✦ Resource Recovery Solid Waste Disposal RB (Atlas Disposal Industrial Project) Series 1999A 1.10%, 07/07/03	3,000	3,000
✦ Revenue TOB Series 1998R 1.50%, 08/28/03	9,995	9,995	✦ Solid Waste Disposal RB (Alameda County, Industries Project) Series 2000A 1.05%, 07/07/03	4,075	4,075
<b>California Infrastructure &amp; Economic Development Bank</b>			✦ Solid Waste Disposal RB (Athens Disposal Co. Project) Series 1995A 1.05%, 07/07/03	13,020	13,020
✦■ IDRB (American Derosa-Lamparts) 1.10%, 07/07/03	4,950	4,950	✦ Solid Waste Disposal RB (Athens Disposal Co. Project) Series 1999A 1.05%, 07/07/03	7,000	7,000
✦■ IDRB (Fairmont Sign Co. Project) Series 2000A 1.20%, 07/07/03	4,250	4,250	✦ Solid Waste Disposal RB (Athens Services Project) Series 2001A 1.05%, 07/07/03	4,500	4,500
✦■ IDRB (Independent System Operation Corporation Project) Series A 1.05%, 07/07/03	11,600	11,600	✦ Solid Waste Disposal RB (BLT Enterprises) Series 1999A 1.05%, 07/07/03	7,330	7,330
✦■ IDRB (Lafayette Textile Industries Project) 1.10%, 07/07/03	1,745	1,745	✦ Solid Waste Disposal RB (Blue Line Transfer, Inc. Project) Series 2001A 1.05%, 07/07/03	4,800	4,800
✦■ IDRB (Nelson Name Plate Co. Project) 1.10%, 07/07/03	3,450	3,450	✦ Solid Waste Disposal RB (Blue Line Transfer, Inc. Project) 1.05%, 07/07/03	4,700	4,700
✦■ IDRB (Roller Bearing Co. of America Santa Ana Project) 1.10%, 07/07/03	2,400	2,400	✦ Solid Waste Disposal RB (Burrtec Waste Industries Project) Series 1998A 1.55%, 07/07/03	1,270	1,270
✦■ RB (Buck Institute) 0.90%, 07/07/03	40,100	40,100	✦ Solid Waste Disposal RB (CR & R, Inc. Project) Series A 1.15%, 07/07/03	3,900	3,900
■ RB (J.P. Getty Trust) Series 2003B 1.00%, 07/01/03	20,000	20,000			
■ RB (J.P. Getty Trust) Series 2003C 1.00%, 07/01/03	20,000	20,000			
TECP (J.P. Getty Trust Project) 1.00%, 07/08/03	2,550	2,550			
<b>■ California Pollution Control Financing Authority</b>					
✦ RB (Borax, Inc. Project) Series A 0.95%, 07/07/03	10,200	10,200			

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
✦ Solid Waste Disposal RB (California Waste Solutions Project) Series 2002A 1.05%, 07/07/03	3,760	3,760	✦ Solid Waste Disposal RB (Orange Avenue) Series 2002A 1.05%, 07/07/03	6,250	6,250
✦ Solid Waste Disposal RB (Calsan, Inc. Project) Series 1999B 1.05%, 07/07/03	3,305	3,305	✦ Solid Waste Disposal RB (Met Recycling Corporation Project) Series B 1.15%, 07/07/03	4,160	4,160
✦ Solid Waste Disposal RB (Cheese & Protein International Project) Series 2001A 1.00%, 07/07/03	10,000	10,000	✦ Solid Waste Disposal RB (Mottra Corp. Project) Series 2002A 1.05%, 07/07/03	2,625	2,625
✦ Solid Waste Disposal RB (Cold Cyn Landfill Project) 1.10%, 07/07/03	5,845	5,845	✦ Solid Waste Disposal RB (NorCal Waste System, Inc. Project) Series 2002A 1.10%, 07/07/03	6,000	6,000
✦ Solid Waste Disposal RB (Colmac Energy Project) Series 1990A 0.90%, 07/07/03	7,320	7,320	✦ Solid Waste Disposal RB (Norcal Waste System, Inc. Project) Series 2001A 1.10%, 07/07/03	8,740	8,740
✦ Solid Waste Disposal RB (Contra Costa Services) Series 1995A 1.05%, 07/07/03	2,600	2,600	✦ Solid Waste Disposal RB (Ratto Group Co., Inc. Project) Series 2001A 1.05%, 07/07/03	4,610	4,610
✦ Solid Waste Disposal RB (Edco Disposal Corp. Project) Series 1996A 1.05%, 07/07/03	15,720	15,720	✦ Solid Waste Disposal RB (Sanco Services LP Project) Series 2002A 1.55%, 07/07/03	4,000	4,000
✦ Solid Waste Disposal RB (Federal Disposal Service Project) Series 2001A 1.15%, 07/07/03	2,800	2,800	✦ Solid Waste Disposal RB (Santa Clara Project) Series 1998A 1.15%, 07/07/03	3,100	3,100
✦ Solid Waste Disposal RB (Greenteam of San Jose Project) Series 2001A 1.05%, 07/07/03	5,000	5,000	✦ Solid Waste Disposal RB (Santa Clara Valley Project) Series 2001A 1.05%, 07/07/03	7,075	7,075
✦ Solid Waste Disposal RB (Greenwaste of Tehama Project) Series 1999A 1.15%, 07/07/03	2,535	2,535	Solid Waste Disposal RB (Shell Martinez Refining Project) Series 1996A 0.95%, 07/07/03	18,300	18,300
✦ Solid Waste Disposal RB (Madera Disposable Project) Series 1998A 1.10%, 07/07/03	1,800	1,800	✦ Solid Waste Disposal RB (Solag Disposal Project) Series 1997A 1.15%, 07/07/03	2,670	2,670
✦ Solid Waste Disposal RB (Marborg Industries Project) Series 2002A 1.05%, 07/07/03	4,830	4,830	✦ Solid Waste Disposal RB (Specialty Solid Waste Project) Series 2001A 1.15%, 07/07/03	3,945	3,945



Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+ Solid Waste Disposal RB (Talco Plastics Project) Series 1997A 1.10%, 07/07/03</b>	3,925	3,925	<b>California State</b>		
<b>+ Solid Waste Disposal RB (Tri-Ced Community Recycle Project) 1.10%, 07/07/03</b>	1,920	1,920	<b>+ Eagle TOB Series 1997C 1.01%, 07/07/03</b>	10,900	10,900
<b>+ Solid Waste Disposal RB (Waste Management Project) Series 2002A 0.96%, 07/07/03</b>	16,000	16,000	<b>+ Eagle TOB Series 2000 1.01%, 07/07/03</b>	15,580	15,580
<b>+ Solid Waste Disposal RB (Waste Management, Inc. Project) Series 2001A 1.05Su%, 07/07/03</b>	5,000	5,000	<b>+ Eagle TOB Series 2000 1.03%, 07/07/03</b>	9,900	9,900
<b>+ Solid Waste Disposal RB (West Valley Project) Series 1997A 1.10%, 07/07/03</b>	4,560	4,560	<b>+ Eagle TOB Series 2000 1.01%, 07/07/03</b>	13,675	13,675
<b>+ Solid Waste Disposal RB (Zanker Road Landfill Project) Series C 1.15%, 07/07/03</b>	6,370	6,370	<b>+ Eagle TOB Series 2000 1.03%, 07/07/03</b>	30,540	30,540
<b>+ Solid Waste Disposal RB (Burtec Waste Industries) Series 1997B 1.55%, 07/07/03</b>	3,615	3,615	<b>+ GO TOB Series ROC, 2001I-2 1.01%, 07/07/03</b>	17,840	17,840
<b>+ Solid Waste Disposal RB (Escondido Disposal) Series 1998A 1.55%, 07/07/03</b>	7,845	7,845	<b>+ GO Series 2003B-4 1.00%, 07/07/03</b>	13,800	13,800
<b>+ Solid Waste Disposal RB (Browning Ferris Industries) Series 1997A 1.00%, 07/07/03</b>	10,000	10,000	<b>+ GO Series 2003C-1 1.00%, 07/07/03</b>	17,000	17,000
<b>+ California School Cash Reserve Program Authority RB Series 2002A 1.46%, 07/03/03</b>	10,020	10,020	<b>+ GO Series 2003C-2 0.90%, 07/07/03</b>	5,000	5,000
<b>▲ RB Series 2003A 0.90%, 07/06/04</b>	150,000	151,651	<b>+ GO Series 2003C-3 0.95%, 07/07/03</b>	5,000	5,000
<b>+ California School Facilities Financing Corp. (Vallejo USD) COP (Capital Improvement Financing Projects) Series 1999E 0.95%, 07/07/03</b>	5,545	5,545	<b>+ GO Series 2003C-4 1.00%, 07/07/03</b>	10,000	10,000
			<b>+ GO TOB Series 779 1.03%, 07/07/03</b>	11,195	11,195
			<b>► GO TECP 1.18%, 07/07/03</b>	47,000	47,000
			<b>+ GO TOB Series 195 1.03%, 07/07/03</b>	10,835	10,835
			<b>+ GO TOB Series 195 1.03%, 07/07/03</b>	10,835	10,835
			<b>+ GO TOBP (PA-676R) 1.60%, 04/08/04</b>	26,125	26,125
			<b>+ GO TOBP (PA-815R) 1.04%, 07/07/03</b>	13,835	13,835
			<b>+ GO TOBP (PT-1236) 1.03%, 07/07/03</b>	23,405	23,405
			<b>+ GO TOBP (PT-1257) 1.03%, 07/07/03</b>	29,495	29,495
			<b>► Revenue Anticipation Warrant Series A 1.12%, 06/16/04</b>	100,000	100,855
			<b>1.07%, 06/16/04</b>	75,000	75,663

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
► Revenue Anticipation Warrant Series B 1.11%, 06/16/04	205,000	205,000	► Power Supply RB TOBP (PT-730) 1.01%, 07/07/03	34,740	34,740
1.12%, 06/16/04	112,500	113,441	+		
► GO TOB Putters Series 132 1.00%, 07/07/03	94,950	94,950	■ California State Economic Development Financing Authority		
+			IDRB (Calco Project) 1.05%, 07/07/03	565	565
■ California State Department of Water Resources			IDRB (Gaiser Tool Project) 1.05%, 07/07/03	2,120	2,120
Power Supply RB Series 2002B-2 1.10%, 07/01/03	83,800	83,800	IDRB (Mercury Air Group) 1.00%, 07/07/03	14,000	14,000
Power Supply RB Series 2002B-3 0.95%, 07/01/03	17,500	17,500	RB (Costa Macoroni Project) 1.05%, 07/07/03	2,945	2,945
Power Supply RB Series 2002C-1 1.05%, 07/07/03	13,300	13,300	RB (Lion Raisin Project) 1.00%, 07/07/03	1,350	1,350
Power Supply RB Series 2002C-10 0.94%, 07/07/03	44,440	44,440	+		
Power Supply RB Series 2002C-14 1.00%, 07/07/03	31,000	31,000	■ California State Public Works Board		
► Power Supply RB TOB (Regulation D) Series L-12 1.10%, 11/19/03	15,000	15,000	Lease Revenue TOB Putters Series 209 1.00%, 07/07/03	9,995	9,995
► Power Supply RB TOB (Regulation D) Series L-13 1.10%, 11/19/03	7,500	7,500	Lease Revenue TOB Series 1999F 1.03%, 07/07/03	9,985	9,985
► Power Supply RB TOB (Regulation D) Series L-14 1.10%, 11/19/03	12,500	12,500	Lease Revenue TOB Series 2000D 1.01%, 07/07/03	3,000	3,000
► Power Supply RB TOB (Regulation D) Series L11 1.10%, 11/19/03	33,325	33,325	+		
Power Supply RB Series 2002B-1 1.00%, 07/01/03	59,940	59,940	■ California State University Institute TECP 1.05%, 07/11/03	5,400	5,400
► Power Supply RB Series 2002C-7 1.00%, 07/07/03	37,000	37,000	■ California Statewide Communities Development Authority		
► Power Supply RB TOBP (PA-1100) 1.01%, 07/07/03	19,995	19,995	+		
► Power Supply RB TOBP (PA-1120R) 1.01%, 07/07/03	12,835	12,835	COP (SVDP Management) Series 1998 0.95%, 07/07/03	7,485	7,485
			+		
			COP TOB Series 1999E 1.03%, 07/07/03	5,000	5,000
			+		
			IDRB (13th I Associates Project) 1.80%, 07/07/03	4,400	4,400
			+		
			IDRB (Cowden Metal Stamping Project) 1.80%, 07/07/03	1,430	1,430

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
✦ IDRB (Drip In Irrigation Co. Project) 1.10%, 07/07/03	3,600	3,600	✦ RB (Dr. Nichols Pistachio) Series C 1.05%, 07/07/03	600	600
✦ IDRB (Biocol Investments, LP) Series 1997B 1.80%, 07/07/03	1,500	1,500	✦ RB (Elder Care Alliance) 1.00%, 07/07/03	12,760	12,760
✦ IDRB (Golden Valley Project) Series A 1.10%, 07/07/03	1,050	1,050	✦ RB (Gemological Institute Project) 0.90%, 07/07/03	34,790	34,790
✦ IDRB (Integrated Rolling Co. Project) Series 1999A 1.10%, 07/07/03	2,200	2,200	✦ RB (Japanese American Museum Project) Series 2000A 1.00%, 07/07/03	4,800	4,800
✦ IDRB (The Diamond Foods Project) Series 1991 1.80%, 07/07/03	790	790	✦ RB (Jewish Federation of Los Angeles) Series 2000A 1.05%, 07/07/03	7,400	7,400
✦ IDRB Series (RL Group) 1998C 1.10%, 07/07/03	1,715	1,715	RB (Kaiser Permanente) Series 2001A 1.38%, 07/01/03	19,000	19,000
✦ Insured RB (Fremont Rideout Project) Series 2001A 0.95%, 07/01/03	31,655	31,655	RB (Kaiser Permanente) Series 2002B 1.05%, 07/07/03	17,000	17,000
✦ M/F Housing RB (Cypress Villa Apartments) Series F 0.90%, 07/07/03	4,725	4,725	✦ RB (Masters College Project) 0.95%, 07/07/03	11,250	11,250
✦ M/F Housing RB (Emerald Gardens Apartments) Series E 0.90%, 07/07/03	7,320	7,320	✦ RB (National Public Radio Project) 1.00%, 07/07/03	7,800	7,800
✦ M/F Housing RB (Kimberly Woods Project) Series 1995B 1.00%, 07/07/03	13,400	13,400	✦ RB (Valley Palms Apartments Project) 0.90%, 07/07/03	12,000	12,000
✦ M/F Housing RB (Laurel Park Senior Apartments Project) Series 2003H 0.95%, 07/07/03	5,500	5,500	✦ RB (Woodsong Apartments) Series 1997B 0.90%, 07/07/03	3,327	3,327
✦ M/F Housing RB (Los Padres Apartments) Series 2003E 0.92%, 07/07/03	10,250	10,250	✦ ■ <b>Carlsbad, California</b> M/F Housing Revenue Refunding Bond COP (La Costa Apartment Project) Series 1993A 0.95%, 07/07/03	14,400	14,400
✦ M/F Housing RB (Oakmont Concord Project) Series Q 1.10%, 07/07/03	25,000	25,000	✦ ■ <b>Concord, California</b> M/F Housing Mortgage RB (Bel Air Apartments Project) Series 1986A 1.00%, 07/07/03	3,000	3,000
✦ M/F Housing RB (Park David Senior Apartments Project) Series 1999D 0.95%, 07/07/03	8,220	8,220	✦ ■ <b>Contra Costa County, California</b> M/F Housing Mortgage RB (El Cerrito Project) Series A 1.00%, 07/07/03	2,480	2,480
✦ M/F Housing RB (Plaza Club Apartments) Series 1997A 1.00%, 07/07/03	10,290	10,290			
✦ RB (Biola University Project) Series 2002B 0.95%, 07/07/03	22,900	22,900			

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Contra Costa County, California Board of Education</b>			<b>+■ Water System Subordinated RB</b>		
TRAN			Series 2002B		
1.66%, 07/01/03	26,700	26,700	0.85%, 07/07/03	9,900	9,900
<b>+■ Davis, California Community Facilities District</b>			<b>+■ El Cajon, California</b>		
Special Tax Bond (East Davis Mace Ranch Project) District No. 1999-2			M/F Housing RB (Pinewood Apartments Project)		
1.00%, 07/07/03	3,200	3,200	1.00%, 07/07/03	1,450	1,450
<b>▲ Desert Sands, California Unified School District</b>			Redevelopment Bond M/F Housing RB (Mollison & Madison Project)		
BAN			1.00%, 07/07/03	5,000	5,000
0.82%, 06/30/04	52,200	52,681	<b>+► El Camino, California</b>		
<b>+■ Diamond Bar, California Public Financing Authority</b>			<b>Community College District</b>		
Lease RB (Community Senior Center Project) Series 2002A			TOB (Election of 2002) Series 2003-12		
1.05%, 07/07/03	9,755	9,755	1.11%, 11/26/03	16,100	16,100
<b>+■ Dublin, California Housing Authority</b>			<b>+■ Emeryville, California</b>		
M/F Housing RB (Park Siera Project) Series A			<b>Redevelopment Agency</b>		
0.95%, 07/07/03	12,700	12,700	M/F Housing RB (Baystreet Apartments)		
<b>+► Dublin San Ramon, California</b>			1.00%, 07/07/03	33,215	33,215
<b>Services District</b>			<b>► Foothill-De Anza, California</b>		
COP			<b>Community College District</b>		
0.95%, 07/07/03	15,400	15,400	Merlot TOB Series 2000YY		
<b>► East Bay, California Municipal Utilities District</b>			1.03%, 07/07/03	9,990	9,990
TECP			<b>▲ Fresno County, California</b>		
1.00%, 07/23/03	12,000	12,000	TRAN		
1.05%, 08/07/03	9,500	9,500	0.90%, 06/30/04	57,000	57,620
1.00%, 08/12/03	14,800	14,800	<b>+■ Fresno, California IDA</b>		
1.00%, 08/13/03	31,300	31,300	RB (Keiser Corp.)		
1.00%, 08/14/03	7,000	7,000	1.10%, 07/07/03	1,815	1,815
0.90%, 09/10/03	13,800	13,800	<b>+■ Golden Empire Schools</b>		
<b>+■ Water System Revenue</b>			<b>Financing Authority of California</b>		
Refunding Bond Subseries 2002A			Lease RB (Kern High School District Project)		
0.85%, 07/07/03	14,800	14,800	1.00%, 07/07/03	10,600	10,600
<b>+■ Water System Revenue</b>			<b>► Golden Gate Bridge Highway &amp; Transportation District of California</b>		
Refunding Bond Subseries 2003B			TECP		
0.85%, 07/07/03	20,000	20,000	1.00%, 09/04/03	19,700	19,700
			<b>+■ Hayward, California Housing Authority</b>		
			► M/F Housing RB (Shorewood Apartment Project) Series A		
			0.85%, 07/07/03	19,700	19,700

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing Revenue Refunding Bond (Huntwood Terrace Apartments) 0.98%, 07/07/03	5,465	5,465	<b>Kern County, California</b>		
<b>➤■ Hercules, California Public Financing Authority</b>			<b>➤■ COP (Kern Public Facilities Project) Series A</b>	2,800	2,800
Lease RB Series 2003A 1.00%, 07/07/03	7,000	7,000	<b>▲ TRAN</b>	50,000	50,524
<b>➤■ Hercules, California Redevelopment Agency</b>			<b>➤■ Livermore, California Redevelopment Agency</b>		
IDRB (Pro Media Project) Series 2000A 1.00%, 07/07/03	2,500	2,500	M/F Housing Revenue Refunding Bond (Livermore Apartments) Series 2002A 1.00%, 07/01/03	11,450	11,450
<b>➤■ Huntington Beach, California</b>			<b>➤■ Lodi, California Electric System</b>		
M/F Housing RB (Five Points Project) 1.00%, 07/07/03	9,500	9,500	COP Series 2002A 0.85%, 07/07/03	38,360	38,360
<b>➤■ Huntington Park, California Redevelopment Agency</b>			<b>Long Beach, California Harbor</b>		
M/F Housing RB (Casa Rita Apartments) Series 1994A 1.00%, 07/07/03	4,100	4,100	<b>➤■ RB Series 2002B</b>	56,560	58,177
<b>➤■ Indian Wells, California Redevelopment Agency</b>			<b>► TECP</b>	17,250	17,250
Special Tax TOB Series R-230 1.01%, 07/07/03	4,520	4,520	<b>➤■ Long Beach, California Housing Authority</b>		
<b>➤■ Irvine, California</b>			M/F Housing RB (Channel Point Apartments Project) 0.87%, 07/07/03	7,000	7,000
Assessment District No. 97-16 0.85%, 07/01/03	1,400	1,400	<b>➤■ Long Beach, California Unified School District</b>		
RB (Assessment District No. 00-18) Series 2001A 0.85%, 07/01/03	2,500	2,500	COP (Capital Improvement Refinancing Project) 1.00%, 07/07/03	30,965	30,965
RB (Assessment District No. 87-8) 0.85%, 07/01/03	15,380	15,380	<b>➤■ Los Angeles, California</b>		
Special Assessment Bond (Assessment District No. 93-14) 0.90%, 07/01/03	2,500	2,500	M/F Housing RB (Beverly Park Apartments) Series 1988A 0.92%, 07/07/03	34,000	34,000
<b>➤■ Irvine Ranch, California Water District</b>			M/F Housing RB (Channel Gateway Apartments) Series 1989B 1.00%, 07/07/03	67,700	67,700
COP (Capital Improvement Project) 0.90%, 07/01/03	1,000	1,000	M/F Housing RB (Fountain Park Project) Series 1999P 0.92%, 07/07/03	24,300	24,300
Consolidated RB Series 1985 0.85%, 07/01/03	3,600	3,600	M/F Housing RB (Fountain Park Project Phase II) Series 2000B 0.92%, 07/07/03	3,500	3,500
			M/F Housing RB (Studio Colony) Series 1985C 0.93%, 07/07/03	15,931	15,931

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB Series 1985K 1.00%, 07/07/03	12,555	12,555	1.03%, 07/07/03	19,995	19,995
M/F Housing Revenue Refunding Bond (Tri City Project) Series 2001I 0.92%, 07/07/03	3,700	3,700	► Electric Plant TOB Series 370 0.98%, 07/07/03	11,620	11,620
► TOBP (PA-554) 1.01%, 07/07/03	3,150	3,150	➤ RB TOB Series 1999L 1.03%, 07/07/03	22,090	22,090
➤ Los Angeles, California Airport TECP Series A 1.00%, 07/07/03	3,000	3,000	► TOB ( PA 1087) 1.03%, 07/07/03	7,120	7,120
TECP Series B 1.10%, 07/07/03	11,128	11,128	➤ TOB Putters Series 184 1.00%, 07/07/03	15,000	15,000
1.05%, 07/07/03	2,500	2,500	► Water & Power RB Subseries 2001B-1 0.85%, 07/07/03	36,300	36,300
1.05%, 08/14/03	10,103	10,103	➤ Waterworks RB TOB Series 754 0.98%, 07/07/03	12,708	12,708
1.05%, 08/18/03	22,101	22,101	<b>Los Angeles, California Unified School District</b>		
➤ Los Angeles, California Community College District Revenue Refunding COP Series 2002A 0.85%, 07/07/03	30,150	30,150	➤ Munitops TOB Series 1997C 0.98%, 07/07/03	15,400	15,400
➤ Los Angeles, California Community Redevelopment Agency M/F Housing RB (Metropolitan Lofts Apartments) Series 2002A 0.95%, 07/07/03	17,750	17,750	➤ TOBP (PT-1730) 1.01%, 07/07/03	30,000	30,000
M/F Housing Revenue Refunding Bond (Promenade Towers Project) Series 2000 0.90%, 07/07/03	39,600	39,600	➤ TOBP (PT-1764) 1.01%, 07/07/03	9,305	9,305
➤ Los Angeles, California Convention Center & Exhibit Center Authority Revenue Refunding Bond Series 2003E 0.97%, 07/07/03	41,700	41,700	▲ TRAN Series 2003A 0.94%, 07/01/04	50,000	50,528
Revenue Refunding Bond Sub- Series 2003B-2 0.97%, 07/07/03	4,000	4,000	TRAN Series B 1.68%, 07/01/03	15,000	15,000
■ Los Angeles, California Department of Water & Power			► Los Angeles, California Wastewater System		
➤ Eagle TOB Series 2001 1.01%, 07/07/03	24,750	24,750	➤ RB TOB Series 2002J 1.00%, 07/07/03	12,245	12,245
➤ Electric Plant TOB Series 1997I			➤ Revenue Refunding Bond Series 2001A 1.25%, 07/07/03	18,000	18,000
			➤ Revenue Refunding Bond Series 2001B 1.25%, 07/07/03	22,200	22,200
			➤ Revenue Refunding Bond Series 2001C 1.25%, 07/07/03	24,200	24,200
			TECP 1.00%, 07/10/03	24,375	24,375
			0.95%, 08/11/03	34,000	34,000
			➤ TOB 98-25 0.98%, 07/07/03	17,000	17,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Los Angeles County, California</b>			Revenue Refunding Bond Series 1996B		
+■ COP ACES (Los Angeles County Museum of Art Project) Series 1985A	1,500	1,500	0.85%, 07/07/03	8,600	8,600
+■ COP ACES (Los Angeles County Museum of Art Project) Series 1985B	1,600	1,600	<b>+▲ Los Angeles County, California Schools Pooled Financing Program</b>		
▲ TRAN Series 2003A	100,000	101,087	TRAN Series 2003A	12,000	12,098
0.90%, 06/30/04			0.92%, 06/30/04		
<b>+ Los Angeles County, California Capital Asset Leasing Corp.</b>			<b>+■ Los Angeles County, California Transportation Commission</b>		
TECP			Sales Tax RB Series 1992A	8,050	8,050
1.05%, 07/14/03	11,000	11,000	0.85%, 07/07/03		
1.05%, 07/24/03	6,000	6,000	<b>+■ Madera, California Public Financing Authority</b>		
0.90%, 09/10/03	16,200	16,200	(Municipal Golf Course Revenue Refinancing) RB		
<b>+■ Los Angeles County, California Housing Authority</b>			0.95%, 07/07/03	3,250	3,250
M/F Housing RB (Malibu Canyon Apartments Project) Series B			<b>■ Metropolitan Water District of Southern California</b>		
1.00%, 07/07/03	28,520	28,520	+ Revenue Refunding Bond Series 1996A	16,800	16,800
<b>+ Los Angeles County, California Metropolitan Transit Authority</b>			Revenue Refunding Bond Series 1997C	15,000	15,000
■ Eagle Sales Tax Revenue Refunding TOB Series 2001B	24,750	24,750	Revenue Refunding Bond Series 1997B	8,500	8,500
1.01%, 07/07/03			0.85%, 07/07/03		
■ Revenue Refunding Bond Series 1993A	14,000	14,000	Revenue Refunding Bond Series 2001-B2	15,500	15,500
0.85%, 07/07/03			0.85%, 07/07/03		
■ Sales Tax RB TOB Series 2003-A	12,600	12,600	Revenue Refunding Bonds Series 1999C	4,100	4,100
TECP			0.90%, 07/07/03		
1.00%, 08/11/03	25,266	25,266	Waterworks RB Series 2001B-3 RB (Waterworks) S	9,500	9,500
1.00%, 08/14/03	57,990	57,990	0.90%, 07/01/03		
0.95%, 09/04/03	25,267	25,267	Waterworks Revenue TOB Series 19990	18,500	18,500
■ TOB Series 1998B	23,830	23,830	1.03%, 07/07/03		
1.03%, 07/07/03			Waterworks RB Series 2001C-2	32,600	32,600
<b>+■ Los Angeles County, California Pension</b>			0.80%, 07/01/03		
Revenue Refunding Bond Series 1996C	12,130	12,130	Waterworks Revenue Refunding Bond Series 2001B-1	45,100	45,100
0.85%, 07/07/03			0.85%, 07/07/03		
Revenue Refunding Bond Series 1996A	16,000	16,000			
0.85%, 07/07/03					

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Waterworks Revenue Refunding Bond Series 2002A 1.05%, 07/07/03	9,000	9,000	<b>➤■ Oakland, California</b> Revenue TOB (180 Harrison Foundation Project) Series 2000M 1.03%, 07/07/03	4,500	4,500
<b>➤■ Modesto-Santa Clara-Redding, California Public Power Agency</b> RB (San Juan Project) Subordinate Lien Series 1997E 0.90%, 07/07/03	5,000	5,000	<b>➤■ Oceanside, California</b> M/F Mortgage RB (Riverview Springs) Series 1990A 1.00%, 07/07/03	12,570	12,570
Subordinate Lien RB (San Juan Project) Series 1997D 1.05%, 07/07/03	2,500	2,500	<b>■ Orange County, California</b> <b>Sanitation District</b> COP Series 2002B 0.85%, 07/01/03	3,000	3,000
<b>Moreno Valley, California</b> <b>Unified School District</b> TRAN 1.44%, 07/24/03	7,450	7,457	<b>✦ COP (Sanitation Districts 1-3, 5-7 &amp; 11) Series 1992C 0.85%, 07/07/03</b>	16,200	16,200
<b>➤■ Mount San Jacinto, California</b> <b>Winter Park Authority</b> COP (Palm Springs Aerial Project) Series 1998 1.00%, 07/07/03	7,900	7,900	<b>➤■ Orange County, California</b> COP (Florence Crittenton Services Project) Series 1990 0.97%, 07/07/03	5,500	5,500
COP (Palm Springs Aerial Project) Series 2000B 1.00%, 07/07/03	2,900	2,900	M/F Housing RB (Lantern Pines Project) 0.95%, 07/07/03	14,700	14,700
<b>➤■ Northern California Power Agency</b> Revenue Refunding Bond (Hydroelectric No. 1 Project) Series 2002 A 0.85%, 07/07/03	7,000	7,000	<b>➤■ Orange County, California</b> <b>Apartment Development</b> RB (Hidden Hills) Series 1985C 1.00%, 07/07/03	13,300	13,300
Revenue Refunding Bond (Hydroelectric No.1 Project) Series 2002B 0.95%, 07/07/03	9,010	9,010	RB (Villas Aliento) Series 1998E 0.90%, 07/07/03	4,500	4,500
Revenue Refunding Bond (Hydroelectric Project No. 1) Series 2003A 0.95%, 07/07/03	9,500	9,500	RB Series 1998F 0.90%, 07/07/03	15,900	15,900
<b>➤■ Northern, California</b> <b>Transmission Agency</b> Revenue Refunding Bonds (California-Ore Transmission Project) Series A 0.88%, 07/07/03	9,800	9,800	RB Series (WCLO LF) Series 1998G-3 0.87%, 07/07/03	14,100	14,100
			Revenue Refunding Bond (Jess L. Frost Project) Series 1985B 0.95%, 07/07/03	10,200	10,200
			Revenue Refunding Bond (Pointe Niguel Project) Series 1992C 0.85%, 07/07/03	18,000	18,000
			Revenue Refunding Bond (Vintage Woods) Series 1988H 0.87%, 07/07/03	10,000	10,000



Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+ Orange County, California</b>			<b>+► Rancho, California Water</b>		
<b>Local Transit Authority</b>			<b>District Financing Authority</b>		
TECP			RB Series 2001B		
0.90%, 09/08/03	38,000	38,000	0.90%, 07/07/03	25,000	25,000
0.90%, 09/10/03	4,000	4,000	<b>+■ Redwood City, California</b>		
<b>► Orange County, California Water</b>			<b>COP (City Hall Project)</b>		
<b>District</b>			1.00%, 07/07/03	2,305	2,305
COP Series 2003A			<b>+► Riverside County, California</b>		
0.95%, 07/07/03	25,000	25,000	<b>Asset Leasing Corp.</b>		
<b>► Palo Alto, California Unified</b>			Leasehold RB (South West		
<b>School District</b>			Justice Center) Series 2000B		
Merlot TOB Series 1997R			0.85%, 07/07/03	15,900	15,900
1.03%, 07/07/03	6,000	6,000	<b>+■ Riverside County, California</b>		
<b>+► Pasadena, California</b>			<b>Housing Authority</b>		
COP (City Hall & Park			M/F Housing RB (Briarwood		
Improvement Projects)			Apartment Project) Series		
0.95%, 07/07/03	35,290	35,290	1985C		
<b>Peralta, California Community</b>			0.95%, 07/07/03	4,500	4,500
<b>College District</b>			M/F Housing RB (Tyler Springs		
BAN			Apartments) Series 1999C		
1.12%, 03/04/04	28,500	28,506	0.87%, 07/07/03	8,000	8,000
<b>+■ Petaluma, California</b>			M/F Housing Revenue		
<b>Community Authority</b>			Refunding Bond (Victoria		
M/F Housing RB (Oakmont At			Spring Springs Apartments)		
Petaluma Project)			1.00%, 07/07/03	9,000	9,000
0.95%, 07/07/03	3,450	3,450	<b>+■ Riverside County, California</b>		
<b>+■ Pinole, California</b>			<b>IDA</b>		
<b>Redevelopment Agency</b>			RB (Calmold, Inc. Project)		
M/F Housing RB (East Bluff			1.50%, 07/07/03	3,070	3,070
Apartments Project)			<b>+► Roseville, California Electric</b>		
Series 1998A			<b>System</b>		
1.15%, 07/07/03	4,959	4,959	COP Series 2002		
<b>+■ Pleasant Hill, California</b>			0.95%, 07/07/03	30,365	30,365
M/F Housing RB (Brookside			<b>Sacramento, California City</b>		
Apartments Project)			<b>Financing Authority</b>		
Series 1998A			Revenue Refunding Bond		
0.90%, 07/07/03	4,600	4,600	1.90%, 07/01/03	3,825	3,825
<b>+ Port of Oakland, California</b>			<b>+ Sacramento, California</b>		
TECP Series D			<b>Municipal Utility District</b>		
1.05%, 07/03/03	13,000	13,000	TECP		
<b>► TOBP (PA-663)</b>			1.00%, 08/29/03	38,850	38,850
1.05%, 07/07/03	8,415	8,415	<b>+■ Sacramento, California</b>		
<b>► Merlot TOB (First Union)</b>			<b>Redevelopment Agency</b>		
Series 2000JJ			M/F Housing RB (18th & L		
1.08%, 07/07/03	15,000	15,000	Apartments) Series 2002E		
			0.92%, 07/07/03	10,525	10,525

**Portfolio Holdings** continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Sacramento County, California</b> COP (Administration Center & Court House Project) 1.00%, 07/07/03	7,665	7,665	M/F Mortgage RB (La Cima) Series 1999K 0.85%, 07/07/03	9,140	9,140
<b>+■ Sacramento County, California Housing Authority</b> M/F Housing RB (Chesapeake Commons Project) Series C 1.00%, 07/07/03	28,000	28,000	M/F Mortgage RB (Nobel Courts) Series 1999L 0.85%, 07/07/03	15,815	15,815
M/F Housing RB (Hidden Oaks Apartments) Series 1999C 0.95%, 07/07/03	6,300	6,300	<b>+■ San Diego, California Public Facilities Financing Authority</b> Waters RB TOB Series 757 0.98%, 07/07/03	19,840	19,840
<b>■ Sacramento County, California Sanitation District Financing Authority</b> TOB Series 366 0.98%, 07/07/03	12,445	12,445	<b>San Diego, California Unified School District</b> <b>+■</b> Munitop TOB 2002-28 1.13%, 11/05/03	12,280	12,280
TOBP (PA-694) 1.01%, 07/07/03	6,090	6,090	TRAN Series A 1.52%, 07/28/03	61,850	61,917
<b>+■ Sacramento County, California Special Facilities</b> RB (Cessna Aircraft Corp. Project) 1.05%, 07/07/03	3,300	3,300	<b>■ San Diego, California Water Authority</b> TECP 1.00%, 08/07/03	10,500	10,500
<b>+■ Salinas, California Apartment Development</b> M/F Housing RB (Mariner Villa Project) Series 1985B 0.95%, 07/07/03	2,825	2,825	<b>+■ San Francisco, California City &amp; County Airports Commission</b> International Airport Certificates Series 476 0.98%, 07/07/03	16,255	16,255
<b>San Bernardino County, California</b> <b>+■</b> COP (Medical Center Financing Project) Series 1998 1.05%, 07/07/03	35,660	35,660	International Airports RB TOBP (PA-662) 1.12%, 07/07/03	12,670	12,670
TRAN 1.68%, 07/01/03	35,000	35,000	<b>+■ San Francisco, California City &amp; County Financing Corp.</b> Lease RB (Moscone Center Expansion Project) Series 2000-2 0.85%, 07/07/03	10,500	10,500
<b>▲ San Diego, California County &amp; School District</b> TRAN Series 2003A 0.90%, 06/30/04	51,000	51,428	<b>+■ San Francisco, California City &amp; County Redevelopment Agency</b> M/F Housing RB (3rd & Mission) Series 1999C 1.10%, 07/07/03	21,500	21,500
<b>+■ San Diego, California Housing Authority</b> M/F Mortgage RB (Creekside Villa) Series 1999B 1.00%, 07/07/03	6,000	6,000	M/F Housing RB (City Heights) Series 1997A 1.00%, 07/07/03	16,800	16,800
			M/F Housing RB (Fillmore Center Project) Series 1992 A2 0.97%, 07/07/03	3,750	3,750

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB (Ocean Beach Apartments) Series 2001B 1.03%, 07/07/03	4,850	4,850	RB (Merged Area Redevelopment Project) Series 1996B 0.90%, 07/07/03	6,000	6,000
M/F Housing RB (Post Street Towers) Series 2000A 0.95%, 07/07/03	17,000	17,000	► Tax Allocation TOB Putters Series 158 1.00%, 07/07/03	30,095	30,095
RB (CFD4) 0.90%, 07/07/03	23,440	23,440	✚ <b>San Jose, California Unified School District</b> Santa Clara County GO Series 2002A 1.40%, 08/01/03	2,000	2,004
✚ <b>San Joaquin County, California Transportation Authority</b> Sales Tax Revenue TECP 1.00%, 09/10/03	15,000	15,000	✚ <b>San Marcos, California Redevelopment Agency</b> M/F RB (Grandon Village Project) Series A 1.00%, 07/07/03	13,500	13,500
✚ <b>San Jose, California</b> ► GO TOB Series 760 0.98%, 07/07/03	11,223	11,223	✚ <b>Sanger, California Public Financing Authority</b> Revenue Refunding Bond (Utility Systems Financing Project) Series 2002A 1.00%, 07/07/03	10,000	10,000
M/F Housing RB (Almeden Lake Apartments Project) Series 1997A 1.00%, 07/07/03	15,900	15,900	<b>Santa Barbara County, California</b> TRAN Series A 1.52%, 07/25/03	12,000	12,011
M/F Housing RB (Betty Anne Apartments Project) Series 2002A 1.00%, 07/07/03	11,000	11,000	▲ 0.80%, 07/23/04	11,000	11,139
M/F Housing RB (El Paseo Apartments Project) Series 2002B 1.00%, 07/07/03	5,000	5,000	✚ <b>Santa Clara, California</b> Electric Revenue Series 1985C 0.85%, 07/07/03	16,700	16,700
M/F Housing RB (Seinna at Renaissance Project) Series 1996A 0.92%, 07/07/03	21,500	21,500	✚ <b>Santa Clara County, California</b> M/F Housing Revenue Refunding Bond (Brairwood Apartments Project) Series 1996B 0.87%, 07/07/03	12,400	12,400
✚ <b>San Jose, California Housing Financing Authority</b> Revenue Refunding & Improvement Bond (Hayes Mansion Project) Series 2001D 0.95%, 07/07/03	10,800	10,800	M/F Housing Revenue Refunding Bond (Grove Garden Apartments) Series 1997A 0.87%, 07/07/03	14,000	14,000
✚ <b>San Jose, California Redevelopment Agency</b> M/F Housing (101 San Fernando Apartments Project) Series 1998A 1.00%, 07/07/03	38,000	38,000			

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+■ Santa Clara County— El Camino, California Hospital District</b>			<b>+■ Southeast, California Resource Recovery Facilities Authority</b>		
RB (Valley Medical Center Project) Series 1985A 1.50%, 07/07/03	16,200	16,200	Lease Revenue Refunding Bond Series 1995A 0.92%, 07/07/03	18,305	18,305
<b>+►■ Santa Clara Valley, California Water District</b>			Lease Revenue Refunding Bond Series 1995B 0.97%, 07/07/03	14,200	14,200
COP TOB Series 2000-411 0.98%, 07/07/03	15,120	15,120	<b>►■ Southern California HFA</b>		
<b>+■ Santa Fe Springs, California IDA</b>			S/F Mortgage RB TOBP (PT-629) 1.12%, 07/07/03	28,350	28,350
RB (Tri-West) Series 1983 1.35%, 07/30/03	4,000	4,000	<b>+►■ Southern California Public Power Authority</b>		
<b>+■ Santa Paula, California Public Financing Authority</b>			Revenue Refunding Bond (Palo Verdes Project) Series 1996B 0.85%, 07/07/03	1,100	1,100
Lease Water System RB (Aquis Project) Series 1996 1.10%, 07/07/03	9,000	9,000	Subordinate RB (Southern Transmission Project) Series 2000A 0.95%, 07/07/03	6,500	6,500
<b>+■ Santa Rosa, California Housing Authority</b>			Subordinate Revenue Refunding Bond (Southern Tranmission Project) Series 2001A 0.95%, 07/07/03	16,795	16,795
M/F Housing RB (Apple Creek Apartments Project) Series 1985E 0.95%, 07/07/03	17,140	17,140	<b>+■ Stockton, California Community Facilities District</b>		
M/F Housing RB (Quail Run Apartments) Series 1997A 0.95%, 07/07/03	4,710	4,710	Special Tax RB (Arch Road East No.99-02) 1.00%, 07/07/03	1,430	1,430
<b>▲ South Coast, California Local Educational Agencies</b>			<b>+►■ Sunnyvale, California</b>		
TRAN Series 2003A 0.80%, 06/30/04	35,000	35,415	COP (Government Center Site Acquisition) Series 2001A 0.90%, 07/07/03	13,280	13,280
<b>+►■ South Placer, California Wastewater Authority</b>			<b>+■ Union City, California</b>		
RB Series B 0.95%, 07/07/03	29,500	29,500	M/F Housing RB (Greenhaven Apartments Project) Series 1997A 0.87%, 07/07/03	10,975	10,975
<b>+■ South San Francisco, California Housing Authority</b>			<b>University of California Board of Regents</b>		
M/F Housing RB (Magnolia Plaza Project) Series A 1.00%, 07/07/03	5,500	5,500	<b>►■ Eagle TOB Series K</b>		
			1.01%, 07/07/03	19,430	19,430

## Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>➔■ RB TOB Series 762</b>			<b>➔■ West Sacramento, California</b>		
0.98%, 07/07/03	7,835	7,835	<b>Special Tax</b>		
TECP			RB (Community Facilities		
1.05%, 07/07/03	13,545	13,545	District #6) Series 1997A		
1.00%, 08/11/03	14,220	14,220	1.50%, 07/07/03	3,735	3,735
1.00%, 09/04/03	13,100	13,100	<b>➔■ Western Municipal Water District</b>		
<b>➔■ Val Verde, California Unified</b>			<b>of California Facilities Authority</b>		
<b>School District</b>			RB COP Series 2002A		
COP RB Series 2001A			0.95%, 07/07/03	15,700	15,700
0.93%, 07/07/03	2,205	2,205	<b>➔■ Western Riverside County,</b>		
<b>Vallecitos, California Water</b>			<b>California Regional Wastewater</b>		
<b>District</b>			<b>Authority</b>		
RB (Twin Oaks Reservoir			RB Series 1996		
Project)			0.85%, 07/01/03	1,200	1,200
0.95%, 07/07/03	19,000	19,000	<b>➔■ Westminster, California</b>		
<b>Ventura County, California</b>			COP (Civic Center Refunding		
TRAN			Program) Series 1998A		
1.66%, 07/01/03	20,000	20,000	1.00%, 07/07/03	3,610	3,610
▲ 0.90%, 07/01/04	25,000	25,149	<b>➔■ Westminster, California</b>		
<b>➔■ Vernon, California Electric</b>			<b>Redevelopment Agency</b>		
<b>System</b>			M/F Housing RB (Brookhurst		
RB (Malburg Project) Series			Royale) Series 2000A		
2003A			1.75%, 07/07/03	7,700	7,700
0.95%, 07/07/03	11,000	11,000	▶ Tax Allocation Bond (Community		
<b>➔■ Victor Valley, California</b>			Redevelopment Project)		
<b>Community College District</b>			Series 1997		
COP			1.00%, 07/07/03	9,155	9,155
0.95%, 07/07/03	53,450	53,450			<b>7,598,570</b>
<b>➔■ Vista, California</b>			<b>Puerto Rico 2.6%</b>		
IDRB (Desalination System, Inc.			<b>➔■ Puerto Rico Commonwealth</b>		
Project) Series 1995			Infrastructure Eagle TOB Series		
1.05%, 07/07/03	4,945	4,945	2000		
<b>➔■ West Basin, California Municipal</b>			1.01%, 07/07/03	33,105	33,105
<b>Water District</b>			Public Improvement TOB Series		
RB COP (Phase II Recycled			2001R		
Water Project) Series 1997B			1.00%, 07/07/03	12,200	12,200
1.00%, 07/07/03	25,000	25,000	Public Improvement TOB Robin		
RB COP (Phase III Recycled			Series 3		
Water Project) Series 1999A			0.98%, 07/07/03	13,395	13,395
1.00%, 07/07/03	8,400	8,400	TOB Putters Series 232		
RB COP (Phase III Recycled			0.95%, 07/07/03	24,245	24,245
Water Project) Series 1999B					
1.05%, 07/07/03	13,460	13,460			

**Portfolio Holdings** continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
TOB Series 204			<b>➔■ Puerto Rico Public Building</b>		
0.95%, 07/07/03	7,295	7,295	<b>Authority</b>		
TOBP (PA-652)			Government Facilities RB TOB		
0.96%, 07/07/03	8,730	8,730	Putter Series 211		
TOBP (PT-812)			0.95%, 07/07/03		
0.96%, 07/07/03	13,050	13,050	Revenue Guaranteed RB TOB		
Unlimited GO Series			Series II-R-56		
2001II-R-124			1.01%, 07/07/03		
1.10%, 07/07/03	4,995	4,995			
			<b>199,015</b>		
<b>➔■ Puerto Rico Commonwealth</b>					
<b>Highway &amp; Transportation</b>					
<b>Authority</b>					
Highway RB TOB Series II-R-66					
1.01%, 07/07/03					
6,200					
RB Series 1998A					
0.95%, 07/07/03					
2,700					
RB TOB Series R-227					
1.01%, 07/07/03					
3,995					
RB TOBP (PA-605)					
0.96%, 07/07/03					
6,590					
Transportation Revenue Merlot					
TOB Series 2000FFF					
1.00%, 07/07/03					
4,970					
<b>➔■ Puerto Rico Commonwealth</b>					
<b>Infrastructure Financing Authority</b>					
TOBP (PA-498 )					
0.96%, 07/07/03					
3,290					
<b>➔■ Puerto Rico Electric Power</b>					
<b>Authority</b>					
Putters RB TOB Series 147					
0.95%, 07/07/03					
5,000					
Eagle RB Series II					
1.03%, 07/01/03					
7,405					
RB TOB Putters Series 164					
0.95%, 07/07/03					
15,765					
<b>➔■ Puerto Rico Housing Finance</b>					
<b>Corp.</b>					
RB TOB Series 2000R					
1.00%, 07/07/03					
5,545					

**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$7,797,585
Cash	44,423
Receivables:	
Fund shares sold	22,512
Interest	21,347
Investments sold	111,430
Prepaid expenses	+ 14
<b>Total assets</b>	<b>7,997,311</b>

**Liabilities**

Payables:	
Fund shares redeemed	33,263
Dividends to shareholders	1,570
Investments bought	599,321
Investment adviser and administrator fees	175
Transfer agent and shareholder service fees	156
Accrued expenses	+ 265
<b>Total liabilities</b>	<b>634,750</b>

**Net Assets**

<b>Total assets</b>	7,997,311
<b>Total liabilities</b>	– 634,750
<b>Net assets</b>	<b>\$7,362,561</b>

**Net Assets by Source**

Capital received from investors	7,363,383
Net realized capital losses	(822)

**Net Assets by Share Class**

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$4,058,061		4,059,029		\$1.00
Value Advantage Shares	\$3,304,500		3,304,469		\$1.00

The amortized cost for the fund's securities was \$7,797,585. During the reporting period, the fund had \$621,955 in transactions with other SchwabFunds®.

**Federal Tax Data**

**Cost basis of portfolio** \$7,797,585

**As of December 31, 2002:**

**Unused capital losses:**

Expires 12/31 of: Loss amount:  
2008 \$955

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$42,988</b>
----------	-----------------

**Net Realized Gains and Losses**

Net realized gains on investments sold	319
--	-----

**Expenses**

Investment adviser and administrator fees	12,631
---	--------

Transfer agent and shareholder service fees:	
--	--

Sweep Shares	9,038
--------------	-------

Value Advantage Shares	3,427
------------------------	-------

Trustees' fees	27
----------------	----

Custodian and portfolio accounting fees	280
---	-----

Professional fees	20
-------------------	----

Registration fees	48
-------------------	----

Shareholder reports	118
---------------------	-----

Other expenses	+	20
----------------	---	----

Total expenses	25,609
----------------	--------

Expense reduction	-	5,544
-------------------	---	-------

<b>Net expenses</b>	<b>20,065</b>
---------------------	---------------

**Increase in Net Assets from Operations**

<b>Total investment income</b>	42,988
--------------------------------	--------

<b>Net expenses</b>	-	20,065
---------------------	---	--------

<b>Net investment income</b>	<b>22,923</b>
------------------------------	---------------

<b>Net realized gains</b>	+	319
---------------------------	---	-----

<b>Increase in net assets from operations</b>	<b>\$23,242</b>
---	-----------------

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

**Transfer Agent Services:**

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05

**Shareholder Services:**

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17

For the fund's independent trustees only.

Includes \$4,941 from the investment adviser (CSIM) and \$603 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the annual operating expenses of this fund through at least April 30, 2004, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.65
Value Advantage Shares	0.45

This limit doesn't include interest, taxes and certain non-routine expenses.



Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$22,923	\$59,336
Net realized gains	+ 319	419
<b>Increase in net assets from operations</b>	<b>23,242</b>	<b>59,755</b>

**Distributions Paid****Dividends from Net Investment Income**

Sweep Shares	11,156	31,864
Value Advantage Shares	+ 11,767	27,472
<b>Total dividends from net investment income</b>	<b>22,923</b>	<b>59,336</b>

**Transactions in Fund Shares****Shares Sold**

Sweep Shares	6,213,368	12,462,311
Value Advantage Shares	+ 1,773,249	3,283,142
<b>Total shares sold</b>	<b>7,986,617</b>	<b>15,745,453</b>

**Shares Reinvested**

Sweep Shares	10,291	31,365
Value Advantage Shares	+ 10,232	26,012
<b>Total shares reinvested</b>	<b>20,523</b>	<b>57,377</b>

**Shares Redeemed**

Sweep Shares	(6,221,411)	(12,335,422)
Value Advantage Shares	+ (1,560,415)	(2,791,080)
<b>Total shares redeemed</b>	<b>(7,781,826)</b>	<b>(15,126,502)</b>

**Net transactions in fund shares**

**225,314**      **676,328**

**Net Assets**

Beginning of period	7,136,928	6,460,181
Total increase	+ 225,633	676,747
<b>End of period</b>	<b>\$7,362,561</b>	<b>\$7,136,928</b>

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents shares sold plus shares reinvested, minus shares redeemed.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

## Financial Notes unaudited

### Business Structure of the Fund

**The fund discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company.** The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

**The fund offers two share classes:** Sweep Shares and Value Advantage Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

### Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

**The fund declares dividends every day it is open for business.** These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

**The fund may buy securities on a delayed-delivery basis.** In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value at the time of settlement. The fund has set aside sufficient

securities as collateral for those securities bought on a delayed-delivery basis.

**The fund pays fees for various services.** Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

**Trustees may include people who are officers and/or directors of the investment adviser or Schwab.** Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these

### The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

#### The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund

Schwab Government Money Fund

Schwab U.S. Treasury Money Fund

Schwab Value Advantage Money Fund®

Schwab Municipal Money Fund

**Schwab California Municipal Money Fund**

Schwab New York Municipal Money Fund

Schwab New Jersey Municipal Money Fund

Schwab Pennsylvania Municipal Money Fund

Schwab Florida Municipal Money Fund

Schwab Massachusetts Municipal Money Fund

Schwab Institutional Advantage Money Fund®

Schwab Retirement Money Fund®

Schwab Government Cash Reserves

persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

**The fund may engage in certain transactions involving affiliates.** The fund may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

**The fund intends to meet federal income and excise tax requirements for regulated investment companies.** Accordingly, the fund distributes substantially all of its net investment income and realized net capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

**Under the fund's organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the fund.** In addition, in the normal course of business the fund enters into contracts with its vendors and others that provide general indemnifications. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the fund. However, based on experience, the fund expects the risk of loss to be remote.

## Accounting Policies

The following are the main policies the fund uses in preparing its financial statements.

**The fund values its securities at amortized cost,** which approximates market value.

**Security transactions** are recorded as of the date the order to buy or sell the security is executed.

**Interest income** is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

**Realized gains and losses** from security transactions are based on the identified costs of the securities involved.

**Expenses** that are specific to the fund are charged directly to the fund. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their net assets.

**For funds offering multiple share classes,** all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

**The fund maintains its own account for purposes of holding assets and accounting,** and is considered a separate entity for tax purposes. Within its account, the fund also keeps certain assets in segregated accounts, as may be required by securities law.

**The accounting policies described above conform with accounting principles generally accepted in the United States of America.** Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

# Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

**agency discount notes** Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

**Alternative Minimum Tax (AMT)** A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

**asset-backed securities** Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

**bond** A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

**bond anticipation notes** Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

**capital gain, capital loss** The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

**commercial paper** Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

**credit-enhanced security** A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

**credit quality** The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

## Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

<b>ACES</b>	Adjustable convertible extendable security
<b>BAN</b>	Bond anticipation note
<b>COP</b>	Certificate of participation
<b>GAN</b>	Grant anticipation note
<b>GO</b>	General obligation
<b>HDA</b>	Housing Development Authority
<b>HFA</b>	Housing Finance Agency
<b>IDA</b>	Industrial Development Authority
<b>IDB</b>	Industrial Development Board
<b>IDRB</b>	Industrial Development Revenue Bond
<b>M/F</b>	Multi-family
<b>RAN</b>	Revenue anticipation note
<b>RB</b>	Revenue bond
<b>S/F</b>	Single-family
<b>TAN</b>	Tax anticipation note
<b>TECP</b>	Tax-exempt commercial paper
<b>TOB</b>	Tender option bond
<b>TOBP</b>	Tender option bond partnership
<b>TRAN</b>	Tax and revenue anticipation note
<b>VRD</b>	Variable-rate demand

**credit ratings** Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

**credit risk** The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

**dollar-weighted average maturity (DWAM)** See weighted average maturity.

**effective yield** A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

**expense ratio** The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

**face value** The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

**interest** Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

**liquidity-enhanced security** A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

**maturity** Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

**money market securities** High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

**municipal securities** Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

**net asset value per share (NAV)** The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

**144A security** A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

**outstanding shares, shares outstanding** When speaking of a company or mutual fund, indicates all shares currently held by investors.

**revenue anticipation notes** Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

**taxable-equivalent yield** The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ( $4.5\% \div [1 - 0.25\%] = 6.0\%$ ).

**total return** The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

**tax anticipation notes** Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

**Tier 1, Tier 2** Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

**weighted average maturity** For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

**yield** The income paid out by an investment, expressed as an annual rate and calculated as a percentage of the investment's market value.

## Notes

# Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

## Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

### Internet<sup>1</sup>

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

### Schwab by Phone™<sup>2</sup>

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

### TelBroker®

Automated touch-tone phone service at **1-800-272-4922**.

### Mail

Write to SchwabFunds at:  
P.O. Box 3812  
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

## The SchwabFunds Family

### Stock Funds

Schwab S&P 500 Fund  
Schwab 1000 Fund®  
Schwab Small-Cap Index Fund®  
Schwab Total Stock Market Index Fund®  
Schwab International Index Fund®  
Schwab Core Equity Fund™  
Schwab Small-Cap Equity Fund™  
Schwab Hedged Equity Fund™  
Schwab Dividend Equity Fund™  
Schwab Focus Funds  
    Communications Focus Fund  
    Financial Services Focus Fund  
    Health Care Focus Fund  
    Technology Focus Fund  
Schwab MarketMasters Funds™  
    Schwab U.S. MarketMasters Fund™  
    Schwab Small-Cap MarketMasters Fund™  
    Schwab International MarketMasters Fund™  
    Schwab Balanced MarketMasters Fund™

### Asset Allocation Funds

Schwab MarketTrack Portfolios®  
    Schwab All Equity Portfolio  
    Schwab Growth Portfolio  
    Schwab Balanced Portfolio  
    Schwab Conservative Portfolio

### Bond Funds

Schwab YieldPlus Fund®  
Schwab Short-Term Bond Market Fund  
Schwab Total Bond Market Fund  
Schwab GNMA Fund  
Schwab Short/Intermediate Tax-Free Bond Fund  
Schwab Long-Term Tax-Free Bond Fund  
Schwab California Short/Intermediate Tax-Free Bond Fund  
Schwab California Long-Term Tax-Free Bond Fund

### Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.<sup>3</sup> Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

<sup>1</sup> Shares of Sweep Investments™ may not be purchased directly over the Internet.

<sup>2</sup> Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

<sup>3</sup> Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

**Investment Adviser**

Charles Schwab Investment Management, Inc.  
101 Montgomery Street, San Francisco, CA 94104

**Distributor**

SchwabFunds®  
P.O. Box 3812, Englewood, CO 80155-3812

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REG25721



# *Schwab Money Funds*

## **Semiannual Report**

June 30, 2003

Schwab Money Market Fund

Schwab Government  
Money Fund

Schwab U.S. Treasury  
Money Fund

Schwab Value Advantage  
Money Fund®

*charles* SCHWAB

## In This Report

### Management's Discussion . . . . . 2

Fund yield figures and portfolio statistics, plus a discussion of factors that affected fund performance during the report period.

### Financial Statements

Portfolio holdings and fund financials.

#### Schwab Money Market Fund . . . . . 5

Ticker Symbol: **SWMXX**

#### Schwab Government Money Fund . . . . . 20

Ticker Symbol: **SWGXX**

#### Schwab U.S. Treasury Money Fund . . . . . 27

Ticker Symbol: **SWUXX**

#### Schwab Value Advantage Money Fund® . . . . . 33

Investor Shares: **SWVXX**

Select Shares®: **SWBXX**

Institutional Shares: **SWAXX**

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# *From the Chairman*



Charles R. Schwab  
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is written in a cursive, flowing style.

# *Management's Discussion* for the six months ended June 30, 2003



**Randall W. Merk** is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

*Randall W. Merk*



**Linda Klingman**, a vice president of the investment advisor and senior portfolio manager, has overall responsibility for the management of the Money Market and Value Advantage Money funds. She joined the firm in 1990 and has managed money market funds since 1988.

**Mike Neitzke**, a portfolio manager, has day-to-day responsibility for management of the Money Market and Value Advantage Money funds. Prior to joining the firm in March 2001, he worked for more than 15 years in the financial industry as a portfolio manager.



**Karen Wiggan**, a portfolio manager, has been responsible for day-to-day management of the Government Money and U.S. Treasury Money funds since 1999. She joined the firm in 1987 and has worked in fixed-income portfolio management since 1991.

## The Investment Environment and the Funds

**The U.S. economy remained in a holding pattern during the six months of the report period.** Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

**Already at their lowest level in decades, interest rates fell further as the report period progressed.** During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

**Falling interest rates pushed money fund yields to new lows** (see next page for fund yield information). We sought to lessen the effects of falling rates on the funds by maintaining comparatively long weighted average maturities. Although the funds' yields did decline, we were successful in slowing that decline, and in keeping the yields higher than they otherwise would have been.

The funds also benefited from the decision to purchase Freddie Mac securities. Although some of this issuer's accounting practices were called into question during the report period, our analysis indicated that the creditworthiness of its securities was not in doubt.

In the two non-government funds, we added to our holdings in government and agency securities. Typically, these securities offer lower yields than bank CDs and commercial paper because of their higher creditworthiness. However, during the report period yields in the corporate and government markets converged. We took advantage of this opportunity to buy higher credit quality securities with little or no sacrifice in yield.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields<sup>1</sup>

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

	Money Market Fund	Government Money Fund	U.S. Treasury Money Fund	Value Advantage Money Fund®		
				Investor Shares	Select Shares®	Institutional Shares
Seven-Day Yield <sup>1</sup>	0.46%	0.45%	0.46%	0.76%	0.86%	0.97%
Seven-Day Effective Yield	0.46%	0.45%	0.46%	0.76%	0.87%	0.98%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

	Money Market Fund	Government Money Fund	U.S. Treasury Money Fund	Value Advantage Money Fund
Weighted Average Maturity	60 days	59 days	81 days	59 days
Credit Quality of Holdings <sup>2</sup> % of portfolio	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

<sup>1</sup> A portion of each fund's expenses was reduced during the reporting period. Without this reduction, the seven-day yields for Schwab Money Market, Government Money and U.S. Treasury Money Funds would have been 0.43%, 0.37% and 0.29%, respectively. The seven-day yields for Schwab Value Advantage Money Fund's Investor Shares, Select Shares and Institutional Shares would have been 0.66%.

<sup>2</sup> Portfolio holdings may have changed since the report date.

# Financial Statements

## Schwab Money Market Fund

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.04	0.06	0.05	0.05
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.04)	(0.06)	(0.05)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.31 <sup>2</sup>	1.23	3.73	5.84	4.64	4.99
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.75 <sup>3</sup>	0.75	0.75	0.75 <sup>4</sup>	0.75	0.75
Ratio of gross operating expenses to average net assets	0.78 <sup>3</sup>	0.78	0.79	0.80 <sup>4</sup>	0.84	0.86
Ratio of net investment income to average net assets	0.62 <sup>3</sup>	1.22	3.63	5.70	4.56	4.87
Net assets, end of period (\$ x 1,000,000)	51,642	51,063	49,116	41,823	36,099	27,439

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> The ratios of net and gross operating expenses would have been 0.76% and 0.81%, respectively, if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>	<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>77.8% Fixed-Rate Obligations</b>	40,384,663	40,384,663
<b>8.4% U.S. Government Securities</b>	4,384,761	4,384,761
<b>4.4% Variable-Rate Obligations</b>	2,265,187	2,265,187
<b>9.4% Other Investments</b>	4,852,258	4,852,258
<b>100.0% Total Investments</b>	<b>51,886,869</b>	<b>51,886,869</b>

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**Fixed-Rate Obligations** 77.8% of investments

**Commercial Paper & Other Corporate Obligations** 42.3%

<b>AB Spintab</b>		
1.22%, 07/14/03	50,000	49,978
0.92%, 10/30/03	50,000	49,845

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**Alliance & Leicester, PLC, 144A**

1.31%, 07/09/03	16,000	15,995
1.26%, 07/14/03	24,000	23,989
1.20%, 09/02/03	13,000	12,973
0.99%, 09/17/03	10,000	9,979

**Amstel Funding Corp.**

1.00%, 09/16/03	60,000	59,872
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◆+ **Amsterdam Funding Corp., 144A**

1.21%, 07/10/03	48,000	47,985
1.23%, 07/24/03	95,000	94,925
1.23%, 08/07/03	40,000	39,949
1.20%, 09/02/03	55,000	54,884
1.16%, 09/05/03	50,000	49,894
1.20%, 09/05/03	30,000	29,934
0.95%, 09/25/03	44,000	43,900
1.09%, 09/26/03	31,000	30,918

✦+ **ANZ (Delaware), Inc.**

1.19%, 08/22/03	50,000	49,914
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◆+ **Apreco, Inc., 144A**

1.25%, 07/15/03	10,000	9,995
1.23%, 08/15/03	19,000	18,971
0.98%, 09/16/03	20,000	19,958
0.99%, 09/16/03	20,000	19,958
1.23%, 09/16/03	10,000	9,974

◆+ **Aquinas Funding, L.L.C., 144A**

1.23%, 08/20/03	37,000	36,937
1.22%, 08/25/03	34,000	33,937
1.13%, 09/08/03	50,000	49,892
1.00%, 09/09/03	50,000	49,903
1.06%, 12/10/03	50,000	49,764

**ASAP Funding, Ltd., 144A**

1.29%, 07/01/03	36,970	36,970
1.28%, 07/14/03	20,000	19,991
1.29%, 07/18/03	57,074	57,039
1.28%, 07/24/03	50,000	49,959
1.01%, 09/12/03	43,000	42,912

✦+ **Asset Portfolio Funding Corp.**

0.95%, 09/22/03	80,000	79,825
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◆+ **Asset Securitization Cooperative Corp., 144A**

1.24%, 08/08/03	94,700	94,576
1.22%, 08/12/03	70,360	70,260

◆+ **Atlantis One Funding Corp., 144A**

1.24%, 07/02/03	143,000	142,995
1.27%, 07/24/03	104,293	104,209
1.26%, 07/25/03	28,000	27,977



Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.26%, 07/28/03	47,324	47,279	<b>+ CBA (Delaware) Finance, Inc.</b>		
1.23%, 08/08/03	48,963	48,899	1.25%, 07/07/03	50,000	49,990
1.23%, 08/14/03	276,609	276,193	1.21%, 07/10/03	100,000	99,970
1.22%, 08/19/03	142,000	141,764	1.21%, 08/15/03	68,500	68,397
1.12%, 09/04/03	75,000	74,850	1.19%, 08/22/03	18,000	17,969
1.20%, 09/11/03	17,000	16,959	<b>◆ CC (USA), Inc., 144A</b>		
1.11%, 09/16/03	143,783	143,445	1.33%, 07/08/03	50,000	49,987
1.20%, 09/16/03	161,703	161,291	1.23%, 07/10/03	25,000	24,992
0.91%, 11/13/03	15,000	14,949	1.31%, 07/10/03	17,000	16,994
0.90%, 12/18/03	10,000	9,957	1.23%, 07/29/03	30,000	29,971
1.08%, 12/19/03	14,000	13,929	1.23%, 08/07/03	50,000	49,937
<b>Bank of Ireland</b>			1.23%, 08/15/03	11,000	10,983
1.21%, 08/19/03	90,000	89,852	1.00%, 09/10/03	30,000	29,941
1.20%, 08/20/03	116,000	115,807	<b>Citicorp</b>		
<b>Bank of Nova Scotia</b>			1.25%, 07/18/03	39,000	38,977
1.21%, 07/14/03	125,000	124,945	1.25%, 07/21/03	80,000	79,944
<b>Bank One Corp.</b>			1.25%, 07/24/03	160,000	159,872
1.22%, 07/29/03	45,000	44,957	1.21%, 08/08/03	57,000	56,927
<b>Bank of America Corp.</b>			<b>Citigroup Global Markets Holdings, Inc.</b>		
1.25%, 07/18/03	217,000	216,872	1.22%, 07/10/03	20,000	19,994
1.25%, 07/22/03	250,000	249,818	1.22%, 07/15/03	23,000	22,989
<b>+ Barclays U.S. Funding Corp.</b>			1.27%, 07/30/03	19,000	18,981
1.19%, 08/18/03	115,520	115,337	1.20%, 08/11/03	205,000	204,720
1.20%, 10/16/03	65,000	64,770	1.22%, 08/12/03	136,000	135,806
<b>Bear Stearns Companies, Inc.</b>			1.19%, 08/14/03	90,000	89,869
1.21%, 07/10/03	49,000	48,985	1.19%, 08/15/03	100,000	99,851
1.25%, 07/25/03	91,000	90,924	1.19%, 08/20/03	165,000	164,727
1.20%, 08/22/03	27,000	26,953	1.20%, 09/04/03	31,000	30,933
1.21%, 08/28/03	86,000	85,833	<b>◆+ Clipper Receivables Corp.</b>		
0.91%, 09/26/03	51,000	50,888	1.27%, 07/25/03	65,000	64,945
<b>◆+ Beta Finance, Inc., 144A</b>			1.26%, 08/07/03	81,000	80,896
1.31%, 07/15/03	50,000	49,975	<b>◆ Concord Minutemen Capital Co., L.L.C., 144A</b>		
1.26%, 07/25/03	26,000	25,978	Series A		
1.23%, 08/01/03	97,000	96,897	1.24%, 07/02/03	40,000	39,999
1.21%, 08/28/03	35,000	34,932	1.23%, 07/08/03	100,000	99,976
0.99%, 09/17/03	50,000	49,893	1.25%, 07/08/03	17,000	16,996
1.03%, 09/17/03	50,000	49,888	1.27%, 07/08/03	50,000	49,988
0.93%, 09/22/03	17,000	16,964	1.25%, 07/09/03	13,000	12,996
1.58%, 11/20/03	50,000	50,000	1.27%, 07/11/03	30,164	30,153
<b>+ BNP Paribas Finance, Inc.</b>			1.27%, 07/18/03	11,000	10,993
1.20%, 08/29/03	58,000	57,886	1.24%, 08/05/03	39,122	39,075
0.90%, 12/30/03	225,000	223,976	1.07%, 08/07/03	50,000	49,945
<b>◆+ CAFCO, L.L.C., 144A</b>			1.24%, 08/15/03	5,336	5,328
1.20%, 08/04/03	100,000	99,887	1.22%, 08/18/03	115,000	114,813
1.15%, 09/10/03	40,000	39,909	<b>◆+ CRC Funding, L.L.C., 144A</b>		
			1.20%, 08/04/03	100,000	99,887
			1.00%, 09/12/03	85,000	84,829

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+ Credit Lyonnais N.A., Inc.</b>			1.21%, 08/26/03	87,393	87,229
1.15%, 09/08/03	13,000	12,971	1.22%, 08/26/03	30,000	29,943
1.00%, 09/15/03	10,000	9,979	1.04%, 09/17/03	30,000	29,933
0.98%, 10/09/03	9,000	8,976	0.95%, 09/24/03	21,000	20,953
<b>◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, 144A</b>			<b>◆ Dorada Finance, Inc., 144A</b>		
1.22%, 07/01/03	40,000	40,000	1.96%, 09/16/03	30,000	30,000
1.22%, 07/02/03	15,000	14,999	<b>◆+ Edison Asset Securitization Corp., L.L.C., 144A</b>		
1.25%, 07/08/03	50,000	49,988	1.31%, 07/08/03	180,000	179,955
1.23%, 07/21/03	20,000	19,986	1.31%, 07/11/03	98,029	97,993
1.07%, 08/04/03	195,000	194,803	1.29%, 08/07/03	6,000	5,992
1.07%, 08/05/03	10,000	9,990	1.23%, 08/13/03	229,000	228,664
1.24%, 08/05/03	50,000	49,940	0.93%, 09/23/03	200,000	199,566
1.07%, 08/07/03	15,000	14,984	1.05%, 12/10/03	150,000	149,298
1.22%, 08/28/03	40,000	39,921	<b>◆+ Fairway Finance Corp., 144A</b>		
1.21%, 08/29/03	20,000	19,960	1.25%, 07/15/03	30,000	29,985
1.13%, 09/05/03	50,000	49,896	1.25%, 07/23/03	21,003	20,987
1.09%, 09/09/03	50,000	49,894	1.26%, 07/25/03	48,948	48,907
1.05%, 09/10/03	40,000	39,917	1.25%, 07/29/03	18,546	18,528
<b>+ Danske Corp.</b>			1.25%, 08/01/03	53,750	53,692
1.22%, 07/14/03	20,000	19,991	0.97%, 09/12/03	15,000	14,970
1.25%, 07/17/03	85,000	84,953	1.00%, 09/12/03	46,000	45,907
1.22%, 08/13/03	125,000	124,818	1.22%, 09/15/03	50,000	49,872
1.19%, 08/22/03	74,000	73,873	1.22%, 11/10/03	20,000	19,912
1.04%, 08/29/03	75,000	74,872	1.21%, 11/17/03	25,000	24,884
0.96%, 09/18/03	82,000	81,827	<b>◆+ Falcon Asset Securitization Corp., 144A</b>		
1.06%, 12/09/03	120,000	119,434	1.07%, 07/31/03	253,649	253,423
<b>Den Norske Bank ASA</b>			1.23%, 08/11/03	70,846	70,747
1.23%, 08/04/03	83,600	83,503	0.97%, 09/15/03	43,000	42,912
1.23%, 08/15/03	10,000	9,985	1.23%, 09/22/03	14,550	14,509
1.19%, 09/02/03	70,000	69,855	<b>ForeningsSparbanken AB (Swedbank)</b>		
1.26%, 09/04/03	25,000	24,943	1.26%, 07/07/03	97,000	96,980
<b>DePfa Bank, 144A</b>			1.00%, 09/10/03	70,000	69,862
1.03%, 09/16/03	28,000	27,938	1.09%, 09/10/03	27,000	26,942
<b>+ Dexia Delaware, L.L.C.</b>			<b>+ Forrester Funding Master Trust Notes 2000A, 144A</b>		
0.89%, 09/25/03	43,000	42,909	1.08%, 07/29/03	56,726	56,678
<b>◆ Dorada Finance, Inc., 144A</b>			1.09%, 07/29/03	30,000	29,975
1.24%, 07/07/03	10,000	9,998	<b>+ Fortis Funding, L.L.C., 144A</b>		
1.24%, 07/10/03	19,000	18,994	1.30%, 07/15/03	50,000	49,975
1.27%, 07/11/03	38,000	37,987	<b>◆+ Galaxy Funding, Inc., 144A</b>		
1.25%, 07/18/03	72,000	71,958	1.24%, 07/08/03	40,000	39,990
1.27%, 07/18/03	40,000	39,976	1.23%, 07/18/03	55,000	54,968
1.23%, 07/29/03	41,000	40,961	1.23%, 07/23/03	46,000	45,965
1.23%, 08/01/03	125,000	124,868	1.26%, 07/23/03	25,000	24,981
1.24%, 08/12/03	61,000	60,912	1.26%, 07/24/03	25,000	24,980
1.23%, 08/13/03	18,000	17,974	1.26%, 07/29/03	30,000	29,971
			1.21%, 08/14/03	86,000	85,873

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.22%, 08/22/03	41,000	40,928	0.98%, 09/15/03	147,887	147,581
1.21%, 08/26/03	73,000	72,863	0.94%, 09/24/03	50,000	49,889
0.92%, 09/25/03	49,000	48,892	<b>◆◆ Grampian Funding, Ltd., 144A</b>		
0.92%, 09/26/03	12,000	11,973	1.23%, 08/19/03	10,000	9,983
<b>◆ GE Capital International Funding, Inc., 144A</b>			0.98%, 10/01/03	33,000	32,918
1.25%, 07/23/03	91,000	90,930	<b>◆◆ Greenwich Funding Corp., 144A</b>		
1.26%, 07/25/03	21,000	20,982	0.95%, 09/12/03	75,000	74,856
1.23%, 08/12/03	43,000	42,938	<b>◆◆ Hatteras Funding Corp., 144A</b>		
1.19%, 08/25/03	121,000	120,780	1.26%, 07/14/03	49,000	48,978
1.05%, 12/09/03	50,000	49,767	1.24%, 08/08/03	67,469	67,381
1.02%, 12/11/03	61,000	60,721	1.26%, 08/11/03	38,000	37,946
0.92%, 12/18/03	193,000	192,162	1.23%, 08/14/03	13,000	12,980
0.90%, 12/23/03	17,000	16,926	1.13%, 08/26/03	60,000	59,895
<b>GE Financial Assurance Holdings, Inc., 144A</b>			<b>◆ HBOS Treasury Services, PLC</b>		
1.01%, 09/04/03	53,000	52,903	1.25%, 07/25/03	156,000	155,870
0.94%, 09/16/03	46,900	46,806	1.25%, 07/28/03	53,000	52,950
0.96%, 10/16/03	20,000	19,943	1.22%, 08/05/03	90,900	90,792
0.92%, 12/18/03	75,000	74,674	1.28%, 08/05/03	84,000	83,896
<b>General Electric Capital Corp.</b>			0.97%, 09/16/03	30,000	29,938
1.20%, 07/09/03	148,000	147,961	1.01%, 09/16/03	45,000	44,903
1.27%, 07/15/03	115,000	114,944	<b>◆◆ Independence Funding, L.L.C., 144A</b>		
1.23%, 07/16/03	95,000	94,951	1.25%, 07/02/03	57,000	56,998
1.25%, 07/21/03	184,000	183,872	1.07%, 08/12/03	143,000	142,822
1.28%, 08/06/03	160,000	159,797	<b>◆ ING (U.S.) Funding, L.L.C.</b>		
1.28%, 08/07/03	50,000	49,935	1.21%, 07/07/03	97,000	96,980
1.20%, 08/26/03	13,000	12,976	1.21%, 07/10/03	30,000	29,991
1.20%, 08/28/03	115,000	114,778	1.23%, 07/11/03	17,000	16,994
1.29%, 09/23/03	106,000	105,683	1.30%, 07/18/03	45,000	44,973
1.11%, 12/03/03	146,000	145,309	1.23%, 08/08/03	100,000	99,871
<b>General Electric Capital Services</b>			<b>◆◆ Intrepid Funding Master Trust, 144A</b>		
1.25%, 07/21/03	60,000	59,958	1.07%, 07/31/03	29,000	28,974
1.25%, 07/23/03	95,000	94,928	1.10%, 07/31/03	50,000	49,954
1.25%, 07/24/03	39,000	38,969	<b>Irish Life &amp; Permanent, PLC, 144A</b>		
<b>General Electric Co.</b>			0.95%, 09/17/03	22,000	21,955
1.25%, 07/22/03	105,000	104,923	<b>J.P. Morgan Chase &amp; Co.</b>		
1.25%, 07/24/03	98,000	97,922	1.25%, 07/23/03	67,000	66,949
1.25%, 07/25/03	35,000	34,971	1.25%, 08/04/03	90,000	89,894
<b>◆◆ Giro Funding U.S. Corp., 144A</b>			1.22%, 08/18/03	125,000	124,797
1.21%, 07/08/03	50,000	49,988	<b>◆◆ Jupiter Securitization Corp., 144A</b>		
1.24%, 07/31/03	40,000	39,959	1.23%, 07/08/03	76,144	76,126
1.07%, 08/05/03	100,000	99,896	1.07%, 07/29/03	230,830	230,638
1.26%, 08/06/03	34,000	33,957	1.07%, 07/30/03	75,072	75,007
1.23%, 08/11/03	12,846	12,828	1.25%, 07/31/03	26,918	26,890
1.23%, 08/13/03	18,278	18,251	1.23%, 08/11/03	25,321	25,286
1.21%, 08/15/03	28,473	28,430			
1.20%, 08/20/03	79,212	79,080			

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>◆ K2 (USA), L.L.C.</b>			<b>◆ Newcastle Certificates Program, 144A</b>		
1.33%, 07/07/03	10,000	9,998	Series 2000A		
1.28%, 07/10/03	11,500	11,496	1.24%, 07/08/03	46,900	46,889
1.30%, 07/15/03	28,000	27,986	1.26%, 07/15/03	83,000	82,960
1.27%, 07/17/03	10,000	9,994	1.26%, 07/23/03	30,000	29,977
1.25%, 07/25/03	7,000	6,994	1.21%, 08/14/03	70,000	69,896
1.28%, 09/02/03	113,000	112,748	0.95%, 09/19/03	50,000	49,894
1.29%, 09/02/03	7,200	7,184	0.94%, 09/25/03	82,000	81,816
1.13%, 09/17/03	32,000	31,922	<b>◆ Nordea N.A., Inc.</b>		
1.18%, 10/23/03	14,500	14,446	1.20%, 07/07/03	93,000	92,981
<b>◆ KBC Financial Products International, Ltd., 144A</b>			0.99%, 09/22/03	115,000	114,739
1.23%, 08/06/03	103,000	102,873	1.22%, 11/03/03	30,000	29,874
<b>◆ Kitty Hawk Funding Corp., 144A</b>			0.90%, 12/22/03	31,000	30,865
0.94%, 09/22/03	48,616	48,511	<b>◆ Preferred Receivables Funding Corp., 144A</b>		
0.95%, 09/22/03	40,000	39,912	1.07%, 07/31/03	78,000	77,931
<b>◆ Landesbank Schleswig-Holstein Girozentrale, 144A</b>			1.23%, 08/12/03	25,725	25,688
1.22%, 08/15/03	13,000	12,980	1.20%, 08/29/03	55,000	54,892
1.26%, 08/27/03	100,000	99,802	<b>◆ Santander Central Hispano Finance (Delaware), Inc.</b>		
1.29%, 03/09/04	108,000	107,040	1.21%, 09/02/03	110,000	109,767
1.34%, 03/18/04	50,000	49,522	1.21%, 09/05/03	185,000	184,591
1.24%, 03/26/04	10,000	9,909	1.10%, 09/09/03	20,000	19,957
1.33%, 03/26/04	35,000	34,657	<b>◆ Sigma Finance, Inc., 144A</b>		
1.35%, 04/15/04	10,000	9,893	1.25%, 07/14/03	12,000	11,995
<b>◆ Lexington Parker Capital Co., L.L.C., 144A</b>			1.26%, 07/14/03	15,000	14,993
1.27%, 07/11/03	20,000	19,993	1.27%, 07/14/03	48,000	47,978
1.30%, 07/22/03	15,000	14,989	1.25%, 07/16/03	80,000	79,958
1.27%, 07/24/03	160,000	159,871	1.25%, 07/22/03	40,000	39,971
1.23%, 07/25/03	47,000	46,962	1.29%, 08/05/03	60,000	59,925
1.28%, 07/25/03	64,000	63,946	1.21%, 08/20/03	10,000	9,983
1.23%, 09/02/03	67,000	66,855	1.28%, 08/26/03	67,000	66,868
1.11%, 09/03/03	50,000	49,901	1.22%, 08/29/03	50,000	49,900
1.28%, 10/16/03	38,757	38,611	1.23%, 09/02/03	100,000	99,786
<b>◆ Links Finance, L.L.C., 144A</b>			0.97%, 09/08/03	33,000	32,939
1.13%, 09/15/03	15,000	14,964	1.13%, 09/08/03	10,000	9,978
<b>Lloyds TSB Bank, PLC</b>			0.95%, 09/15/03	26,000	25,948
1.19%, 07/29/03	96,000	95,911	0.98%, 09/15/03	23,500	23,451
<b>◆ Mont Blanc Capital Corp., 144A</b>			<b>◆ Societe Generale N.A., Inc.</b>		
1.23%, 07/03/03	16,000	15,999	1.20%, 07/01/03	99,000	99,000
1.23%, 07/10/03	53,000	52,984	1.20%, 07/02/03	290,000	289,990
1.23%, 08/12/03	20,066	20,037	1.22%, 07/10/03	50,000	49,985
1.23%, 09/03/03	43,202	43,108	1.23%, 07/10/03	140,000	139,957
<b>Morgan Stanley</b>			1.22%, 07/15/03	125,000	124,941
1.23%, 07/23/03	95,000	94,929	1.26%, 07/17/03	10,000	9,994
1.25%, 07/25/03	75,000	74,938	1.10%, 09/10/03	56,000	55,879
1.20%, 08/26/03	125,000	124,767	<b>◆ Stellar Funding Group, Inc., 144A</b>		
			1.25%, 07/14/03	34,170	34,155

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.26%, 07/14/03	7,136	7,133	<b>Bank of Montreal</b>		
1.27%, 07/14/03	15,630	15,623	1.21%, 07/09/03	100,000	100,000
<b>+ Svenska Handelsbanken, Inc.</b>			1.19%, 08/28/03	80,000	80,000
1.28%, 07/21/03	15,000	14,989	1.25%, 10/17/03	99,000	99,000
1.22%, 08/15/03	149,000	148,773	<b>Bank of New York</b>		
<b>◆+ Thunder Bay Funding, Inc., 144A</b>			1.29%, 08/18/03	44,000	44,000
1.24%, 07/09/03	11,201	11,198	<b>Bank of Nova Scotia</b>		
1.26%, 07/21/03	40,000	39,972	1.20%, 07/09/03	50,000	50,000
1.25%, 07/25/03	45,301	45,263	1.21%, 07/11/03	125,000	125,000
1.23%, 08/11/03	30,098	30,056	1.21%, 07/14/03	145,000	145,000
1.21%, 08/20/03	68,227	68,112	1.19%, 08/25/03	87,000	87,000
<b>+ Toronto-Dominion Holdings</b>			<b>Bank of Scotland</b>		
1.26%, 07/15/03	67,500	67,467	1.23%, 08/07/03	50,000	50,000
1.18%, 08/19/03	100,000	99,839	<b>Barclays Bank, PLC</b>		
<b>◆+ Tulip Funding Corp., 144A</b>			1.25%, 07/15/03	45,000	45,000
1.07%, 07/31/03	45,000	44,960	1.25%, 07/28/03	55,000	55,000
<b>◆+ Variable Funding Capital Corp., 144A</b>			1.26%, 07/28/03	220,000	220,000
1.21%, 08/25/03	60,000	59,889	1.20%, 08/04/03	52,000	52,002
1.01%, 09/10/03	43,000	42,914	1.06%, 08/12/03	98,000	98,000
<b>WestLB AG, 144A</b>			1.19%, 08/28/03	330,000	330,000
1.19%, 08/19/03	23,000	22,963	1.03%, 09/10/03	100,000	100,014
<b>+ Westpac Capital Corp.</b>			1.60%, 11/25/03	120,000	120,002
1.25%, 07/07/03	28,000	27,994	1.10%, 04/19/04	46,000	46,092
1.20%, 09/03/03	149,000	148,683	<b>Bayerische Landesbank Girozentrale</b>		
<b>◆+ Windmill Funding Corp., 144A</b>			1.22%, 08/18/03	113,000	113,000
1.23%, 07/25/03	40,000	39,967	1.19%, 08/29/03	80,000	80,000
1.23%, 08/07/03	35,000	34,956	1.27%, 09/02/03	95,000	95,000
1.21%, 08/13/03	15,000	14,978	1.20%, 09/03/03	215,000	215,000
1.22%, 08/13/03	20,000	19,971	1.25%, 03/15/04	30,000	29,999
1.21%, 08/15/03	55,000	54,917	1.30%, 03/26/04	195,000	194,989
0.95%, 09/25/03	15,000	14,966	<b>BNP Paribas</b>		
<b>21,927,566</b>			1.25%, 07/21/03	175,000	175,000
<b>Certificates of Deposit 31.5%</b>			1.25%, 07/23/03	200,000	200,000
<b>ABN AMRO Bank, NV</b>			1.23%, 08/01/03	200,000	200,000
1.19%, 08/27/03	50,000	50,005	1.22%, 08/18/03	50,000	50,000
<b>Alliance &amp; Leicester, PLC</b>			1.09%, 11/10/03	230,000	230,000
1.20%, 11/19/03	90,000	90,000	1.05%, 12/10/03	150,000	150,000
<b>American Express Centurion Bank</b>			0.90%, 12/30/03	61,000	61,000
0.92%, 09/22/03	85,000	85,000	<b>Canadian Imperial Bank of Commerce</b>		
0.92%, 09/23/03	50,000	50,000	1.23%, 08/14/03	30,000	30,000
0.92%, 09/24/03	20,000	20,000	1.20%, 08/28/03	14,000	14,000
<b>Australia &amp; New Zealand Banking Group, Ltd.</b>			<b>Chase Manhattan Bank (USA), N.A.</b>		
1.24%, 07/08/03	50,000	50,000	1.27%, 07/22/03	215,000	215,000
1.24%, 07/10/03	100,000	100,000	1.27%, 07/23/03	69,000	69,000
			1.23%, 08/11/03	196,000	196,006

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Citibank, N.A.</b>			<b>ForeningsSparbanken, AB (Swedbank)</b>		
1.25%, 07/28/03	200,000	200,000	1.25%, 07/31/03	24,000	24,000
1.25%, 07/30/03	50,000	50,000	<b>Fortis Bank</b>		
1.23%, 08/06/03	135,000	135,000	1.23%, 07/09/03	41,000	41,000
1.23%, 08/07/03	20,000	20,000	1.23%, 07/10/03	60,000	60,000
1.23%, 08/21/03	240,000	240,000	1.23%, 07/14/03	50,000	50,000
1.20%, 08/27/03	155,000	155,000	1.18%, 08/25/03	48,000	48,000
1.10%, 09/10/03	95,000	95,000	1.27%, 09/03/03	45,000	45,000
1.11%, 09/10/03	75,000	75,000	<b>+HBOS Treasury Services, PLC</b>		
1.10%, 09/12/03	140,000	140,000	1.21%, 07/03/03	55,000	55,000
0.96%, 09/18/03	200,000	200,000	1.27%, 08/11/03	150,000	150,000
0.96%, 09/19/03	90,000	90,000	1.20%, 08/26/03	40,000	39,999
0.95%, 09/24/03	80,000	80,000	1.11%, 09/12/03	10,000	10,000
0.93%, 09/25/03	48,000	48,000	<b>ING Bank, N.V.</b>		
<b>Credit Agricole Indosuez</b>			1.21%, 07/03/03	130,000	130,000
1.20%, 07/10/03	11,000	11,000	1.25%, 07/08/03	60,000	60,000
1.30%, 07/17/03	159,000	159,000	1.22%, 07/09/03	70,000	70,000
1.06%, 08/05/03	138,000	138,000	1.25%, 07/14/03	10,000	10,000
<b>Credit Lyonnais S.A.</b>			1.31%, 07/14/03	38,000	38,000
1.00%, 09/17/03	177,000	177,000	1.31%, 07/15/03	30,000	30,000
<b>Credit Suisse First Boston .</b>			1.25%, 07/31/03	100,000	100,000
1.30%, 07/16/03	232,000	232,000	1.23%, 08/08/03	350,000	350,000
1.25%, 07/17/03	10,000	10,000	1.22%, 08/13/03	250,000	250,000
<b>Danske Bank A/S</b>			<b>Landesbank Baden Wurttemberg</b>		
1.22%, 08/15/03	100,000	100,000	1.20%, 07/03/03	95,000	95,000
<b>Den Norske Bank ASA</b>			1.06%, 08/12/03	135,000	135,001
1.15%, 09/08/03	15,000	15,001	1.20%, 08/22/03	100,000	100,000
<b>DePfa Bank, PLC</b>			1.20%, 08/29/03	100,000	100,000
0.92%, 12/23/03	74,000	74,000	1.20%, 09/03/03	65,000	65,000
<b>Deutsche Bank, AG</b>			0.96%, 09/12/03	100,000	100,024
1.31%, 07/01/03	315,000	315,000	0.91%, 12/12/03	21,000	21,012
1.32%, 07/09/03	20,000	20,000	0.90%, 12/29/03	50,000	50,000
1.21%, 07/16/03	292,000	292,000	0.91%, 12/30/03	55,000	55,000
1.21%, 07/17/03	300,000	300,000	<b>Landesbank Hessen-Thuringen Girozentrale</b>		
1.19%, 08/27/03	282,000	282,000	1.40%, 07/09/03	45,000	45,000
1.10%, 09/09/03	160,000	160,000	1.30%, 08/21/03	10,000	10,000
0.90%, 09/25/03	85,000	85,006	1.27%, 08/29/03	157,000	157,000
1.85%, 10/15/03	150,000	149,996	1.30%, 02/03/04	108,000	108,068
1.10%, 11/10/03	160,000	160,046	<b>Lloyds TSB Bank, PLC</b>		
1.50%, 05/24/04	300,000	300,000	1.10%, 09/15/03	50,000	50,000
<b>Dexia Bank, SA</b>			<b>Natexis Banques Populaires</b>		
2.41%, 07/18/03	133,000	132,999	1.20%, 08/29/03	156,000	156,000
<b>ForeningsSparbanken (Swedbank)</b>			<b>National City Bank, Cleveland</b>		
1.25%, 07/30/03	42,000	42,000	1.20%, 07/07/03	100,000	100,000

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Norddeutsche Landesbank Girozentrale</b>			<b>UBS AG</b>		
1.20%, 07/07/03	99,000	99,000	1.59%, 12/16/03	128,000	128,000
1.25%, 07/18/03	54,000	54,000	<b>Unicredito Italiano SPA</b>		
1.28%, 08/21/03	65,000	65,002	1.22%, 07/03/03	10,000	10,000
1.57%, 11/07/03	75,000	74,997	1.34%, 07/09/03	200,000	200,000
1.49%, 12/29/03	48,000	48,000	1.24%, 07/11/03	100,000	100,000
1.25%, 03/15/04	70,000	69,995	1.25%, 07/16/03	48,000	48,000
1.30%, 04/13/04	70,000	69,997	1.27%, 07/17/03	45,000	45,001
<b>Nordea Bank Finland, PLC</b>			1.31%, 07/17/03	10,000	10,000
1.21%, 07/11/03	47,000	47,000	1.26%, 07/22/03	209,000	209,000
1.22%, 08/15/03	168,000	168,000	1.10%, 09/15/03	80,000	80,000
1.20%, 09/02/03	75,000	75,000	0.98%, 09/19/03	35,000	35,000
<b>Royal Bank of Canada</b>			<b>WestLB AG</b>		
1.61%, 11/25/03	120,000	119,998	1.35%, 07/08/03	14,000	14,000
<b>Royal Bank of Scotland, PLC</b>			1.77%, 09/08/03	70,000	69,996
1.20%, 07/01/03	150,000	150,000	1.93%, 09/18/03	140,000	140,000
1.20%, 07/02/03	220,000	220,000	1.84%, 10/15/03	74,000	73,998
0.99%, 09/04/03	145,000	145,000	1.06%, 12/09/03	10,000	10,000
0.97%, 09/17/03	15,000	15,000	1.26%, 04/02/04	55,000	55,000
1.19%, 09/17/03	19,750	19,809	1.30%, 04/07/04	180,000	180,000
1.85%, 10/20/03	160,000	159,995	1.34%, 04/14/04	100,000	100,000
<b>San Paolo IMI SPA</b>			<b>Westpac Banking Corp.</b>		
1.30%, 07/17/03	95,000	95,000	1.19%, 08/01/03	70,000	70,002
<b>Societe Generale</b>			<b>Wilmington Trust Co.</b>		
1.20%, 07/01/03	65,000	65,000	1.27%, 07/24/03	25,000	25,000
1.30%, 07/09/03	30,000	30,000	<b>16,383,097</b>		
1.30%, 07/15/03	15,000	15,000	<b>Promissory Notes 2.0%</b>		
1.25%, 07/18/03	50,000	50,000	<b>• The Goldman Sachs Group, Inc.</b>		
1.25%, 10/16/03	46,000	46,000	1.40%, 07/01/03	32,000	32,000
<b>Southtrust Bank</b>			1.29%, 07/15/03	55,000	55,000
1.30%, 07/11/03	79,000	79,000	1.36%, 07/28/03	145,000	145,000
1.05%, 12/19/03	25,000	25,000	1.36%, 08/05/03	67,000	67,000
<b>State Street Bank &amp; Trust Co., N.A.</b>			1.35%, 08/21/03	20,000	20,000
1.19%, 08/26/03	125,000	125,000	1.30%, 09/19/03	12,000	12,000
1.10%, 12/04/03	60,000	60,000	1.26%, 09/22/03	250,000	250,000
<b>Svenska Handelsbanken AB</b>			1.30%, 09/23/03	14,000	14,000
1.21%, 08/18/03	10,000	10,000	1.31%, 10/24/03	19,000	19,000
0.99%, 09/04/03	94,000	94,037	1.23%, 11/26/03	19,000	19,000
<b>Toronto Dominion Bank</b>			1.26%, 12/05/03	180,000	180,000
1.25%, 07/07/03	40,000	40,000	1.12%, 12/11/03	150,000	150,000
0.92%, 09/17/03	55,000	55,007	1.14%, 12/11/03	12,000	12,000
1.25%, 10/15/03	15,000	15,000	1.02%, 12/18/03	56,000	56,000
1.20%, 11/13/03	65,000	65,002	1.05%, 12/18/03	15,000	15,000
0.89%, 12/22/03	110,000	110,000	<b>1,046,000</b>		



## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Bank Notes 2.0%</b>		
<b>Bank of America, N.A.</b>		
1.20%, 08/06/03	218,000	218,000
1.20%, 08/07/03	300,000	300,000
<b>Lasalle National Bank, N.A.</b>		
1.20%, 07/07/03	135,000	135,000
1.19%, 08/22/03	90,000	90,000
0.90%, 09/23/03	33,000	33,000
<b>Standard Federal Bank, N.A.</b>		
1.25%, 07/21/03	82,000	82,000
1.19%, 08/26/03	80,000	80,000
1.00%, 09/12/03	90,000	90,000
		<b>1,028,000</b>

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.04%, 10/20/03	103,400	103,070
1.04%, 10/22/03	27,000	26,912
1.09%, 10/24/03	210,000	209,269
1.00%, 10/31/03	100,000	99,661
1.01%, 10/31/03	147,069	146,568
1.02%, 11/12/03	49,900	49,711
1.03%, 12/04/03	60,339	60,071
1.05%, 12/04/03	129,100	128,515
1.06%, 12/04/03	18,000	17,918
0.95%, 12/19/03	300,000	298,660
0.95%, 12/31/03	200,000	199,039
0.96%, 12/31/03	94,000	93,546
1.23%, 03/12/04	19,775	19,605
1.00%, 03/25/04	19,671	19,526
1.30%, 03/25/04	155,858	154,373
		<b>4,384,761</b>

**U.S. Government Securities 8.4% of investments****Discount Notes 8.4%**

<b>Fannie Mae</b>		
1.18%, 08/27/03	115,000	114,786
1.13%, 09/03/03	105,000	104,789
0.89%, 09/24/03	50,000	49,895
▲ 0.94%, 10/01/03	95,000	94,772
0.89%, 11/20/03	80,000	79,721
1.03%, 12/03/03	40,000	39,823
1.05%, 12/03/03	305,000	303,628
1.06%, 12/03/03	170,000	169,232
0.89%, 12/10/03	115,200	114,741
1.06%, 12/12/03	15,000	14,928
0.89%, 12/17/03	224,762	223,825
0.90%, 12/17/03	100,000	99,578
1.04%, 12/29/03	150,000	149,223
1.22%, 03/05/04	223,120	221,260
<b>Federal Home Loan Bank</b>		
1.03%, 12/05/03	50,000	49,776
<b>Freddie Mac</b>		
1.05%, 08/29/03	50,000	49,914
1.10%, 09/04/03	160,000	159,682
1.13%, 09/04/03	100,000	99,796
1.10%, 09/11/03	100,000	99,782
1.01%, 09/17/03	60,500	60,368
1.10%, 09/22/03	50,000	49,874
1.02%, 09/29/03	100,000	99,745
1.00%, 09/30/03	78,000	77,803
1.02%, 09/30/03	231,974	231,376

**Variable-Rate Obligations 4.4% of investments**

<b>+ 6700 Cherry Avenue Partners</b>		
Demand Bond Series 1993		
1.13%, 07/07/03	9,300	9,300
<b>+ ABAG Financial Authority for Nonprofit Corps., California</b>		
RB (Public Pole Institute)		
Series 2002B		
1.18%, 07/07/03	17,905	17,905
<b>Bank of New York Co., Inc., 144A</b>		
1.01%, 07/28/03	75,000	75,000
<b>+ Brooks County, Georgia Development Authority</b>		
RD (Langboard, Inc. Project)		
1.02%, 07/07/03	10,000	10,000
<b>Canadian Imperial Bank of Commerce</b>		
1.20%, 07/15/03	100,000	100,000
<b>+ CFM International, Inc., 144A</b>		
1.15%, 07/07/03	27,055	27,055
<b>Chase Manhattan Bank (USA)</b>		
1.07%, 07/30/03	100,000	100,000
<b>• GE Life &amp; Annuity Assurance Co.</b>		
1.37%, 07/01/03	50,000	50,000
1.38%, 07/01/03	100,000	100,000
1.39%, 08/01/03	50,000	50,000



Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>General Electric Capital Corp.</b>			<b>• Pacific Life Insurance Co.</b>		
1.32%, 07/08/03	175,000	175,000	1.33%, 07/01/03	100,000	100,000
1.17%, 07/16/03	75,000	75,000	<b>Royal Bank of Scotland</b>		
<b>+ Loanstar Assets Partners II, L.P., 144A</b>			1.14%, 07/16/03	100,000	100,000
1.03%, 07/07/03	45,000	45,000	<b>+ Santa Rosa, California</b>		
<b>+ Lowndes Corp., Georgia</b>			Wastewater RB Series 2001A		
Taxable Demand Bond			1.18%, 07/07/03	15,050	15,050
Series 1997, <b>144A</b>			<b>+ SE Christian Church,</b>		
1.04%, 07/07/03	5,250	5,250	<b>Jefferson County, Kentucky</b>		
<b>+ Merlot Trust</b>			Series 2003		
Series 2000B, <b>144A</b>			1.07%, 07/03/03	11,700	11,700
1.17%, 07/07/03	32,630	32,630	<b>◆ Sigma Finance, Inc., 144A</b>		
Series 2001A7, <b>144A</b>			1.30%, 07/01/03	200,000	199,993
1.17%, 07/07/03	15,470	15,470	1.27%, 07/07/03	125,000	124,996
Series 2001A67, <b>144A</b>			1.14%, 07/15/03	45,000	44,995
1.17%, 07/07/03	35,065	35,065	1.23%, 07/15/03	50,000	49,990
<b>• Metropolitan Life Insurance Co.</b>			1.04%, 07/23/03	90,000	89,998
1.33%, 07/30/03	50,000	50,000	1.26%, 08/06/03	50,000	50,000
1.39%, 08/01/03	100,000	100,000	<b>+ Sisters of Mercy of the Americas Regional Community</b>		
<b>• Monumental Life Insurance Co.</b>			<b>of Omaha, Nebraska</b>		
1.49%, 07/01/03	100,000	100,000	Series 2001		
<b>Morgan Stanley 144A</b>			1.02%, 07/07/03	11,860	11,860
1.28%, 07/15/03	50,000	50,000	<b>• Travelers Insurance Co.</b>		
<b>+ New Jersey Economic Development Authority</b>			1.37%, 08/01/03	100,000	100,000
Adjustable Rate Lease Revenue			<b>Wells Fargo &amp; Co.</b>		
Taxable Bonds (Camden Center			1.31%, 07/02/03	75,000	75,000
Project) Series 2002A					<b>2,265,187</b>
1.03%, 07/07/03	23,000	23,000			
Adjustable Rate Lease Revenue					
Taxable Bonds (Camden Center					
Project) Series 2002B					
1.03%, 07/07/03	20,000	20,000			
Adjustable Rate Lease Revenue					
Taxable Bonds (Barnes & Noble,					
Inc. Distribution & Freight					
Consolidation Center Project)					
Series 1995A					
1.03%, 07/07/03	15,930	15,930			
Adjustable Rate Lease Revenue					
Taxable Bonds (Barnes & Noble,					
Inc. Distribution & Freight					
Consolidation Center Project)					
Series 1995B					
1.03%, 07/01/03	10,000	10,000			

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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<b>Other Investments</b>	9.4% of investments
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#### Repurchase Agreements 9.4%

#### Bank of America Securities, L.L.C.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$1,020,000 1.32%, issued 06/30/03, due 07/01/03	1,000,037	1,000,000
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**Portfolio Holdings** continued

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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**Bear Stearns & Co., Inc.**

Tri-Party Repurchase Agreement  
Collateralized by U.S.

Government Securities with  
a value of \$190,743

1.32%, issued 06/30/03, due 07/01/03	127,005	127,000
1.29%, issued 01/15/03, due 07/07/03	60,372	60,000

**Credit Suisse First Boston L.L.C.**

Tri-Party Repurchase Agreement  
Collateralized by U.S.

Government Securities with a  
value of \$785,666

1.32%, issued 06/30/03, due 07/01/03	770,286	770,258
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**Lehman Brothers, Inc.**

Tri-Party Repurchase Agreement  
Collateralized by U.S.

Government Securities  
with a value of \$336,605

1.20%, issued 04/07/03, due 07/07/03	170,516	170,000
1.20%, issued 05/07/03, due 07/07/03	160,325	160,000

**Morgan Stanley & Co., Inc.**

Tri-Party Repurchase Agreement  
Collateralized by U.S.

Government Securities with a  
value of \$290,700

1.18%, issued 06/03/03, due 07/07/03	285,318	285,000
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Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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**UBS Financial Services, Inc.**

Tri-Party Repurchase Agreement  
Collateralized by

U.S. Government Securities  
with a value of \$2,325,614

1.32%, issued 06/30/03, due 07/01/03	1,000,037	1,000,000
0.92%, issued 06/23/03, due 07/07/03	200,072	200,000
0.93%, issued 06/20/03, due 07/07/03	400,176	400,000
1.18%, issued 06/02/02, due 07/07/03	680,780	680,000

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**4,852,258**


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**End of portfolio holdings.** For totals, please see the  
first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$51,886,869
Interest receivable	64,859
Prepaid expenses	+ 738
<b>Total assets</b>	<b>51,952,466</b>

**Liabilities**

Payables:	
Dividends to shareholders	9,335
Investments bought	295,671
Investment adviser and administrator fees	1,180
Transfer agent and shareholder service fees	1,906
Accrued expenses	+ 2,586
<b>Total liabilities</b>	<b>310,678</b>

**Net Assets**

<b>Total assets</b>	51,952,466
<b>Total liabilities</b>	- 310,678
<b>Net assets</b>	<b>\$51,641,788</b>

**Net Assets by Source**

Capital received from investors	51,641,864
Net realized capital losses	(76)

**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>÷</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$51,641,788		51,642,396		\$1.00

Includes illiquid restricted securities worth \$1,770,856, or 3.41% of the fund's investments. The fund's amortized cost for these securities was \$51,886,869

**Federal Tax Data****Cost basis of portfolio** \$51,886,869**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2003	\$27
2007	+ 49
	<b>\$76</b>

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$355,894</b>
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**Expenses**

Investment adviser and administrator fees	79,499
Transfer agent and shareholder service fees	116,546
Trustees' fees	94
Custodian and portfolio accounting fees	2,202
Professional fees	47
Registration fees	510
Shareholder reports	2,874
Other expenses	+ 222
Total expenses	201,994
Expense reduction	- 7,750
<b>Net expenses</b>	<b>194,244</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	355,894
<b>Net expenses</b>	- 194,244
<b>Net investment income</b>	<b>161,650</b>
<b>Increase in net assets from operations</b>	<b>\$161,650</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004 to 0.75% of average daily net assets. This limit does not include interest, taxes and certain non-routine expenses.

Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$161,650	\$613,708
<b>Increase in net assets from operations</b>	<b>161,650</b>	<b>613,708</b>

**Distributions Paid**

Dividends from net investment income	<b>161,650</b>	<b>613,708</b>
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**Transactions in Fund Shares**

Shares sold	64,535,495	137,199,724
Shares reinvested	150,426	604,716
Shares redeemed	+ (64,107,516)	(135,856,854)
<b>Net transactions in fund shares</b>	<b>578,405</b>	<b>1,947,586</b>

**Net Assets**

Beginning of period	51,063,383	49,115,797
Total increase	+ 578,405	1,947,586
<b>End of period</b>	<b>\$51,641,788</b>	<b>\$51,063,383</b>

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$613,708
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

# Financial Statements

## Schwab Government Money Fund

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.04	0.06	0.04	0.05
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.04)	(0.06)	(0.04)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.30 <sup>2</sup>	1.20	3.63	5.69	4.50	4.88
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.75 <sup>3</sup>	0.75	0.75	0.75 <sup>4</sup>	0.75	0.75
Ratio of gross operating expenses to average net assets	0.83 <sup>3</sup>	0.83	0.84	0.84 <sup>4</sup>	0.85	0.92
Ratio of net investment income to average net assets	0.60 <sup>3</sup>	1.19	3.52	5.54	4.42	4.76
Net assets, end of period (\$ x 1,000,000)	3,078	3,092	3,054	2,509	2,545	2,207

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> The ratios of net and gross operating expenses would have been 0.76% and 0.85%, respectively, if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbol below to designate certain characteristics:

▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>	<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>61.7% U.S. Government– Securities</b>	1,915,866	1,915,866
<b>38.3% Other Investments</b>	1,189,536	1,189,536
<b>100.0% Total Investments</b>	<b>3,105,402</b>	<b>3,105,402</b>

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**U.S. Government Securities**  
61.7% of investments

**Discount Notes 54.3%****Fannie Mae**

1.20%, 07/09/03	10,000	9,997
1.13%, 07/11/03	20,000	19,994
1.21%, 07/16/03	40,000	39,980
1.19%, 07/18/03	68,905	68,866
1.10%, 07/25/03	30,000	29,978
1.77%, 07/25/03	35,000	34,959
1.17%, 07/30/03	13,913	13,900
1.23%, 07/30/03	26,000	25,974

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
1.15%, 08/13/03	3,470	3,465
1.14%, 08/20/03	15,000	14,976
1.18%, 08/20/03	30,000	29,951
1.20%, 08/20/03	20,000	19,967
1.17%, 08/27/03	60,000	59,889
1.18%, 08/27/03	20,000	19,963
1.20%, 09/02/03	48,000	47,900
1.06%, 09/03/03	25,000	24,953
1.13%, 09/03/03	40,000	39,920
1.17%, 09/03/03	30,000	29,938
1.09%, 09/10/03	25,000	24,947
1.75%, 09/19/03	12,000	11,954
1.77%, 09/19/03	20,000	19,922
▲ 0.94%, 10/01/03	30,000	29,928
1.31%, 11/14/03	15,000	14,927
1.33%, 11/14/03	10,000	9,951
1.38%, 11/14/03	15,000	14,923
1.57%, 11/14/03	8,000	7,953
1.06%, 12/03/03	3,344	3,329
1.05%, 12/12/03	4,600	4,578
1.06%, 01/09/04	8,360	8,313
1.20%, 03/05/04	10,000	9,918
1.33%, 03/05/04	2,300	2,279
1.22%, 04/02/04	15,000	14,861
1.32%, 04/02/04	15,000	14,851
<b>Federal Farm Credit Bank</b>		
1.27%, 02/13/04	20,000	19,842
<b>Federal Home Loan Bank</b>		
1.20%, 07/09/03	23,600	23,594
1.15%, 07/23/03	28,000	27,980
<b>Freddie Mac</b>		
1.11%, 07/10/03	11,831	11,828
1.77%, 07/17/03	20,000	19,985
1.96%, 07/17/03	20,000	19,983
2.02%, 07/17/03	10,000	9,991
1.77%, 07/30/03	21,227	21,197
1.15%, 07/31/03	15,000	14,986
1.14%, 08/01/03	25,000	24,976
1.18%, 08/11/03	5,000	4,993
1.17%, 08/14/03	25,000	24,964
1.25%, 08/14/03	15,000	14,977
1.78%, 08/14/03	20,000	19,957
1.15%, 08/21/03	23,000	22,963
1.39%, 08/22/03	11,265	11,243
1.05%, 08/29/03	30,000	29,948
1.14%, 08/29/03	37,000	36,931
1.10%, 09/04/03	30,000	29,940

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.17%, 09/04/03	50,000	49,894			
1.14%, 09/12/03	30,000	29,931			
0.96%, 09/17/03	7,000	6,985			
0.90%, 09/18/03	34,180	34,112			
1.44%, 09/22/03	10,000	9,967			
1.21%, 09/24/03	40,000	39,887			
1.16%, 10/09/03	30,000	29,904			
1.77%, 10/09/03	10,000	9,952			
0.90%, 10/20/03	30,000	29,917			
0.91%, 10/20/03	50,000	49,860			
1.04%, 10/20/03	25,000	24,920			
1.48%, 10/20/03	12,000	11,946			
0.91%, 10/24/03	36,782	36,676			
1.09%, 10/24/03	30,000	29,896			
0.91%, 10/28/03	30,000	29,910			
1.10%, 11/06/03	4,567	4,549			
1.11%, 11/07/03	25,000	24,901			
0.90%, 11/20/03	12,238	12,195			
0.99%, 11/26/03	20,000	19,919			
0.97%, 12/04/03	3,000	2,987			
1.05%, 12/04/03	15,232	15,163			
1.09%, 12/04/03	25,000	24,883			
1.27%, 03/25/04	15,000	14,860			
1.30%, 03/25/04	23,000	22,781			
<b>Tennessee Valley Authority</b>					
1.15%, 07/31/03	2,000	1,998			
		<b>1,685,475</b>			
<b>Coupon Notes 7.4%</b>					
<b>Fannie Mae</b>					
4.75%, 11/14/03	13,710	13,873			
3.63%, 04/15/04	20,000	20,357			
<b>Federal Home Loan Bank</b>					
4.13%, 08/15/03	21,790	21,868			
5.13%, 09/15/03	42,675	43,007			
3.13%, 11/14/03	17,000	17,102			
1.36%, 03/05/04	15,000	15,000			
3.75%, 04/15/04	25,000	25,482			
1.40%, 05/10/04	10,000	10,000			
<b>Freddie Mac</b>					
5.75%, 07/15/03	5,000	5,008			
3.25%, 12/15/03	22,936	23,163			
3.25%, 01/15/04	15,000	15,149			
3.75%, 04/15/04	20,000	20,382			
		<b>230,391</b>			
<b>Other Investments 38.3% of investments</b>					
<b>Repurchase Agreements 38.3%</b>					
<b>Bank of America Securities, L.L.C.</b>					
Tri-Party Repurchase Agreement					
Collateralized by U.S.					
Government Securities with a					
value of \$107,100					
1.32%, issued 06/30/03,					
due 07/01/03	105,004	105,000			
<b>Bear Stearns &amp; Co., Inc.</b>					
Tri-Party Repurchase Agreement					
Collateralized by U.S.					
Government Securities with a					
value of \$178,506					
1.32%, issued 06/30/03,					
due 07/01/03	105,004	105,000			
1.03%, issued 06/18/03,					
due 07/07/03	40,022	40,000			
1.22%, issued 05/07/03,					
due 07/07/03	30,062	30,000			
<b>Credit Suisse First Boston L.L.C.</b>					
Tri-Party Repurchase Agreement					
Collateralized by					
U.S. Government Securities					
with a value of \$259,638					
1.20%, issued 05/02/03,					
due 07/01/03	70,140	70,000			
1.25%, issued 06/03/02,					
due 07/01/03	25,024	25,000			
1.32%, issued 06/30/03,					
due 07/01/03	104,540	104,536			
1.22%, issued 04/17/03,					
due 07/07/03	30,082	30,000			
1.23%, issued 04/15/03,					
due 07/07/03	25,071	25,000			
<b>Lehman Brothers, Inc.</b>					
Tri-Party Repurchase Agreement					
Collateralized by					
U.S. Government Securities					
with a value of \$91,807					
1.20%, issued 04/07/03,					
due 07/07/03	50,152	50,000			
1.20%, issued 05/07/03,					
due 07/07/03	30,061	30,000			



Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.22%, issued 04/14/03, due 07/07/03	10,028	10,000
<b>Morgan Stanley &amp; Co., Inc.</b>		
Tri-Party Repurchase Agreement		
Collateralized by		
U.S. Government Securities		
with a value of \$229,501		
0.98%, issued 06/13/03, due 07/07/03	30,020	30,000
1.18%, issued 06/03/03, due 07/07/03	30,033	30,000
1.21%, issued 04/28/03, due 07/07/03	35,082	35,000
1.21%, issued 05/06/03, due 07/07/03	40,083	40,000
1.22%, issued 04/25/03, due 07/07/03	40,099	40,000
1.22%, issued 05/05/03, due 07/07/03	20,043	20,000
1.22%, issued 05/15/03, due 07/07/03	30,054	30,000
<b>UBS Financial Services, Inc.</b>		
Tri-Party Repurchase Agreement		
Collateralized by		
U.S. Government Securities		
with a value of \$346,782		
0.94%, issued 06/23/03, due 07/07/03	50,018	50,000
1.01%, issued 06/16/03, due 07/07/03	160,094	160,000
1.02%, issued 06/20/03, due 07/07/03	40,019	40,000
1.06%, issued 06/17/03, due 07/07/03	65,038	65,000
1.22%, issued 04/14/03, due 07/07/03	25,071	25,000
		<b>1,189,536</b>

**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$1,915,866
Repurchase agreements, at market value	1,189,536
Interest receivable	3,302
Prepaid expenses	+ 60
<b>Total assets</b>	<b>3,108,764</b>

The amortized cost for the fund's securities was \$3,105,402.

**Liabilities**

Payables:	
Dividends to shareholders	541
Investments bought	29,928
Investment adviser and administrator fees	70
Transfer agent and shareholder service fees	114
Accrued expenses	+ 157
<b>Total liabilities</b>	<b>30,810</b>

**Net Assets**

<b>Total assets</b>	3,108,764
<b>Total liabilities</b>	− 30,810
<b>Net assets</b>	<b>\$3,077,954</b>

**Net Assets by Source**

Capital received from investors	3,078,836
Net realized capital losses	(882)

**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>÷</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$ 3,077,954		3,079,066		\$1.00

**Federal Tax Data**

**Cost basis of portfolio** \$3,105,409

**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2003	\$161
2004	162
2005	226
2006	119
2007	184
2008	13
2010	+ 1
	<b>\$866</b>

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**Interest **\$21,010****Net Realized Gains and Losses**

Net realized losses on investments sold (16)

**Expenses**

Investment adviser and administrator fees 5,581

Transfer agent and shareholder service fees 6,984

Trustees' fees 22

Custodian and portfolio accounting fees 122

Professional fees 13

Registration fees 92

Shareholder reports 85

Other expenses + 13

Total expenses 12,912

Expense reduction - 1,271

**Net expenses 11,641****Increase in Net Assets from Operations****Total investment income 21,010****Net expenses - 11,641****Net investment income 9,369****Net realized losses + (16)****Increase in net assets from operations \$9,353**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004 to 0.75% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$9,369	\$38,140
Net realized losses	+ (16)	(1)
<b>Increase in net assets from operations</b>	<b>9,353</b>	<b>38,139</b>

**Distributions Paid**

Dividends from net investment income	<b>9,369</b>	<b>38,140</b>
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**Transactions in Fund Shares**

Shares sold	4,055,824	7,912,017
Shares reinvested	8,727	37,703
Shares redeemed	+ (4,078,152)	(7,911,680)
<b>Net transactions in fund shares</b>	<b>(13,601)</b>	<b>38,040</b>

**Net Assets**

Beginning of period	3,091,571	3,053,532
Total increase or decrease	+ (13,617)	38,039
<b>End of period</b>	<b>\$3,077,954</b>	<b>\$3,091,571</b>

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$38,140
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

# Financial Statements

## Schwab U.S. Treasury Money Fund

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.04	0.05	0.04	0.05
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.04)	(0.05)	(0.04)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.30 <sup>2</sup>	1.15	3.61	5.40	4.25	4.69
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.65 <sup>3</sup>	0.65	0.65	0.65 <sup>4</sup>	0.65	0.65
Ratio of gross operating expenses to average net assets	0.82 <sup>3</sup>	0.82	0.84	0.84 <sup>4</sup>	0.86	0.91
Ratio of net investment income to average net assets	0.61 <sup>3</sup>	1.15	3.44	5.27	4.18	4.58
Net assets, end of period (\$ x 1,000,000)	4,032	4,323	4,042	2,750	2,592	2,131

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> The ratios of net and gross operating expenses would have been 0.66% and 0.85%, respectively, if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date.

<b>Holdings by Category</b>	<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>100.0% U.S. Government Securities</b>	4,020,206	4,020,206
<b>100.0% Total Investments</b>	4,020,206	4,020,206

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**U.S. Government Securities**  
100.0% of investments

**Treasury Bills 77.9%****U.S. Treasury Bills**

0.86%, 07/03/03	8,515	8,515
1.10%, 07/03/03	7,440	7,440
1.12%, 07/03/03	5,180	5,180
1.16%, 07/03/03	5,840	5,840
1.21%, 07/03/03	95,000	94,994
0.88%, 07/17/03	18,950	18,943
1.14%, 07/17/03	7,365	7,361
1.16%, 07/17/03	112,285	112,228
1.17%, 07/17/03	200,000	199,897
1.18%, 07/17/03	15,000	14,992
1.23%, 07/17/03	150,000	149,918
1.09%, 07/31/03	20	20
1.11%, 07/31/03	40,620	40,582
1.13%, 07/31/03	47,615	47,570
1.16%, 07/31/03	7,495	7,488
1.17%, 07/31/03	200,000	199,807
1.14%, 08/14/03	4,380	4,374

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
1.16%, 08/14/03	2,416	2,412
1.18%, 08/14/03	14,470	14,449
0.85%, 08/28/03	5,320	5,313
0.86%, 08/28/03	78,600	78,492
0.98%, 08/28/03	4,940	4,932
1.10%, 08/28/03	64,255	64,141
1.12%, 08/28/03	82,525	82,377
1.16%, 08/28/03	125,000	124,767
1.17%, 08/28/03	65,000	64,878
1.18%, 08/28/03	50,000	49,906
0.85%, 09/18/03	200,000	199,629
0.98%, 09/18/03	100,000	99,785
1.05%, 09/18/03	6,815	6,799
1.07%, 09/18/03	20,175	20,128
1.08%, 09/18/03	79,225	79,038
1.09%, 09/18/03	67,225	67,065
1.12%, 09/18/03	35,185	35,099
0.85%, 10/02/03	150,000	149,671
1.07%, 10/02/03	30,000	29,917
1.16%, 10/02/03	50,000	49,851
0.85%, 10/16/03	41,335	41,231
0.86%, 10/16/03	2,850	2,843
1.16%, 10/16/03	50,000	49,829
1.19%, 10/16/03	200,000	199,298
0.96%, 10/30/03	100,000	99,679
1.15%, 10/30/03	150,000	149,423
1.16%, 10/30/03	25,000	24,903
1.09%, 11/13/03	50,000	49,796
1.05%, 11/20/03	575	573
1.06%, 11/20/03	2,495	2,485
1.09%, 11/28/03	225,000	223,984
0.80%, 12/11/03	9,105	9,072
0.81%, 12/11/03	6,905	6,880
0.82%, 12/11/03	19,380	19,308
0.99%, 12/11/03	100,000	99,556
		<b>3,132,658</b>

**Treasury Notes 22.1%****U.S. Treasury Notes**

3.88%, 07/31/03	73,455	73,608
5.25%, 08/15/03	240,535	241,750
5.75%, 08/15/03	180,000	181,018
3.63%, 08/31/03	29,360	29,469
2.75%, 09/30/03	10,000	10,033
4.25%, 11/15/03	95,000	96,098
3.00%, 11/30/03	76,110	76,791
3.25%, 12/31/03	71,049	71,899

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
3.00%, 01/31/04	50,000	50,566
5.88%, 02/15/04	30,000	30,881
3.63%, 03/31/04	10,000	10,175
3.38%, 04/30/04	15,000	15,260
		<b>887,548</b>

**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$4,020,206
Interest receivable	12,424
Prepaid expenses	+ 87
<b>Total assets</b>	<b>4,032,717</b>

**Liabilities**

Payables:	
Dividends to shareholders	723
Investment adviser and administrator fees	61
Transfer agent and shareholder service fees	150
Accrued expenses	+ 148
<b>Total liabilities</b>	<b>1,082</b>

**Net Assets**

<b>Total assets</b>	4,032,717
<b>Total liabilities</b>	- 1,082
<b>Net assets</b>	<b>\$4,031,635</b>

**Net Assets by Source**

Capital received from investors	4,032,494
Net realized capital losses	(859)

**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>÷</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$4,031,635		4,032,558		\$1.00

■ The amortized cost for the fund's securities was \$4,020,206.

**Federal Tax Data****Cost basis of portfolio** \$4,020,238**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2005	\$62
2006	89
2007	580
2010	+ 66
	<b>\$797</b>



## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**Interest **\$26,328****Net Realized Gains and Losses**

Net realized losses on investments sold (43)

**Expenses**

Investment adviser and administrator fees 7,478

Transfer agent and shareholder service fees 9,423

Trustees' fees 22

Custodian and portfolio accounting fees 156

Professional fees 13

Registration fees 74

Shareholder reports 53

Other expenses + 17

Total expenses 17,236

Expense reduction - 3,625

**Net expenses 13,611****Increase in Net Assets from Operations****Total investment income 26,328****Net expenses - 13,611****Net investment income 12,717****Net realized losses + (43)****Increase in net assets from operations \$12,674**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004 to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

## Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$12,717	\$45,709
Net realized losses	+ (43)	(72)
<b>Increase in net assets from operations</b>	<b>12,674</b>	<b>45,637</b>

**Distributions Paid**

Dividends from net investment income	<b>12,717</b>	<b>45,709</b>
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**Transactions in Fund Shares**

Shares sold	4,910,082	10,640,600
Shares reinvested	11,854	45,056
Shares redeemed	+ (5,213,640)	(10,404,554)
<b>Net transactions in fund shares</b>	<b>(291,704)</b>	<b>281,102</b>

**Net Assets**

Beginning of period	4,323,382	4,042,352
Total increase or decrease	+ (291,747)	281,030
<b>End of period</b>	<b>\$4,031,635</b>	<b>\$4,323,382</b>

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$45,709
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

# Financial Statements

## Schwab Value Advantage Money Fund

### Financial Highlights

Investor Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.02	0.04	0.06	0.05	0.05
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.02)	(0.04)	(0.06)	(0.05)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.46 <sup>2</sup>	1.55	4.05	6.22	5.01	5.35
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.45 <sup>3</sup>	0.45	0.43	0.40 <sup>4</sup>	0.40	0.40
Ratio of gross operating expenses to average net assets	0.55 <sup>3</sup>	0.54	0.56	0.59 <sup>4</sup>	0.61	0.67
Ratio of net investment income to average net assets	0.93 <sup>3</sup>	1.55	3.92	6.07	4.91	5.21
Net assets, end of period (\$ x 1,000,000)	34,255	38,728	44,247	36,319	27,265	22,196
<b>Select Shares *</b>						
	2/28/03 <sup>5</sup> – 6/30/03*					
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00					
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>					
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>					
Net asset value at end of period	1.00					
Total return (%)	0.33 <sup>2</sup>					
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.35 <sup>3</sup>					
Ratio of gross operating expenses to average net assets	0.55 <sup>3</sup>					
Ratio of net investment income to average net assets	0.95 <sup>3</sup>					
Net assets, end of period (\$ x 1,000,000)	941					

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> The ratios of net and gross operating expenses would have been 0.41% and 0.60%, respectively, if certain non-routine expenses (proxy fees) had been included.

<sup>5</sup> Commencement of operations.

Institutional Shares	1/1/03– 6/30/03*	7/1/02 <sup>1</sup> – 12/31/02
<b>Per-Share Data (\$)</b>		
Net asset value at beginning of period	1.00	1.00
Income from investment operations:		
Net investment income	0.01	0.01
Less distributions:		
Dividends from net investment income	(0.01)	(0.01)
Net asset value at end of period	1.00	1.00
Total return (%)	0.56 <sup>2</sup>	0.81 <sup>2</sup>
<b>Ratios/Supplemental Data (%)</b>		
Ratio of net operating expenses to average net assets	0.24 <sup>3</sup>	0.24 <sup>3</sup>
Ratio of gross operating expenses to average net assets	0.55 <sup>3</sup>	0.55 <sup>3</sup>
Ratio of net investment income to average net assets	1.13 <sup>3</sup>	1.57 <sup>3</sup>
Net assets, end of period (\$ x 1,000,000)	682	521

\* Unaudited.

<sup>1</sup> Commencement of operations.<sup>2</sup> Not annualized.<sup>3</sup> Annualized.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

		Cost	Market Value
		(\$x1,000)	(\$x1,000)
<b>Holdings by Category</b>			
<b>78.1% Fixed-Rate Obligations</b>		28,460,378	28,460,378
<b>7.9% U.S. Government Securities</b>		2,882,247	2,882,247
<b>5.9% Variable-Rate Obligations</b>		2,162,953	2,162,953
<b>8.1% Other Investments</b>		2,937,699	2,937,699
<b>100.0% Total Investments</b>		<b>36,443,277</b>	<b>36,443,277</b>

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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**Fixed-Rate Obligations** 78.1% of investments

**Commercial Paper & Other Corporate Obligations 42.1%**

**AB Spintab**

1.22%, 07/14/03	73,000	72,968
1.23%, 08/11/03	14,000	13,980
0.92%, 10/30/03	20,000	19,938

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Alliance &amp; Leicester, PLC, 144A</b>		
1.26%, 07/14/03	37,000	36,983
0.99%, 09/17/03	20,000	19,957
<b>◆ Amstel Funding Corp., 144A</b>		
1.21%, 08/19/03	24,000	23,961
1.22%, 09/02/03	21,000	20,955
<b>◆+ Amsterdam Funding Corp., 144A</b>		
1.23%, 07/10/03	97,000	96,970
1.23%, 08/07/03	59,000	58,925
1.21%, 08/15/03	50,000	49,924
1.20%, 09/02/03	39,000	38,918
1.20%, 09/05/03	20,000	19,956
1.09%, 09/26/03	15,000	14,961
<b>✦ ANZ (Delaware), Inc.</b>		
1.19%, 08/22/03	46,000	45,921
<b>◆+ Aquinas Funding, L.L.C., 144A</b>		
1.23%, 08/20/03	28,000	27,952
1.22%, 08/25/03	34,000	33,937
<b>◆ ASAP Funding, Ltd., 144A</b>		
1.28%, 07/24/03	50,000	49,959
1.01%, 09/12/03	97,515	97,315
<b>◆ Asset Portfolio Funding Corp., 144A</b>		
0.93%, 09/22/03	40,000	39,914
0.95%, 09/22/03	64,880	64,738
<b>◆+ Asset Securitization Cooperative Corp., 144A</b>		
1.22%, 08/12/03	20,000	19,972
1.06%, 08/13/03	44,000	43,944
1.21%, 08/22/03	33,500	33,441
<b>◆+ Atlantis One Funding Corp., 144A</b>		
1.24%, 07/02/03	30,000	29,999
1.21%, 07/09/03	74,000	73,980
1.26%, 07/25/03	12,000	11,990
1.26%, 07/28/03	25,000	24,976
1.21%, 08/13/03	32,700	32,653
1.22%, 08/15/03	58,000	57,912
1.20%, 09/11/03	74,979	74,799
1.11%, 09/16/03	55,000	54,871
1.19%, 09/16/03	126,000	125,679
0.91%, 11/13/03	80,000	79,727
0.91%, 12/16/03	39,000	38,834
0.90%, 12/17/03	20,000	19,916
0.90%, 12/18/03	84,000	83,643
<b>Bank of Ireland</b>		
1.21%, 08/19/03	65,000	64,893
1.20%, 08/20/03	75,000	74,875

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Bank of Nova Scotia</b>			1.25%, 07/11/03	196,000	195,932
1.21%, 07/08/03	110,000	109,974	1.27%, 07/25/03	30,000	29,975
<b>Bank One Corp.</b>			1.25%, 08/07/03	34,000	33,956
1.22%, 07/29/03	10,000	9,991	1.21%, 08/12/03	50,000	49,929
1.22%, 08/04/03	25,000	24,971	1.25%, 08/12/03	42,287	42,225
<b>Bank of America Corp.</b>			1.21%, 08/28/03	23,000	22,955
1.25%, 07/18/03	22,000	21,987	<b>◆ Concord Minutemen Capital Co., L.L.C., 144A</b>		
<b>+ Barclays U.S. Funding Corp.</b>			Series A		
1.19%, 08/18/03	60,000	59,905	1.24%, 07/02/03	55,315	55,313
<b>Bear Stearns Companies, Inc.</b>			1.27%, 07/11/03	20,000	19,993
1.24%, 07/24/03	10,000	9,992	1.27%, 07/18/03	25,000	24,985
1.25%, 07/25/03	25,000	24,979	1.25%, 08/05/03	50,000	49,940
0.95%, 09/17/03	20,000	19,959	1.07%, 08/06/03	30,000	29,968
0.94%, 09/23/03	100,000	99,781	1.24%, 08/08/03	38,000	37,950
0.91%, 09/26/03	37,000	36,919	1.22%, 08/18/03	83,000	82,865
<b>◆+ Beta Finance, Inc., 144A</b>			1.28%, 10/10/03	27,000	26,904
1.31%, 07/15/03	31,500	31,484	<b>◆+ CAFCO, L.L.C., 144A</b>		
1.08%, 08/04/03	43,000	42,956	1.15%, 09/10/03	55,000	54,875
1.23%, 08/18/03	38,300	38,237	<b>◆+ CRC Funding, L.L.C., 144A</b>		
1.02%, 09/18/03	6,000	5,987	1.17%, 09/09/03	47,000	46,893
1.58%, 11/20/03	48,000	48,000	1.00%, 09/12/03	62,000	61,875
<b>+ BNP Paribas Finance, Inc.</b>			<b>+ Credit Lyonnais N.A., Inc.</b>		
1.20%, 08/29/03	120,000	119,764	1.00%, 09/15/03	101,000	100,787
<b>+ CBA (Delaware) Finance, Inc.</b>			0.98%, 10/09/03	17,000	16,954
1.21%, 07/10/03	96,000	95,971	<b>◆ Dakota CP Notes of Citibank Credit Card Issuance</b>		
1.18%, 08/21/03	89,000	88,851	<b>Trust, 144A</b>		
1.19%, 08/22/03	32,000	31,945	1.22%, 07/01/03	58,000	58,000
<b>◆ CC (USA), Inc., 144A</b>			1.23%, 07/08/03	80,000	79,981
1.23%, 07/10/03	68,000	67,979	1.25%, 07/08/03	30,000	29,993
1.31%, 07/10/03	15,500	15,495	1.23%, 07/21/03	55,000	54,962
1.23%, 08/18/03	25,000	24,959	1.07%, 08/05/03	90,000	89,906
1.23%, 08/26/03	10,000	9,981	1.09%, 09/09/03	49,000	48,896
0.99%, 09/10/03	25,000	24,951	1.05%, 09/10/03	60,000	59,876
<b>Citicorp</b>			<b>+ Danske Corp.</b>		
1.25%, 07/21/03	62,000	61,957	1.25%, 07/08/03	99,000	98,976
1.21%, 08/08/03	150,000	149,808	1.22%, 07/14/03	23,000	22,990
<b>Citigroup Global Markets Holdings, Inc.</b>			1.25%, 07/17/03	15,000	14,992
1.27%, 07/30/03	80,000	79,919	1.18%, 08/20/03	150,000	149,754
1.20%, 08/11/03	45,000	44,939	1.19%, 08/22/03	50,000	49,914
1.22%, 08/12/03	100,000	99,858	0.96%, 09/18/03	117,000	116,754
1.20%, 08/13/03	95,000	94,864	1.24%, 10/27/03	16,000	15,936
1.23%, 08/14/03	173,000	172,741	<b>Den Norske Bank ASA</b>		
1.19%, 08/15/03	80,000	79,881	1.21%, 08/14/03	24,000	23,965
<b>◆+ Clipper Receivables Corp.</b>			1.23%, 08/15/03	20,000	19,969
1.24%, 07/11/03	33,576	33,564	1.26%, 09/04/03	105,000	104,762

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+ Dexia Delaware, L.L.C.</b>			<b>+ GE Capital International Funding, Inc., 144A</b>		
0.89%, 09/25/03	43,000	42,909	1.22%, 07/11/03	68,000	67,977
<b>◆ Dorada Finance, Inc., 144A</b>			1.26%, 07/24/03	100,000	99,920
1.27%, 07/11/03	10,000	9,997	1.19%, 08/25/03	104,000	103,811
1.26%, 07/18/03	70,000	69,958	1.20%, 08/26/03	74,000	73,862
1.31%, 07/25/03	75,000	74,935	1.21%, 08/28/03	225,000	224,561
1.23%, 07/30/03	21,335	21,314	1.05%, 12/09/03	50,000	49,767
1.23%, 08/13/03	48,500	48,429	1.02%, 12/11/03	29,000	28,867
1.21%, 08/26/03	16,000	15,970	<b>General Electric Capital Corp.</b>		
1.21%, 08/28/03	20,000	19,961	1.27%, 07/15/03	300,000	299,853
1.04%, 09/17/03	20,000	19,955	1.25%, 07/21/03	22,000	21,985
<b>◆ Dorada Finance, Inc., 144A</b>			1.28%, 08/07/03	40,000	39,948
1.95%, 09/16/03	122,000	122,000	1.29%, 09/23/03	50,000	49,851
1.96%, 09/16/03	45,000	45,000	1.11%, 12/03/03	104,000	103,507
<b>◆+ Edison Asset Securitization Corp., L.L.C., 144A</b>			<b>General Electric Capital Services</b>		
1.31%, 07/08/03	67,000	66,983	1.25%, 07/23/03	115,000	114,912
0.93%, 09/23/03	228,000	227,505	1.25%, 07/24/03	185,000	184,852
1.10%, 11/10/03	20,000	19,920	1.25%, 07/25/03	120,000	119,900
1.20%, 11/10/03	46,000	45,799	1.25%, 07/28/03	130,000	129,878
1.05%, 12/10/03	75,000	74,649	<b>General Electric Co.</b>		
<b>◆+ Fairway Finance Corp., 144A</b>			1.25%, 07/22/03	286,000	285,791
0.97%, 09/12/03	106,739	106,529	<b>◆+ Giro Funding U.S. Corp., 144A</b>		
0.98%, 09/15/03	50,131	50,027	1.25%, 07/16/03	45,000	44,977
1.22%, 09/15/03	44,000	43,888	1.24%, 07/31/03	60,000	59,938
0.97%, 09/16/03	33,000	32,932	1.07%, 08/05/03	11,000	10,989
<b>◆+ Falcon Asset Securitization Corp., 144A</b>			1.26%, 08/06/03	70,000	69,912
0.97%, 09/15/03	37,136	37,060	1.21%, 08/15/03	70,000	69,894
0.98%, 09/15/03	85,145	84,969	1.02%, 09/12/03	30,694	30,631
<b>ForeningsSparbanken AB (Swedbank)</b>			0.98%, 09/15/03	45,000	44,907
1.26%, 07/07/03	80,000	79,983	0.94%, 09/24/03	48,000	47,893
1.09%, 09/10/03	19,000	18,959	<b>◆+ Grampian Funding, Ltd., 144A</b>		
<b>◆+ Forrester Funding Master Trust Notes 2000A, 144A</b>			0.98%, 10/01/03	23,000	22,943
1.08%, 07/29/03	140,000	139,882	<b>◆+ Greenwich Funding Corp., 144A</b>		
<b>Fortis Funding, L.L.C., 144A</b>			1.23%, 07/11/03	30,725	30,715
1.27%, 07/21/03	49,000	48,966	1.25%, 07/15/03	46,655	46,632
1.25%, 07/22/03	43,455	43,423	0.95%, 09/12/03	40,000	39,923
<b>◆+ Galaxy Funding, Inc., 144A</b>			<b>◆+ Hatteras Funding Corp., 144A</b>		
1.25%, 07/23/03	100,000	99,924	1.26%, 08/11/03	58,000	57,917
1.26%, 07/24/03	35,000	34,972	1.23%, 08/14/03	19,000	18,971
1.25%, 07/28/03	35,000	34,967	1.13%, 08/26/03	50,000	49,912
1.25%, 07/29/03	25,000	24,976	1.19%, 09/22/03	16,000	15,956
0.98%, 09/12/03	13,000	12,974	0.96%, 10/17/03	52,000	51,850
0.92%, 09/26/03	28,000	27,938	<b>+ HBOS Treasury Services, PLC</b>		
			1.25%, 07/25/03	144,000	143,880

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.07%, 08/07/03	19,000	18,979	1.33%, 03/26/04	30,000	29,706
0.97%, 09/16/03	20,000	19,959	1.35%, 04/15/04	35,000	34,625
1.01%, 09/16/03	30,000	29,935	◆ <b>Lexington Parker Capital Co., L.L.C., 144A</b>		
1.10%, 11/19/03	113,283	112,799	1.23%, 07/10/03	100,000	99,969
◆◆ <b>Independence Funding, L.L.C., 144A</b>			1.28%, 07/11/03	24,000	23,992
1.25%, 07/02/03	86,296	86,293	1.32%, 07/14/03	35,724	35,707
1.07%, 08/12/03	50,000	49,938	1.30%, 07/22/03	45,000	44,966
◆ <b>ING (U.S.) Funding, L.L.C.</b>			1.27%, 07/24/03	40,000	39,968
1.21%, 07/10/03	70,000	69,979	1.28%, 07/25/03	47,000	46,960
1.23%, 07/11/03	73,000	72,975	1.23%, 09/02/03	33,000	32,929
1.30%, 07/18/03	10,000	9,994	◆◆ <b>Links Finance, L.L.C., 144A</b>		
1.23%, 08/08/03	48,000	47,938	1.10%, 09/08/03	20,000	19,958
1.04%, 12/10/03	147,000	146,319	1.00%, 09/12/03	11,000	10,978
◆◆ <b>Intrepid Funding Master Trust, 144A</b>			1.13%, 09/15/03	13,000	12,969
1.09%, 07/14/03	54,056	54,035	<b>Lloyds TSB Bank, PLC</b>		
<b>Irish Life &amp; Permanent, PLC, 144A</b>			1.19%, 08/01/03	100,000	99,898
0.95%, 09/17/03	23,000	22,953	1.18%, 08/20/03	84,000	83,863
<b>J.P. Morgan Chase &amp; Co.</b>			◆◆ <b>Mont Blanc Capital Corp., 144A</b>		
1.25%, 08/04/03	115,000	114,865	1.26%, 07/14/03	15,000	14,993
1.22%, 08/18/03	118,000	117,808	1.10%, 07/28/03	24,000	23,980
◆◆ <b>Jupiter Securitization Corp., 144A</b>			1.06%, 08/13/03	100,000	99,873
1.25%, 07/14/03	99,000	98,955	1.23%, 09/03/03	25,000	24,945
1.07%, 07/25/03	159,000	158,887	<b>Morgan Stanley</b>		
1.07%, 07/29/03	15,000	14,988	1.23%, 07/23/03	150,000	149,887
1.21%, 08/18/03	9,965	9,949	1.25%, 07/25/03	48,000	47,960
1.20%, 09/02/03	9,000	8,981	1.20%, 08/26/03	100,000	99,813
◆◆ <b>K2 (USA), L.L.C.</b>			◆ <b>Newcastle Certificates Program, 144A</b>		
1.23%, 07/03/03	8,000	7,999	Series 2000A		
1.32%, 07/14/03	21,000	20,990	1.26%, 07/15/03	16,000	15,992
1.30%, 07/15/03	18,500	18,491	1.24%, 08/06/03	9,000	8,989
1.32%, 07/16/03	19,000	18,990	1.23%, 08/14/03	137,155	136,949
1.27%, 07/21/03	7,000	6,995	0.94%, 09/25/03	91,000	90,796
1.28%, 09/02/03	50,000	49,888	◆ <b>Nordea N.A., Inc.</b>		
1.13%, 09/17/03	18,000	17,956	0.98%, 08/21/03	125,000	124,826
1.18%, 10/20/03	26,000	25,906	0.99%, 09/22/03	60,000	59,864
<b>KBC Financial Products International, Ltd., 144A</b>			◆◆ <b>Old Line Funding Corp., 144A</b>		
1.22%, 07/08/03	30,000	29,993	1.08%, 07/24/03	40,191	40,163
◆◆ <b>Kitty Hawk Funding Corp., 144A</b>			◆◆ <b>Preferred Receivables Funding Corp., 144A</b>		
1.07%, 07/28/03	52,131	52,089	1.20%, 08/29/03	44,592	44,504
0.98%, 09/15/03	8,000	7,983	◆◆ <b>Quincy Capital Corp., 144A</b>		
0.95%, 09/22/03	36,431	36,351	1.08%, 07/24/03	25,553	25,535
◆ <b>Landesbank Schleswig-Holstein Girozentrale, 144A</b>			◆ <b>San Paolo IMI U.S.Financial Co.</b>		
1.26%, 08/27/03	95,000	94,812	1.04%, 12/09/03	25,000	24,885
1.29%, 03/09/04	90,000	89,200			



Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+ Santander Central Hispano Finance (Delaware), Inc.</b>			0.95%, 09/25/03	35,000	34,921
1.21%, 09/02/03	86,000	85,818			
1.21%, 09/03/03	50,000	49,892			
1.21%, 09/05/03	11,000	10,976			
1.10%, 09/09/03	70,000	69,850			
					<b>15,346,166</b>
<b>◆ Sigma Finance, Inc., 144A</b>			<b>Certificates of Deposit 31.2%</b>		
1.23%, 07/07/03	10,000	9,998	<b>ABN AMRO Bank, NV</b>		
1.23%, 07/09/03	50,000	49,986	2.42%, 07/18/03	125,000	124,998
1.31%, 07/15/03	10,000	9,995	1.19%, 08/27/03	50,000	50,004
1.27%, 07/16/03	35,000	34,982	<b>Alliance &amp; Leicester, PLC</b>		
1.24%, 08/05/03	44,000	43,947	1.20%, 11/19/03	50,000	50,000
1.29%, 08/05/03	8,000	7,990	<b>American Express Centurion Bank</b>		
1.29%, 08/11/03	29,000	28,958	0.92%, 09/22/03	100,000	100,000
1.28%, 08/26/03	8,000	7,984	<b>Australia &amp; New Zealand Banking Group, Ltd.</b>		
1.22%, 08/29/03	15,000	14,970	1.24%, 07/08/03	145,000	145,000
0.97%, 09/12/03	17,000	16,967	1.24%, 07/09/03	100,000	100,000
0.98%, 09/15/03	21,000	20,957	<b>Bank of Montreal</b>		
<b>+ Societe Generale N.A., Inc.</b>			1.21%, 07/09/03	85,000	85,000
1.20%, 07/01/03	11,000	11,000	1.19%, 08/28/03	70,000	70,000
1.20%, 07/02/03	400,000	399,987	<b>Bank of New York</b>		
1.23%, 07/10/03	15,000	14,995	1.29%, 08/18/03	44,000	44,000
1.03%, 09/10/03	96,000	95,805	<b>Bank of Nova Scotia</b>		
1.04%, 12/08/03	15,000	14,931	1.21%, 07/08/03	91,000	91,000
<b>+ Stadshypotek Delaware, Inc., 144A</b>			1.20%, 07/09/03	49,000	49,000
1.25%, 07/01/03	15,000	15,000	1.21%, 07/11/03	75,000	75,000
<b>◆+ Stellar Funding Group, Inc., 144A</b>			1.21%, 07/14/03	40,000	40,000
1.25%, 07/14/03	7,018	7,015	1.18%, 08/25/03	47,000	47,000
<b>+ Svenska Handelsbanken, Inc.</b>			<b>Barclays Bank, PLC</b>		
1.21%, 07/01/03	100,000	100,000	1.25%, 07/15/03	150,000	150,000
<b>◆+ Thunder Bay Funding, Inc., 144A</b>			1.25%, 07/16/03	98,000	98,000
1.26%, 07/01/03	60,000	60,000	1.25%, 07/28/03	50,000	50,000
1.10%, 08/04/03	35,016	34,980	1.26%, 07/28/03	161,000	161,000
1.07%, 08/19/03	30,050	30,006	1.20%, 08/04/03	41,000	41,002
1.21%, 08/20/03	18,059	18,029	1.06%, 08/12/03	300,000	300,000
<b>◆+ Tulip Funding Corp., 144A</b>			1.19%, 08/28/03	18,000	18,000
1.07%, 07/31/03	34,000	33,970	1.60%, 11/25/03	174,000	174,004
<b>+ Westpac Capital Corp.</b>			1.10%, 04/19/04	25,000	25,050
1.25%, 07/07/03	72,000	71,985	<b>Bayerische Landesbank Girozentrale</b>		
1.03%, 09/09/03	47,500	47,405	1.19%, 08/29/03	80,000	80,000
<b>+ Westpac Trust Securities NZ</b>			1.27%, 09/02/03	189,000	189,000
1.20%, 09/04/03	50,000	49,892	1.20%, 09/03/03	50,000	50,000
<b>◆+ Windmill Funding Corp., 144A</b>			1.25%, 03/15/04	100,000	99,992
1.21%, 08/08/03	25,000	24,968	1.30%, 03/26/04	100,000	99,994
1.21%, 08/15/03	18,000	17,973	<b>BNP Paribas</b>		
			1.25%, 07/21/03	265,000	265,000
			1.25%, 07/23/03	181,000	181,000

**Portfolio Holdings** continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.23%, 08/01/03	297,000	297,000	<b>ForeningsSparbanken, AB (Swedbank)</b>		
1.09%, 11/10/03	225,000	225,000	1.25%, 07/30/03	20,000	20,000
1.03%, 12/09/03	90,000	90,016	0.90%, 11/25/03	11,000	11,000
1.05%, 12/10/03	90,000	90,000	<b>Fortis Bank</b>		
<b>Canadian Imperial Bank of Commerce</b>			1.18%, 08/25/03	25,000	25,000
1.24%, 07/15/03	80,000	80,000	<b>+HBOS Treasury Services, PLC</b>		
1.14%, 09/15/03	40,000	40,000	1.27%, 08/11/03	150,000	150,000
<b>Chase Manhattan Bank (USA), N.A.</b>			1.11%, 09/12/03	40,000	40,000
1.27%, 07/22/03	50,000	50,000	<b>ING Bank, N.V.</b>		
1.27%, 07/23/03	129,000	129,000	1.21%, 07/03/03	76,000	76,000
<b>Citibank, N.A.</b>			1.25%, 07/08/03	50,000	50,000
1.25%, 07/28/03	125,000	125,000	1.25%, 07/17/03	120,000	120,000
1.23%, 08/06/03	150,000	150,000	1.25%, 07/31/03	13,000	13,000
1.23%, 08/07/03	20,000	20,000	1.23%, 08/08/03	180,000	180,000
1.22%, 08/20/03	80,000	80,000	1.22%, 08/13/03	120,000	120,000
1.20%, 08/27/03	170,000	170,000	<b>KBC Bank NV</b>		
1.10%, 09/10/03	65,000	65,000	1.21%, 07/07/03	47,000	47,000
1.11%, 09/10/03	53,000	53,000	<b>Landesbank Baden Wurttemberg</b>		
0.95%, 09/18/03	45,000	45,000	1.06%, 08/12/03	35,000	35,000
0.96%, 09/19/03	75,000	75,000	1.20%, 08/22/03	95,000	95,000
0.95%, 09/24/03	270,000	270,000	1.20%, 09/03/03	10,000	10,000
0.93%, 09/25/03	48,000	48,000	0.96%, 09/12/03	100,000	100,024
<b>Credit Agricole Indosuez</b>			1.73%, 09/30/03	25,000	25,004
1.20%, 07/10/03	47,000	47,000	1.85%, 10/17/03	94,000	94,000
1.30%, 07/17/03	75,000	75,000	0.91%, 12/12/03	20,000	20,012
1.06%, 08/04/03	94,000	94,000	0.91%, 12/30/03	45,000	45,000
<b>Credit Lyonnais S.A.</b>			<b>Landesbank Hessen-Thuringen Girozentrale</b>		
0.91%, 09/23/03	25,000	25,002	1.40%, 07/09/03	30,000	30,000
<b>Credit Suisse First Boston</b>			1.30%, 08/21/03	60,000	60,000
1.30%, 07/16/03	45,000	45,000	1.86%, 10/20/03	70,000	70,000
1.25%, 07/17/03	50,000	50,000	1.30%, 02/03/04	36,000	36,023
<b>DePfa Bank, PLC</b>			<b>Natexis Banques Populaires</b>		
0.98%, 09/18/03	66,000	66,000	1.20%, 08/29/03	107,000	107,000
<b>Deutsche Bank, AG</b>			<b>National City Bank, Cleveland</b>		
1.31%, 07/01/03	80,000	80,000	1.20%, 07/07/03	100,000	100,000
1.32%, 07/09/03	223,000	223,000	<b>Norddeutsche Landesbank Girozentrale</b>		
1.21%, 07/16/03	200,000	200,000	1.25%, 07/18/03	40,000	40,000
1.21%, 07/17/03	200,000	200,000	1.27%, 08/21/03	35,000	35,001
1.19%, 08/27/03	87,000	87,000	1.18%, 08/25/03	10,000	10,000
1.10%, 09/09/03	160,000	160,000	1.57%, 11/07/03	25,000	24,999
0.90%, 09/25/03	46,000	46,003	0.90%, 12/29/03	63,000	63,000
1.85%, 10/15/03	247,000	246,993	1.49%, 12/29/03	48,000	48,000
1.10%, 11/10/03	100,000	100,029	1.25%, 04/05/04	50,000	50,000
1.50%, 05/24/04	100,000	100,000	1.30%, 04/13/04	55,000	54,998

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Nordea Bank Finland, PLC</b>		
1.20%, 09/02/03	22,000	22,000
<b>Rabobank Nederland</b>		
0.95%, 12/03/03	49,000	49,050
<b>Royal Bank of Canada</b>		
1.61%, 11/25/03	125,000	124,997
<b>Royal Bank of Scotland, PLC</b>		
1.20%, 07/01/03	174,000	174,000
0.97%, 09/17/03	135,000	134,997
<b>Societe Generale</b>		
1.20%, 07/01/03	35,000	35,000
1.30%, 07/15/03	65,000	65,000
1.25%, 07/18/03	30,000	30,000
<b>Southtrust Bank</b>		
1.30%, 07/11/03	51,000	51,000
1.05%, 12/19/03	23,000	23,000
<b>State Street Bank &amp; Trust Co., N.A.</b>		
1.19%, 08/26/03	121,000	121,000
1.10%, 12/04/03	34,000	34,000
<b>Toronto Dominion Bank</b>		
1.20%, 07/07/03	43,000	43,000
1.31%, 07/07/03	115,000	115,000
1.30%, 07/10/03	58,000	58,000
0.92%, 09/17/03	75,000	75,010
1.20%, 11/13/03	33,000	33,001
0.89%, 12/22/03	37,000	37,000
<b>UBS, AG</b>		
1.59%, 12/16/03	115,000	115,000
<b>Unicredito Italiano SPA</b>		
1.34%, 07/09/03	50,000	50,000
1.28%, 07/17/03	47,000	47,001
1.31%, 07/17/03	60,000	60,000
1.26%, 07/22/03	50,000	50,000
0.96%, 09/15/03	93,000	93,017
1.10%, 09/15/03	180,000	180,000
0.98%, 09/19/03	33,000	33,000
<b>WestLB AG</b>		
1.23%, 08/14/03	30,000	30,000
1.93%, 09/18/03	97,000	97,000
1.84%, 10/15/03	46,000	45,999
1.26%, 04/02/04	105,000	105,000
1.34%, 04/14/04	99,000	99,000
1.35%, 04/23/04	100,000	99,992

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Wilmington Trust Co.</b>		
1.28%, 07/22/03	25,000	25,000

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**11,360,212**
**Bank Notes 2.8%**


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<b>Bank of America, N.A.</b>		
1.23%, 07/09/03	50,000	50,000
1.20%, 08/07/03	400,000	400,000
<b>Bank One, N.A.</b>		
1.29%, 07/10/03	200,000	200,000
<b>Lasalle National Bank, N.A.</b>		
1.20%, 07/07/03	34,000	34,000
1.19%, 08/22/03	85,000	85,000
1.20%, 08/29/03	67,000	67,000
<b>Standard Federal Bank, N.A.</b>		
1.19%, 08/26/03	80,000	80,000
1.20%, 09/05/03	93,000	93,000
1.00%, 09/12/03	10,000	10,000

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**1,019,000**
**Promissory Notes 2.0%**


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<b>• The Goldman Sachs Group, Inc.</b>		
1.36%, 07/28/03	80,000	80,000
1.36%, 08/05/03	80,000	80,000
1.28%, 09/12/03	10,000	10,000
1.26%, 09/24/03	250,000	250,000
1.29%, 09/25/03	45,000	45,000
1.26%, 12/05/03	35,000	35,000
1.12%, 12/11/03	7,000	7,000
1.02%, 12/18/03	43,000	43,000
1.05%, 12/18/03	185,000	185,000

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**735,000**

U.S. Government Securities  
7.9% of investments

**Agency Discount Notes 7.9%**


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<b>Fannie Mae</b>		
1.18%, 08/27/03	196,925	196,559
1.13%, 09/03/03	70,000	69,859
0.89%, 09/24/03	125,000	124,737
▲ 0.94%, 10/01/03	90,000	89,784
1.09%, 11/19/03	130,000	129,447
0.89%, 11/20/03	59,200	58,993

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.09%, 11/26/03	128,250	127,679	<b>Chase Manhattan Bank (USA)</b>		
1.05%, 12/03/03	10,000	9,955	1.07%, 07/30/03	100,000	100,000
1.08%, 12/12/03	12,099	12,040	<b>+ City of New Britain, Connecticut</b>		
0.89%, 12/17/03	49,404	49,199	GO Pension Bonds		
0.90%, 12/17/03	105,000	104,556	1.12%, 07/07/03	40,000	40,000
1.04%, 12/29/03	150,000	149,223	<b>+ Columbus, Georgia Development Authority</b>		
<b>Freddie Mac</b>			Taxable RB (Jay Leasing, Inc. Project) Series 1997		
1.05%, 08/29/03	153,600	153,336	1.12%, 07/07/03	6,310	6,310
1.10%, 09/04/03	105,000	104,791	<b>♦ Dorada Finance, Inc., 144A</b>		
1.10%, 09/11/03	84,000	83,817	1.00%, 07/25/03	30,000	29,996
1.01%, 09/17/03	50,000	49,891	<b>+ Fillmore, California Public Financing Authority</b>		
1.10%, 09/22/03	20,000	19,950	VRD Tax Allocation Bond		
1.02%, 09/30/03	270,000	269,304	(Fillmore Redevelopment Agency Central City Redevelopment Project Area)		
0.99%, 10/24/03	25,000	24,921	Series 1998A		
1.02%, 10/24/03	12,000	11,961	1.17%, 07/07/03	10,120	10,120
1.09%, 10/24/03	250,000	249,129	<b>• GE Life &amp; Annuity Assurance Co.</b>		
1.00%, 10/31/03	150,000	149,492	1.37%, 07/01/03	50,000	50,000
1.03%, 11/12/03	98,517	98,139	<b>General Electric Capital Corp.</b>		
1.09%, 11/21/03	65,000	64,720	1.17%, 07/17/03	225,000	225,000
0.99%, 11/26/03	80,000	79,676	<b>+ Loanstar Assets Partners II, L.P., 144A</b>		
1.00%, 12/04/03	34,000	33,853	1.03%, 07/07/03	25,000	25,000
1.02%, 12/04/03	99,000	98,567	<b>+ Merlot Trust</b>		
1.03%, 12/04/03	70,000	69,689	Series 2000B, 144A		
1.00%, 12/05/03	150,000	149,349	1.17%, 07/07/03	30,000	30,000
1.00%, 03/25/04	50,000	49,631	<b>• Metropolitan Life Insurance Co.</b>		
		<b>2,882,247</b>	1.33%, 07/30/03	50,000	50,000
			1.39%, 08/01/03	100,000	100,000
			<b>• Monumental Life Insurance Co.</b>		
			1.40%, 07/01/03	100,000	100,000
			1.42%, 07/01/03	100,000	100,000
			1.49%, 07/01/03	10,000	10,000
			<b>Morgan Stanley, 144A</b>		
			1.28%, 07/15/03	50,000	50,000
			<b>+ New Jersey Economic Development Authority</b>		
			Taxable Economic Development Bonds (MSNBC CNBC Project)		
			Series 1997A, 144A		
			1.30%, 07/01/03	25,600	25,600
			<b>Royal Bank of Scotland</b>		
			1.14%, 07/16/03	100,000	100,000

Variable-Rate Obligations 5.9% of investments

**+ Access Loans for Learning Student Loan Corp.**

Taxable Student Loan RB

Series II-A-6

1.12%, 07/07/03 27,800 27,800

**+ Active Living of Glenview, L.L.C.**

Senior Floating Rate Note

Series 1998, 144A

1.07%, 07/07/03 10,900 10,900

**Bank of New York Co., Inc., 144A**

1.01%, 07/28/03 50,000 50,000

**♦+ Beta Finance, Inc., 144A**

1.15%, 07/15/03 80,000 79,998

**Canadian Imperial Bank of Commerce**

1.20%, 07/15/03 100,000 100,000

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+ Santa Rosa, California</b>			<b>Bear Stearns &amp; Co., Inc.</b>		
Wastewater RB Series 1998A			Tri-Party Repurchase Agreement		
1.18%, 07/07/03	17,000	17,000	Collateralized by		
Wastewater RB Series 2002A			U.S. Government Securities		
1.18%, 07/07/03	40,000	40,000	with a value of \$183,601		
<b>• Security Life of Denver Insurance Co.</b>			1.29%, issued 01/15/03,		
1.43%, 07/22/03	100,000	100,000	due 07/07/03	180,116	180,000
<b>◆ Sigma Finance, Inc., 144A</b>			<b>Credit Suisse First Boston L.L.C.</b>		
1.30%, 07/01/03	30,000	29,999	Tri-Party Repurchase Agreement		
1.42%, 07/02/03	20,000	20,006	Collateralized by		
1.28%, 07/07/03	35,000	34,995	U.S. Government Securities		
1.30%, 07/07/03	97,000	96,996	with a value of \$422,993		
1.14%, 07/15/03	150,000	149,988	1.32%, issued 06/30/03,		
1.04%, 07/23/03	100,000	99,998	due 07/01/03	414,714	414,699
1.26%, 08/06/03	50,000	49,999	<b>Lehman Brothers, Inc.</b>		
1.25%, 08/15/03	100,000	99,998	Tri-Party Repurchase Agreement		
<b>+ Town of Islip, New York IDA</b>			Collateralized by		
Taxable Adjustable Rate IDRB			U.S. Government Securities		
(Nussdorf Associates/Quality			with a value of \$291,723		
King Distributions, Inc. Facility)			1.20%, issued 04/07/03,		
Series 1992, <b>144A</b>			due 07/07/03	126,382	126,000
1.25%, 07/07/03	3,250	3,250	1.20%, issued 05/07/03,		
			due 07/07/03	160,325	160,000
<b>• Travelers Insurance Co.</b>			<b>UBS Financial Services, Inc.</b>		
1.37%, 08/01/03	50,000	50,000	Tri-Party Repurchase Agreement		
1.36%, 08/21/03	50,000	50,000	Collateralized by		
			U.S. Government Securities		
			with a value of \$1,336,205		
			1.32%, issued 06/30/03,		
			due 07/01/03	1,000,037	1,000,000
			0.93%, issued 06/30/03,		
			due 07/07/03	310,136	310,000
			<b>2,937,699</b>		
<b>Other Investments</b> 8.1% of investments					

**Repurchase Agreements 8.1%****Bank of America Securities, L.L.C.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$761,940 1.32%, issued 06/30/03, due 07/01/03	747,027	747,000
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**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$36,443,277
Receivables:	
Fund shares sold	113,928
Interest	52,392
Prepaid expenses	+ 467
<b>Total assets</b>	<b>36,610,064</b>

Includes illiquid restricted securities worth \$1,462,270, or 4.01% of the fund's investments. The amortized cost for the fund's securities was \$36,443,277.

**Liabilities**

Payables:	
Fund shares redeemed	165,119
Dividends to shareholders	10,844
Investments bought	554,786
Investment adviser and administrator fees	628
Transfer agent and shareholder service fees	624
Accrued expenses	+ 643
<b>Total liabilities</b>	<b>732,644</b>

**Net Assets**

<b>Total assets</b>	36,610,064
<b>Total liabilities</b>	– 732,644
<b>Net assets</b>	<b>\$35,877,420</b>

**Net Assets by Source**

Capital received from investors	35,877,524
Net realized capital losses	(104)

**Net Assets by Share Class**

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$34,254,988		34,255,201		\$1.00
Select Shares®	\$940,910		940,910		\$1.00
Institutional Shares	\$681,522		681,522		\$1.00

**Federal Tax Data****Cost basis of portfolio** \$36,443,277**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2003	\$104

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$265,528</b>
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**Expenses**

Investment adviser and administrator fees	61,387	
Transfer agent and shareholder service fees:		
Investor Shares	41,086	
Select Shares®	513	
Institutional Shares	766	
Trustees' fees	89	
Custodian and portfolio accounting fees	1,663	
Professional fees	57	
Registration fees	439	
Shareholder reports	201	
Other expenses	+	146
Total expenses		106,347
Expense reduction	-	20,657
<b>Net expenses</b>		<b>85,690</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	265,528
<b>Net expenses</b>	- 85,690
<b>Net investment income</b>	<b>179,838</b>
<b>Increase in net assets from operations</b>	<b>\$179,838</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services 0.17% of the fund's assets.

For the fund's independent trustees only.

Includes \$19,693 from the investment adviser (CSIM) and \$964 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the annual operating expenses of this fund through at least April 30, 2004, as follows:

Share Class	% of Average Daily Net Assets
Investor Shares	0.45
Select Shares ®	0.35
Institutional Shares	0.24

This limit doesn't include interest, taxes and certain non-routine expenses.

## Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03–6/30/03	1/1/02–12/31/02
Net investment income	\$179,838	\$650,804
<b>Increase in net assets from operations</b>	<b>179,838</b>	<b>650,804</b>

**Distributions Paid**

Dividends from net investment income		
Investor Shares	173,702	648,150
Select Shares®	2,208	—
Institutional Shares	+ 3,928	2,654
<b>Total dividends from net investment income</b>	<b>179,838</b>	<b>650,804</b>

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$650,804
Long-term capital gains	\$—

**Transactions in Fund Shares****Shares Sold**

Investor Shares	12,638,928	34,345,512
Select Shares®	1,411,980	—
Institutional Shares	+ 1,205,494	1,058,467
<b>Total shares sold</b>	<b>15,256,402</b>	<b>35,403,979</b>

**Shares Reinvested**

Investor Shares	152,416	608,484
Select Shares®	1,688	—
Institutional Shares	+ 3,101	1,551
<b>Total shares reinvested</b>	<b>157,205</b>	<b>610,035</b>

**Shares Redeemed**

Investor Shares	(17,264,310)	(40,473,102)
Select Shares®	(472,758)	—
Institutional Shares	+ (1,048,465)	(538,626)
<b>Total shares redeemed</b>	<b>(18,785,533)</b>	<b>(41,011,728)</b>

<b>Net transactions in fund shares</b>	<b>(3,371,926)</b>	<b>(4,997,714)</b>
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Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars. The fund started offering Select Shares® on February 28, 2003.

Represents shares sold plus shares reinvested, minus shares redeemed.

**Net Assets**

Beginning of period	39,249,346	44,247,060
Total decrease	+ (3,371,926)	(4,997,714)
<b>End of period</b>	<b>\$35,877,420</b>	<b>\$39,249,346</b>

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.



## Financial Notes unaudited

### Business Structure of the Funds

Each of the funds discussed in this report is a series of **The Charles Schwab Family of Funds™**, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

**The Schwab Value Advantage Money Fund®** offers **three share classes:** Investor Shares, Select Shares® and Institutional Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums. The Schwab Money Market, Government Money and U.S. Treasury Money Funds each offers one share class.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

### Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

**The funds declare dividends every day they are open for business.** These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

**The funds may buy securities on a delayed-delivery basis.** In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before set-

tlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

**The funds may enter into repurchase agreements.** In a repurchase agreement, a fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreements with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The funds' repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the funds' custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

**The funds pay fees for various services.** Through their trust, the funds have agreements with Charles Schwab

### The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

#### The Charles Schwab Family of Funds

organized October 20, 1989

**Schwab Money Market Fund**  
**Schwab Government Money Fund**  
**Schwab U.S. Treasury Money Fund**  
**Schwab Value Advantage Money Fund®**  
 Schwab Municipal Money Fund  
 Schwab California Municipal Money Fund  
 Schwab New York Municipal Money Fund  
 Schwab New Jersey Municipal Money Fund  
 Schwab Pennsylvania Municipal Money Fund  
 Schwab Florida Municipal Money Fund  
 Schwab Massachusetts Municipal Money Fund  
 Schwab Institutional Advantage Money Fund®  
 Schwab Retirement Money Fund®  
 Schwab Government Cash Reserves

Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

**Trustees may include people who are officers and/or directors of the investment adviser or Schwab.** Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

**The funds may engage in certain transactions involving affiliates.** The funds may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

**The funds intend to meet federal income and excise tax requirements for regulated investment companies.** Accordingly, the funds distribute substantially all of their net investment income and realized net capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

**Under the funds' organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds.** In addition, in the normal course of business the funds

enter into contracts with their vendors and others that provide general indemnifications. The funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the funds. However, based on experience, the funds expect the risk of loss to be remote.

## Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

**The funds value their securities at amortized cost,** which approximates market value.

**Security transactions** are recorded as of the date the order to buy or sell the security is executed.

**Interest income** is recorded as it accrues. If a fund bought a debt security at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

**Realized gains and losses** from security transactions are based on the identified costs of the securities involved.

**Expenses** that are specific to a fund are charged directly to that fund. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their net assets.

**For funds offering multiple share classes,** all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

**Each fund maintains its own account for purposes of holding assets and accounting**, and is considered a separate entity for tax purposes. Within its account, each fund also keeps certain assets in segregated accounts, as may be required by securities law.

**The accounting policies described above conform with accounting principles generally accepted in the United States of America.** Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

# Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

**agency discount notes** Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

**Alternative Minimum Tax (AMT)** A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

**asset-backed securities** Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

**bond** A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

**bond anticipation notes** Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

**capital gain, capital loss** The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

**commercial paper** Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

**credit-enhanced security** A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

**credit quality** The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

## Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

<b>ACES</b>	Adjustable convertible extendable security
<b>BAN</b>	Bond anticipation note
<b>COP</b>	Certificate of participation
<b>GAN</b>	Grant anticipation note
<b>GO</b>	General obligation
<b>HDA</b>	Housing Development Authority
<b>HFA</b>	Housing Finance Agency
<b>IDA</b>	Industrial Development Authority
<b>IDB</b>	Industrial Development Board
<b>IDRB</b>	Industrial Development Revenue Bond
<b>M/F</b>	Multi-family
<b>RAN</b>	Revenue anticipation note
<b>RB</b>	Revenue bond
<b>S/F</b>	Single-family
<b>TAN</b>	Tax anticipation note
<b>TECP</b>	Tax-exempt commercial paper
<b>TOB</b>	Tender option bond
<b>TOBP</b>	Tender option bond partnership
<b>TRAN</b>	Tax and revenue anticipation note
<b>VRD</b>	Variable-rate demand

**credit ratings** Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

**credit risk** The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

**dollar-weighted average maturity (DWAM)** See weighted average maturity.

**effective yield** A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

**expense ratio** The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

**face value** The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

**interest** Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

**liquidity-enhanced security** A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

**maturity** Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

**money market securities** High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

**municipal securities** Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

**net asset value per share (NAV)** The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

**144A security** A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

**outstanding shares, shares outstanding** When speaking of a company or mutual fund, indicates all shares currently held by investors.

**revenue anticipation notes** Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

**taxable-equivalent yield** The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ( $4.5\% \div [1 - 0.25\%] = 6.0\%$ ).

**total return** The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

**tax anticipation notes** Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

**Tier 1, Tier 2** Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

**weighted average maturity** For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

**yield** The income paid out by an investment, expressed as an annual rate and calculated as a percentage of the investment's market value.

## Notes

# Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

## Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

### Internet<sup>1</sup>

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

### Schwab by Phone™<sup>2</sup>

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

### TelBroker®

Automated touch-tone phone service at **1-800-272-4922**.

### Mail

Write to SchwabFunds at:  
P.O. Box 3812  
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

## The SchwabFunds Family

### Stock Funds

Schwab S&P 500 Fund  
Schwab 1000 Fund®  
Schwab Small-Cap Index Fund®  
Schwab Total Stock Market Index Fund®  
Schwab International Index Fund®  
Schwab Core Equity Fund™  
Schwab Small-Cap Equity Fund™  
Schwab Hedged Equity Fund™  
Schwab Dividend Equity Fund™  
Schwab Focus Funds  
    Communications Focus Fund  
    Financial Services Focus Fund  
    Health Care Focus Fund  
    Technology Focus Fund  
Schwab MarketMasters Funds™  
    Schwab U.S. MarketMasters Fund™  
    Schwab Small-Cap MarketMasters Fund™  
    Schwab International MarketMasters Fund™  
    Schwab Balanced MarketMasters Fund™

### Asset Allocation Funds

Schwab MarketTrack Portfolios®  
    Schwab All Equity Portfolio  
    Schwab Growth Portfolio  
    Schwab Balanced Portfolio  
    Schwab Conservative Portfolio

### Bond Funds

Schwab YieldPlus Fund®  
Schwab Short-Term Bond Market Fund  
Schwab Total Bond Market Fund  
Schwab GNMA Fund  
Schwab Short/Intermediate Tax-Free Bond Fund  
Schwab Long-Term Tax-Free Bond Fund  
Schwab California Short/Intermediate Tax-Free Bond Fund  
Schwab California Long-Term Tax-Free Bond Fund

### Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.<sup>3</sup> Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

<sup>1</sup> Shares of Sweep Investments™ may not be purchased directly over the Internet.

<sup>2</sup> Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

<sup>3</sup> Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

**Investment Adviser**

Charles Schwab Investment Management, Inc.  
101 Montgomery Street, San Francisco, CA 94104

**Distributor**

SchwabFunds®  
P.O. Box 3812, Englewood, CO 80155-3812

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# *Schwab Government Cash Reserves*

**Semiannual Report**

June 30, 2003

# In This Report

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# *From the Chairman*



Charles R. Schwab  
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

A handwritten signature in black ink that reads "Charles R. Schwab". The signature is written in a cursive, flowing style.

# *Management's Discussion* for the six months ended June 30, 2003



**Randall W. Merk** is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

*Randall W. Merk*



**Karen Wiggan**, a portfolio manager, has been responsible for day-to-day management of the fund since 1999. She joined the firm in 1987 and has worked in fixed-income portfolio management since 1991.

## The Investment Environment and the Fund

**The U.S. economy remained in a holding pattern during the six months of the report period.** Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

**Already at their lowest level in decades, interest rates fell further as the report period progressed.** During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

**Falling interest rates pushed money fund yields to new lows** (see next page for fund yield information). Among agency discount note securities, the decline in rates was somewhat mitigated by a very high level of issuance, in part a result of the continued rapid pace of home refinancings.

**The fund benefited from the decision to continue purchases of Freddie Mac securities.** Although some of this issuer's accounting practices were called into question during the report period, our analysis indicated that the creditworthiness of its securities was not in doubt.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

Seven-Day Yield <sup>1</sup>	0.05%
Seven-Day Effective Yield	0.05%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	20 days
Credit Quality of Holdings <sup>2</sup> % of portfolio	100% Tier 1

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

<sup>1</sup> A portion of the fund's expenses was reduced during the reporting period. Without this reduction, the fund's seven-day yield would have been -0.15%. Please refer to the Statement of Operations on page 9 for additional information on expense waivers.

<sup>2</sup> Portfolio holdings may have changed since the report date.

# Financial Statements

## Schwab Government Cash Reserves

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	4/1/98 <sup>1</sup> – 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>2</sup>	0.01	0.03	0.05	0.04	0.03
Less distributions:						
Dividends from net investment income	(0.00) <sup>2</sup>	(0.01)	(0.03)	(0.05)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.05 <sup>3</sup>	0.68	3.08	5.33	4.28	3.46 <sup>3</sup>
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	1.24 <sup>4</sup>	1.25	1.25	1.13 <sup>5</sup>	0.95	0.95 <sup>4</sup>
Ratio of gross operating expenses to average net assets	1.45 <sup>4</sup>	1.41	1.50	1.46 <sup>5</sup>	1.09	1.72 <sup>4</sup>
Ratio of net investment income to average net assets	0.11 <sup>4</sup>	0.67	2.99	5.24	4.34	4.41 <sup>4</sup>
Net assets, end of period (\$ x 1,000,000)	628	639	562	412	198	25

\* Unaudited.

<sup>1</sup> Commencement of operations.

<sup>2</sup> Per-share amount was less than \$0.01.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized. Also, please refer to the Statement of Operations on page 9 for additional information on expense waivers.

<sup>5</sup> The ratios of net and gross operating expenses would have been 1.14% and 1.47%, respectively, if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbol below to designate certain characteristics:

▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>	<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>52.0% U.S. Government Securities</b>	330,509	330,509
<b>48.0% Other Investments</b>	304,673	304,673
<b>100.0% Total Investments</b>	<b>635,182</b>	<b>635,182</b>

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
---	-----------------------------------	-----------------------------------

**U.S. Government Securities**  
52.0% of investments

**Discount Notes 49.4%****Fannie Mae**

0.95%, 07/01/03	95,000	95,000
1.17%, 07/01/03	1,300	1,300
1.17%, 07/02/03	8,434	8,434
1.20%, 07/09/03	5,010	5,009
1.13%, 07/11/03	8,000	7,997
1.21%, 07/16/03	10,000	9,995
1.20%, 07/23/03	10,000	9,993
1.77%, 07/25/03	5,000	4,994
1.23%, 07/30/03	3,754	3,750
1.23%, 08/06/03	4,000	3,995

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
1.20%, 08/14/03	4,167	4,161
1.84%, 08/22/03	1,109	1,106
1.06%, 09/03/03	10,650	10,630
0.90%, 09/10/03	9,845	9,828
1.75%, 09/19/03	3,000	2,989
1.77%, 09/19/03	3,000	2,988
▲ 0.94%, 10/01/03	7,042	7,025
1.31%, 11/14/03	5,000	4,976
1.57%, 11/14/03	2,000	1,988
<b>Federal Farm Credit Bank</b>		
1.29%, 09/26/03	3,911	3,899
<b>Federal Home Loan Bank</b>		
1.20%, 07/01/03	2,011	2,011
1.17%, 07/02/03	2,200	2,200
1.18%, 07/02/03	10,000	10,000
1.17%, 07/09/03	1,500	1,500
1.39%, 07/21/03	1,593	1,592
<b>Freddie Mac</b>		
1.17%, 07/10/03	1,000	1,000
1.20%, 07/10/03	7,195	7,192
1.22%, 07/10/03	5,773	5,771
1.20%, 07/15/03	1,500	1,499
1.20%, 07/17/03	8,000	7,996
1.96%, 07/17/03	5,000	4,996
2.02%, 07/17/03	2,000	1,998
1.77%, 07/30/03	10,000	9,986
1.00%, 08/11/03	4,000	3,995
1.00%, 08/14/03	3,020	3,016
1.28%, 08/14/03	2,115	2,112
1.35%, 08/14/03	1,300	1,298
1.80%, 08/14/03	1,250	1,247
1.00%, 08/21/03	2,000	1,997
1.00%, 09/08/03	1,600	1,597
0.96%, 09/17/03	10,805	10,783
1.20%, 09/17/03	1,071	1,068
1.44%, 09/22/03	2,000	1,993
0.90%, 09/25/03	8,765	8,746
1.81%, 09/29/03	3,000	2,987
1.77%, 10/09/03	2,000	1,990
0.92%, 10/20/03	1,200	1,197
1.48%, 10/27/03	6,131	6,102
1.33%, 11/14/03	5,000	4,975
1.39%, 12/04/03	1,000	994

**313,895**



Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
-------------------------------	----------------------------	----------------------------

**Coupon Notes 2.6%****Fannie Mae**

4.75%, 11/14/03	2,832	2,866
5.80%, 12/10/03	1,000	1,019

**Federal Home Loan Bank**

5.13%, 09/15/03	3,000	3,020
3.13%, 11/14/03	3,000	3,018

**Freddie Mac**

5.75%, 07/15/03	6,680	6,691
		<b>16,614</b>

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
----------	--------------------------------	----------------------------

**Other Investments 48.0% of investments****Repurchase Agreements 48.0%****Bank of America Securities, L.L.C.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$69,360 1.32%, issued 06/30/03, due 07/01/03	68,002	68,000
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**Bear Stearns & Co., Inc.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$69,363 1.32%, issued 06/30/03, due 07/01/03	68,002	68,000
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**Credit Suisse First Boston L.L.C.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$75,150 1.20%, issued 05/02/03, due 07/01/03	10,020	10,000
1.32%, issued 06/30/03, due 07/01/03	63,675	63,673

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
----------	--------------------------------	----------------------------

**Lehman Brothers, Inc.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$10,200 1.22%, issued 04/14/03, due 07/07/03	10,028	10,000
---	--------	--------

**UBS Financial Services, Inc.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$86,700 1.07%, issued 06/19/03, due 07/03/03	85,035	85,000
		<b>304,673</b>

**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$330,509
Repurchase agreements, at market value	304,673
Interest receivable	339
Prepaid expenses	+ 221
<b>Total assets</b>	<b>635,742</b>

The amortized cost for the fund's securities was \$635,182.

**Liabilities**

Payables:	
Dividends to shareholders	12
Investments bought	7,025
Transfer agent and shareholder service fees	22
Transaction service fees	377
Accrued expenses	+ 63
<b>Total liabilities</b>	<b>7,499</b>

**Net Assets**

<b>Total assets</b>	635,742
<b>Total liabilities</b>	- 7,499
<b>Net assets</b>	<b>\$628,243</b>

**Net Assets by Source**

Capital received from investors	628,266
Net realized capital losses	(23)

**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>÷</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$628,243		628,266		\$1.00

**Federal Tax Data**

**Cost basis of portfolio** \$635,183

**As of December 31, 2002:**

**Unused capital losses:**

Expires 12/31 of: Loss amount:  
2007 \$1

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**Interest **\$4,360****Net Realized Gains and Losses**

Net realized loss on investments sold (22)

**Expenses**

Investment adviser and administrator fees	1,227
Transfer agent and shareholder service fees	1,453
Transaction service fees	1,775
Trustees' fees	15
Custodian and portfolio accounting fees	31
Professional fees	11
Registration fees	97
Shareholder reports	51
Other expenses	+ 4
Total expenses	4,664
Expense reduction	- 647
<b>Net expenses</b>	<b>4,017</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	4,360
<b>Net expenses</b>	- 4,017
<b>Net investment income</b>	<b>343</b>
<b>Net realized losses</b>	+ (22)
<b>Increase in net assets from operations</b>	<b>\$321</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For transaction services, Schwab receives a fee based on the number and type of transactions provided.

For the fund's independent trustees only.

This reduction consisted of two components. A reduction of \$629, which reduced the fund's annualized operating expense ratio (OER) by 0.20%, was made by the investment adviser (CSIM) to reflect a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual OER of this fund through at least April 30, 2004, to 1.25% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses. Also, CSIM voluntarily waived an additional \$18 of the fund's expenses, which reduced the fund's annualized OER by an additional 0.01%. The combination of these two waivers resulted in a net annualized OER for the period of 1.24%.

Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
 Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$343	\$3,885
Net realized losses	+ (22)	—
<b>Increase in net assets from operations</b>	<b>321</b>	<b>3,885</b>

**Distributions Paid**

Dividends from net investment income	<b>343</b>	<b>3,885</b>
--------------------------------------	------------	--------------

**Transactions in Fund Shares**

Shares sold	3,046,662	5,847,747
Shares reinvested	318	3,716
Shares redeemed	+ (3,058,203)	(5,773,588)
<b>Net transactions in fund shares</b>	<b>(11,223)</b>	<b>77,875</b>

**Net Assets**

Beginning of period	639,488	561,613
Total increase or decrease	+ (11,245)	77,875
<b>End of period</b>	<b>\$628,243</b>	<b>\$639,488</b>

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$3,885
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

## Financial Notes unaudited

### Business Structure of the Fund

**The fund discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company.** The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

**The fund offers one share class.** Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

### Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect the fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

**The fund declares dividends every day it is open for business.** These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

**The fund may buy securities on a delayed-delivery basis.** In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value at the time of settlement. The fund has set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

**The fund may enter into repurchase agreements.** In a repurchase agreement, the fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreement with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The fund's repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the fund's custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

**The fund pays fees for various services.** Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent, shareholder services and transaction services.

### The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The fund discussed in this report is highlighted.

#### The Charles Schwab Family of Funds

organized October 20, 1989

- Schwab Money Market Fund
- Schwab Government Money Fund
- Schwab U.S. Treasury Money Fund
- Schwab Value Advantage Money Fund®
- Schwab Municipal Money Fund
- Schwab California Municipal Money Fund
- Schwab New York Municipal Money Fund
- Schwab New Jersey Municipal Money Fund
- Schwab Pennsylvania Municipal Money Fund
- Schwab Florida Municipal Money Fund
- Schwab Massachusetts Municipal Money Fund
- Schwab Institutional Advantage Money Fund®
- Schwab Retirement Money Fund®

**Schwab Government Cash Reserves**

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

**Trustees may include people who are officers and/or directors of the investment adviser or Schwab.**

Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in the fund's Statement of Operations.

**The fund may engage in certain transactions involving affiliates.** The fund may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

**The fund intends to meet federal income and excise tax requirements for regulated investment companies.** Accordingly, the fund distributes substantially all of its net investment income and realized net capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

**Under the fund's organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds.** In addition, in the normal course of business the fund enters into contracts with its vendors and others that provide general indemnifications. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the fund. However, based on experience, the fund expects the risk of loss to be remote.

## Accounting Policies

The following are the main policies the fund uses in preparing its financial statements.

**The fund values its securities at amortized cost,** which approximates market value.

**Security transactions** are recorded as of the date the order to buy or sell the security is executed.

**Interest income** is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than its face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

**Realized gains and losses** from security transactions are based on the identified costs of the securities involved.

**Expenses** that are specific to the fund are charged directly to the fund. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their net assets.

**The fund maintains its own account for purposes of holding assets and accounting,** and is considered a separate entity for tax purposes. Within its account, the fund also keeps certain assets in segregated accounts, as may be required by securities law.

**The accounting policies described above conform with accounting principles generally accepted in the United States of America.** Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

# Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

**agency discount notes** Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

**Alternative Minimum Tax (AMT)** A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

**asset-backed securities** Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

**bond** A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

**bond anticipation notes** Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

**capital gain, capital loss** The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

**commercial paper** Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

**credit-enhanced security** A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

**credit quality** The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

## Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

<b>ACES</b>	Adjustable convertible extendable security
<b>BAN</b>	Bond anticipation note
<b>COP</b>	Certificate of participation
<b>GAN</b>	Grant anticipation note
<b>GO</b>	General obligation
<b>HDA</b>	Housing Development Authority
<b>HFA</b>	Housing Finance Agency
<b>IDA</b>	Industrial Development Authority
<b>IDB</b>	Industrial Development Board
<b>IDRB</b>	Industrial Development Revenue Bond
<b>M/F</b>	Multi-family
<b>RAN</b>	Revenue anticipation note
<b>RB</b>	Revenue bond
<b>S/F</b>	Single-family
<b>TAN</b>	Tax anticipation note
<b>TECP</b>	Tax-exempt commercial paper
<b>TOB</b>	Tender option bond
<b>TOBP</b>	Tender option bond partnership
<b>TRAN</b>	Tax and revenue anticipation note
<b>VRD</b>	Variable-rate demand

**credit ratings** Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

**credit risk** The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

**dollar-weighted average maturity (DWAM)** See weighted average maturity.

**effective yield** A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

**expense ratio** The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

**face value** The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

**interest** Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

**liquidity-enhanced security** A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

**maturity** Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

**money market securities** High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

**municipal securities** Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

**net asset value per share (NAV)** The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

**144A security** A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

**outstanding shares, shares outstanding** When speaking of a company or mutual fund, indicates all shares currently held by investors.

**revenue anticipation notes** Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

**taxable-equivalent yield** The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ( $4.5\% \div [1 - 0.25\%] = 6.0\%$ ).

**total return** The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

**tax anticipation notes** Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

**Tier 1, Tier 2** Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

**weighted average maturity** For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

**yield** The income paid out by an investment, expressed as an annual rate and calculated as a percentage of the investment's market value.



## Notes

## Notes

# Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

## Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

### Internet<sup>1</sup>

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

### Schwab by Phone™<sup>2</sup>

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

### TelBroker®

Automated touch-tone phone service at **1-800-272-4922**.

### Mail

Write to SchwabFunds at:  
P.O. Box 3812  
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

## The SchwabFunds Family

### Stock Funds

Schwab S&P 500 Fund  
Schwab 1000 Fund®  
Schwab Small-Cap Index Fund®  
Schwab Total Stock Market Index Fund®  
Schwab International Index Fund®  
Schwab Core Equity Fund™  
Schwab Small-Cap Equity Fund™  
Schwab Hedged Equity Fund™  
Schwab Dividend Equity Fund™  
Schwab Focus Funds  
    Communications Focus Fund  
    Financial Services Focus Fund  
    Health Care Focus Fund  
    Technology Focus Fund  
Schwab MarketMasters Funds™  
    Schwab U.S. MarketMasters Fund™  
    Schwab Small-Cap MarketMasters Fund™  
    Schwab International MarketMasters Fund™  
    Schwab Balanced MarketMasters Fund™

### Asset Allocation Funds

Schwab MarketTrack Portfolios®  
    Schwab All Equity Portfolio  
    Schwab Growth Portfolio  
    Schwab Balanced Portfolio  
    Schwab Conservative Portfolio

### Bond Funds

Schwab YieldPlus Fund®  
Schwab Short-Term Bond Market Fund  
Schwab Total Bond Market Fund  
Schwab GNMA Fund  
Schwab Short/Intermediate Tax-Free Bond Fund  
Schwab Long-Term Tax-Free Bond Fund  
Schwab California Short/Intermediate Tax-Free Bond Fund  
Schwab California Long-Term Tax-Free Bond Fund

### Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.<sup>3</sup> Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

<sup>1</sup> Shares of Sweep Investments™ may not be purchased directly over the Internet.

<sup>2</sup> Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

<sup>3</sup> Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

**Investment Adviser**

Charles Schwab Investment Management, Inc.  
101 Montgomery Street, San Francisco, CA 94104

**Distributor**

SchwabFunds®  
P.O. Box 3812, Englewood, CO 80155-3812

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*Schwab Institutional Advantage Money Fund<sup>®</sup>*  
*Schwab Retirement Money Fund<sup>®</sup>*

**Semiannual Report**

June 30, 2003

*charles* SCHWAB

## In This Report

### Management's Discussion . . . . . 2

Fund yield figures and portfolio statistics, plus a discussion of factors that affected fund performance during the report period.

### Financial Statements

Portfolio holdings and fund financials.

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Ticker Symbol: **SWIXX**

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Ticker Symbol: **SWRXX**

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# *From the Chairman*



Charles R. Schwab  
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

A handwritten signature of Charles R. Schwab in black ink. The signature is written in a cursive style, with the first letters of the first and last names being capitalized and prominent.

# *Management's Discussion* for the six months ended June 30, 2003



**Randall W. Merk** is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, flowing style.





**Linda Klingman**, a vice president of the investment advisor and senior portfolio manager, has overall responsibility for the management of the funds. She joined the firm in 1990 and has managed money market funds since 1988.

**Mike Neitzke**, a portfolio manager, has day-to-day responsibility for management of the funds. Prior to joining the firm in March 2001, he worked for more than 15 years in the financial industry as a portfolio manager.

## The Investment Environment and the Funds

**The U.S. economy remained in a holding pattern during the six months of the report period.** Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

**Already at their lowest level in decades, interest rates fell further as the report period progressed.** During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

**Falling interest rates pushed money fund yields to new lows** (see next page for fund yield information). We sought to lessen the effects of falling rates on the funds by maintaining comparatively long weighted average maturities. Although the funds' yields did decline, we were successful in slowing that decline, and in keeping the yields higher than they otherwise would have been.

The funds also benefited from the decision to purchase Freddie Mac securities. Although some of this issuer's accounting practices were called into question during the report period, our analysis indicated that the creditworthiness of its securities was not in doubt.

We increased our holdings in government and agency securities during the report period. Typically, these securities offer lower yields than bank CDs and commercial paper because of their higher creditworthiness. However, during the report period yields in the corporate and government markets converged. We took advantage of this opportunity to buy higher credit quality securities with little or no sacrifice in yield.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

	Institutional Advantage Money Fund®	Retirement Money Fund®
Seven-Day Yield	0.69% <sup>1</sup>	0.54%
Seven-Day Effective Yield	0.69%	0.54%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

	Institutional Advantage Money Fund	Retirement Money Fund
Weighted Average Maturity	60 days	58 days
Credit Quality of Holdings <sup>2</sup> % of portfolio	100% Tier 1	100% Tier 1

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

<sup>1</sup> A portion of the fund's expenses was reduced during the reporting period. Without this reduction, the fund's seven-day yield would have been 0.56%.

<sup>2</sup> Portfolio holdings may have changed since the report date.

# Financial Statements

## Schwab Institutional Advantage Money Fund<sup>®</sup>

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.04	0.06	0.05	0.05
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.04)	(0.06)	(0.05)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.43 <sup>2</sup>	1.48	3.96	6.12	4.90	5.26
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.50 <sup>3</sup>	0.50	0.50	0.50 <sup>4</sup>	0.50	0.50
Ratio of gross operating expenses to average net assets	0.63 <sup>3</sup>	0.63	0.66	0.68 <sup>4</sup>	0.71	0.79
Ratio of net investment income to average net assets	0.87 <sup>3</sup>	1.46	3.83	5.96	4.84	5.12
Net assets, end of period (\$ x 1,000,000)	891	907	797	647	604	369

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> The ratios of net and gross operating expenses would have been 0.51% and 0.69%, respectively, if certain non-routine (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category		Cost (\$x1,000)	Market Value (\$x1,000)
<b>79.4%</b>	<b>Fixed-Rate Obligations</b>	714,761	714,761
<b>9.7%</b>	<b>U.S. Government Securities</b>	86,723	86,723
<b>5.1%</b>	<b>Variable-Rate Obligations</b>	45,874	45,874
<b>5.8%</b>	<b>Other Investments</b>	52,518	52,518
<b>100.0%</b>	<b>Total Investments</b>	<b>899,876</b>	<b>899,876</b>

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
-------------------------------	----------------------------	----------------------------

**Fixed-Rate Obligations** 79.4% of investments

**Commercial Paper & Other Corporate Obligations 43.1%****AB Spintab**

1.22%, 07/14/03	2,000	1,999
0.94%, 10/27/03	3,000	2,991

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Alliance &amp; Leicester, PLC, 144A</b>		
0.99%, 09/17/03	2,000	1,996
◆ <b>Amstel Funding Corp., 144A</b>		
1.21%, 08/19/03	1,000	998
◆◆ <b>Amsterdam Funding Corp., 144A</b>		
1.23%, 07/24/03	5,000	4,996
1.23%, 08/07/03	1,000	999
0.95%, 09/25/03	6,000	5,986
✦ <b>ANZ (Delaware), Inc.</b>		
1.19%, 08/22/03	3,000	2,995
◆◆ <b>Apreco, Inc., 144A</b>		
1.23%, 08/15/03	1,000	998
◆◆ <b>Aquinas Funding, L.L.C., 144A</b>		
1.23%, 08/20/03	4,000	3,993
<b>ASAP Funding, Ltd., 144A</b>		
1.01%, 09/12/03	4,000	3,992
◆◆ <b>Atlantis One Funding Corp., 144A</b>		
1.24%, 07/02/03	2,000	2,000
1.21%, 07/09/03	1,070	1,070
1.26%, 07/25/03	1,135	1,134
1.26%, 07/28/03	3,000	2,997
1.23%, 08/14/03	2,008	2,005
1.11%, 09/16/03	5,000	4,988
1.19%, 09/16/03	1,000	997
0.91%, 12/16/03	1,000	996
0.90%, 12/18/03	5,000	4,979
<b>Bank of Ireland</b>		
1.20%, 08/20/03	4,000	3,993
<b>Bank of America Corp.</b>		
1.25%, 07/18/03	4,000	3,998
<b>Bear Stearns Companies, Inc.</b>		
1.25%, 07/25/03	1,000	999
0.91%, 09/26/03	4,000	3,991
◆◆ <b>Beta Finance, Inc., 144A</b>		
1.26%, 07/25/03	4,000	3,997
1.24%, 08/14/03	1,000	998
1.21%, 08/28/03	1,000	998
✦ <b>BNP Paribas Finance, Inc.</b>		
0.90%, 12/30/03	4,000	3,982
✦ <b>CBA (Delaware) Finance, Inc.</b>		
1.18%, 08/21/03	5,000	4,992
◆ <b>CC (USA), Inc., 144A</b>		
1.23%, 08/15/03	4,000	3,994

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Citicorp</b>			1.20%, 08/22/03	1,000	998
1.25%, 07/21/03	2,000	1,999	0.93%, 09/23/03	5,000	4,989
<b>Citigroup Global Markets Holdings, Inc.</b>			1.03%, 10/09/03	1,000	997
1.22%, 07/15/03	2,000	1,999	1.10%, 11/10/03	2,000	1,992
1.22%, 08/12/03	11,000	10,984	<b>◆◆ Fairway Finance Corp., 144A</b>		
<b>◆◆ Clipper Receivables Corp.</b>			1.00%, 09/12/03	4,000	3,992
1.25%, 07/11/03	4,000	3,999	<b>◆ Fortis Funding, L.L.C., 144A</b>		
1.27%, 07/25/03	1,000	999	1.27%, 07/21/03	1,000	999
<b>◆ Concord Minutemen Capital Co., L.L.C., 144A</b>			<b>◆ GE Capital International Funding, Inc., 144A</b>		
Series A			1.22%, 07/11/03	1,000	1,000
1.22%, 07/02/03	3,000	3,000	1.19%, 08/25/03	6,000	5,989
1.25%, 07/07/03	1,000	1,000	1.20%, 08/26/03	1,000	998
1.24%, 08/08/03	3,000	2,996	1.21%, 08/28/03	4,000	3,992
<b>◆◆ CRC Funding L.L.C., 144A</b>			0.90%, 12/23/03	4,000	3,982
1.00%, 09/12/03	3,000	2,994	<b>GE Financial Assurance Holdings, Inc., 144A</b>		
<b>◆ Credit Lyonnais N.A., Inc.</b>			0.94%, 09/16/03	3,000	2,994
1.00%, 09/15/03	2,000	1,996	<b>General Electric Capital Corp.</b>		
<b>◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, 144A</b>			1.23%, 07/16/03	1,000	999
1.22%, 07/01/03	2,000	2,000	1.26%, 09/04/03	10,000	9,977
1.22%, 07/29/03	2,000	1,998	1.29%, 09/23/03	4,000	3,988
1.09%, 09/09/03	1,000	998	1.11%, 12/03/03	3,000	2,986
<b>◆ Danske Corp.</b>			<b>General Electric Capital Services</b>		
1.22%, 07/14/03	4,000	3,998	1.25%, 07/24/03	3,000	2,998
1.25%, 07/14/03	2,100	2,099	1.25%, 07/25/03	10,000	9,992
1.22%, 08/13/03	3,000	2,996	<b>General Electric Co.</b>		
1.20%, 08/20/03	1,000	998	1.25%, 07/22/03	4,000	3,997
1.19%, 08/22/03	1,000	998	1.25%, 07/24/03	2,000	1,998
1.24%, 10/27/03	2,000	1,992	<b>◆◆ Giro Funding U.S. Corp., 144A</b>		
<b>Den Norske Bank ASA</b>			1.23%, 08/11/03	3,000	2,996
1.21%, 08/14/03	1,000	999	1.23%, 08/13/03	5,000	4,993
<b>◆ Dexia Delaware, L.L.C.</b>			1.02%, 09/12/03	1,000	998
0.89%, 09/25/03	5,000	4,989	0.94%, 09/24/03	1,000	998
<b>◆ Dorada Finance, Inc., 144A</b>			<b>◆◆ Greenwich Funding Corp., 144A</b>		
1.23%, 07/07/03	2,000	2,000	1.23%, 08/21/03	3,000	2,995
1.24%, 07/10/03	1,000	1,000	<b>◆◆ Hatteras Funding Corp., 144A</b>		
1.27%, 07/11/03	1,000	1,000	1.25%, 07/02/03	2,411	2,411
1.26%, 07/18/03	3,000	2,998	<b>◆ HBOS Treasury Services, PLC</b>		
1.23%, 07/30/03	1,000	999	1.25%, 07/28/03	4,000	3,996
<b>◆ Dorada Finance, Inc., 144A</b>			0.97%, 09/16/03	3,000	2,994
1.96%, 09/16/03	2,000	2,000	1.10%, 11/19/03	2,000	1,991
<b>◆◆ Edison Asset Securitization Corp., L.L.C., 144A</b>			<b>◆ ING (U.S.) Funding, L.L.C.</b>		
1.31%, 07/08/03	7,000	6,998	1.21%, 07/07/03	3,000	2,999
1.24%, 08/05/03	1,978	1,976	1.23%, 07/11/03	2,000	1,999
1.23%, 08/11/03	3,000	2,996	1.30%, 07/18/03	2,000	1,999

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
◆◆ Intrepid Funding Master Trust, 144A			◆ Societe Generale N.A., Inc.		
1.07%, 07/31/03	1,032	1,031	1.20%, 07/01/03	3,000	3,000
Irish Life & Permanent, PLC, 144A			1.20%, 07/02/03	1,000	1,000
0.95%, 09/17/03	1,600	1,597	1.23%, 07/10/03	5,000	4,998
J.P. Morgan Chase & Co.			1.22%, 07/15/03	2,000	1,999
1.22%, 08/18/03	7,000	6,989	1.03%, 09/10/03	1,000	998
◆◆ Jupiter Securitization Corp., 144A			◆ Svenska Handelsbanken, Inc.		
1.07%, 07/25/03	1,000	999	1.22%, 08/15/03	1,000	998
◆◆ K2 (USA), L.L.C.			◆◆ Thunder Bay Funding, Inc., 144A		
1.28%, 07/10/03	3,000	2,999	1.25%, 07/25/03	1,000	999
1.19%, 10/20/03	1,000	996	◆◆ Tulip Funding Corp., 144A		
KBC Financial Products International, Ltd., 144A			1.07%, 07/31/03	6,000	5,995
1.22%, 07/08/03	2,000	2,000	◆◆ Variable Funding Capital Corp., 144A		
◆◆ Kitty Hawk Funding Corp., 144A			1.21%, 08/25/03	10,000	9,982
0.95%, 09/22/03	10,000	9,978	1.01%, 09/10/03	3,000	2,994
◆ Landesbank Schleswig-Holstein Girozentrale, 144A			◆◆ Windmill Funding Corp., 144A		
1.21%, 08/15/03	1,000	998	1.21%, 07/10/03	3,000	2,999
1.22%, 08/15/03	5,000	4,992			<b>387,729</b>
◆ Lexington Parker Capital Co., L.L.C., 144A			<b>Certificates of Deposit 33.3%</b>		
1.23%, 07/10/03	1,000	1,000	American Express Centurion Bank		
1.28%, 07/25/03	2,000	1,998	0.92%, 09/22/03	5,000	5,000
1.23%, 09/02/03	2,000	1,996	Bank of Montreal		
Lloyds TSB Bank, PLC			1.21%, 07/09/03	5,000	5,000
1.18%, 08/20/03	6,000	5,990	Bank of New York		
Morgan Stanley			1.29%, 08/18/03	5,000	5,000
1.20%, 08/26/03	15,000	14,972	Bank of Nova Scotia		
◆ Newcastle Certificates Program, 144A			1.21%, 07/08/03	2,000	2,000
Series 2000A			1.18%, 08/25/03	3,000	3,000
1.26%, 07/15/03	1,000	1,000	Barclays Bank, PLC		
0.94%, 09/25/03	4,000	3,991	1.26%, 07/28/03	10,000	10,000
◆ Nordea N.A., Inc.			1.06%, 08/12/03	1,000	1,000
1.20%, 07/07/03	3,000	2,999	1.19%, 08/28/03	2,000	2,000
0.99%, 09/22/03	1,000	998	1.03%, 09/10/03	5,000	5,001
◆◆ Old Line Funding Corp., 144A			1.60%, 11/25/03	4,000	4,000
1.08%, 07/24/03	2,000	1,999	Bayerische Landesbank Girozentrale		
◆ Santander Central Hispano Finance (Delaware), Inc.			1.22%, 08/18/03	2,000	2,000
1.10%, 09/09/03	5,000	4,989	1.27%, 09/02/03	3,000	3,000
◆ Sigma Finance, Inc., 144A			1.30%, 03/26/04	3,000	3,000
1.23%, 07/07/03	2,000	2,000	BNP Paribas		
1.27%, 07/14/03	2,000	1,999	1.25%, 07/21/03	3,000	3,000
0.97%, 09/08/03	2,000	1,996	1.25%, 07/23/03	6,000	6,000
0.98%, 09/15/03	7,000	6,986	1.09%, 11/10/03	7,000	7,000
			0.90%, 12/30/03	10,000	10,000

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Canadian Imperial Bank of Commerce</b>			1.85%, 10/17/03	4,000	4,000
1.24%, 07/15/03	5,000	5,000	0.91%, 12/12/03	1,000	1,001
<b>Chase Manhattan Bank (USA), N.A.</b>			<b>Natexis Banques Populaires</b>		
1.27%, 07/23/03	9,000	9,000	1.20%, 08/29/03	3,000	3,000
1.23%, 08/11/03	1,000	1,000	<b>National City Bank, Cleveland</b>		
<b>Citibank, N.A.</b>			1.20%, 07/07/03	5,000	5,000
1.25%, 07/28/03	5,000	5,000	<b>Norddeutsche Landesbank Girozentrale</b>		
1.23%, 08/06/03	5,000	5,000	1.25%, 07/18/03	3,000	3,000
1.23%, 08/07/03	5,000	5,000	1.18%, 08/25/03	2,000	2,000
1.11%, 09/10/03	2,000	2,000	0.90%, 12/29/03	1,000	1,000
0.95%, 09/24/03	8,000	8,000	1.49%, 12/29/03	2,000	2,000
0.93%, 09/25/03	3,000	3,000	<b>Nordea Bank Finland, PLC</b>		
<b>Credit Agricole Indosuez</b>			1.22%, 08/15/03	6,000	6,000
1.30%, 07/17/03	5,000	5,000	<b>Royal Bank of Scotland, PLC</b>		
<b>Credit Lyonnais S.A.</b>			1.19%, 09/17/03	10,000	10,030
1.00%, 09/17/03	2,000	2,000	<b>San Paolo IMI, SPA</b>		
<b>Credit Suisse First Boston</b>			1.30%, 07/17/03	2,000	2,000
1.30%, 07/16/03	7,000	7,000	<b>Societe Generale</b>		
<b>DePfa Bank, PLC</b>			1.25%, 07/18/03	5,000	5,000
0.98%, 09/18/03	3,000	3,000	1.25%, 10/16/03	2,000	2,000
0.92%, 12/23/03	2,000	2,000	<b>Southtrust Bank</b>		
<b>Deutsche Bank, AG</b>			1.05%, 12/19/03	1,000	1,000
1.31%, 07/01/03	10,000	10,000	<b>State Street Bank &amp; Trust Co., N.A.</b>		
1.32%, 07/09/03	1,000	1,000	1.10%, 12/04/03	4,000	4,000
1.21%, 07/16/03	5,000	5,000	<b>Toronto Dominion Bank</b>		
1.19%, 08/27/03	1,000	1,000	1.20%, 11/13/03	2,000	2,000
1.10%, 09/09/03	10,000	10,000	<b>UBS, AG</b>		
0.90%, 09/25/03	8,000	8,000	1.59%, 12/16/03	5,000	5,000
<b>ForeningsSparbanken, AB (Swedbank)</b>			<b>Unicredito Italiano SPA</b>		
1.25%, 07/31/03	1,000	1,000	1.22%, 07/03/03	2,000	2,000
0.90%, 11/25/03	3,000	3,000	1.25%, 07/16/03	2,000	2,000
<b>Fortis Bank</b>			1.28%, 07/17/03	3,000	3,000
1.23%, 07/09/03	5,000	5,000	1.31%, 07/17/03	1,000	1,000
1.27%, 09/03/03	3,000	3,000	0.96%, 09/15/03	3,000	3,000
<b>+ HBOS Treasury Services, PLC</b>			0.98%, 09/19/03	1,000	1,000
1.20%, 08/26/03	4,000	4,000	<b>WestLB AG</b>		
<b>ING Bank, N.V.</b>			1.35%, 07/08/03	4,000	4,000
1.31%, 07/14/03	4,000	4,000	1.93%, 09/18/03	5,000	5,000
1.23%, 08/08/03	5,000	5,000	1.26%, 04/02/04	2,000	2,000
1.22%, 08/13/03	5,000	5,000	1.34%, 04/14/04	1,000	1,000
<b>Landesbank Baden Wurttemberg</b>			<b>Wilmington Trust Co.</b>		
1.20%, 07/03/03	4,000	4,000	1.20%, 09/15/03	5,000	5,000
1.20%, 08/22/03	1,000	1,000			
<b>Landesbank Hessen-Thuringen Girozentrale</b>					
1.27%, 08/29/03	5,000	5,000			

300,032

**Portfolio Holdings** continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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**Promissory Notes 2.0%**• **The Goldman Sachs Group, Inc.**

1.29%, 07/15/03	5,000	5,000
1.36%, 08/05/03	1,000	1,000
1.35%, 09/08/03	2,000	2,000
1.26%, 09/22/03	1,000	1,000
1.31%, 10/24/03	1,000	1,000
1.26%, 12/05/03	4,000	4,000
1.12%, 12/11/03	3,000	3,000
1.02%, 12/18/03	1,000	1,000
		<b>18,000</b>

**Bank Notes 1.0%****Bank One, N.A.**

1.29%, 07/10/03	4,000	4,000
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**Standard Federal Bank, N.A.**

1.25%, 07/21/03	2,000	2,000
1.19%, 08/26/03	1,000	1,000
1.20%, 09/05/03	2,000	2,000
		<b>9,000</b>

**U.S. Government Securities 9.7% of investments****Discount Notes 9.7%****Fannie Mae**

1.18%, 08/27/03	10,000	9,981
1.09%, 11/26/03	6,000	5,974
1.06%, 12/03/03	4,840	4,818
1.06%, 12/12/03	5,000	4,976
1.06%, 12/16/03	7,516	7,479
0.90%, 12/17/03	5,000	4,979
1.22%, 03/05/04	4,700	4,661

**Freddie Mac**

1.10%, 09/11/03	12,000	11,974
1.00%, 09/30/03	2,000	1,995
1.04%, 10/20/03	10,000	9,968
1.09%, 10/24/03	5,000	4,982
0.99%, 11/17/03	3,000	2,989
1.00%, 12/04/03	10,000	9,957
0.96%, 12/31/03	2,000	1,990
		<b>86,723</b>

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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**Variable-Rate Obligations 5.1% of investments**◆ **Beta Finance, Inc., 144A**

1.15%, 07/15/03	10,000	10,000
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✦ **BMC Special Care Facilities Financing Authority of the City of Montgomery, Alabama**

Taxable RB (Montgomery Baptist Outreach Services Corp. Project) Series 1997A		
1.15%, 07/07/03	8,600	8,600
Taxable RB (Montgomery Baptist Outreach Services Corp. Project) Series 1997B		
1.15%, 07/07/03	2,200	2,200

✦ **City of New Britain, Connecticut GO, 144A**

1.12%, 07/07/03	4,900	4,900
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✦ **Loanstar Assets Partners II, L.P., 144A**

1.03%, 07/07/03	5,000	5,000
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✦ **New York City IDA**

Taxable Industrial Revenue Refunding Bond (Allway Tools, Inc. Project) Series 1997		
1.20%, 07/07/03	175	175

✦ **Palm Springs, California**

COP (Downtown Parking Project) Series 2002A		
1.20%, 07/07/03	7,000	7,000

◆ **Sigma Finance, Inc., 144A**

1.28%, 07/07/03	5,000	4,999
1.30%, 07/07/03	1,000	1,000
1.14%, 07/15/03	2,000	2,000
		<b>45,874</b>



Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Other Investments 5.8% of investments

Repurchase Agreements 5.8%

<b>Credit Suisse First Boston L.L.C.</b>		
Tri-Party Repurchase Agreement		
Collateralized by U.S. Government		
Securities with a value of \$49,490		
1.32%, issued 06/30/03,		
due 07/01/03	48,519	48,518
<b>Lehman Brothers, Inc.</b>		
Tri-Party Repurchase Agreement		
Collateralized by U.S. Government		
Securities with a value of \$4,081		
1.20%, issued 04/07/03,		
due 07/07/03	4,012	4,000
		<b>52,518</b>

**End of portfolio holdings.** For totals, please see the first page of holdings for this fund.

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$899,876
Receivables:	
Fund shares sold	2,061
Interest	1,388
Prepaid expenses	+ 40
<b>Total assets</b>	<b>903,365</b>

Includes illiquid restricted securities worth \$20,995, or 2.33% of the fund's investments. The amortized cost for the fund's securities was \$899,876.

**Liabilities**

Payables:	
Fund shares redeemed	10,591
Dividends to shareholders	244
Investments bought	1,000
Investment adviser and administrator fees	19
Transfer agent and shareholder service fees	16
Accrued expenses	+ 49
<b>Total liabilities</b>	<b>11,919</b>

**Net Assets**

<b>Total assets</b>	903,365
<b>Total liabilities</b>	- 11,919
<b>Net assets</b>	<b>\$891,446</b>

**Net Assets by Source**

Capital received from investors	891,447
Net realized capital losses	(1)

**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>÷</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$891,446		891,504		\$1.00

**Federal Tax Data**

**Cost basis of portfolio** \$899,876

**As of December 31, 2002:**

**Unused capital losses:**

Expires 12/31 of: Loss amount:  
2004 \$1

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$6,160</b>
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**Expenses**

Investment adviser and administrator fees	1,713
Transfer agent and shareholder service fees	992
Trustees' fees	16
Custodian and portfolio accounting fees	51
Professional fees	10
Registration fees	30
Shareholder reports	9
Other expenses	+
	6
Total expenses	2,827
Expense reduction	-
	574
<b>Net expenses</b>	<b>2,253</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	6,160
<b>Net expenses</b>	-
	2,253
<b>Net investment income</b>	<b>3,907</b>
<b>Increase in net assets from operations</b>	<b>\$3,907</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services, 0.17% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.50% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$3,907	\$12,097
<b>Increase in net assets from operations</b>	<b>3,907</b>	<b>12,097</b>

**Distributions Paid**

Dividends from net investment income	<b>3,907</b>	<b>12,097</b>
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**Transactions in Fund Shares**

Shares sold	344,079	810,966
Shares reinvested	3,636	12,003
Shares redeemed	+ (363,130)	(712,969)
<b>Net transactions in fund shares</b>	<b>(15,415)</b>	<b>110,000</b>

**Net Assets**

Beginning of period	906,861	796,861
Total increase or decrease	+ (15,415)	110,000
<b>End of period</b>	<b>\$891,446</b>	<b>\$906,861</b>

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$12,097
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

# Financial Statements

## Schwab Retirement Money Fund®

### Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
<b>Per-Share Data (\$)</b>						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 <sup>1</sup>	0.01	0.04	0.06	0.05	0.05
Less distributions:						
Dividends from net investment income	(0.00) <sup>1</sup>	(0.01)	(0.04)	(0.06)	(0.05)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.35 <sup>2</sup>	1.30	3.75	5.90	4.68	5.03
<b>Ratios/Supplemental Data (%)</b>						
Ratio of net operating expenses to average net assets	0.66 <sup>3</sup>	0.68	0.70	0.71 <sup>4</sup>	0.72	0.73
Ratio of gross operating expenses to average net assets	0.66 <sup>3</sup>	0.68	0.70	0.71 <sup>4</sup>	0.74	0.80
Ratio of net investment income to average net assets	0.70 <sup>3</sup>	1.28	3.61	5.77	4.62	4.88
Net assets, end of period (\$ x 1,000,000)	596	566	515	399	322	225

\* Unaudited.

<sup>1</sup> Per-share amount was less than \$0.01.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> The ratios of net and gross operating expenses would have both been 0.72% if certain non-routine expenses (proxy fees) had been included.

**Portfolio Holdings** as of June 30, 2003; unaudited.

This section shows all the securities in the fund's portfolio and their market value, as of the report date.

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security
- ▲ Delayed delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

<b>Holdings by Category</b>		<b>Cost</b> (\$x1,000)	<b>Market Value</b> (\$x1,000)
<b>79.3%</b>	<b>Fixed-Rate Obligations</b>	481,874	481,874
<b>9.1%</b>	<b>U.S. Government Securities</b>	55,343	55,343
<b>4.6%</b>	<b>Variable-Rate Obligations</b>	27,899	27,899
<b>7.0%</b>	<b>Other Investments</b>	42,254	42,254
<b>100.0%</b>	<b>Total Investments</b>	<b>607,370</b>	<b>607,370</b>

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
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**Fixed-Rate Obligations** 79.3% of investments

**Commercial Paper & Other Corporate Obligations 41.3%**

<b>AB Spintab</b>		
1.23%, 08/11/03	3,000	2,996
0.94%, 10/27/03	2,000	1,994

<b>Issuer</b> <b>Rate, Maturity Date</b>	<b>Face Value</b> (\$ x 1,000)	<b>Mkt. Value</b> (\$ x 1,000)
<b>Alliance &amp; Leicester, PLC, 144A</b>		
1.26%, 07/10/03	1,500	1,500
◆ <b>Amsterdam Funding Corp., 144A</b>		
1.23%, 07/10/03	3,000	2,999
1.20%, 09/02/03	2,000	1,996
✦ <b>ANZ (Delaware), Inc.</b>		
1.20%, 07/30/03	3,800	3,796
◆✦ <b>Aquinas Funding, L.L.C., 144A</b>		
1.23%, 08/20/03	2,500	2,496
<b>ASAP Funding, Ltd., 144A</b>		
1.28%, 07/17/03	1,000	999
1.01%, 09/12/03	2,000	1,996
◆✦ <b>Asset Securitization Cooperative Corp., 144A</b>		
1.22%, 08/12/03	5,000	4,993
1.06%, 08/13/03	1,000	999
1.21%, 08/22/03	2,000	1,997
◆✦ <b>Atlantis One Funding Corp., 144A</b>		
1.26%, 07/25/03	1,000	999
1.23%, 08/14/03	2,000	1,997
0.91%, 11/13/03	4,000	3,986
<b>Bank of Ireland</b>		
1.20%, 08/20/03	2,000	1,997
<b>Bank of America Corp.</b>		
1.25%, 07/18/03	2,000	1,999
<b>Bear Stearns Companies, Inc.</b>		
1.21%, 07/10/03	1,000	1,000
0.91%, 09/26/03	3,000	2,993
◆✦ <b>Beta Finance, Inc., 144A</b>		
1.08%, 08/04/03	4,000	3,996
1.24%, 08/14/03	1,000	998
✦ <b>BNP Paribas Finance, Inc.</b>		
1.20%, 08/29/03	3,000	2,994
✦ <b>CBA (Delaware) Finance, Inc.</b>		
1.21%, 07/10/03	3,000	2,999
1.18%, 08/21/03	3,000	2,995
◆ <b>CC (USA), Inc., 144A</b>		
1.23%, 07/10/03	1,000	1,000
1.23%, 08/15/03	3,000	2,995
<b>Citicorp</b>		
1.25%, 07/24/03	3,000	2,998
<b>Citigroup Global Markets Holdings, Inc.</b>		
1.22%, 07/10/03	1,000	1,000
1.27%, 07/30/03	1,000	999

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.23%, 08/14/03	2,000	1,997	<b>General Electric Capital Services</b>		
1.19%, 08/20/03	5,000	4,992	1.25%, 07/24/03	6,000	5,995
◆ <b>Concord Minutemen Capital Co., L.L.C., 144A</b>			<b>General Electric Co.</b>		
Series A			1.25%, 07/22/03	5,000	4,996
1.24%, 07/02/03	2,000	2,000	◆◆ <b>Giro Funding U.S. Corp., 144A</b>		
1.27%, 07/18/03	3,000	2,998	1.23%, 08/13/03	5,000	4,993
◆◆ <b>CRC Funding, L.L.C., 144A</b>			1.21%, 08/15/03	1,000	998
1.17%, 09/09/03	2,000	1,995	◆◆ <b>Greenwich Funding Corp., 144A</b>		
◆ <b>Credit Lyonnais N.A., Inc.</b>			0.95%, 09/12/03	3,000	2,994
1.00%, 09/15/03	2,000	1,996	◆◆ <b>Hatteras Funding Corp., 144A</b>		
◆ <b>CXC, L.L.C., 144A</b>			1.26%, 07/14/03	1,155	1,154
0.93%, 12/15/03	4,000	3,983	1.26%, 08/11/03	1,000	999
◆ <b>Dakota CP Notes of Citibank Credit Card Issuance</b>			1.19%, 09/22/03	1,000	997
<b>Trust, 144A</b>			◆ <b>HBOS Treasury Services, PLC</b>		
1.23%, 07/02/03	1,000	1,000	1.22%, 08/05/03	5,000	4,994
◆ <b>Danske Corp.</b>			0.97%, 09/16/03	2,000	1,996
1.23%, 08/13/03	1,000	999	1.10%, 11/19/03	1,000	996
0.96%, 09/18/03	1,000	998	◆ <b>ING (U.S.) Funding, L.L.C.</b>		
1.24%, 10/27/03	5,000	4,980	1.30%, 07/18/03	2,000	1,999
<b>Den Norske Bank ASA</b>			1.04%, 12/10/03	3,000	2,986
1.26%, 09/04/03	2,000	1,995	<b>J.P. Morgan Chase &amp; Co.</b>		
◆ <b>Dexia Delaware, L.L.C.</b>			1.25%, 07/23/03	3,000	2,998
0.89%, 09/25/03	5,000	4,989	◆◆ <b>Jupiter Securitization Corp., 144A</b>		
◆ <b>Dorada Finance, Inc., 144A</b>			1.25%, 07/14/03	1,000	1,000
1.25%, 07/18/03	3,000	2,998	1.20%, 09/02/03	3,000	2,994
◆◆ <b>Edison Asset Securitization Corp., L.L.C., 144A</b>			◆◆ <b>K2 (USA), L.L.C.</b>		
1.31%, 07/08/03	8,000	7,998	1.28%, 07/10/03	2,000	1,999
1.23%, 08/13/03	1,000	999	1.25%, 07/25/03	1,000	999
1.20%, 08/22/03	3,000	2,995	1.28%, 09/02/03	1,000	998
1.20%, 11/10/03	3,000	2,987	<b>KBC Financial Products International, Ltd., 144A</b>		
<b>ForeningsSparbanken AB (Swedbank)</b>			1.22%, 07/08/03	1,000	1,000
1.26%, 07/07/03	1,000	1,000	◆ <b>Landesbank Schleswig-Holstein Girozentrale, 144A</b>		
◆◆ <b>Galaxy Funding, Inc., 144A</b>			1.21%, 08/15/03	1,000	998
1.21%, 08/26/03	4,000	3,992	1.22%, 08/15/03	2,000	1,997
◆ <b>GE Capital International Funding, Inc., 144A</b>			1.35%, 04/15/04	1,000	989
1.19%, 08/25/03	8,000	7,985	◆ <b>Lexington Parker Capital Co., L.L.C., 144A</b>		
1.18%, 09/23/03	6,000	5,983	1.32%, 07/14/03	5,000	4,998
0.92%, 12/18/03	1,000	996	◆◆ <b>Mont Blanc Capital Corp., 144A</b>		
<b>General Electric Capital Corp.</b>			1.23%, 07/03/03	1,000	1,000
1.23%, 07/16/03	2,000	1,999	1.10%, 07/28/03	1,000	999
1.20%, 08/21/03	1,000	998	<b>Morgan Stanley</b>		
1.11%, 12/03/03	1,000	995	1.23%, 07/23/03	5,000	4,996
			1.20%, 08/26/03	1,000	998

## Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>◆ Newcastle Certificates Program, 144A</b>			1.60%, 11/25/03	2,000	2,000
Series 2000A			1.10%, 04/19/04	3,000	3,006
1.24%, 07/08/03	1,000	1,000	<b>Bayerische Landesbank Girozentrale</b>		
0.94%, 09/25/03	3,000	2,993	1.19%, 08/29/03	2,000	2,000
<b>✦ Nordea N.A., Inc.</b>			1.27%, 09/02/03	4,000	4,000
1.20%, 07/07/03	3,000	2,999	1.30%, 03/26/04	2,000	2,000
<b>✦ Santander Central Hispano Finance (Delaware), Inc.</b>			<b>BNP Paribas</b>		
1.21%, 09/02/03	4,000	3,992	1.25%, 07/21/03	2,000	2,000
<b>◆ Sigma Finance, Inc., 144A</b>			1.25%, 07/23/03	6,000	6,000
1.25%, 07/14/03	1,000	1,000	1.09%, 11/10/03	2,000	2,000
1.31%, 07/15/03	2,000	1,999	1.03%, 12/09/03	3,000	3,001
1.27%, 07/16/03	5,000	4,997	0.90%, 12/30/03	4,000	4,000
1.24%, 08/05/03	1,000	999	<b>Canadian Imperial Bank of Commerce</b>		
<b>✦ Societe Generale N.A., Inc.</b>			1.24%, 07/15/03	5,000	5,000
1.20%, 07/02/03	2,000	2,000	<b>Chase Manhattan Bank (USA), N.A.</b>		
1.22%, 07/15/03	3,000	2,999	1.27%, 07/22/03	1,000	1,000
1.03%, 09/10/03	3,000	2,994	1.23%, 08/11/03	1,000	1,000
<b>◆◆ Stellar Funding Group, Inc., 144A</b>			<b>Citibank, N.A.</b>		
1.25%, 07/09/03	1,504	1,504	1.25%, 07/28/03	5,000	5,000
<b>◆◆ Thunder Bay Funding, Inc., 144A</b>			1.23%, 08/06/03	5,000	5,000
1.26%, 07/21/03	1,000	999	1.23%, 08/07/03	5,000	5,000
1.21%, 08/20/03	2,000	1,997	0.95%, 09/24/03	1,000	1,000
<b>◆◆ Tulip Funding Corp., 144A</b>			<b>Credit Agricole Indosuez</b>		
1.07%, 07/31/03	3,000	2,997	1.30%, 07/17/03	1,000	1,000
1.24%, 09/30/03	1,792	1,786	<b>Credit Lyonnais S.A.</b>		
<b>◆◆ Windmill Funding Corp., 144A</b>			1.00%, 09/17/03	2,000	2,000
1.21%, 07/10/03	3,000	2,999	<b>Credit Suisse First Boston</b>		
1.21%, 08/15/03	2,000	1,997	1.30%, 07/16/03	4,000	4,000
		<b>250,864</b>	<b>Den Norske Bank ASA</b>		
<b>Certificates of Deposit 35.5%</b>			1.15%, 09/08/03	3,000	3,000
<b>American Express Centurion Bank</b>			<b>DePfa Bank, PLC</b>		
0.92%, 09/22/03	5,000	5,000	0.98%, 09/18/03	3,000	3,000
<b>Bank of Montreal</b>			0.92%, 12/23/03	2,000	2,000
1.21%, 07/09/03	5,000	5,000	<b>Deutsche Bank, AG</b>		
<b>Bank of New York</b>			1.31%, 07/01/03	5,000	5,000
1.29%, 08/18/03	4,000	4,000	1.32%, 07/09/03	5,000	5,000
<b>Bank of Nova Scotia</b>			1.21%, 07/16/03	2,000	2,000
1.21%, 07/08/03	7,000	7,000	1.10%, 09/09/03	7,000	7,000
<b>Barclays Bank, PLC</b>			0.90%, 09/25/03	4,000	4,000
1.25%, 07/16/03	2,000	2,000	<b>ForeningsSparbanken, AB (Swedbank)</b>		
1.25%, 07/28/03	5,000	5,000	0.90%, 11/25/03	4,000	4,000
1.26%, 07/28/03	2,000	2,000	<b>Fortis Bank</b>		
1.20%, 08/04/03	2,000	2,000	1.23%, 07/09/03	4,000	4,000
			1.27%, 09/03/03	2,000	2,000



Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>+ HBOS Treasury Services, PLC</b>			<b>WestLB AG</b>		
1.20%, 08/26/03	1,000	1,000	1.35%, 07/08/03	2,000	2,000
<b>ING Bank, N.V.</b>			1.93%, 09/18/03	3,000	3,000
1.21%, 07/03/03	4,000	4,000	1.26%, 04/02/04	3,000	3,000
1.31%, 07/14/03	2,000	2,000	<b>Wilmington Trust Co.</b>		
1.25%, 07/31/03	2,000	2,000	1.28%, 07/22/03	1,000	1,000
1.23%, 08/08/03	2,000	2,000	1.20%, 09/15/03	4,000	4,000
<b>Landesbank Baden Wurttemberg</b>			<b>216,010</b>		
1.85%, 10/17/03	2,000	2,000	<b>Promissory Notes 2.0%</b>		
0.91%, 12/12/03	4,000	4,002	<b>• The Goldman Sachs Group, Inc.</b>		
<b>Landesbank Hessen-Thuringen Girozentrale</b>			1.36%, 08/05/03	2,000	2,000
1.27%, 08/29/03	4,000	4,000	1.35%, 09/08/03	1,000	1,000
1.30%, 02/03/04	1,000	1,000	1.26%, 09/22/03	4,000	4,000
<b>Natexis Banques Populaires</b>			1.26%, 12/05/03	1,000	1,000
1.20%, 08/29/03	4,000	4,000	1.01%, 12/23/03	4,000	4,000
<b>National City Bank, Cleveland</b>			<b>12,000</b>		
1.20%, 07/07/03	5,000	5,000	<b>Bank Notes 0.5%</b>		
<b>Norddeutsche Landesbank Girozentrale</b>			<b>Standard Federal Bank, N.A.</b>		
1.25%, 07/18/03	3,000	3,000	1.19%, 08/26/03	2,000	2,000
1.49%, 12/29/03	2,000	2,000	1.20%, 09/05/03	1,000	1,000
<b>Nordea Bank Finland, PLC</b>			<b>3,000</b>		
1.22%, 08/15/03	1,000	1,000	<b>U.S. Government Securities 9.1% of investments</b>		
1.20%, 09/02/03	3,000	3,000	<b>Discount Notes 9.1%</b>		
<b>Rabobank Nederland</b>			<b>Fannie Mae</b>		
0.95%, 12/03/03	1,000	1,001	1.18%, 08/27/03	10,000	9,981
<b>Royal Bank of Canada</b>			▲ 0.94%, 10/01/03	5,000	4,988
1.61%, 11/25/03	3,000	3,000	1.09%, 11/26/03	6,000	5,974
<b>Royal Bank of Scotland, PLC</b>			0.90%, 12/17/03	5,000	4,979
1.20%, 07/01/03	4,000	4,000	<b>Freddie Mac</b>		
<b>Societe Generale</b>			1.10%, 09/11/03	4,000	3,991
1.30%, 07/15/03	2,000	2,000	1.09%, 10/24/03	5,000	4,983
1.25%, 10/16/03	1,000	1,000	0.99%, 11/17/03	2,000	1,992
<b>State Street Bank &amp; Trust Co., N.A.</b>			1.00%, 12/04/03	5,000	4,978
1.19%, 08/26/03	1,000	1,000	1.06%, 12/04/03	9,539	9,496
1.10%, 12/04/03	2,000	2,000	0.96%, 12/31/03	4,000	3,981
<b>Toronto Dominion Bank</b>			<b>55,343</b>		
1.25%, 07/07/03	6,000	6,000			
<b>UBS, AG</b>					
1.59%, 12/16/03	2,000	2,000			
<b>Unicredito Italiano SPA</b>					
1.31%, 07/17/03	5,000	5,000			
1.26%, 07/22/03	1,000	1,000			
0.96%, 09/15/03	2,000	2,000			

**Portfolio Holdings** continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
<b>Variable-Rate Obligations</b> 4.6% of investments			<b>Other Investments</b> 7.0% of investments		
◆ <b>Beta Finance, Inc., 144A</b>			<b>Repurchase Agreements</b> 7.0%		
1.15%, 07/15/03	5,000	5,000	<b>Bear Stearns &amp; Co., Inc.</b>		
◆ <b>California Pollution Control Financing Authority</b>			Tri-Party Repurchase Agreement		
Solid Waste Disposable RB			Collateralized by U.S. Government		
(Burr Properties Project)			Securities with a value of \$6,122		
Series 1998B			1.29%, issued 01/15/03,		
1.80%, 07/07/03	1,835	1,835	due 07/07/03		
◆ <b>Columbus, Georgia Development Authority</b>				6,037	6,000
Taxable RB (Jay Leasing, Inc.			<b>Credit Suisse First Boston L.L.C.</b>		
Project) Series 1997			Tri-Party Repurchase Agreement		
1.12%, 07/07/03	1,985	1,985	Collateralized by U.S. Government		
◆ <b>Eagle County, Colorado Taxable Housing Facilities</b>			Securities with a value of \$36,981		
RB (BC Housing, L.L.C. Project)			1.32%, issued 06/30/03,		
Series 1997B			due 07/01/03		
1.20%, 07/07/03	1,500	1,500		36,255	36,254
<b>LP Pinewood SPV</b>					<b>42,254</b>
1.02%, 07/07/03	10,000	10,000	<b>End of portfolio holdings.</b> For totals, please see the		
◆ <b>Sigma Finance, Inc., 144A</b>			first page of holdings for this fund.		
1.30%, 07/07/03	2,000	2,000			
1.14%, 07/15/03	3,000	2,999			
◆ <b>Trap Rock Industries, Inc.</b>					
RB Series 1997, 144A					
1.04%, 07/07/03	1,540	1,540			
◆ <b>Village of Sturtevant, Wisconsin</b>					
IDRB (Andis Co. Project)					
Series 1996B					
1.28%, 07/07/03	1,040	1,040			
		<b>27,899</b>			

## Statement of

**Assets and Liabilities**

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

**Assets**

Investments, at market value	\$607,370
Receivables:	
Fund shares sold	1,148
Interest	835
Prepaid expenses	+ 27
<b>Total assets</b>	<b>609,380</b>

Includes illiquid restricted securities worth \$14,994, or 2.47% of the fund's investments. The amortized cost for the fund's securities was \$607,370.

**Liabilities**

Payables:	
Fund shares redeemed	5,115
Dividends to shareholders	127
Investments bought	8,002
Investment adviser and administrator fees	19
Transfer agent and shareholder service fees	12
Accrued expenses	+ 53
<b>Total liabilities</b>	<b>13,328</b>

**Net Assets**

<b>Total assets</b>	609,380
<b>Total liabilities</b>	– 13,328
<b>Net assets</b>	<b>\$596,052</b>

**Net Assets by Source**

Capital received from investors	596,053
Net realized capital losses	(1)

**Net Asset Value (NAV)**

<b>Net Assets</b>	<b>÷</b>	<b>Shares Outstanding</b>	<b>=</b>	<b>NAV</b>
\$596,052		596,110		\$1.00

**Federal Tax Data****Cost basis of portfolio** \$607,370**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2004	\$1

## Statement of

**Operations**

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

**Investment Income**

Interest	<b>\$4,057</b>
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**Expenses**

Investment adviser and administrator fees	1,131
Transfer agent and shareholder service fees	744
Trustees' fees	16
Custodian and portfolio accounting fees	38
Professional fees	11
Registration fees	14
Shareholder reports	18
Other expenses	+
<b>Total expenses</b>	<b>1,976</b>

**Increase in Net Assets from Operations**

<b>Total investment income</b>	4,057
<b>Total expenses</b>	– 1,976
<b>Net investment income</b>	<b>2,081</b>
<b>Increase in net assets from operations</b>	<b>\$2,081</b>

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

The investment adviser (CSIM) and the transfer agent and shareholder service agent (Schwab) guarantee to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.73% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

**Changes in Net Assets**

For the current and prior report periods. All numbers x 1,000.  
Figures for the current period are unaudited.

**Operations**

	1/1/03–6/30/03	1/1/02–12/31/02
Net investment income	\$2,081	\$6,849
<b>Increase in net assets from operations</b>	<b>2,081</b>	<b>6,849</b>

**Distributions Paid**

Dividends from net investment income	<b>2,081</b>	<b>6,849</b>
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**Transactions in Fund Shares**

Shares sold	227,104	449,315
Shares reinvested	1,929	6,808
Shares redeemed	+ (198,913)	(405,628)
<b>Net transactions in fund shares</b>	<b>30,120</b>	<b>50,495</b>

**Net Assets**

Beginning of period	565,932	515,437
Total increase	+ 30,120	50,495
<b>End of period</b>	<b>\$596,052</b>	<b>\$565,932</b>

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$6,849
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

## Financial Notes unaudited

### Business Structure of the Funds

**Each of the funds discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company.** The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

**The funds offer one share class.** For these funds, shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

### Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

**The funds declare dividends every day they are open for business.** These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

**The funds may buy securities on a delayed-delivery basis.** In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

**The funds may enter into repurchase agreements.** In a repurchase agreement, a fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreements with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The funds' repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the funds' custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

**The funds pay fees for various services.** Through their trust, the funds have agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

### The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

#### The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund  
 Schwab Government Money Fund  
 Schwab U.S. Treasury Money Fund  
 Schwab Value Advantage Money Fund®  
 Schwab Municipal Money Fund  
 Schwab California Municipal Money Fund  
 Schwab New York Municipal Money Fund  
 Schwab New Jersey Municipal Money Fund  
 Schwab Pennsylvania Municipal Money Fund  
 Schwab Florida Municipal Money Fund  
 Schwab Massachusetts Municipal Money Fund  
 Schwab Institutional Advantage Money Fund®  
 Schwab Retirement Money Fund®  
 Schwab Government Cash Reserves

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

**Trustees may include people who are officers and/or directors of the investment adviser or Schwab.** Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

**The funds may engage in certain transactions involving affiliates.** The funds may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

**The funds intend to meet federal income and excise tax requirements for regulated investment companies.** Accordingly, the funds distribute substantially all of their net investment income and realized net capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

**Under the funds' organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds.** In addition, in the normal course of business the funds enter into contracts with their vendors and others that provide general indemnifications. The funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the funds. However, based on experience, the funds expect the risk of loss to be remote.

## Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

**The funds value their securities at amortized cost,** which approximates market value.

**Security transactions** are recorded as of the date the order to buy or sell the security is executed.

**Interest income** is recorded as it accrues. If a fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

**Realized gains and losses** from security transactions are based on the identified costs of the securities involved.

**Expenses** that are specific to a fund are charged directly to that fund. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their net assets.

**Each fund maintains its own account for purposes of holding assets and accounting,** and is considered a separate entity for tax purposes. Within its account, each fund also keeps certain assets in segregated accounts, as may be required by securities law.

**The accounting policies described above conform with accounting principles generally accepted in the United States of America.** Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

# Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

**agency discount notes** Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

**Alternative Minimum Tax (AMT)** A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

**asset-backed securities** Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

**bond** A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

**bond anticipation notes** Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

**capital gain, capital loss** The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

**commercial paper** Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

**credit-enhanced security** A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

**credit quality** The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

## Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

<b>ACES</b>	Adjustable convertible extendable security
<b>BAN</b>	Bond anticipation note
<b>COP</b>	Certificate of participation
<b>GAN</b>	Grant anticipation note
<b>GO</b>	General obligation
<b>HDA</b>	Housing Development Authority
<b>HFA</b>	Housing Finance Agency
<b>IDA</b>	Industrial Development Authority
<b>IDB</b>	Industrial Development Board
<b>IDRB</b>	Industrial Development Revenue Bond
<b>M/F</b>	Multi-family
<b>RAN</b>	Revenue anticipation note
<b>RB</b>	Revenue bond
<b>S/F</b>	Single-family
<b>TAN</b>	Tax anticipation note
<b>TECP</b>	Tax-exempt commercial paper
<b>TOB</b>	Tender option bond
<b>TOBP</b>	Tender option bond partnership
<b>TRAN</b>	Tax and revenue anticipation note
<b>VRD</b>	Variable-rate demand



**credit ratings** Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

**credit risk** The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

**dollar-weighted average maturity (DWAM)** See weighted average maturity.

**effective yield** A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

**expense ratio** The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

**face value** The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

**interest** Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

**liquidity-enhanced security** A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

**maturity** Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

**money market securities** High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

**municipal securities** Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

**net asset value per share (NAV)** The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

**144A security** A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

**outstanding shares, shares outstanding** When speaking of a company or mutual fund, indicates all shares currently held by investors.

**revenue anticipation notes** Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

**taxable-equivalent yield** The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ( $4.5\% \div [1 - 0.25\%] = 6.0\%$ ).

**total return** The percentage that an investor would have earned or lost on an investment in the fund assuming dividends and distributions were reinvested.

**tax anticipation notes** Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

**Tier 1, Tier 2** Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

**weighted average maturity** For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

**yield** The income paid out by an investment, expressed as an annual rate and calculated as a percentage of the investment's market value.

## Notes

# Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

## Methods for Placing Orders

The following information outlines how Schwab investors can place orders. If you are investing through a third-party investment provider, methods for placing orders may be different.

### Internet<sup>1</sup>

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

### Schwab by Phone™<sup>2</sup>

Use our automated voice service or speak to a representative. Call **1-800-435-4000**, day or night (for TDD service, call **1-800-345-2550**).

### TelBroker®

Automated touch-tone phone service at **1-800-272-4922**.

### Mail

Write to SchwabFunds at:  
P.O. Box 3812  
Englewood, CO 80155-3812

When selling or exchanging shares, be sure to include the signatures of at least one of the persons whose name is on the account.

## The SchwabFunds Family

### Stock Funds

Schwab S&P 500 Fund  
Schwab 1000 Fund®  
Schwab Small-Cap Index Fund®  
Schwab Total Stock Market Index Fund®  
Schwab International Index Fund®  
Schwab Core Equity Fund™  
Schwab Small-Cap Equity Fund™  
Schwab Hedged Equity Fund™  
Schwab Dividend Equity Fund™  
Schwab Focus Funds  
    Communications Focus Fund  
    Financial Services Focus Fund  
    Health Care Focus Fund  
    Technology Focus Fund  
Schwab MarketMasters Funds™  
    Schwab U.S. MarketMasters Fund™  
    Schwab Small-Cap MarketMasters Fund™  
    Schwab International MarketMasters Fund™  
    Schwab Balanced MarketMasters Fund™

### Asset Allocation Funds

Schwab MarketTrack Portfolios®  
    Schwab All Equity Portfolio  
    Schwab Growth Portfolio  
    Schwab Balanced Portfolio  
    Schwab Conservative Portfolio

### Bond Funds

Schwab YieldPlus Fund®  
Schwab Short-Term Bond Market Fund  
Schwab Total Bond Market Fund  
Schwab GNMA Fund  
Schwab Short/Intermediate Tax-Free Bond Fund  
Schwab Long-Term Tax-Free Bond Fund  
Schwab California Short/Intermediate Tax-Free Bond Fund  
Schwab California Long-Term Tax-Free Bond Fund

### Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.<sup>3</sup> Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

<sup>1</sup> Shares of Sweep Investments™ may not be purchased directly over the Internet.

<sup>2</sup> Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

<sup>3</sup> Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

**Investment Adviser**

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