

Schwab Equity Index Funds

Annual Report

October 31, 2003

Schwab S&P 500 Fund

Schwab 1000 Fund®

Schwab Small-Cap
Index Fund®

Schwab Total Stock Market
Index Fund®

Schwab International
Index Fund®

charles **SCHWAB**

Five ways to put the power of the stock market in your portfolio—with some of the lowest expenses in the industry.

In This Report

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The president of SchwabFunds® and the funds' managers take a look at the factors that shaped fund performance during the report period.

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Schwab S&P 500 Fund

Investor Shares: **SWPIX** Select Shares®: **SWPPX**
e.Shares®: **SWPEX**

The fund's goal is to track the total return of the S&P 500® Index.¹

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Schwab 1000 Fund®

Investor Shares: **SNXFX** Select Shares: **SNXSX**

The fund's goal is to match the total return of the Schwab 1000 Index®.

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Schwab Small-Cap Index Fund®

Investor Shares: **SWSMX** Select Shares: **SWSSX**

The fund's goal is to track the total return of small capitalization U.S. stocks, as measured by the Schwab Small-Cap Index®.

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Schwab Total Stock Market Index Fund®

Investor Shares: **SWTIX** Select Shares: **SWTSX**

The fund's goal is to track the total return of the entire U.S. stock market, as measured by the Wilshire 5000 Total Market Index.²

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Schwab International Index Fund®

Investor Shares: **SWINX** Select Shares: **SWISX**

The fund's goal is to track the total return of large, publicly traded non-U.S. companies from countries with developed equity markets outside the United States, as measured by the Schwab International Index®.

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Fund investment adviser: Charles Schwab Investment Management, Inc. (CSIM)
Distributor and transfer agent: Charles Schwab & Co., Inc. (Schwab).

¹ Standard & Poor's®, S&P®, S&P 500®, Standard & Poor's 500® and 500® are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by the fund. The fund is not sponsored, endorsed, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the fund.

² Wilshire and Wilshire 5000 are registered service marks of Wilshire Associates, Inc. The fund is not sponsored, endorsed, sold or promoted by Wilshire Associates, and Wilshire Associates is not in any way affiliated with the fund. Wilshire Associates makes no representation regarding the advisability of investing in the fund or in any stock included in the Wilshire 5000.

From the Chairman



Charles R. Schwab, Chairman

In the past few months, the mutual fund industry has been rocked by the discovery of improper practices and arrangements. Investors large and small have seen their confidence shaken, and understandably so.

Similarly, you may have also read about a limited number of potential late trading issues at Charles Schwab & Co., Inc. and certain limited market timing arrangements at U.S. Trust. Many firms, including our own, have begun thorough investigations of their broker processes and procedures. We are continuing to scrutinize such transactions and arrangements, and are working closely with regulatory authorities. We are pleased to report that to date we have found no indications of illegal or improper activities by Charles Schwab Investment Management (“CSIM”), the investment advisor who manages the SchwabFunds®.

I fully believe that even a small number of irregularities is unacceptable. We have spent nearly 30 years building an ethical firm, and our business is founded on a commitment to doing what’s right for investors. That commitment leaves no room for any failures to follow company policies or industry regulations.

Given the importance of mutual funds to American investors, I can understand why investors find the recent news to be disturbing. At the same time, I would caution investors not to overreact. Before taking any action, investors should consider implications to their portfolio, tax situation and long-term financial goals.

Ultimately, mutual funds still offer all the features that have made them so popular—diversification, liquidity, convenience, low investment minimums, and professional management. For individual investors especially, mutual funds continue to be one of the most cost-effective investment vehicles available. To date, millions of Americans have relied on mutual funds as an important way to invest for retirement, their children’s education, and other financial goals. We see no reason why mutual funds cannot continue to do the same for millions more Americans in the years to come.

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 year ended October 31, 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 SchwabFunds® Shareholders:

By now, many of you have read the significant media coverage regarding the mutual fund industry. We are pleased to report that to date we have found no indications of illegal or improper activities by Charles Schwab Investment Management ("CSIM"), the investment advisor who manages the SchwabFunds.

Similarly, you may have also read about a limited number of potential late trading issues at Charles Schwab & Co., Inc. and certain limited market timing arrangements at U.S. Trust. CSIM, which is a separate Charles Schwab subsidiary, has been conducting its own review of the SchwabFunds policies and procedures regarding market timing and late trading. We have examined over two years of activity by CSIM personnel and have not found the types of improper market timing or late trading arrangements that you have been reading about. Our research is still ongoing, so some of these facts may change. Here are our key findings to date:

- **The Integrity of our Staff:** We have not found any indication that any CSIM employees, including portfolio managers and senior managers, have engaged in improper or inappropriate trading for their own account.
- **Market Timing & Late Trading:** We have not found any special arrangements with any shareholders to permit market timing or trading of SchwabFunds after market close.
- **Hedge Funds:** We have not found any special arrangements with hedge funds or other private investment vehicles that would permit them to trade in a way that was inconsistent with a fund's policies and procedures.

As part of the recent mutual fund investigations, requests for information were sent by the SEC to about 90 of the largest mutual fund companies. As the nation's 11th largest fund family with over \$140 billion under management, SchwabFunds also received a request from the SEC. We take these requests very seriously and are working closely with the regulators on this matter.

Charles Schwab founded his firm 30 years ago with a vision to create the most useful and ethical financial services firm in the world. We live by that philosophy every day and nothing means more to our business than the trust of our shareholders.

Your investment in SchwabFunds is an indication of the trust you place in us. As the managers of your money, we have a special obligation to live up to that trust. I want to thank you for investing with us, and want to assure you that we strive relentlessly to operate our business with the highest ethical standards and an unwavering commitment to serve you, our SchwabFunds shareholders.

Sincerely,





Geri Hom, a vice president and senior portfolio manager of the investment adviser, has overall responsibility for the management of the funds. Prior to joining the firm in 1995, she worked for nearly 15 years in equity management.

Larry Mano, a director and a portfolio manager, is responsible for the day-to-day management of the Total Stock Market and International Index funds. Prior to joining the firm in 1998, he worked for 20 years in equity management.

The Economy and the Market

The economy continued to gather strength during the report period, but improvement remained sluggish and uneven. Although numerous factors had been indicating that the U.S. economy was in recovery when the report period began, many remained concerned about the slow pace of improvement, in particular the absence of job growth. However, the government reported an 8.2% increase in GDP for the third quarter of 2003, job growth for October 2003 was the largest since January 2003, and merger activity picked up—indications that the economy may have gained real strength during the report period.

Government policies were strongly aimed at stimulating the economy. The Federal Reserve (the Fed) cut short-term interest rates twice during the period—0.50% in November 2002 and 0.25% in June 2003—bringing the Fed funds target rate to a 45-year low of 1.00%. On the fiscal side, stimulus measures included tax cuts.

Consumer spending held up strongly throughout the economic downturn, bolstered in part by unprecedented activity in mortgage refinancing (as individuals took advantage of the opportunity to refinance at historically low rates). During the period, we also saw business capital spending show signs of life after declining for the past few years.

Stock prices rose significantly over the period, even as skepticism lingered about the quality of the rally. After more than two years of generally negative performance, U.S. equity markets reached an apparent bottom during the report period, then rose strongly, ending the period with significant gains. During the report period, the Nasdaq Composite Index rose 46%, while the S&P 500® Index rose nearly 21%.

One striking feature of the overall U.S. stock market during the report period is that stocks with more speculative characteristics tended to perform better than stocks with more demonstrable quality. For example, companies with low earnings or dividends generally outperformed companies with higher earnings or dividends. This held true for other measures of quality as well, such as debt to equity: those with higher levels of debt performed better than companies with lower levels of debt. Consistent with this trend, small-cap stocks (which tend to be more

Management's Discussion continued

Factors that have been linked to superior long-term stock performance were not the factors that investors appeared to value most during the period.

speculative) performed well during the period, and microcap stocks performed even better. Large-cap stocks lagged both groups, but still performed well.

Many market observers have asked why lower quality securities outperformed higher quality and whether it could continue. There are many possible answers, but we believe the more important point is that in the long run, quality has been shown to be a superior indicator of performance.

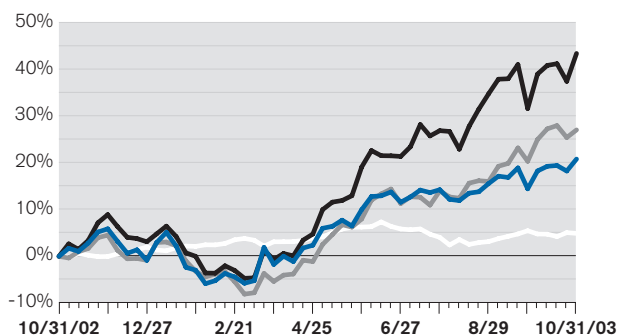
Despite the dividend tax cut, dividend stocks underperformed the overall market during the period. Congress passed the tax cut during the period as part of the government's economic stimulus efforts. The cut reduced the double taxation of corporate dividends, thus lowering the cost of capital and encouraging investment. Since companies that pay dividends are generally more established and less speculative, we see the underperformance of these stocks as being part of the larger market trend mentioned earlier.

U.S. investors saw gains overseas, helped by currency trends. Most foreign markets showed positive total returns for the period, and these returns were augmented by the fact that the United States dollar fell versus most major foreign currencies.

Asset Class Performance Comparison % returns during the report period

This graph compares the performance of various asset classes during the report period. Final performance figures for the period are in the key below.

- 20.80% **S&P 500® Index:** measures U.S. large-cap stocks
- 43.37% **Russell 2000® Index:** measures U.S. small-cap stocks
- 27.03% **MSCI-EAFE® Index:** measures (in U.S. dollars) large-cap stocks in Europe, Australasia and the Far East
- 4.91% **Lehman Brothers U.S. Aggregate Bond Index:** measures the U.S. bond market



These figures assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged and you can't invest in them directly. Remember that past performance is not an indication of future results.

Data source: Charles Schwab & Co., Inc.

Performance at a Glance

Total return for the 12 months ended 10/31/03

Schwab S&P 500 Fund

Investor Shares	20.39%
Select Shares®	20.62%
e.Shares®	20.55%
Benchmark	20.80%

Performance Details pages 7-9

Schwab 1000 Fund®

Investor Shares	21.34%
Select Shares	21.52%
Benchmark	21.84%

Performance Details pages 11-12

Schwab Small-Cap Index Fund®

Investor Shares	38.72%
Select Shares	39.02%
Benchmark	39.00%

Performance Details pages 14-15

Schwab Total Stock Market Index Fund®

Investor Shares	23.24%
Select Shares	23.50%
Benchmark	24.43%

Performance Details pages 17-18

Schwab International Index Fund®

Investor Shares	24.24%
Select Shares	24.50%
Benchmark	25.55%

Performance Details pages 20-21

The Funds

All of the funds in this report posted double-digit total returns for the report period. October 2003, the last month of the period, was an especially strong month for the broad U.S. stock market, and marked the seventh positive month of the last eight. All funds met the goal of closely tracking their respective benchmark indices.

The **Schwab S&P 500 Fund** ended the report period up more than 20%, as the S&P 500® Index closed above 1050 for the first time since May of 2002. Third-quarter earnings were 5% above consensus estimates for the 79% of the companies in the index that had reported their third-quarter earnings by the time this report was written. Information technology, which had been especially hard-hit in recent years, led all sectors during the period with a notable 41% total return. Even the weakest sector, telecom services, was up 3%. The fund was again able to operate tax-efficiently, making no capital gains distribution for 2002.

The results for the **Schwab 1000 Fund** were fairly similar. The fund's inclusion of mid-cap stocks, which as a category outperformed large-caps, added about a percentage point to the index's total return compared to that of the S&P 500 Index. More than half of the fund's performance came from just two sectors: information technology and financial. The fund was again able to operate tax-efficiently, making no capital gains distribution for 2002.

With small-caps outperforming mid- and large-caps, during the period, the **Schwab Small-Cap Index Fund** was able to post total returns approaching 40% for the report period. Even the worst-performing

Past performance does not indicate future results.

Expenses may be partially absorbed by CSIM and Schwab. Without these reductions, the funds' total return would have been lower. Performance does not reflect the deduction of taxes that a shareholder would pay on fund distributions or on the redemption of fund shares.

All fund and index figures on this page assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged, and you cannot invest in them directly. Each fund's share price and principal values change, and when you sell your shares they may be worth more or less than what you paid for them. For more current performance information visit www.schwab.com or call 1-800-435-4000.

Small company stocks are subject to greater volatility than other asset categories. Foreign securities can involve risks such as political and economic instability and currency risk.

Management's Discussion continued

Even the worst-performing sector in each fund posted a positive return, with formerly hard-hit sectors such as information technology leading the rebound.

sector, consumer staples, had a double-digit return (15%), while telecom rose a remarkable 76%. Historically, October has been a bad month for small-cap stocks. However, October 2003 saw small-caps gain 8% (as measured by the Schwab Small-Cap Index). Investors should note that the gains in small-caps were accompanied by high volatility: small-cap stock prices moved more than 1% a day on over 80% of the trading days during the period.

Exposure to volatile but high-performing small-cap stocks helped lift the **Schwab Total Stock Market Index Fund**[®] to a total return of more than 23%. Although small-cap stocks represent only a small portion of the fund's assets, their strong performance helped the fund modestly outpace such large-cap funds as the Schwab S&P 500 Fund. The best-performing sector, technology, was up 42%; the worst-performing, communication services, was up 5%.

Total return for the **Schwab International Index Fund**[®] was more than 24%. Internationally, many of the same factors appeared to be at work as in the United States. Smaller stocks led the field, with high volatility a feature of these stocks in most markets, and speculative stocks proving more popular than stocks of companies with sound fundamentals. All countries in the index posted positive total returns, led by Sweden and Canada, both of which were up by at least 50%.

Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed subsequent to the report date.

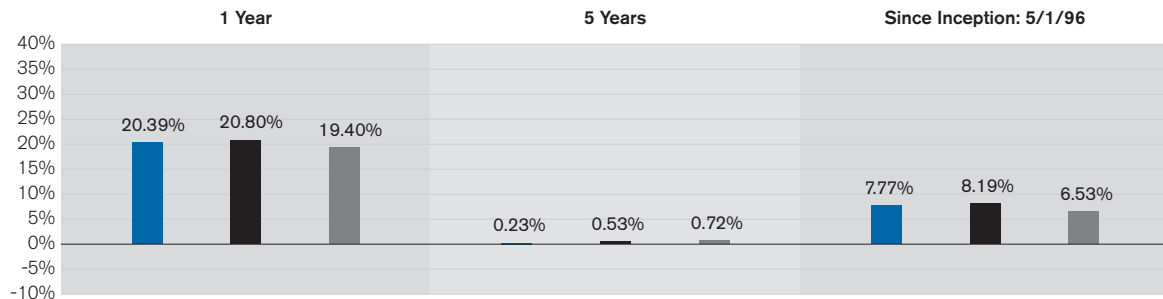
Schwab S&P 500 Fund

Investor Shares Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Investor Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Investor Shares**
 ■ Benchmark: **S&P 500® Index**
 ■ Fund Category: **Morningstar Large-Cap Blend**

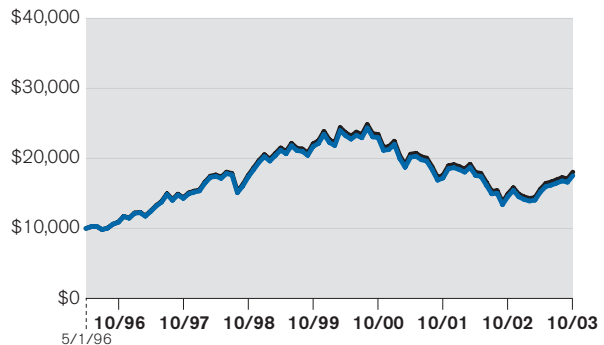


Total Returns After Tax	1 Year	5 Years	Since Inception
Pre-Liquidation (still own shares)	19.71%	-0.17%	7.39%
Post-Liquidation (shares were sold)	13.13%	0.00%	6.29%

Performance of a Hypothetical \$10,000 Investment²

This graph shows performance since inception of a hypothetical \$10,000 investment in the fund's Investor Shares, compared with a similar investment in its benchmark.

■ \$17,539 **Investor Shares**
 ■ \$18,054 **S&P 500 Index**



All figures on this page assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged, and you cannot invest in them directly. The fund's share price and principal values change, and when you sell your shares, they may be worth more or less than what you paid for them. Past performance does not indicate future results.

¹ The pre-tax total return and the graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption

of fund shares. After-tax returns are calculated using the highest historical individual federal marginal income tax rates in effect as of 10/31/03 and do not reflect the impact of state and local taxes or the alternative minimum tax. Actual returns depend on an investor's situation and may differ from those shown. After-tax returns may not be relevant to investors who hold their fund shares through tax-deferred arrangements. Pre-liquidation after-tax returns reflect the tax effects of purchases and sales of securities within the fund portfolios and assume

investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

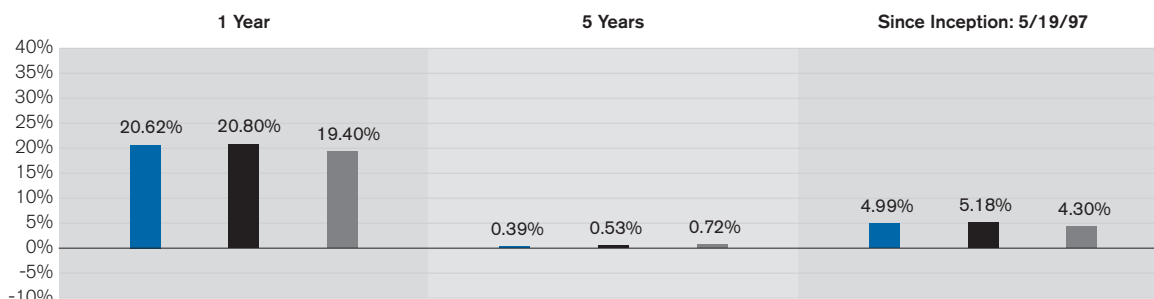
Schwab S&P 500 Fund

Select Shares® Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Select Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Select Shares**
 ■ Benchmark: **S&P 500® Index**
 ■ Fund Category: **Morningstar Large-Cap Blend**

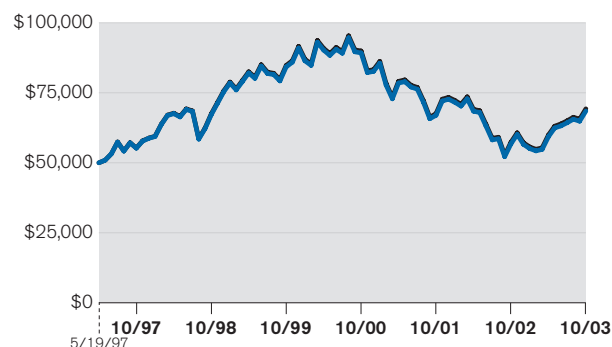


Total Returns After Tax	1 Year		5 Years		Since Inception	
Pre-Liquidation (still own shares)	19.86%	17.07%	-0.07%	-0.61%	4.56%	n/a
Post-Liquidation (shares were sold)	13.26%	10.62%	0.10%	0.26%	3.88%	n/a

Performance of a Hypothetical \$50,000 Investment²

This graph shows performance since inception of a hypothetical \$50,000 investment (the minimum investment for this share class) in the fund's Select Shares, compared with a similar investment in its benchmark.

■ \$68,480 **Select Shares**
 ■ \$69,281 **S&P 500 Index**



All figures on this page assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged, and you cannot invest in them directly. The fund's share price and principal values change, and when you sell your shares, they may be worth more or less than what you paid for them. Past performance does not indicate future results.

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investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

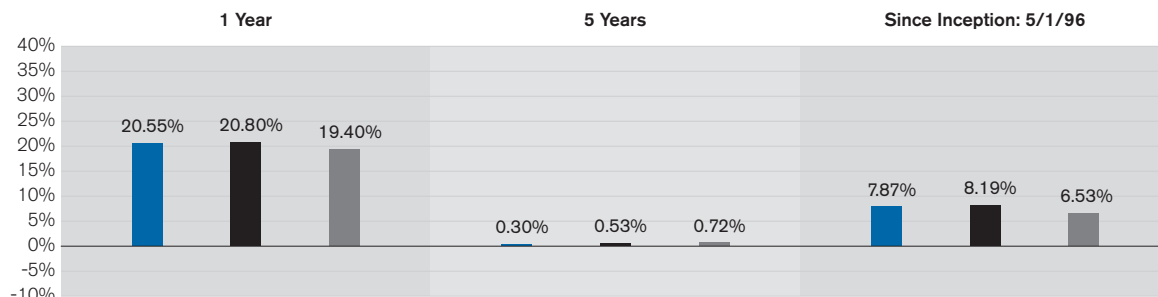
Schwab S&P 500 Fund

e.Shares® Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's e.Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **e.Shares**
 ■ Benchmark: **S&P 500® Index**
 ■ Fund Category: **Morningstar Large-Cap Blend**

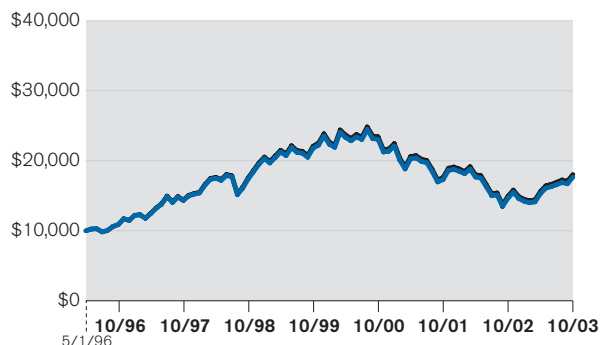


Total Returns After Tax	1 Year	5 Years	Since Inception
Pre-Liquidation (still own shares)	19.84%	-0.14%	7.45%
Post-Liquidation (shares were sold)	13.22%	0.04%	6.35%

Performance of a Hypothetical \$10,000 Investment²

This graph shows performance since inception of a hypothetical \$10,000 investment in the fund's e.Shares, compared with a similar investment in its benchmark.

■ \$17,656 **e.Shares**
 ■ \$18,054 **S&P 500 Index**



All figures on this page assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged, and you cannot invest in them directly. The fund's share price and principal values change, and when you sell your shares, they may be worth more or less than what you paid for them. Past performance does not indicate future results.

¹ The pre-tax total return and the graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption

of fund shares. After-tax returns are calculated using the highest historical individual federal marginal income tax rates in effect as of 10/31/03 and do not reflect the impact of state and local taxes or the alternative minimum tax. Actual returns depend on an investor's situation and may differ from those shown. After-tax returns may not be relevant to investors who hold their fund shares through tax-deferred arrangements. Pre-liquidation after-tax returns reflect the tax effects of purchases and sales of securities within the fund portfolios and assume

investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

Schwab S&P 500 Fund

Fund Facts as of 10/31/03

Fund Category ¹			Top Holdings ²	
Investment Style			Security	% of Net Assets
Value	Blend	Growth		
			① General Electric Co.	3.0%
			② Microsoft Corp.	2.9%
			③ Wal-Mart Stores, Inc.	2.6%
			④ Pfizer, Inc.	2.5%
			⑤ Citigroup, Inc.	2.5%
			⑥ Exxon Mobil Corp.	2.5%
			⑦ Intel Corp.	2.2%
			⑧ American International Group, Inc.	1.6%
			⑨ International Business Machines Corp.	1.6%
			⑩ Johnson & Johnson	1.5%
			Total	22.9%
Statistics			Sector Weightings % of Portfolio	
Number of Holdings			This chart shows the fund's sector composition as of the report date. A sector is a portion of the overall stock market that is made up of industries whose business components share similar characteristics.	
Weighted Average Market Cap (\$ x 1,000,000)				
Price/Earnings Ratio (P/E)				
Price/Book Ratio (P/B)				
Portfolio Turnover Rate				

¹ Source: Morningstar, Inc. This style assessment is the result of evaluating the fund based on a ten-factor model for value and growth characteristics. The fund's market capitalization placement is determined by the geometric mean of its holdings' market capitalizations. The assessment reflects the fund's portfolio as of 10/31/03, which may have changed since then, and is not a precise indication of risk or performance—past, present, or future.

² This list is not a recommendation of any security by the investment adviser. Portfolio holdings may have changed since the report date.

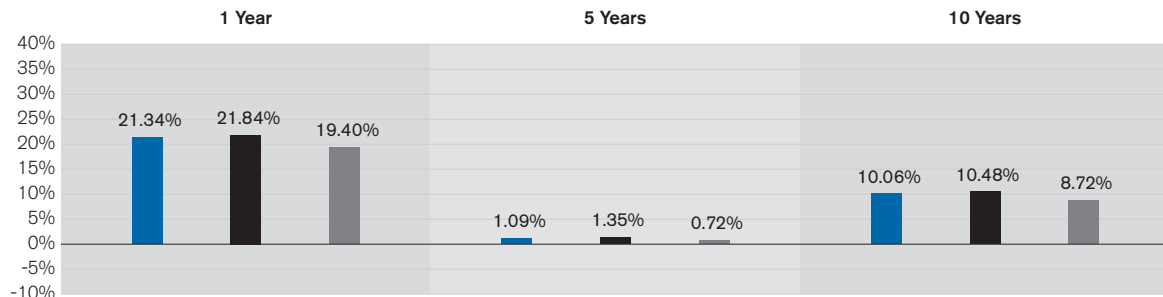
Schwab 1000 Fund®

Investor Shares Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Investor Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Investor Shares**
 ■ Benchmark: **Schwab 1000 Index®**
 ■ Fund Category: **Morningstar Large-Cap Blend**

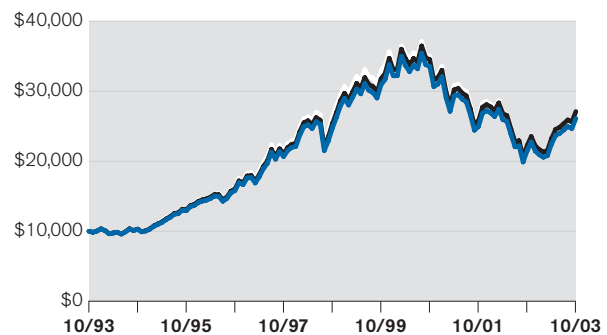


Total Returns After Tax	1 Year	5 Years	10 Years
Pre-Liquidation (still own shares)	20.74%	0.75%	9.59%
Post-Liquidation (shares were sold)	13.76%	0.71%	8.31%

Performance of a Hypothetical \$10,000 Investment²

This graph shows performance over ten years of a hypothetical \$10,000 investment in the fund's Investor Shares, compared with a similar investment in its benchmark and an additional index.

■ \$26,099 **Investor Shares**
 ■ \$27,104 **Schwab 1000 Index**
 □ \$26,959 **S&P 500 Index**



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of fund shares. After-tax returns are calculated using the highest historical individual federal marginal income tax rates in effect as of 10/31/03 and do not reflect the impact of state and local taxes or the alternative minimum tax. Actual returns depend on an investor's situation and may differ from those shown. After-tax returns may not be relevant to investors who hold their fund shares through tax-deferred arrangements. Pre-liquidation after-tax returns reflect the tax effects of purchases and sales of securities within the fund portfolios and assume

investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

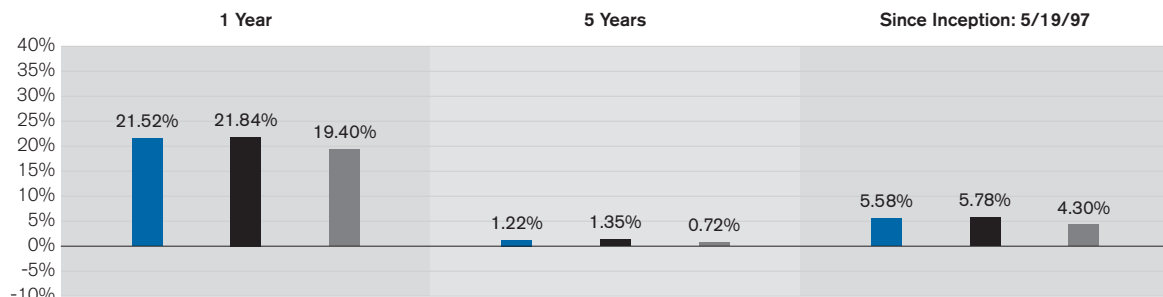
Schwab 1000 Fund®

Select Shares® Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Select Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Select Shares**
 ■ Benchmark: **Schwab 1000 Index®**
 ■ Fund Category: **Morningstar Large-Cap Blend**

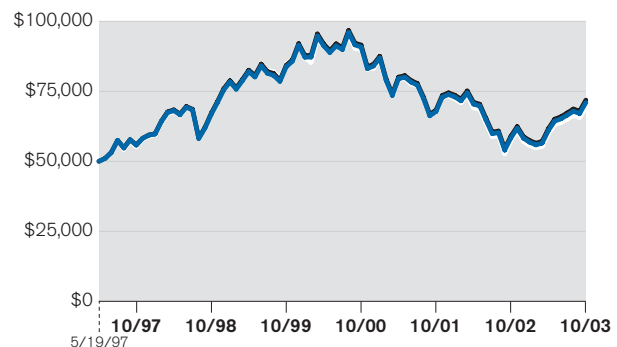


Total Returns After Tax	1 Year	5 Years	Since Inception
Pre-Liquidation (still own shares)	20.87%	0.83%	5.20%
Post-Liquidation (shares were sold)	13.87%	0.79%	4.39%

Performance of a Hypothetical \$50,000 Investment²

This graph shows performance since inception of a hypothetical \$50,000 investment (the minimum investment for this share class) in the fund's Select Shares, compared with a similar investment in its benchmark and an additional index.

■ \$70,990 **Select Shares**
 ■ \$71,880 **Schwab 1000 Index**
 □ \$69,281 **S&P 500 Index**



All figures on this page assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged, and you cannot invest in them directly. The fund's share price and principal values change, and when you sell your shares, they may be worth more or less than what you paid for them. Past performance does not indicate future results.

¹ The pre-tax total return and the graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption

of fund shares. After-tax returns are calculated using the highest historical individual federal marginal income tax rates in effect as of 10/31/03 and do not reflect the impact of state and local taxes or the alternative minimum tax. Actual returns depend on an investor's situation and may differ from those shown. After-tax returns may not be relevant to investors who hold their fund shares through tax-deferred arrangements. Pre-liquidation after-tax returns reflect the tax effects of purchases and sales of securities within the fund portfolios and assume

investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

Schwab 1000 Fund®

Fund Facts as of 10/31/03

Fund Category ¹			Top Holdings ²	
Investment Style			Security	% of Net Assets
Value	Blend	Growth		
			① General Electric Co.	2.6%
			② Microsoft Corp.	2.6%
			③ Wal-Mart Stores, Inc.	2.3%
			④ Pfizer, Inc.	2.2%
			⑤ Citigroup, Inc.	2.2%
			⑥ Exxon Mobil Corp.	2.2%
			⑦ Intel Corp.	1.9%
			⑧ American International Group, Inc.	1.4%
			⑨ International Business Machines Corp.	1.4%
			⑩ Johnson & Johnson	1.4%
			Total	20.2%
Statistics			Sector Weightings % of Portfolio	
Number of Holdings			This chart shows the fund's sector composition as of the report date. A sector is a portion of the overall stock market that is made up of industries whose business components share similar characteristics.	
Weighted Average Market Cap (\$ x 1,000,000)				
Price/Earnings Ratio (P/E)				
Price/Book Ratio (P/B)				
Portfolio Turnover Rate				

¹ Source: Morningstar, Inc. This style assessment is the result of evaluating the fund based on a ten-factor model for value and growth characteristics. The fund's market capitalization placement is determined by the geometric mean of its holdings' market capitalizations. The assessment reflects the fund's portfolio as of 10/31/03, which may have changed since then, and is not a precise indication of risk or performance—past, present, or future.

² This list is not a recommendation of any security by the investment adviser. Portfolio holdings may have changed since the report date.

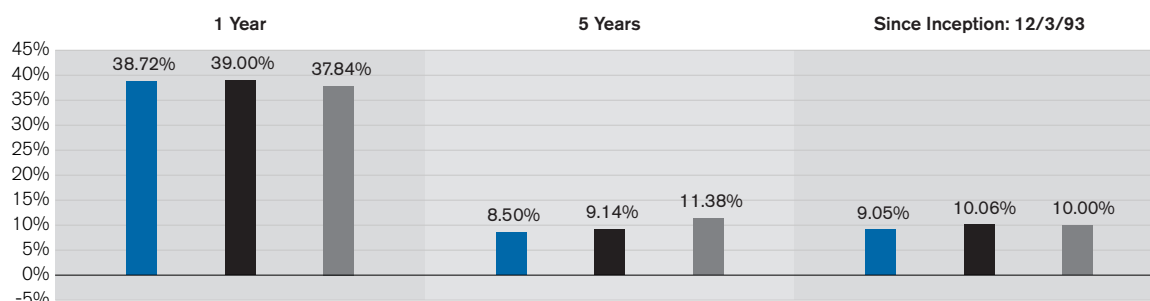
Schwab Small-Cap Index Fund®

Investor Shares Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Investor Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Investor Shares**
 ■ Benchmark: **Schwab Small-Cap Index®**
 ■ Fund Category: **Morningstar Small-Cap Blend**

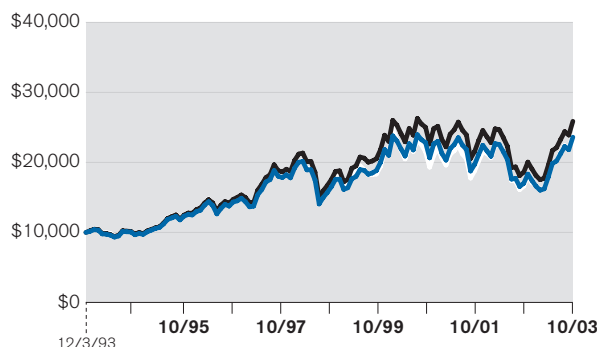


Total Returns After Tax	1 Year		5 Years		Since Inception	
Pre-Liquidation (still own shares)	38.17%	35.45%	7.16%	9.77%	8.28%	n/a
Post-Liquidation (shares were sold)	25.04%	22.22%	6.53%	8.74%	7.40%	n/a

Performance of a Hypothetical \$10,000 Investment²

This graph shows performance since inception of a hypothetical \$10,000 investment in the fund's Investor Shares, compared with a similar investment in its benchmark and an additional index.

■ \$23,616 **Investor Shares**
 ■ \$25,881 **Schwab Small-Cap Index**
 □ \$23,834 **Russell 2000 Index**



All figures on this page assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged, and you cannot invest in them directly. The fund's share price and principal values change, and when you sell your shares, they may be worth more or less than what you paid for them. Past performance does not indicate future results.

¹ The pre-tax total return and the graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption

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investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

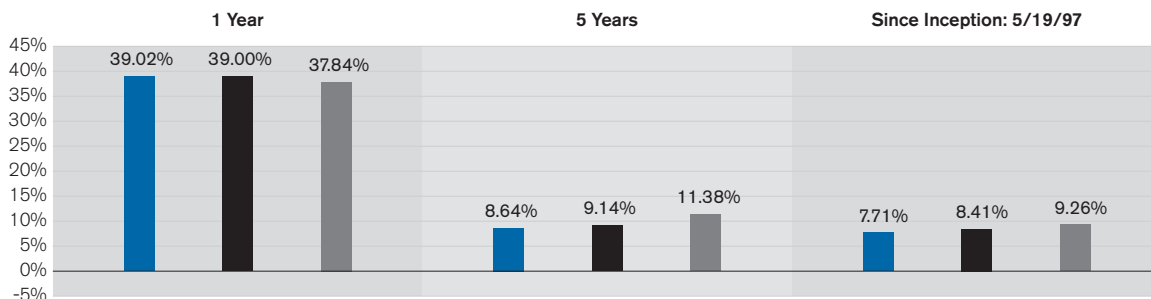
Schwab Small-Cap Index Fund®

Select Shares® Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Select Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Select Shares**
 ■ Benchmark: **Schwab Small-Cap Index®**
 ■ Fund Category: **Morningstar Small-Cap Blend**

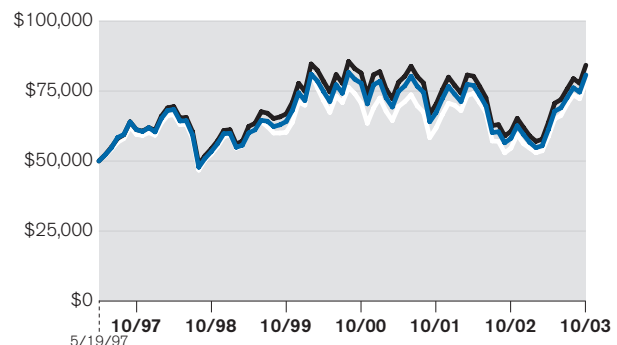


Total Returns After Tax	1 Year	5 Years	Since Inception
Pre-Liquidation (still own shares)	38.40%	7.25%	6.62%
Post-Liquidation (shares were sold)	25.22%	6.62%	5.99%

Performance of a Hypothetical \$50,000 Investment²

This graph shows performance since inception of a hypothetical \$50,000 investment (the minimum investment for this share class) in the fund's Select Shares, compared with a similar investment in its benchmark and an additional index.

■ \$80,775 **Select Shares**
 ■ \$84,240 **Schwab Small-Cap Index**
 □ \$78,307 **Russell 2000 Index**



All figures on this page assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged, and you cannot invest in them directly. The fund's share price and principal values change, and when you sell your shares, they may be worth more or less than what you paid for them. Past performance does not indicate future results.

¹ The pre-tax total return and the graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption

of fund shares. After-tax returns are calculated using the highest historical individual federal marginal income tax rates in effect as of 10/31/03 and do not reflect the impact of state and local taxes or the alternative minimum tax. Actual returns depend on an investor's situation and may differ from those shown. After-tax returns may not be relevant to investors who hold their fund shares through tax-deferred arrangements. Pre-liquidation after-tax returns reflect the tax effects of purchases and sales of securities within the fund portfolios and assume

investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

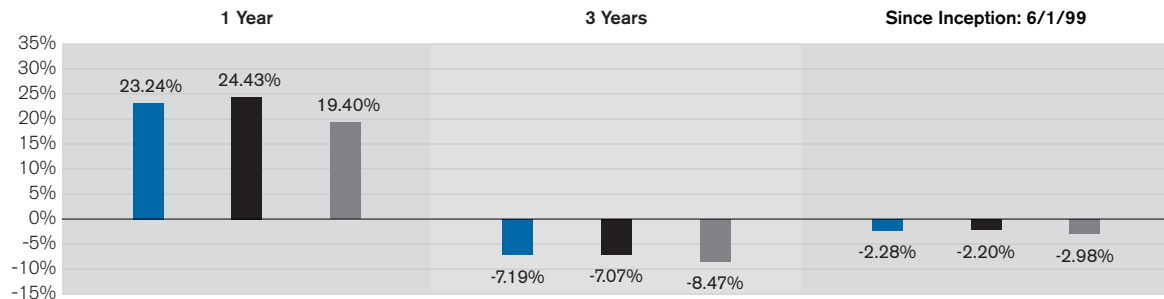
Schwab Total Stock Market Index Fund®

Investor Shares Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Investor Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Investor Shares**
 ■ Benchmark: **Wilshire 5000 Total Market Index**
 ■ Fund Category: **Morningstar Large-Cap Blend**

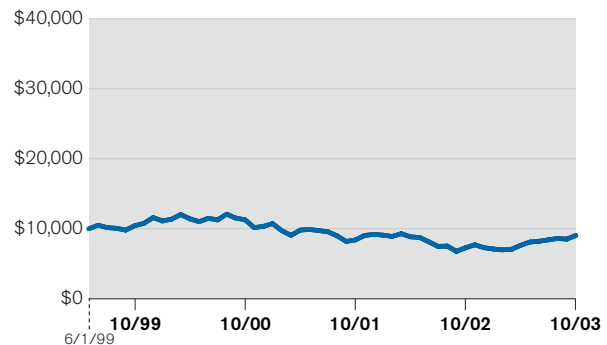


Total Returns After Tax	1 Year	3 Years	Since Inception
Pre-Liquidation (still own shares)	22.69%	-7.53%	-2.56%
Post-Liquidation (shares were sold)	15.00%	-5.82%	-1.94%

Performance of a Hypothetical \$10,000 Investment²

This graph shows performance since inception of a hypothetical \$10,000 investment in the fund's Investor Shares, compared with a similar investment in its benchmark.

■ \$9,030 **Investor Shares**
 ■ \$9,064 **Wilshire 5000 Total Market Index**



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investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

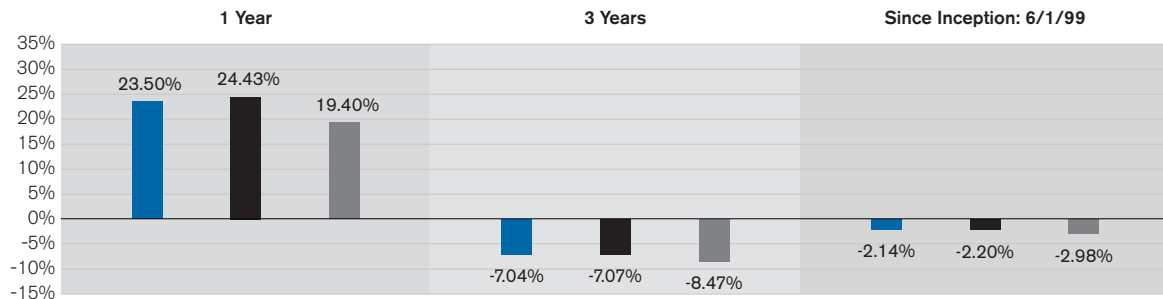
Schwab Total Stock Market Index Fund®

Select Shares® Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Select Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Select Shares**
 ■ Benchmark: **Wilshire 5000 Total Market Index**
 ■ Fund Category: **Morningstar Large-Cap Blend**

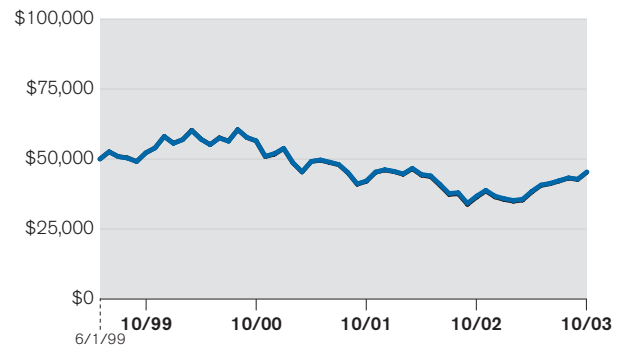


Total Returns After Tax	1 Year	3 Years	Since Inception
Pre-Liquidation (still own shares)	22.89%	-7.43%	-2.45%
Post-Liquidation (shares were sold)	15.16%	-5.73%	-1.85%

Performance of a Hypothetical \$50,000 Investment²

This graph shows performance since inception of a hypothetical \$50,000 investment (the minimum investment for this share class) in the fund's Select Shares, compared with a similar investment in its benchmark.

■ \$45,435 **Select Shares**
 ■ \$45,318 **Wilshire 5000 Total Market Index**



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of fund shares. After-tax returns are calculated using the highest historical individual federal marginal income tax rates in effect as of 10/31/03 and do not reflect the impact of state and local taxes or the alternative minimum tax. Actual returns depend on an investor's situation and may differ from those shown. After-tax returns may not be relevant to investors who hold their fund shares through tax-deferred arrangements. Pre-liquidation after-tax returns reflect the tax effects of purchases and sales of securities within the fund portfolios and assume

investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

Schwab Total Stock Market Index Fund®

Fund Facts as of 10/31/03

Fund Category¹



Statistics

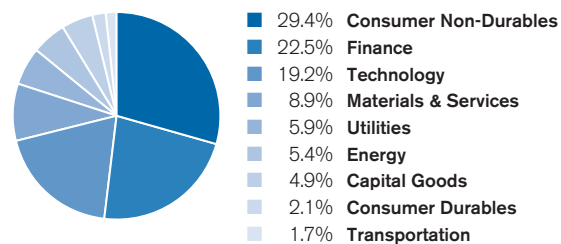
Number of Holdings	3,090
Weighted Average Market Cap (\$ x 1,000,000)	\$69,285
Price/Earnings Ratio (P/E)	22.8
Price/Book Ratio (P/B)	2.9
Portfolio Turnover Rate	3%

Top Holdings²

Security	% of Net Assets
① General Electric Co.	2.3%
② Microsoft Corp.	2.3%
③ Wal-Mart Stores, Inc.	2.1%
④ Citigroup, Inc.	2.0%
⑤ Exxon Mobil Corp.	2.0%
⑥ Pfizer, Inc.	2.0%
⑦ Intel Corp.	1.7%
⑧ American International Group, Inc.	1.3%
⑨ International Business Machines Corp.	1.3%
⑩ Johnson & Johnson	1.2%
Total	18.2%

Sector Weightings % of Portfolio

This chart shows the fund's sector composition as of the report date. A sector is a portion of the overall stock market that is made up of industries whose business components share similar characteristics.



¹ Source: Morningstar, Inc. This style assessment is the result of evaluating the fund based on a ten-factor model for value and growth characteristics. The fund's market capitalization placement is determined by the geometric mean of its holdings' market capitalizations. The assessment reflects the fund's portfolio as of 10/31/03, which may have changed since then, and is not a precise indication of risk or performance—past, present, or future.

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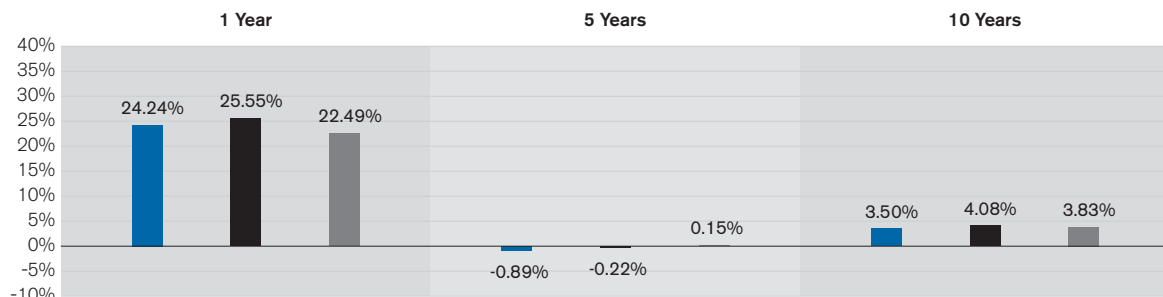
Schwab International Index Fund®

Investor Shares Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1,2}

This bar chart compares pre-tax performance of the fund's Investor Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Investor Shares**
 ■ Benchmark: **Schwab International Index®**
 ■ Fund Category: **Morningstar Foreign Large-Cap Blend**

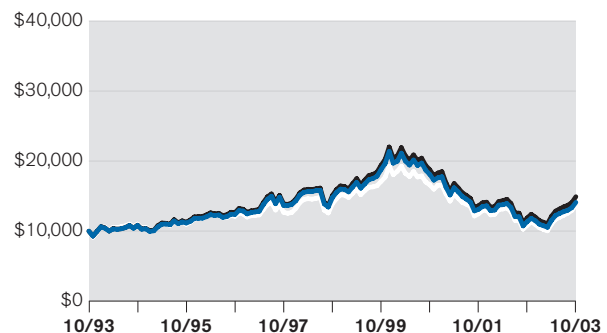


Total Returns After Tax	1 Year	5 Years	10 Years
Pre-Liquidation (still own shares)	23.25%	-1.39%	3.03%
Post-Liquidation (shares were sold)	15.55%	-0.95%	2.63%

Performance of a Hypothetical \$10,000 Investment²

This graph shows performance since inception of a hypothetical \$10,000 investment in the fund's Investor Shares, compared with a similar investment in its benchmark and an additional index.

■ \$14,110 **Investor Shares**
 ■ \$14,917 **Schwab International Index**
 □ \$13,746 **MSCI-EAFE Index**



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investors continue to hold fund shares at the end of the measurement periods. Post-liquidation figures assume investors sold fund shares at the end of the measurement periods and reflect both the effects of taxable distributions and any taxable gains or losses realized upon the sale of shares. Source for category information: Morningstar, Inc. Some funds in this category may not use tax-efficient strategies.

² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

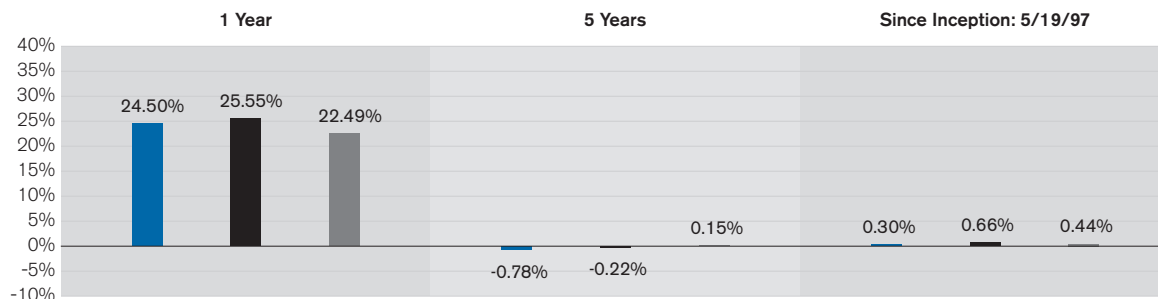
Schwab International Index Fund®

Select Shares® Performance as of 10/31/03

Pre- and Post-Tax Average Annual Total Returns^{1, 2}

This bar chart compares pre-tax performance of the fund's Select Shares with its benchmark and Morningstar category. The table below the chart shows two types of after-tax returns.

■ Fund: **Select Shares**
 ■ Benchmark: **Schwab International Index®**
 ■ Fund Category: **Morningstar Foreign Large-Cap Blend**

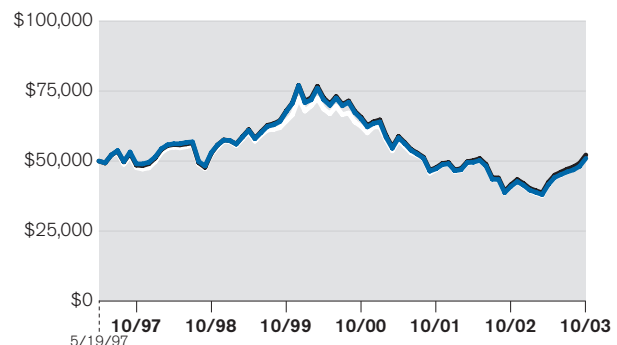


Total Returns After Tax	1 Year	5 Years	Since Inception
Pre-Liquidation (still own shares)	23.45%	-1.32%	-0.20%
Post-Liquidation (shares were sold)	15.71%	-0.88%	0.00%

Performance of a Hypothetical \$50,000 Investment²

This graph shows performance since inception of a hypothetical \$50,000 investment (the minimum investment for this share class) in the fund's Select Shares, compared with a similar investment in its benchmark and an additional index.

■ \$50,980 **Select Shares**
 ■ \$52,179 **Schwab International Index**
 □ \$51,640 **MSCI-EAFE Index**



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² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

Schwab International Index Fund®

Fund Facts as of 10/31/03

Fund Category¹



Top Holdings²

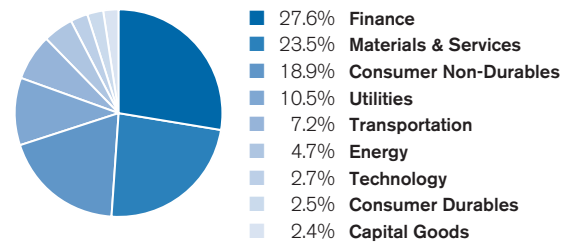
Security	% of Net Assets
① HSBC Holdings PLC	2.9%
② BP PLC	2.7%
③ Vodafone Group PLC	2.6%
④ GlaxoSmithKline PLC	2.3%
⑤ Total Fina Elf SA	1.8%
⑥ Royal Dutch Petroleum Co.	1.7%
⑦ Novartis AG	1.6%
⑧ Nestle SA	1.6%
⑨ AstraZeneca PLC	1.5%
⑩ Toyota Motor Corp.	1.4%
Total	20.1%

Statistics

Number of Holdings	355
Weighted Average Market Cap (\$ x 1,000,000)	\$46,938
Price/Earnings Ratio (P/E)	28.5
Price/Book Ratio (P/B)	2.0
Portfolio Turnover Rate	7%

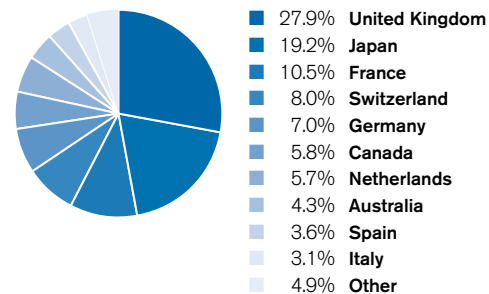
Sector Weightings % of Portfolio

This chart shows the fund's sector composition as of the report date. A sector is a portion of the overall stock market that is made up of industries whose business components share similar characteristics.



Country Weightings % of Portfolio

This chart shows the fund's country composition as of the report date.



¹ Source: Morningstar, Inc. This style assessment is the result of evaluating the fund based on a ten-factor model for value and growth characteristics. The fund's market capitalization placement is determined by the geometric mean of its holdings' market capitalizations. The assessment reflects the fund's portfolio as of 10/31/03, which may have changed since then, and is not a precise indication of risk or performance—past, present, or future.

² This list is not a recommendation of any security by the investment adviser. Portfolio holdings may have changed since the report date.

Schwab S&P 500 Fund

Financial Statements

Financial Highlights

Investor Shares	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	13.79	16.45	22.15	21.17	17.05
Income or loss from investment operations:					
Net investment income	0.20	0.20	0.17	0.17	0.17
Net realized and unrealized gains or losses	2.57	(2.68)	(5.70)	1.06	4.10
Total income or loss from investment operations	2.77	(2.48)	(5.53)	1.23	4.27
Less distributions:					
Dividends from net investment income	(0.20)	(0.18)	(0.17)	(0.18)	(0.15)
Distributions from net realized gains	–	–	–	(0.07)	–
Total distributions	(0.20)	(0.18)	(0.17)	(0.25)	(0.15)
Net asset value at end of period	16.36	13.79	16.45	22.15	21.17
Total return (%)	20.39	(15.32)	(25.11)	5.81	25.20
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.36	0.35	0.35	0.35 ¹	0.35
Gross operating expenses	0.46	0.46	0.46	0.52	0.62
Net investment income	1.45	1.21	0.95	0.81	1.01
Portfolio turnover rate	3	8	4	9	3
Net assets, end of period (\$ x 1,000,000)	3,510	2,760	3,070	3,617	3,183

¹ The ratio of net operating expenses would have been 0.36% if certain non-routine expenses (proxy fees) had been included.

Financial Highlights

Select Shares [®]	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	13.83	16.50	22.21	21.23	17.09
Income or loss from investment operations:					
Net investment income	0.24	0.22	0.20	0.20	0.20
Net realized and unrealized gains or losses	2.57	(2.69)	(5.71)	1.06	4.12
Total income or loss from investment operations	2.81	(2.47)	(5.51)	1.26	4.32
Less distributions:					
Dividends from net investment income	(0.23)	(0.20)	(0.20)	(0.21)	(0.18)
Distributions from net realized gains	—	—	—	(0.07)	—
Total distributions	(0.23)	(0.20)	(0.20)	(0.28)	(0.18)
Net asset value at end of period	16.41	13.83	16.50	22.21	21.23
Total return (%)	20.62	(15.20)	(24.97)	5.94	25.42
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.19	0.19	0.19	0.19 ¹	0.19
Gross operating expenses	0.31	0.31	0.31	0.36	0.47
Net investment income	1.63	1.37	1.11	0.98	1.17
Portfolio turnover rate	3	8	4	9	3
Net assets, end of period (\$ x 1,000,000)	3,692	3,029	3,563	4,357	3,750

¹ The ratio of net operating expenses would have been 0.20% if certain non-routine expenses (proxy fees) had been included.

e.Shares®	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	13.79	16.46	22.17	21.21	17.08
Income or loss from investment operations:					
Net investment income	0.23	0.23	0.20	0.20	0.20
Net realized and unrealized gains or losses	2.56	(2.71)	(5.71)	1.04	4.09
Total income or loss from investment operations	2.79	(2.48)	(5.51)	1.24	4.29
Less distributions:					
Dividends from net investment income	(0.21)	(0.19)	(0.20)	(0.21)	(0.16)
Distributions from net realized gains	—	—	—	(0.07)	—
Total distributions	(0.21)	(0.19)	(0.20)	(0.28)	(0.16)
Net asset value at end of period	16.37	13.79	16.46	22.17	21.21
Total return (%)	20.55	(15.32)	(25.02)	5.84	25.28
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.28	0.28	0.28	0.28 ¹	0.28
Gross operating expenses	0.31	0.31	0.31	0.36	0.48
Net investment income	1.54	1.28	1.02	0.88	1.08
Portfolio turnover rate	3	8	4	9	3
Net assets, end of period (\$ x 1,000,000)	246	220	304	441	435

¹ The ratio of net operating expenses would have been 0.29% if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of October 31, 2003

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

We use the symbols below to designate certain characteristics. With the top ten holdings, the number in the circle is the security's rank among the top ten.

- ① Top ten holding
- Non-income producing security
- ▲ Collateral for open futures contracts
- Issuer is affiliated with the fund's adviser

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
99.8% Common Stock	7,270,728	7,431,392
0.1% Short-Term Investment	9,324	9,324
0.0% U.S. Treasury Obligations	838	839
99.9% Total Investments	7,280,890	7,441,555
16.2% Collateral Invested for Securities on Loan	1,208,122	1,208,122
(16.1)% Other Assets and Liabilities, Net		(1,202,293)
100.0% Total Net Assets		7,447,384

Security and Number of Shares

Mkt. Value
(\$ x 1,000)

Common Stock 99.8% of net assets**Aerospace / Defense 1.6%**

The Boeing Co.	644,022	24,788
Crane Co.	44,919	1,262
General Dynamics Corp.	149,982	12,553
Goodrich Corp.	88,739	2,451
Lockheed Martin Corp.	345,596	16,022
Northrop Grumman Corp.	142,372	12,728
Raytheon Co.	315,772	8,362
Rockwell Automation, Inc.	139,698	4,338
Rockwell Collins, Inc.	135,398	3,717
Textron, Inc.	104,629	5,199
United Technologies Corp.	358,313	30,345
		121,765

Security and Number of Shares

Mkt. Value
(\$ x 1,000)

Air Transportation 1.3%

Delta Air Lines, Inc.	94,113	1,225
FedEx Corp.	229,042	17,352
Sabre Holdings Corp.	106,153	2,326
Southwest Airlines Co.	597,218	11,586
United Parcel Service, Inc., Class B	860,669	62,416
		94,905

Alcoholic Beverages 0.5%

Adolph Coors Co., Class B	26,531	1,487
Anheuser-Busch Cos., Inc.	633,134	31,188
Brown-Forman Corp., Class B	45,734	3,859
		36,534

Apparel 0.3%

Jones Apparel Group, Inc.	96,343	3,324
Liz Claiborne, Inc.	83,728	3,089
Nike, Inc., Class B	203,117	12,978
Reebok International Ltd.	43,859	1,708
VF Corp.	84,078	3,569
		24,668

Automotive Products / Motor Vehicles 1.1%

Cooper Tire & Rubber Co.	52,866	1,039
Cummins, Inc.	33,451	1,586
Dana Corp.	110,209	1,794
Danaher Corp.	117,589	9,742
Delphi Corp.	420,900	3,746
Eaton Corp.	57,948	5,809
Ford Motor Co.	1,396,612	16,941
General Motors Corp.	428,528	18,285
Genuine Parts Co.	132,090	4,203
• Goodyear Tire & Rubber Co.	123,681	849
Harley-Davidson, Inc.	232,933	11,043
• Navistar International Corp.	50,800	2,054
Visteon Corp.	99,156	641
		77,732

Banks 7.7%

AmSouth Bancorp.	267,065	6,308
Bank of America Corp.	1,145,433	86,744

Schwab S&P 500 Fund

Security and Number of Shares	Mkt. Value (\$ x 1,000)
The Bank of New York Co., Inc. 590,514	18,418
Bank One Corp. 863,815	36,669
BB&T Corp. 410,959	15,892
Comerica, Inc. 133,259	6,860
Fifth Third Bancorp 437,905	25,381
First Tennessee National Corp. 96,900	4,395
FleetBoston Financial Corp. 803,127	32,438
Huntington Bancshares, Inc. 171,950	3,724
J.P. Morgan Chase & Co. 1,559,224	55,976
KeyCorp, Inc. 321,765	9,090
Marshall & Ilsley Corp. 173,996	6,233
Mellon Financial Corp. 327,413	9,780
National City Corp. 470,473	15,366
North Fork Bancorp., Inc. 119,300	4,650
Northern Trust Corp. 167,112	7,762
PNC Financial Services Group, Inc. 215,427	11,540
Regions Financial Corp. 170,436	6,264
SouthTrust Corp. 260,207	8,288
State Street Corp. 256,511	13,431
SunTrust Banks, Inc. 215,349	14,444
Synovus Financial Corp. 228,432	6,305
U.S. Bancorp 1,471,491	40,054
Union Planters Corp. 149,052	4,959
Wachovia Corp. 1,017,821	46,687
Wells Fargo & Co. 1,284,657	72,352
Zions Bancorp. 70,147	4,299
	574,309

Business Machines & Software 9.6%

Adobe Systems, Inc. 179,789	7,882
• Apple Computer, Inc. 278,276	6,370
Autodesk, Inc. 83,954	1,616
• BMC Software, Inc. 172,408	2,996
• Cisco Systems, Inc. 5,366,183	112,582
• Compuware Corp. 281,522	1,582
• Comverse Technology, Inc. 142,615	2,573
• Dell, Inc. 1,964,932	70,973
• EMC Corp. 1,678,655	23,233
• Gateway, Inc. 234,837	1,184
Hewlett-Packard Co. 2,332,278	52,033

Security and Number of Shares	Mkt. Value (\$ x 1,000)
⑨ International Business Machines Corp. 1,325,093	118,569
• Lexmark International, Inc., Class A 100,530	7,400
▲② Microsoft Corp. 8,270,090	216,263
• NCR Corp. 73,899	2,656
• Network Appliance, Inc. 261,047	6,443
• Novell, Inc. 278,565	1,635
• Oracle Corp. 4,004,749	47,897
Pitney Bowes, Inc. 179,015	7,357
• Siebel Systems, Inc. 370,966	4,670
• Sun Microsystems, Inc. 2,446,358	9,688
• Unisys Corp. 248,827	3,822
• Xerox Corp. 602,360	6,325
	715,749

Business Services 3.9%

• Allied Waste Industries, Inc. 157,115	1,772
• Apollo Group, Inc., Class A 136,300	8,659
Automatic Data Processing, Inc. 455,682	17,197
• Cendant Corp. 771,954	15,771
Cintas Corp. 130,305	5,559
• Citrix Systems, Inc. 130,566	3,301
Computer Associates International, Inc. 443,166	10,423
• Computer Sciences Corp. 142,718	5,655
• Concord EFS, Inc. 378,471	4,046
• Convergys Corp. 110,751	1,779
Deluxe Corp. 42,466	1,714
• eBay, Inc. 493,070	27,582
Electronic Data Systems Corp. 363,921	7,806
Equifax, Inc. 107,607	2,630
First Data Corp. 567,264	20,251
• Fiserv, Inc. 146,264	5,166
H&R Block, Inc. 136,187	6,413
IMS Health, Inc. 183,907	4,327
• Interpublic Group of Cos., Inc. 298,357	4,440
• Intuit, Inc. 156,279	7,811
• Mercury Interactive Corp. 66,943	3,109
• Monster Worldwide, Inc. 83,965	2,139
Omnicom Group, Inc. 147,364	11,760

See financial notes. 27

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Parametric Technology Corp. 187,230	582	Newell Rubbermaid, Inc. 209,537	4,777
Paychex, Inc. 289,062	11,250	Whirlpool Corp. 53,431	3,765
• PeopleSoft, Inc. 271,701	5,641		15,849
• Robert Half International, Inc. 128,524	3,034		
• Sungard Data Systems, Inc. 218,305	6,124		
• Symantec Corp. 116,401	7,758		
Tyco International Ltd. 1,525,900	31,861		
• Veritas Software Corp. 324,242	11,721		
Waste Management, Inc. 451,805	11,711		
• Yahoo!, Inc. 494,829	21,624		
	290,616		
Chemicals 1.4%		Containers 0.1%	
Air Products & Chemicals, Inc. 175,301	7,960	Ball Corp. 44,056	2,476
Dow Chemical Co. 700,650	26,408	Bemis Co. 40,729	1,883
E.I. du Pont de Nemours & Co. 762,438	30,803	• Pactiv Corp. 122,064	2,691
Eastman Chemical Co. 59,183	1,921	• Sealed Air Corp. 63,771	3,395
Ecolab, Inc. 198,798	5,346		10,445
Great Lakes Chemical Corp. 35,237	758		
• Hercules, Inc. 82,003	857		
Monsanto Co. 197,498	4,947		
PPG Industries, Inc. 132,163	7,619		
Praxair, Inc. 127,294	8,857		
Rohm & Haas Co. 170,959	6,719		
Sigma-Aldrich Corp. 52,726	2,765		
	104,960		
Construction 0.4%		Electronics 6.2%	
Centex Corp. 48,868	4,765	• ADC Telecommunications, Inc. 603,138	1,538
Fluor Corp. 64,302	2,384	• Advanced Micro Devices, Inc. 259,913	3,951
KB Home 34,866	2,388	• Agilent Technologies, Inc. 360,875	8,993
Masco Corp. 357,473	9,831	• Altera Corp. 290,881	5,885
Pulte Homes, Inc. 46,575	4,029	American Power Conversion Corp. 153,555	3,106
The Sherwin-Williams Co. 114,364	3,836	• Analog Devices, Inc. 277,883	12,319
The Stanley Works 62,640	2,088	• Andrew Corp. 114,924	1,503
Vulcan Materials Co. 78,918	3,497	• Applied Materials, Inc. 1,264,942	29,562
	32,818	• Applied Micro Circuits Corp. 226,273	1,317
		• Broadcom Corp., Class A 224,933	7,187
		• CIENA Corp. 351,972	2,256
		⑦ Intel Corp. 4,981,205	164,629
		ITT Industries, Inc. 73,010	4,964
		• Jabil Circuit, Inc. 149,319	4,159
		• JDS Uniphase Corp. 1,081,585	3,840
		• KLA-Tencor Corp. 147,010	8,428
		Linear Technology Corp. 239,108	10,188
		• LSI Logic Corp. 285,590	2,639
		• Lucent Technologies, Inc. 3,170,104	10,144
		Maxim Integrated Products, Inc. 248,749	12,365
		• Micron Technology, Inc. 465,235	6,671
		Molex, Inc. 146,907	4,611
		Motorola, Inc. 1,779,352	24,075
		• National Semiconductor Corp. 138,754	5,638
		• Novellus Systems, Inc. 115,539	4,771
		• Nvidia Corp. 116,965	2,068
		PerkinElmer, Inc. 92,308	1,662
		• PMC - Sierra, Inc. 128,086	2,327
Consumer Durables 0.2%			
Black & Decker Corp. 58,086	2,777		
Leggett & Platt, Inc. 146,312	3,057		
Maytag Corp. 57,971	1,473		

Schwab S&P 500 Fund

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Power-One, Inc. 62,573	567	Hershey Foods Corp. 101,553	7,830
• QLogic Corp. 70,738	3,965	Kellogg Co. 310,527	10,288
Qualcomm, Inc. 605,918	28,781	McCormick & Co., Inc. 106,601	3,160
• Sanmina—SCI Corp. 398,529	4,204	The Pepsi Bottling Group, Inc. 210,342	4,689
Scientific — Atlanta, Inc. 112,699	3,336	PepsiCo, Inc. 1,322,394	63,237
• Soletron Corp. 623,609	3,455	Sara Lee Corp. 591,138	11,781
Symbol Technologies, Inc. 173,927	2,172	Supervalu, Inc. 102,901	2,595
Tektronix, Inc. 65,499	1,681	Sysco Corp. 496,710	16,719
• Tellabs, Inc. 312,653	2,354	Wm. Wrigley Jr. Co. 174,311	9,831
• Teradyne, Inc. 140,324	3,197		271,670
Texas Instruments, Inc. 1,322,847	38,257		
• Thermo Electron Corp. 123,063	2,705	Gold 0.2%	
• Thomas & Betts Corp. 44,556	793	Newmont Mining Corp. 310,851	13,609
• Waters Corp. 96,300	3,027	Healthcare / Drugs & Medicine 12.9%	
• Xilinx, Inc. 259,666	8,231	Abbott Laboratories 1,193,733	50,877
	457,521	Allergan, Inc. 99,596	7,531
Energy: Raw Materials 1.3%		AmerisourceBergen Corp. 85,453	4,851
Anadarko Petroleum Corp. 191,717	8,363	• Amgen, Inc. 986,839	60,947
Apache Corp. 126,190	8,798	• Anthem, Inc. 105,740	7,236
Baker Hughes, Inc. 256,086	7,237	Applied Biosystems Group — Applera Corp. 157,833	3,643
• BJ Services Co. 119,400	3,917	Bausch & Lomb, Inc. 39,537	1,904
Burlington Resources, Inc. 154,522	7,516	Baxter International, Inc. 463,802	12,328
Devon Energy Corp. 178,337	8,649	Becton Dickinson & Co. 194,976	7,128
EOG Resources, Inc. 90,133	3,798	• Biogen, Inc. 113,407	4,590
Halliburton Co. 333,008	7,952	Biomet, Inc. 194,456	6,973
• Noble Corp. 103,457	3,552	• Boston Scientific Corp. 314,266	21,282
Occidental Petroleum Corp. 291,610	10,282	Bristol-Myers Squibb Co. 1,480,008	37,548
• Rowan Cos., Inc. 69,670	1,669	C.R. Bard, Inc. 41,129	3,292
Schlumberger Ltd. 445,787	20,939	Cardinal Health, Inc. 342,274	20,311
	92,672	• Chiron Corp. 142,078	7,762
Food & Agriculture 3.7%		Eli Lilly & Co. 857,927	57,155
Archer-Daniels-Midland Co. 487,407	6,994	• Express Scripts, Inc. 60,000	3,295
Campbell Soup Co. 314,009	8,139	• Forest Laboratories, Inc. 280,240	14,015
The Coca-Cola Co. 1,881,619	87,307	• Genzyme Corp. — General Division 169,186	7,766
Coca-Cola Enterprises, Inc. 342,039	6,896	Guidant Corp. 235,874	12,032
ConAgra Foods, Inc. 410,504	9,786	HCA, Inc. 379,922	14,532
General Mills, Inc. 287,030	12,873	Health Management Associates, Inc., Class A 180,429	3,996
H.J. Heinz Co. 270,171	9,545		

See financial notes. 29

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Humana, Inc. 124,343	2,523	AON Corp. 238,426	5,221
⑩ Johnson & Johnson 2,272,356	114,368	Chubb Corp. 143,077	9,559
• King Pharmaceuticals, Inc. 187,724	2,515	CIGNA Corp. 108,571	6,194
Manor Care, Inc. 67,759	2,255	Cincinnati Financial Corp. 123,208	5,042
McKesson Corp. 220,583	6,677	Hartford Financial Services Group, Inc. 215,567	11,835
• Medco Health Solutions, Inc. 204,639	6,794	Jefferson-Pilot Corp. 110,614	5,281
• Medimmune, Inc. 193,581	5,161	John Hancock Financial Services, Inc. 222,007	7,848
Medtronic, Inc. 932,124	42,477	Lincoln National Corp. 137,597	5,494
Merck & Co., Inc. 1,713,842	75,838	Loews Corp. 142,787	6,140
④ Pfizer, Inc. 5,955,711	188,200	Marsh & McLennan Cos., Inc. 409,020	17,486
• Quest Diagnostics 81,055	5,483	MBIA, Inc. 110,393	6,580
Schering-Plough Corp. 1,121,384	17,124	Metlife, Inc. 582,118	18,278
• St. Jude Medical, Inc. 131,142	7,627	MGIC Investment Corp. 77,579	3,980
Stryker Corp. 153,897	12,483	Principal Financial Group, Inc. 246,724	7,735
• Tenet Healthcare Corp. 360,505	4,975	The Progressive Corp. 166,968	12,322
UnitedHealth Group, Inc. 455,766	23,189	Prudential Financial, Inc. 419,100	16,194
• Watson Pharmaceuticals, Inc. 83,237	3,269	Safeco Corp. 104,621	3,839
• WellPoint Health Networks, Inc. 111,422	9,905	St. Paul Cos., Inc. 174,394	6,650
Wyeth 1,020,382	45,040	Torchmark Corp. 86,710	3,805
• Zimmer Holdings, Inc. 176,192	11,243	Travelers Property Casualty Corp., Class B 765,599	12,533
	958,140	UnumProvident Corp. 225,526	3,692
		XL Capital Ltd., Class A 104,565	7,267
			360,290
Household Products 2.3%		Media 3.8%	
Alberto-Culver Co., Class B 43,951	2,786	Clear Channel Communications, Inc. 471,722	19,256
Avon Products, Inc. 181,527	12,337	• Comcast Corp., Class A 1,722,610	58,431
Clorox Co. 165,110	7,479	Dow Jones & Co., Inc. 64,009	3,327
Colgate-Palmolive Co. 412,739	21,954	Gannett Co., Inc. 205,769	17,307
The Gillette Co. 780,677	24,904	Knight-Ridder, Inc. 61,087	4,479
International Flavors & Fragrances, Inc. 69,728	2,308	The McGraw-Hill Cos., Inc. 148,062	9,913
Procter & Gamble Co. 992,513	97,554	Meredith Corp. 39,218	1,903
	169,322	New York Times Co., Class A 113,850	5,411
		R.R. Donnelley & Sons Co. 83,996	2,184
Insurance 4.8%		• Time Warner, Inc. 3,450,276	52,755
ACE Ltd. 212,000	7,632	Tribune Co. 239,639	11,754
Aetna, Inc. 117,847	6,766	• Univision Communications, Inc., Class A 245,184	8,324
AFLAC, Inc. 393,064	14,339		
The Allstate Corp. 537,300	21,223		
AMBAC Financial Group, Inc. 83,554	5,911		
⑧ American International Group, Inc. 1,996,450	121,444		

Schwab S&P 500 Fund

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Viacom, Inc., Class B 1,341,869	53,500	Technology 264,552	8,664
The Walt Disney Co. 1,564,105	35,411	Mattel, Inc. 335,693	6,499
	283,955	McDonald's Corp. 972,896	24,332
Miscellaneous 0.6%		• Starbucks Corp. 298,059	9,419
3M Co. 598,376	47,194	Tupperware Corp. 43,789	659
Miscellaneous Finance 8.1%		Wendy's International, Inc. 85,337	3,162
American Express Co. 983,481	46,155	• Yum! Brands, Inc. 222,998	7,613
The Bear Stearns Cos., Inc. 75,729	5,774		85,408
Capital One Financial Corp. 173,711	10,562	Non-Ferrous Metals 0.4%	
■ The Charles Schwab Corp. 1,031,750	13,991	Alcoa, Inc. 646,687	20,416
Charter One Financial, Inc. 173,453	5,544	Engelhard Corp. 95,939	2,742
⑤ Citigroup, Inc. 3,942,239	186,862	Freeport-McMoran Copper & Gold, Inc., Class B 126,715	4,910
Countrywide Financial Corp. 105,616	11,102	• Phelps Dodge Corp. 68,480	4,228
Fannie Mae 744,727	53,389		32,296
Federated Investors, Inc., Class B 81,300	2,248	Oil: Domestic 0.9%	
Franklin Resources, Inc. 193,688	9,185	Amerada Hess Corp. 70,261	3,627
Freddie Mac 533,902	29,968	Ashland, Inc. 53,145	1,979
Golden West Financial Corp. 116,305	11,680	ConocoPhillips 521,248	29,789
Goldman Sachs Group, Inc. 361,500	33,945	Kerr-McGee Corp. 75,470	3,132
Janus Capital Group, Inc. 178,307	2,521	Marathon Oil Corp. 236,579	6,996
Lehman Brothers Holdings, Inc. 186,004	13,392	• Nabors Industries Ltd. 111,107	4,200
MBNA Corp. 977,593	24,195	Sunoco, Inc. 57,302	2,508
Merrill Lynch & Co., Inc. 716,334	42,407	• Transocean, Inc. 240,599	4,617
Moody's Corp. 116,409	6,732	Unocal Corp. 197,422	6,254
Morgan Stanley 831,439	45,621		63,102
• Provident Financial Corp. 216,172	2,402	Oil: International 3.3%	
SLM Corp. 343,683	13,459	ChevronTexaco Corp. 818,957	60,848
T. Rowe Price Group, Inc. 95,307	3,922	⑥ Exxon Mobil Corp. 5,078,347	185,766
Washington Mutual, Inc. 706,221	30,897		246,614
	605,953	Optical & Photo 0.2%	
Non-Durables & Entertainment 1.2%		• Corning, Inc. 1,013,875	11,132
• American Greetings Corp., Class A 56,888	1,214	Eastman Kodak Co. 220,974	5,399
Darden Restaurants, Inc. 126,412	2,648		16,531
• Electronic Arts, Inc. 111,378	11,031	Paper & Forest Products 0.8%	
Fortune Brands, Inc. 112,791	7,348	Boise Cascade Corp. 43,653	1,225
Hasbro, Inc. 129,312	2,819	Georgia-Pacific Corp. 193,318	5,080
International Game		International Paper Co. 364,813	14,355

See financial notes. 31

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Kimberly-Clark Corp. 388,900	20,538	ProLogis 138,400	4,088
• Louisiana-Pacific Corp. 79,408	1,510	Simon Property Group, Inc. 145,800	6,573
MeadWestvaco Corp. 151,777	3,934		32,113
Temple-Inland, Inc. 41,926	2,265		
Weyerhaeuser Co. 168,097	10,125		
	59,032		
Producer Goods & Manufacturing 4.8%		Retail 7.4%	
• American Standard Cos., Inc. 55,900	5,350	Albertson's, Inc. 282,510	5,732
Avery Dennison Corp. 83,772	4,405	• Autonation, Inc. 214,100	4,004
Caterpillar, Inc. 263,101	19,280	• AutoZone, Inc. 68,977	6,629
Cooper Industries Ltd., Class A 72,442	3,832	• Bed, Bath & Beyond, Inc. 226,687	9,575
Deere & Co. 182,292	11,051	• Best Buy Co., Inc. 247,472	14,430
Dover Corp. 153,706	5,998	• Big Lots, Inc. 87,567	1,314
Emerson Electric Co. 322,181	18,284	Circuit City Stores, Inc. 158,574	1,513
▲ General Electric Co. 7,662,270	222,282	• Costco Wholesale Corp. 349,933	12,377
Honeywell International, Inc. 655,680	20,070	CVS Corp. 299,627	10,541
Illinois Tool Works, Inc. 238,165	17,517	Dillards, Inc., Class A 62,888	1,017
Ingersoll-Rand Co., Class A 132,964	8,031	Dollar General Corp. 253,824	5,704
Johnson Controls, Inc. 69,334	7,455	Family Dollar Stores, Inc. 132,990	5,800
• Millipore Corp. 37,784	1,657	Federated Department Stores, Inc. 143,646	6,830
Pall Corp. 92,974	2,176	The Gap, Inc. 682,936	13,030
Parker Hannifin Corp. 91,418	4,660	Home Depot, Inc. 1,756,211	65,103
Snap-On, Inc. 44,189	1,296	J.C. Penney Co., Inc. Holding Co. 208,006	4,919
W.W. Grainger, Inc. 68,199	3,122	• Kohl's Corp. 259,771	14,565
	356,466	• Kroger Co. 571,485	9,995
		Limited Brands, Inc. 397,498	6,996
Railroad & Shipping 0.4%		Lowe's Cos., Inc. 600,019	35,359
Burlington Northern Santa Fe Corp. 284,277	8,227	The May Department Stores Co. 217,801	6,090
CSX Corp. 163,740	5,210	Nordstrom, Inc. 104,076	3,173
Norfolk Southern Corp. 294,282	5,930	• Office Depot, Inc. 233,133	3,481
Union Pacific Corp. 197,337	12,353	RadioShack Corp. 126,108	3,782
	31,720	• Safeway, Inc. 337,377	7,119
Real Property 0.4%		Sears, Roebuck & Co. 218,510	11,500
Apartment Investment & Management Co., Class A 72,500	2,965	• Staples, Inc. 373,442	10,016
Equity Office Properties Trust 306,006	8,571	Target Corp. 697,715	27,727
Equity Residential 208,829	6,108	Tiffany & Co. 109,553	5,198
Plum Creek Timber Co., Inc. 144,500	3,808	TJX Cos., Inc. 392,966	8,248
		• Toys 'R' Us, Inc. 160,316	2,084
		▲ Wal-Mart Stores, Inc. 3,343,641	197,108
		Walgreen Co. 782,744	27,255
		Winn-Dixie Stores, Inc. 105,395	853
			549,067

Schwab S&P 500 Fund

Security and Number of Shares	Mkt. Value (\$ x 1,000)
Steel 0.1%	
Allegheny Technologies, Inc. 60,584	463
Nucor Corp. 58,905	3,230
United States Steel Corp. 75,446	1,784
Worthington Industries, Inc. 69,657	1,016
	6,493

Telephone 3.4%

Alltel Corp. 237,668	11,235
AT&T Corp. 602,440	11,199
• AT&T Wireless Services, Inc. 2,068,032	14,993
• Avaya, Inc. 316,675	4,098
BellSouth Corp. 1,410,708	37,116
CenturyTel, Inc. 109,133	3,902
• Citizens Communications Co. 211,157	2,629
• Nextel Communications, Inc., Class A 788,871	19,091
• Qwest Communications International, Inc. 1,282,142	4,526
SBC Communications, Inc. 2,540,633	60,924
Sprint Corp. (FON Group) 688,155	11,010
• Sprint Corp. (PCS Group) 788,062	3,428
Verizon Communications, Inc. 2,107,422	70,809
	254,960

Tobacco 1.1%

Altria Group, Inc. 1,553,865	72,255
R.J. Reynolds Tobacco Holdings, Inc. 63,900	3,069
UST, Inc. 125,374	4,265
	79,589

Travel & Recreation 0.5%

Brunswick Corp. 66,972	1,987
Carnival Corp. 480,912	16,789
Harrah's Entertainment, Inc. 86,097	3,745
Hilton Hotels Corp. 284,697	4,510
Marriott International, Inc., Class A 178,134	7,695
Starwood Hotels & Resorts Worldwide, Inc. 153,921	5,192
	39,918

Security and Number of Shares	Mkt. Value (\$ x 1,000)
Trucking & Freight 0.1%	
Paccar, Inc. 89,970	7,104
Ryder Systems, Inc. 50,813	1,524
	8,628

Utilities: Electric & Gas 2.8%

• The AES Corp. 472,190	4,132
• Allegheny Energy, Inc. 93,242	987
Ameren Corp. 124,880	5,576
American Electric Power Co., Inc. 300,085	8,459
• Calpine Corp. 283,341	1,306
Centerpoint Energy, Inc. 226,615	2,223
Cinergy Corp. 136,058	4,940
• CMS Energy Corp. 109,346	888
Consolidated Edison, Inc. 171,470	6,939
Constellation Energy Group, Inc. 128,786	4,684
Dominion Resources, Inc. 246,282	15,171
DTE Energy Co. 130,383	4,809
Duke Energy Corp. 690,912	12,540
• Dynegy, Inc., Class A 276,351	1,108
• Edison International 247,077	4,870
El Paso Corp. 457,625	3,359
Entergy Corp. 174,608	9,411
Exelon Corp. 250,396	15,888
FirstEnergy Corp. 247,745	8,520
FPL Group, Inc. 139,198	8,873
KeySpan Corp. 122,365	4,279
Kinder Morgan, Inc. 93,339	4,998
Nicor, Inc. 31,789	1,090
NiSource, Inc. 200,255	4,147
Peoples Energy Corp. 27,820	1,125
• PG&E Corp. 315,720	7,719
Pinnacle West Capital Corp. 70,250	2,568
PPL Corp. 134,648	5,375
Progress Energy, Inc. 185,355	7,989
Public Service Enterprise Group, Inc. 174,439	7,129
Sempra Energy 170,781	4,748
The Southern Co. 555,055	16,541
TECO Energy, Inc. 142,669	1,873

See financial notes. 33

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)
TXU Corp. 244,850	5,588
Williams Cos., Inc. 390,973	3,988
Xcel Energy, Inc. 301,175	4,939
	208,779

Short-Term Investment
 0.1% of net assets

Provident Institutional TempFund 9,323,808	9,324
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Security Rate, maturity date	Face value (\$ x 1,000)
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U.S. Treasury Obligations
 0.0% of net assets

▲ U.S. Treasury Bills 0.82%-0.93%, 12/18/03 840	839
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End of investments. For totals, please see the first page of holdings for this fund.

Security Rate, maturity date	Face value (\$ x 1,000)
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Collateral Invested for Securities on Loan
 16.2% of net assets
Commercial Paper & Other Corporate Obligations

American Express Centurion Bank 1.11%, 12/12/03 21,686	21,686
1.11%, 01/27/04 24,508	24,508
American Express Credit Corp. 1.11%, 04/16/04 24,676	24,676
1.09%, 05/13/04 21,248	21,248
Canadian Imperial Bank Corp. 1.09%, 05/28/04 24,965	24,965
CC USA, Inc. 1.08%, 11/17/03 8,073	8,056

Security Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Concord Minutemen Capital Corp.		
1.11%, 01/09/04	38,078	37,978
1.08%, 11/14/03	16,884	16,852
1.08%, 11/18/03	38,674	38,594
1.07%, 11/19/03	39,095	39,065
Crown Point Funding Corp.		
1.11%, 01/16/04	33,641	33,559
1.08%, 11/14/03	21,970	21,926
Depfa Bank PLC		
1.08%, 11/18/03	30,539	30,456
Fairway Finance Corp.		
1.10%, 01/12/04	61,443	61,267
General Electric Capital Corp.		
1.08%, 05/10/04	13,115	13,115
Lexington Parker		
1.07%, 11/06/03	25,960	25,936
Svenska Handelsbanken		
1.39%, 10/27/04	18,012	18,010
Tulip Funding Corp.		
1.07%, 11/10/03	24,004	23,981
Westdeutsche Landesbank AG		
1.09%, 09/23/04	25,550	25,545
1.09%, 09/29/04	25,840	25,834
1.08%, 10/12/04	5,080	5,080
		542,337

Short-Term Investments

Wells Fargo Bank, Time Deposit 1.06%, 11/03/03 80,842	80,842
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Security and Number of Shares**Other Investment Companies**

Institutional Money Market Trust 584,942,519	584,943
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End of collateral invested for securities on loan. For totals, please see the first page of holdings for this fund.

Schwab S&P 500 Fund

Statement of

Assets and Liabilities

As of October 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$1,166,865 of securities on loan)	\$7,441,555
Collateral held for securities on loan	1,208,122
Receivables:	
Fund shares sold	8,247
Interest	9
Dividends	9,970
Investments sold	1,517
Due from broker for futures	11
Income from securities on loan	121
Prepaid expenses	+ 84
Total assets	8,669,636

Liabilities

Collateral held for securities on loan	1,208,122
Payables:	
Fund shares redeemed	13,002
Investments bought	358
Investment adviser and administrator fees	39
Transfer agent and shareholder service fees	40
Accrued expenses	+ 691
Total liabilities	1,222,252

Net Assets

Total assets	8,669,636
Total liabilities	- 1,222,252
Net assets	\$7,447,384

Net Assets by Source

Capital received from investors	7,837,028
Net investment income not yet distributed	80,919
Net realized capital losses	(631,612)
Net unrealized capital gains	161,049

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$3,510,048		214,555		\$16.36
Select Shares®	\$3,691,726		224,944		\$16.41
e.Shares®	\$245,610		15,007		\$16.37

Unless stated, all numbers x 1,000.

The fund paid \$7,280,890 for these securities. Not counting short-term obligations and government securities, the fund paid \$505,804 for securities during the report period and received \$214,532 from securities it sold or that matured.

These derive from investments and futures. As of the report date, the fund had forty-three open S&P 500 futures contracts due to expire on December 18, 2003, with an aggregate contract value of \$11,282 and net unrealized gains of \$384.

Federal Tax Data

Portfolio Cost	\$7,362,738
Net unrealized gains and losses:	
Gains	\$1,494,337
Losses	+ (1,415,520)
	\$78,817

Undistributed earnings:

Ordinary income	\$80,917
Long-term capital gains	\$-

Unused capital losses:

Expires 10/31 of:	Loss amount
2008	\$26,504
2009	50,224
2010	400,268
2011	+ 72,382
	\$549,378

See financial notes. 35

Schwab S&P 500 Fund

Statement of

Operations

For November 1, 2002 through October 31, 2003. All numbers x 1,000.

Investment Income

Dividends	\$115,956
Interest	86
Securities on loan	+ 1,082
Total investment income	117,124

Net Realized Gains and Losses

Net realized losses on investments sold	(60,537)
Net realized gains on futures contracts	+ 1,196
Net realized losses	(59,341)

Net Unrealized Gains and Losses

Net unrealized gains on investments	1,201,575
Net unrealized gains on futures contracts	+ 368
Net unrealized gains	1,201,943

Expenses

Investment adviser and administrator fees	11,122
Transfer agent and shareholder service fees:	
Investor Shares	7,554
Select Shares®	3,207
e.Shares®	226
Trustees' fees	43
Custodian fees	183
Portfolio accounting fees	976
Professional fees	64
Registration fees	132
Shareholder reports	636
Interest expense	10
Other expenses	+ 134
Total expenses	24,287
Expense reduction	- 6,555
Net expenses	17,732

Increase in Net Assets from Operations

Total investment income	117,124
Net expenses	- 17,732
Net investment income	99,392
Net realized losses	(59,341)
Net unrealized gains	+ 1,201,943
Increase in net assets from operations	\$1,241,994

Unless stated, all numbers x 1,000.

Calculated as a percentage of average daily net assets: 0.20% of the first \$500 million and 0.17% of the assets beyond that.

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%, 0.05%, and 0.05% of the assets of each respective share class. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$1,672 from the investment adviser (CSIM) and \$4,883 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through February 29, 2004, as follows:

Share Class	% of Average Daily Net Assets
Investor Shares	0.37
Select Shares	0.19
e.Shares	0.28

Prior to March 1, 2003, the limit was 0.35% for the Investor Shares. This limit doesn't include interest, taxes and certain non-routine expenses.

These add up to a net gain on investments of \$1,142,602.

Schwab S&P 500 Fund

Statements of

Changes in net assets

For the current and prior report periods. All numbers x 1,000.

Operations

	11/1/02–10/31/03	11/1/01–10/31/02
Net investment income	\$99,392	\$91,487
Net realized losses	(59,341)	(350,232)
Net unrealized gains or losses	+ 1,201,943	(899,126)
Increase or decrease in net assets from operations	1,241,994	(1,157,871)

Distributions Paid

Dividends from net investment income		
Investor Shares	40,628	33,227
Select Shares®	49,532	44,304
e.Shares®	+ 3,378	3,401
Total dividends from net investment income	\$93,538	\$80,932

Transactions in Fund Shares

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	50,095	\$730,445	55,877	\$908,494
Select Shares	51,800	753,457	69,223	1,121,910
e.Shares	+ 4,668	67,061	5,190	83,737
Total shares sold	106,563	\$1,550,963	130,290	\$2,114,141
Shares Reinvested				
Investor Shares	2,857	\$39,062	1,850	\$31,991
Select Shares	3,300	45,211	2,314	40,073
e.Shares	+ 224	3,062	178	3,074
Total shares reinvested	6,381	\$87,335	4,342	\$75,138
Shares Redeemed				
Investor Shares	(38,573)	(\$558,964)	(44,191)	(\$692,759)
Select Shares	(49,150)	(705,422)	(68,436)	(1,061,022)
e.Shares	+ (5,869)	(84,347)	(7,834)	(123,864)
Total shares redeemed	(93,592)	(\$1,348,733)	(120,461)	(\$1,877,645)
Net transactions in fund shares	19,352	\$289,565	14,171	\$311,634

Shares Outstanding and Net Assets

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	435,154	\$6,009,363	420,983	\$6,936,532
Total increase or decrease	+ 19,352	1,438,021	14,171	(927,169)
End of period	454,506	\$7,447,384	435,154	\$6,009,363

Unless stated, all numbers x 1,000.

Unaudited

For corporations, 100% of the fund's dividends for the report period qualify for the dividends-received deduction.

The tax-basis components of distributions paid are:

	Current period	Prior period
Ordinary Income	\$93,538	\$80,932
Long-term capital gains	\$–	\$–

The fund charges 0.75% of early withdrawal fees on shares redeemed 180 days or less after the purchase.

	Current period	Prior period
Investor Shares	\$236	\$423
Select Shares	302	438
e.Shares	+ 22	+ 28
Total	\$560	\$889

Dollar amounts are net of the redemption proceeds.

Figures for shares represent shares sold plus shares reinvested, minus shares redeemed. Figures for net assets represent the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Includes distributable net investment income in the amount of \$80,919 and \$75,065 for the current period and prior period, respectively.

Percent of fund shares owned by other SchwabFunds® as of the end of the current period:

Schwab MarketTrack Portfolios*

All Equity Portfolio	2.6%
Growth Portfolio	1.9%
Balanced Portfolio	1.2%
Conservative Portfolio	0.6%

See financial notes. 37

Schwab 1000 Fund®

Financial Statements

Financial Highlights

Investor Shares	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	25.25	29.57	39.95	37.12	29.90
Income or loss from investment operations:					
Net investment income	0.33	0.31	0.26	0.26	0.26
Net realized and unrealized gains or losses	4.99	(4.36)	(10.40)	2.83	7.21
Total income or loss from investment operations	5.32	(4.05)	(10.14)	3.09	7.47
Less distributions:					
Dividends from net investment income	(0.32)	(0.27)	(0.24)	(0.26)	(0.25)
Net asset value at end of period	30.25	25.25	29.57	39.95	37.12
Total return (%)	21.34	(13.87)	(25.50)	8.34	25.12
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.49	0.46	0.46	0.46 ¹	0.46
Gross operating expenses	0.51	0.52	0.51	0.51	0.51
Net investment income	1.27	1.04	0.78	0.63	0.78
Portfolio turnover rate	5	9	8	9	3
Net assets, end of period (\$ x 1,000,000)	3,974	3,223	3,852	5,083	4,925

¹ The ratio of net operating expenses would have been 0.47% if certain non-routine expenses (proxy fees) had been included.

Select Shares [®]	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	25.26	29.58	39.98	37.16	29.93
Income or loss from investment operations:					
Net investment income	0.37	0.35	0.31	0.29	0.30
Net realized and unrealized gains or losses	4.99	(4.36)	(10.41)	2.84	7.22
Total income or loss from investment operations	5.36	(4.01)	(10.10)	3.13	7.52
Less distributions:					
Dividends from net investment income	(0.35)	(0.31)	(0.30)	(0.31)	(0.29)
Net asset value at end of period	30.27	25.26	29.58	39.98	37.16
Total return (%)	21.52	(13.77)	(25.40)	8.46	25.29
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.35	0.35	0.35	0.35 ¹	0.35
Gross operating expenses	0.36	0.37	0.36	0.36	0.37
Net investment income	1.41	1.15	0.89	0.74	0.89
Portfolio turnover rate	5	9	8	9	3
Net assets, end of period (\$ x 1,000,000)	1,996	1,588	1,911	2,159	2,214

¹ The ratio of net operating expenses would have been 0.36% if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of October 31, 2003

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

We use the symbols below to designate certain characteristics. With the top ten holdings, the number in the circle is the security's rank among the top ten.

- ① Top ten holding
- Non-income producing security
- ▲ Collateral for open futures contracts
- Issuer is affiliated with the fund's adviser

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
99.9% Common Stock	3,959,733	5,961,669
0.0% Short-Term Investment	467	467
0.0% U.S. Treasury Obligation	200	200
99.9% Total Investments	3,960,400	5,962,336
18.2% Collateral Invested for Securites on Loan	1,085,371	1,085,371
(18.1)% Other Assets and Liabilities, Net		(1,078,074)
100.0% Total Net Assets		5,969,633

Security and Number of Shares

Mkt. Value
(\$ x 1,000)

Common Stock 99.9% of net assets

Aerospace / Defense 1.5%

The Boeing Co.	453,182	17,443
Crane Co.	31,050	873
General Dynamics Corp.	108,400	9,073
Goodrich Corp.	61,892	1,709
• L-3 Communications Holdings, Inc.	51,200	2,393
Lockheed Martin Corp.	243,584	11,293

Security and Number of Shares		Mkt. Value (\$ x 1,000)
Northrop Grumman Corp.	98,597	8,815
Raytheon Co.	223,000	5,905
Rockwell Automation, Inc.	98,600	3,062
Rockwell Collins, Inc.	95,100	2,610
Textron, Inc.	73,400	3,647
United Technologies Corp.	254,427	21,547
		88,370

Air Transportation 1.1%

Delta Air Lines, Inc.	64,200	836
FedEx Corp.	161,160	12,210
Sabre Holdings Corp.	76,100	1,667
Southwest Airlines Co.	421,925	8,185
United Parcel Service, Inc., Class B	607,500	44,056
		66,954

Alcoholic Beverages 0.5%

Adolph Coors Co., Class B	18,800	1,054
Anheuser-Busch Cos., Inc.	448,800	22,108
Brown-Forman Corp., Class B	33,578	2,833
• Constellation Brands, Inc., Class A	55,700	1,747
		27,742

Apparel 0.4%

• Coach, Inc.	98,328	3,487
Jones Apparel Group, Inc.	69,100	2,384
Liz Claiborne, Inc.	58,000	2,140
Nike, Inc., Class B	141,900	9,067
Polo Ralph Lauren Corp.	26,500	806
Reebok International Ltd.	31,200	1,215
• Timberland Co., Class A	19,100	992
VF Corp.	58,600	2,487
		22,578

Automotive Products / Motor Vehicles 1.3%

• American Axle & Manufacturing Holdings, Inc.	27,900	965
ArvinMeritor, Inc.	35,400	594
BorgWarner, Inc.	14,000	1,114
Carlisle Cos., Inc.	16,000	918

Schwab 1000 Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Cooper Tire & Rubber Co. 38,300	753	Compass Bancshares, Inc. 68,112	2,573
Cummins, Inc. 21,600	1,024	Cullen/Frost Bankers, Inc. 26,500	1,027
Dana Corp. 77,189	1,257	Fifth Third Bancorp 308,930	17,906
Danaher Corp. 83,200	6,893	First Citizens BancShares, Inc., Class A 6,000	684
Delphi Corp. 301,400	2,682	First Midwest Bancorp, Inc. Illinois 25,700	794
Donaldson Co., Inc. 22,900	1,310	First Tennessee National Corp. 68,200	3,094
Eaton Corp. 40,700	4,080	FirstMerit Corp. 44,000	1,134
Ford Motor Co. 988,970	11,996	FleetBoston Financial Corp. 568,615	22,966
General Motors Corp. 302,934	12,926	FNB Corp. 23,940	791
• General Motors Corp., Class H 595,294	9,781	Fulton Financial Corp. 59,187	1,222
Gentex Corp. 41,600	1,625	Hibernia Corp., Class A 82,000	1,852
Genuine Parts Co. 92,775	2,952	Hudson City Bancorp, Inc. 102,500	3,540
• Goodyear Tire & Rubber Co. 91,200	626	Hudson United Bancorp 23,500	853
Harley-Davidson, Inc. 163,300	7,742	Huntington Bancshares, Inc. 124,935	2,706
• Lear Corp. 36,200	2,103	J.P. Morgan Chase & Co. 1,099,990	39,490
• Navistar International Corp. 35,500	1,435	KeyCorp, Inc. 227,446	6,425
Oshkosh Truck Corp. 17,800	816	M&T Bank Corp. 65,801	6,179
Polaris Industries, Inc. 11,900	1,019	Marshall & Ilsley Corp. 123,470	4,423
Superior Industries International, Inc. 14,400	612	Mellon Financial Corp. 232,388	6,941
	75,223	Mercantile Bankshares Corp. 42,575	1,804
Banks 7.8%		National City Corp. 332,400	10,856
AmSouth Bancorp. 200,875	4,745	National Commerce Financial Corp. 108,850	2,990
Associated Banc-Corp. 38,825	1,598	North Fork Bancorp., Inc. 85,900	3,348
Bancorpsouth, Inc. 40,800	959	Northern Trust Corp. 120,850	5,613
Bank of America Corp. 808,322	61,214	Old National Bancorp. 32,962	732
Bank of Hawaii Corp. 33,750	1,330	Park National Corp. 7,100	830
The Bank of New York Co., Inc. 415,700	12,966	Peoples Bank-Bridgeport 32,000	1,048
Bank One Corp. 613,993	26,064	PNC Financial Services Group, Inc. 151,730	8,128
Banknorth Group, Inc. 85,800	2,687	Popular, Inc. 70,800	3,186
BB&T Corp. 298,681	11,550	Provident Financial Group, Inc. 25,400	748
Citizens Banking Corp. Michigan 23,000	673	Regions Financial Corp. 119,065	4,376
City National Corp. 26,000	1,565	Sky Financial Group, Inc. 48,530	1,182
The Colonial BancGroup, Inc. 64,400	1,010	SouthTrust Corp. 184,474	5,876
Comerica, Inc. 94,774	4,879	State Street Corp. 180,100	9,430
Commerce Bancorp, Inc. N.J. 39,900	1,929	SunTrust Banks, Inc. 151,456	10,158
Commerce Bancshares, Inc. 34,848	1,669	Synovus Financial Corp. 161,762	4,465
Community First Bankshares, Inc. 20,400	554	TCF Financial Corp. 38,600	2,014
		Trustmark Corp. 32,000	911
		U.S. Bancorp 1,040,053	28,310

See financial notes. 41

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Union Planters Corp. 107,000	3,560	Pitney Bowes, Inc. 125,100	5,142
UnionBanCal Corp. 80,200	4,344	• Sandisk Corp. 41,900	3,377
United Bankshares, Inc. 21,900	662	• Seagate Escrow Security 126,560	36
Valley National Bancorp 49,599	1,451	• Siebel Systems, Inc. 263,200	3,314
Wachovia Corp. 726,220	33,312	• Storage Technology Corp. 57,300	1,381
Wells Fargo & Co. 906,932	51,078	• Sun Microsystems, Inc. 1,732,800	6,862
Westamerica Bancorp. 17,400	871	• Sybase, Inc. 49,300	882
Whitney Holding Corp. 20,900	794	• Tech Data Corp. 29,400	968
Wilmington Trust Corp. 34,000	1,145	Total System Services, Inc. 104,400	2,879
Zions Bancorp. 49,300	3,022	• Unisys Corp. 177,450	2,726
	466,236	• Xerox Corp. 426,050	4,473
			532,959
Business Machines & Software 8.9%		Business Services 4.1%	
• 3Com Corp. 191,150	1,376	• Affiliated Computer Services, Inc., Class A 70,700	3,459
Adobe Systems, Inc. 124,800	5,471	• Affymetrix, Inc. 30,400	779
• Apple Computer, Inc. 196,100	4,489	• Allied Waste Industries, Inc. 110,065	1,241
Autodesk, Inc. 58,700	1,130	• Apollo Group, Inc., Class A 94,750	6,019
• BEA Systems, Inc. 221,900	3,084	• Aramark Corp., Class B 50,400	1,347
• BMC Software, Inc. 122,400	2,127	Automatic Data Processing, Inc. 321,900	12,148
• Cisco Systems, Inc. 3,792,500	79,567	• BearingPoint, Inc. 98,600	927
• Compuware Corp. 196,600	1,105	• The BISYS Group, Inc. 62,600	895
• Comverse Technology, Inc. 101,200	1,826	• CACI International, Inc., Class A 14,800	733
• Dell, Inc. 1,387,200	50,106	• Career Education Corp. 56,000	2,999
Diebold, Inc. 39,418	2,249	CDW Corp. 45,700	2,744
• EMC Corp. 1,181,700	16,355	• Cendant Corp. 549,348	11,223
Fair Isaac Corp. 26,350	1,681	• Ceridian Corp. 80,000	1,680
• Gateway, Inc. 168,600	850	• Cerner Corp. 18,500	784
Hewlett-Packard Co. 1,648,340	36,774	Certegy, Inc. 34,600	1,165
IKON Office Solutions, Inc. 75,000	630	• Checkfree Corp. 41,000	1,129
⑨ International Business Machines Corp. 935,500	83,709	• ChoicePoint, Inc. 46,666	1,635
• Juniper Networks, Inc. 207,300	3,729	Cintas Corp. 92,900	3,963
• Lexmark International, Inc., Class A 69,400	5,109	• Citrix Systems, Inc. 94,900	2,399
• Maxtor Corp. 132,600	1,813	Computer Associates International, Inc. 310,779	7,309
Microchip Technology, Inc. 110,500	3,614	• Computer Sciences Corp. 100,696	3,990
▲② Microsoft Corp. 5,843,100	152,797	• Concord EFS, Inc. 271,524	2,903
• NCR Corp. 50,651	1,820	• Convergys Corp. 90,200	1,449
• Network Appliance, Inc. 184,600	4,556	• Copart, Inc. 48,000	599
• Novell, Inc. 200,300	1,176	• Corinthian Colleges, Inc. 24,600	1,523
• Oracle Corp. 2,824,114	33,776		

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Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Corporate Executive Board Co.	19,400
• D&B Corp.	40,700
Deluxe Corp.	32,200
• DeVry, Inc.	36,400
• DST Systems, Inc.	64,100
• eBay, Inc.	347,500
• Education Management Corp.	18,400
Electronic Data Systems Corp.	256,800
Equifax, Inc.	75,900
First Data Corp.	401,604
• Fiserv, Inc.	103,589
Global Payments, Inc.	19,200
GTECH Holdings Corp.	31,600
H&R Block, Inc.	99,900
• ICOS Corp.	34,300
IMS Health, Inc.	129,100
• Interpublic Group of Cos., Inc.	209,650
• Intuit, Inc.	110,800
• Invitrogen Corp.	26,900
• Iron Mountain, Inc.	46,200
• ITT Educational Services, Inc.	23,700
Jack Henry & Associates, Inc.	45,500
• Jacobs Engineering Group, Inc.	30,200
• Lamar Advertising Co.	46,300
Manpower, Inc.	41,800
• Mercury Interactive Corp.	46,000
• Monster Worldwide, Inc.	60,100
National Instruments Corp.	26,600
• Network Associates, Inc.	86,500
Omnicom Group, Inc.	101,900
Paychex, Inc.	203,842
• PeopleSoft, Inc.	216,306
• Peregrine Systems, Inc.	102,600
• Perot Systems Corp., Class A	56,400
• Pixar, Inc.	28,800
Republic Services, Inc.	88,800
The Reynolds & Reynolds Co., Class A	36,200
• Robert Half International, Inc.	90,200
The ServiceMaster Co.	156,800

Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Stericycle, Inc. 21,700	1,002
• Sungard Data Systems, Inc. 153,800	4,314
• Symantec Corp. 84,000	5,599
• Synopsys, Inc. 82,600	2,620
• VeriSign, Inc. 126,635	2,010
• Veritas Software Corp. 229,079	8,281
Viad Corp. 45,900	1,147
• Waste Connections, Inc. 14,600	506
Waste Management, Inc. 318,475	8,255
• WebMD Corp. 160,500	1,250
• Yahoo!, Inc. 362,906	15,859

Chemicals 1.4%

Air Products & Chemicals, Inc.	122,200	5,549
Airgas, Inc.	37,300	714
Albemarle Corp.	21,700	582
Cabot Corp.	31,900	890
• Celgene Corp.	43,000	1,793
• Cytec Industries, Inc.	20,400	712
Dow Chemical Co.	496,552	18,715
E.I. du Pont de Nemours & Co.	538,689	21,763
Eastman Chemical Co.	40,125	1,303
Ecolab, Inc.	141,100	3,794
Great Lakes Chemical Corp.	26,200	563
IMC Global, Inc.	59,860	419
Lubrizol Corp.	26,800	812
Lyondell Chemical Co.	93,800	1,341
Monsanto Co.	140,648	3,523
PPG Industries, Inc.	92,100	5,310
Praxair, Inc.	88,000	6,123
Rohm & Haas Co.	119,114	4,681
RPM International, Inc.	59,800	864
Sigma-Aldrich Corp.	39,200	2,056
Valspar Corp.	26,100	1,245
		82,752

Construction 0.7%

Centex Corp.	34,100	3,325
D.R. Horton, Inc.	83,822	3,336
Florida Rock Industries, Inc.	14,900	853

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Fluor Corp. 43,800	1,624	• Adelphia Communications, Class A 75,707	26
KB Home 25,000	1,712	• Advanced Fibre Communications, Inc. 46,300	1,115
Lafarge North America, Inc. 37,800	1,365	• Advanced Micro Devices, Inc. 185,600	2,821
Lennar Corp., Class A 42,600	3,913	• Agere Systems, Inc., Class A 886,500	3,085
Martin Marietta Materials, Inc. 25,300	1,037	• Agilent Technologies, Inc. 252,700	6,297
Masco Corp. 267,800	7,364	• Alliant Techsystems, Inc. 19,900	1,030
MDC Holdings, Inc. 15,290	1,029	• Altera Corp. 205,400	4,155
• NVR, Inc. 4,700	2,300	American Power Conversion Corp. 113,900	2,304
Pulte Homes, Inc. 33,900	2,933	• Amphenol Corp., Class A 22,200	1,304
The Sherwin-Williams Co. 83,900	2,814	• Analog Devices, Inc. 202,100	8,959
The Stanley Works 46,000	1,534	• Applied Materials, Inc. 894,900	20,914
• Toll Brothers, Inc. 39,400	1,451	• Applied Micro Circuits Corp. 157,200	915
Vulcan Materials Co. 54,700	2,424	• Arrow Electronics, Inc. 52,000	1,110
• West Corp. 34,400	833	• Atmel Corp. 253,300	1,429
	39,847	• Avnet, Inc. 62,200	1,207
Consumer Durables 0.3%		AVX Corp. 90,600	1,332
Black & Decker Corp. 43,150	2,063	• Broadcom Corp., Class A 159,200	5,086
Ethan Allen Interiors, Inc. 19,700	725	• Cabot Microelectronics Corp. 12,700	724
Furniture Brands International, Inc. 29,300	711	• Cadence Design Systems, Inc. 146,250	2,251
Hillenbrand Industries, Inc. 34,000	2,024	• CIENA Corp. 250,600	1,606
La-Z-Boy, Inc. 29,400	594	• Cree, Inc. 37,900	673
Leggett & Platt, Inc. 103,400	2,160	• Cymer, Inc. 17,800	813
Maytag Corp. 40,650	1,032	• Emulex Corp. 42,700	1,209
• Mohawk Industries, Inc. 36,439	2,701	• Energizer Holdings, Inc. 47,200	1,737
Newell Rubbermaid, Inc. 147,109	3,354	• Fairchild Semiconductor International, Inc., Class A 60,900	1,376
Whirlpool Corp. 37,400	2,636	• Getty Images, Inc. 30,100	1,346
	18,000	Harman International Industries, Inc. 18,700	2,397
Containers 0.2%		Harris Corp. 34,600	1,288
Ball Corp. 31,600	1,776	• Hearst-Argyle Television, Inc. 48,100	1,165
Bemis Co. 27,600	1,276	• Integrated Circuit Systems, Inc. 37,300	1,252
• Crown Holdings, Inc. 88,900	702	⑦ Intel Corp. 3,517,600	116,257
• Owens-Illinois, Inc. 76,700	943	• Interactive Data Corp. 47,700	820
• Pactiv Corp. 84,350	1,860	• International Rectifier Corp. 35,300	1,685
• Sealed Air Corp. 50,699	2,699	Intersil Corp., Class A 73,100	1,885
Sonoco Products Co. 50,141	1,067	ITT Industries, Inc. 50,800	3,454
	10,323	• Jabil Circuit, Inc. 109,100	3,038
Electronics 6.0%		• JDS Uniphase Corp. 767,755	2,726
• Acxiom Corp. 46,400	738		
• ADC Telecommunications, Inc. 414,300	1,057		

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Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• KLA-Tencor Corp. 102,200	5,859	• Cooper Cameron Corp. 30,200	1,293
• Lam Research Corp. 67,100	1,929	Devon Energy Corp. 125,516	6,088
Linear Technology Corp. 168,200	7,167	ENSCO International, Inc. 79,400	2,092
• LSI Logic Corp. 201,200	1,859	EOG Resources, Inc. 66,500	2,802
• Lucent Technologies, Inc. 2,246,619	7,189	• FMC Technologies, Inc. 34,100	685
Maxim Integrated Products, Inc. 174,529	8,676	• Forest Oil Corp. 28,700	673
• Micron Technology, Inc. 329,100	4,719	• Grant Prideco, Inc. 63,000	714
Molex, Inc. 102,021	3,202	Halliburton Co. 234,360	5,596
Motorola, Inc. 1,253,186	16,956	Helmerich & Payne, Inc. 25,900	687
• National Semiconductor Corp. 98,400	3,998	• Key Energy Services, Inc. 66,800	583
• Novellus Systems, Inc. 81,600	3,369	Noble Energy, Inc. 29,700	1,180
• Nvidia Corp. 85,600	1,513	Occidental Petroleum Corp. 206,200	7,271
PerkinElmer, Inc. 65,800	1,185	Peabody Energy Corp. 29,300	977
• QLogic Corp. 50,700	2,842	• Rowan Cos., Inc. 48,600	1,164
Qualcomm, Inc. 429,100	20,382	• Smith International, Inc. 54,800	2,040
• RF Micro Devices, Inc. 95,000	1,113	Tidewater, Inc. 31,600	866
• Sanmina — SCI Corp. 271,652	2,866	Valero Energy Corp. 61,288	2,617
Scientific — Atlanta, Inc. 80,200	2,374	Western Gas Resources, Inc. 17,200	731
• Skyworks Solutions, Inc. 79,500	682		63,939
• Solectron Corp. 444,800	2,464		
Symbol Technologies, Inc. 119,970	1,498		
Tektronix, Inc. 45,200	1,160		
• Tellabs, Inc. 221,800	1,670		
• Teradyne, Inc. 102,000	2,324		
Texas Instruments, Inc. 935,455	27,053		
• Thermo Electron Corp. 86,984	1,912		
• Vishay Intertechnology, Inc. 83,150	1,559		
• Waters Corp. 75,100	2,360		
• Western Digital Corp. 110,500	1,486		
• Xilinx, Inc. 183,800	5,827		
• Zebra Technologies Corp., Class A 24,750	1,410		
	361,189		
Energy: Raw Materials 1.1%		Food & Agriculture 3.6%	
Anadarko Petroleum Corp. 135,380	5,905	Archer-Daniels-Midland Co. 344,336	4,941
Apache Corp. 87,160	6,077	Campbell Soup Co. 221,700	5,746
Arch Coal, Inc. 27,300	669	The Coca-Cola Co. 1,327,300	61,587
Baker Hughes, Inc. 181,520	5,130	Coca-Cola Enterprises, Inc. 242,400	4,887
• BJ Services Co. 85,600	2,809	ConAgra Foods, Inc. 291,259	6,944
Burlington Resources, Inc. 108,767	5,290	Corn Products International, Inc. 18,600	630
		• Dean Foods Co. 83,150	2,515
		• Del Monte Foods Co. 108,295	1,030
		Dreyer's Grand Ice Cream Holdings, Inc. 18,200	1,409
		General Mills, Inc. 201,250	9,026
		H.J. Heinz Co. 193,500	6,836
		Hershey Foods Corp. 72,900	5,621
		Hormel Foods Corp. 74,800	1,847
		The J.M. Smuckers Co. 25,800	1,129
		Kellogg Co. 220,400	7,302
		Kraft Foods, Inc., Class A 149,700	4,356
		McCormick & Co., Inc. 74,700	2,214
		The Pepsi Bottling Group, Inc. 148,300	3,306
		PepsiAmericas, Inc. 78,100	1,170

See financial notes. 45

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
PepsiCo, Inc. 932,360	44,585	• Caremark Rx, Inc. 142,800	3,577
• Performance Food Group Co. 23,500	875	• Cephalon, Inc. 29,600	1,390
Sara Lee Corp. 418,200	8,335	• Charles River Laboratories International, Inc. 23,500	758
• The Scotts Co., Class A 17,500	1,011	• Chiron Corp. 99,912	5,458
Sensient Technologies Corp. 24,700	474	• Community Health Systems, Inc. 51,300	1,232
• Smithfield Foods, Inc. 56,800	1,208	• Covance, Inc. 31,200	812
Supervalu, Inc. 72,000	1,816	• Coventry Health Care, Inc. 33,200	1,818
Sysco Corp. 349,500	11,764	• Cytoc Corp. 60,200	778
Tootsie Roll Industries, Inc. 27,730	915	• DaVita, Inc. 35,700	1,253
Tyson Foods, Inc., Class A 188,382	2,688	Dentsply International, Inc. 42,650	1,885
Wm. Wrigley Jr. Co. 121,200	6,836	Diagnostic Products Corp. 14,900	608
	213,003	• Edwards Lifesciences Corp. 33,500	971
		Eli Lilly & Co. 606,868	40,430
Gold 0.2%		• Express Scripts, Inc. 43,100	2,367
Newmont Mining Corp. 219,538	9,611	• First Health Group Corp. 52,800	1,289
Healthcare / Drugs & Medicine 12.7%		• Forest Laboratories, Inc. 196,600	9,832
Abbott Laboratories 843,700	35,958	• Genzyme Corp. — General Division 119,500	5,485
• Accredo Health, Inc. 24,700	789	• Gilead Sciences, Inc. 109,300	5,966
• AdvancePCS Corp. 48,700	2,507	Guidant Corp. 166,072	8,471
Allergan, Inc. 71,400	5,399	HCA, Inc. 275,472	10,537
AmerisourceBergen Corp. 59,795	3,395	Health Management Associates, Inc., Class A 129,428	2,867
• Amgen, Inc. 698,440	43,136	• Health Net, Inc. 66,300	2,094
• Amylin Pharmaceuticals, Inc. 50,100	1,369	• Henry Schein, Inc. 22,900	1,421
• Andrx Corp. 37,200	740	• Human Genome Sciences, Inc. 67,000	932
• Anthem, Inc. 75,600	5,173	• Humana, Inc. 87,400	1,773
• Apogent Technologies, Inc. 52,800	1,159	• Idec Pharmaceuticals Corp. 83,600	2,937
Applied Biosystems Group —		• IDEXX Laboratories, Inc. 17,900	847
Applera Corp. 111,300	2,569	• Igen International, Inc. 12,400	719
• Apria Healthcare Group, Inc. 28,600	829	Invacare Corp. 16,200	665
• Barr Laboratories, Inc. 35,350	2,714	• IVAX Corp. 107,125	2,063
Bausch & Lomb, Inc. 28,100	1,353	⑩ Johnson & Johnson 1,604,220	80,740
Baxter International, Inc. 327,600	8,708	• King Pharmaceuticals, Inc. 135,166	1,811
Beckman Coulter, Inc. 32,400	1,609	• Laboratory Corp. of America Holdings 78,900	2,797
Becton Dickinson & Co. 136,800	5,001	• LifePoint Hospitals, Inc. 20,600	530
• Biogen, Inc. 79,400	3,213	• Lincare Holdings, Inc. 55,000	2,142
Biomet, Inc. 139,000	4,985	Manor Care, Inc. 50,200	1,671
• Boston Scientific Corp. 222,142	15,043	McKesson Corp. 155,328	4,702
Bristol-Myers Squibb Co. 1,047,500	26,575		
C.R. Bard, Inc. 29,200	2,337		
Cardinal Health, Inc. 240,956	14,298		

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Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Medco Health Solutions, Inc. 145,022	4,815	Household Products 2.1%	
Medicis Pharmaceutical Corp., Class A 14,100	893	Alberto-Culver Co., Class B 32,300	2,048
• Medimmune, Inc. 141,450	3,771	Avon Products, Inc. 128,400	8,726
Medtronic, Inc. 656,400	29,912	Church & Dwight Co., Inc. 20,800	775
Merck & Co., Inc. 1,209,208	53,507	Clorox Co. 116,400	5,273
• Mid Atlantic Medical Services, Inc. 26,900	1,571	Colgate-Palmolive Co. 289,900	15,420
• Millennium Pharmaceuticals, Inc. 159,520	2,540	The Dial Corp. 49,500	1,188
Mylan Laboratories, Inc. 149,212	3,603	The Estee Lauder Cos., Inc., Class A 67,000	2,505
• NBTY, Inc. 34,500	940	The Gillette Co. 550,910	17,574
• Neurocrine Biosciences, Inc. 19,000	890	International Flavors & Fragrances, Inc. 51,000	1,688
Omnicare, Inc. 53,300	2,044	Procter & Gamble Co. 700,300	68,833
• Oxford Health Plans, Inc. 45,500	1,843		124,030
• Patterson Dental Co. 37,400	2,393	Insurance 4.5%	
• Pediatrix Medical Group, Inc. 13,200	706	21st Century Insurance Group 44,500	628
④ Pfizer, Inc. 4,215,412	133,207	Aetna, Inc. 85,265	4,895
• Pharmaceutical Product Development, Inc. 28,800	866	AFLAC, Inc. 276,900	10,101
• Quest Diagnostics 56,300	3,809	• Alleghany Corp. 4,242	855
• Renal Care Group, Inc. 25,100	942	The Allstate Corp. 379,048	14,972
• Respironics, Inc. 17,400	725	AMBAC Financial Group, Inc. 61,200	4,329
Schering-Plough Corp. 792,800	12,106	American Financial Group, Inc. 36,000	802
• SICOR, Inc. 64,200	1,721	⑧ American International Group, Inc. 1,408,771	85,696
• St. Jude Medical, Inc. 96,600	5,618	American National Insurance Co. 13,700	1,138
• Steris Corp. 36,000	750	AmerUs Group Co. 20,200	763
Stryker Corp. 106,900	8,671	AON Corp. 169,112	3,704
• Techne Corp. 21,600	752	Arthur J. Gallagher & Co. 48,300	1,410
• Tenet Healthcare Corp. 252,409	3,483	Brown & Brown, Inc. 37,900	1,154
• Triad Hospitals, Inc. 38,900	1,195	Chubb Corp. 101,200	6,761
UnitedHealth Group, Inc. 321,400	16,353	CIGNA Corp. 76,400	4,359
• Universal Health Services, Class B 31,400	1,477	Cincinnati Financial Corp. 86,014	3,520
• Varian Medical Systems, Inc. 37,300	2,385	• CNA Financial Corp. 118,200	2,551
• Vertex Pharmaceuticals, Inc. 39,800	522	Commerce Group, Inc. 16,800	668
• Watson Pharmaceuticals, Inc. 57,500	2,258	Erie Indemnity Co., Class A 33,300	1,331
• WellPoint Health Networks, Inc. 79,350	7,054	Fidelity National Financial, Inc. 79,222	2,450
Wyeth 718,900	31,732	First American Corp. 40,900	1,172
• Zimmer Holdings, Inc. 123,600	7,887	Hartford Financial Services Group, Inc. 153,100	8,405
	757,428	HCC Insurance Holdings, Inc. 32,400	944

See financial notes. 47

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Hilb, Rogal & Hamilton Co. 18,400	552	•Comcast Corp., Class A 1,214,780	41,205
Jefferson-Pilot Corp. 76,587	3,656	•Cox Communications, Inc., Class A 318,586	10,854
John Hancock Financial Services, Inc. 155,900	5,511	Dow Jones & Co., Inc. 44,850	2,331
Lincoln National Corp. 96,000	3,833	The E.W. Scripps Co., Class A 43,475	4,039
Loews Corp. 100,400	4,317	•EchoStar Communications Corp., Class A 135,000	5,173
•Markel Corp. 5,200	1,312	•Emmis Communications Corp., Class A 27,700	614
Marsh & McLennan Cos., Inc. 287,700	12,299	•Entercom Communications Corp. 28,000	1,283
MBIA, Inc. 77,500	4,620	•Fox Entertainment Group, Inc., Class A 189,700	5,255
Mercury General Corp. 28,200	1,340	Gannett Co., Inc. 146,900	12,356
MGIC Investment Corp. 54,200	2,781	Harte-Hanks, Inc. 47,300	940
Mony Group, Inc. 24,300	778	Hollinger International, Inc. 57,400	771
Nationwide Financial Services, Inc., Class A 29,300	995	•InterActiveCorp 356,927	13,103
Odyssey Re Holdings Corp. 33,900	711	John Wiley & Sons, Class A 32,200	837
Old Republic International Corp. 71,775	2,580	Knight-Ridder, Inc. 44,800	3,285
The PMI Group, Inc. 50,700	1,938	Lee Enterprises, Inc. 23,100	974
Principal Financial Group, Inc. 175,200	5,493	McClatchy Co., Class A 25,900	1,676
The Progressive Corp. 117,200	8,649	The McGraw-Hill Cos., Inc. 102,750	6,879
Protective Life Corp. 35,800	1,162	Media General, Inc., Class A 12,100	799
Prudential Financial, Inc. 294,400	11,376	Meredith Corp. 27,700	1,344
Radian Group, Inc. 50,700	2,682	•Metro-Goldwyn-Mayer, Inc. 98,955	1,579
Reinsurance Group of America, Inc. 25,600	1,023	New York Times Co., Class A 80,726	3,837
Safeco Corp. 73,400	2,694	•PanAmSat Corp. 79,900	1,654
St. Paul Cos., Inc. 122,054	4,654	R.R. Donnelley & Sons Co. 61,300	1,594
Stancorp Financial Group, Inc. 15,200	958	•Radio One, Inc., Class A 54,400	872
Torchmark Corp. 63,000	2,764	The Reader's Digest Association, Inc., Class A 50,800	748
Transatlantic Holdings, Inc. 29,300	2,247	•Scholastic Corp. 20,400	631
Travelers Property Casualty Corp., Class B 540,999	8,856	•Time Warner, Inc. 2,438,430	37,283
Unitrin, Inc. 35,100	1,299	Tribune Co. 168,800	8,280
UnumProvident Corp. 159,371	2,609	•Univision Communications, Inc., Class A 172,910	5,870
W.R. Berkley Corp. 44,550	1,528	•Valassis Communications, Inc. 27,300	707
	267,825	Viacom, Inc., Class B 947,779	37,788
Media 4.4%		The Walt Disney Co. 1,102,421	24,959
Belo Corp., Class A 60,600	1,652	Washington Post, Class B 5,100	3,761
•Cablevision Systems Corp., NY Group, Class A 123,200	2,489	•Westwood One, Inc. 55,200	1,652
Clear Channel Communications, Inc. 331,629	13,537		262,611

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Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Miscellaneous 0.6%			
3M Co. 424,000	33,441	Legg Mason, Inc. 35,600	2,964
Miscellaneous Finance 8.8%		Lehman Brothers Holdings, Inc. 131,560	9,472
A.G. Edwards, Inc. 47,043	1,905	Leucadia National Corp. 32,700	1,373
• Affiliated Managers Group, Inc. 11,400	827	MBNA Corp. 688,880	17,050
Allied Capital Corp. 64,700	1,608	Merrill Lynch & Co., Inc. 505,500	29,926
American Express Co. 696,700	32,696	Moody's Corp. 80,500	4,655
• AmeriCredit Corp. 84,500	1,132	Morgan Stanley 587,110	32,215
• Ameritrade Holding Corp. 229,200	3,126	New York Community Bancorp., Inc. 76,400	2,766
Astoria Financial Corp. 45,300	1,569	Nueberger Berman, Inc. 38,200	1,656
The Bear Stearns Cos., Inc. 54,071	4,123	Nuveen Investments, Inc., Class A 48,500	1,358
• Berkshire Hathaway, Inc., Class A 621	48,320	• Provident Financial Corp. 155,900	1,732
• BOK Financial Corp. 29,686	1,122	Raymond James Financial, Inc. 25,200	1,028
Capital One Financial Corp. 123,550	7,512	Roslyn Bancorp., Inc. 43,050	1,160
■ The Charles Schwab Corp. 730,197	9,901	SEI Investments Co. 55,100	1,605
Charter One Financial, Inc. 121,704	3,890	SLM Corp. 245,250	9,604
Chicago Mercantile Exchange 18,600	1,264	Sovereign Bancorp., Inc. 156,500	3,257
⑤ Citigroup, Inc. 2,781,701	131,853	Staten Island Bancorp., Inc. 31,400	626
Commercial Federal Corp. 23,500	605	Student Loan Corp. 10,500	1,360
Countrywide Financial Corp. 74,885	7,872	T. Rowe Price Group, Inc. 65,600	2,699
Downey Financial Corp. 14,600	670	Waddell & Reed Financial, Inc., Class A 44,200	980
• E*TRADE Group, Inc. 195,300	2,012	Washington Federal, Inc. 36,181	953
Eaton Vance Corp. 36,000	1,256	Washington Mutual, Inc. 504,910	22,090
Fannie Mae 526,800	37,766	Webster Financial Corp. 24,000	1,073
Federated Investors, Inc., Class B 59,150	1,635	Wesco Financial Corp. 3,800	1,248
Franklin Resources, Inc. 135,700	6,435		525,482
Freddie Mac 376,400	21,127	Non-Durables & Entertainment 1.2%	
Golden West Financial Corp. 81,900	8,225	• American Greetings Corp., Class A 37,600	802
Goldman Sachs Group, Inc. 257,100	24,142	Applebee's International, Inc. 28,650	1,075
GreenPoint Financial Corp. 77,700	2,420	• Brinker International, Inc. 52,600	1,674
Independence Community Bank Corp. 29,700	1,091	CBRL Group, Inc. 25,800	1,000
IndyMac Bancorp, Inc. 28,800	847	• The Cheesecake Factory 26,350	1,052
International Bancshares Corp. 20,500	941	Darden Restaurants, Inc. 88,950	1,863
• Investment Technology Group, Inc. 25,000	497	• Electronic Arts, Inc. 79,500	7,874
Investors Financial Services Corp. 33,500	1,184	Fortune Brands, Inc. 79,600	5,186
Janus Capital Group, Inc. 127,400	1,801	Hasbro, Inc. 93,187	2,031
Jefferies Group, Inc. 30,000	930	International Game Technology 185,900	6,088
LaBranche & Co., Inc. 31,000	328		

See financial notes. 49

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
International Speedway Corp., Class A 27,600	1,174	• Varco International, Inc. 50,400	886
• Krispy Kreme Doughnuts, Inc. 31,200	1,352	XTO Energy, Inc. 98,633	2,335
Lancaster Colony Corp. 18,900	751		54,534
Mattel, Inc. 235,720	4,564	Oil: International 2.9%	
McDonald's Corp. 685,700	17,149	ChevronTexaco Corp. 576,946	42,867
Outback Steakhouse, Inc. 40,375	1,696	6 Exxon Mobil Corp. 3,591,830	131,389
• Panera Bread Co., Class A 15,200	611		174,256
Regis Corp. 22,600	859	Optical & Photo 0.2%	
Ruby Tuesday, Inc. 33,300	911	• Corning, Inc. 716,141	7,863
• Starbucks Corp. 209,600	6,623	Eastman Kodak Co. 155,800	3,806
Wendy's International, Inc. 60,100	2,227	Imation Corp. 18,400	627
• Yum! Brands, Inc. 163,620	5,586	• Ingram Micro, Inc., Class A 78,400	1,160
	72,148		13,456
Non-Ferrous Metals 0.4%		Paper & Forest Products 0.8%	
Alcoa, Inc. 456,195	14,402	Boise Cascade Corp. 30,400	853
Engelhard Corp. 66,387	1,897	Bowater, Inc. 28,800	1,176
Freeport-McMoran Copper & Gold, Inc., Class B 89,694	3,476	Georgia-Pacific Corp. 136,688	3,592
• Phelps Dodge Corp. 48,200	2,976	International Paper Co. 257,945	10,150
	22,751	Kimberly-Clark Corp. 273,960	14,468
Oil: Domestic 0.9%		MeadWestvaco Corp. 106,053	2,749
Amerada Hess Corp. 47,800	2,467	• Packaging Corp. of America 54,400	1,072
Ashland, Inc. 35,400	1,318	Rayonier, Inc. 21,750	914
Chesapeake Energy Corp. 112,500	1,342	• Smurfit-Stone Container Corp. 130,900	2,029
ConocoPhillips 368,078	21,036	Temple-Inland, Inc. 29,900	1,615
Diamond Offshore Drilling, Inc. 67,700	1,249	Weyerhaeuser Co. 117,800	7,095
Kerr-McGee Corp. 57,102	2,370		45,713
Marathon Oil Corp. 166,500	4,923	Producer Goods & Manufacturing 4.4%	
Murphy Oil Corp. 49,740	2,934	• AGCO Corp. 39,100	704
• National-Oilwell, Inc. 44,200	843	• American Standard Cos., Inc. 39,200	3,752
• Newfield Exploration Co. 29,300	1,164	Ametek, Inc. 17,200	809
• Patterson-UTI Energy, Inc. 43,200	1,235	Aptargroup, Inc. 18,600	666
• Pioneer Natural Resources Co. 63,300	1,674	Avery Dennison Corp. 59,200	3,113
Pogo Producing Co. 33,800	1,413	Blyth, Inc. 24,100	674
• Pride International, Inc. 70,000	1,147	Caterpillar, Inc. 186,900	13,696
Sunoco, Inc. 41,700	1,825	Deere & Co. 130,500	7,911
Unocal Corp. 138,034	4,373	Dover Corp. 109,200	4,261
		Emerson Electric Co. 227,400	12,905

Schwab 1000 Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Fastenal Co. 41,400	1,841	Archstone-Smith Trust 101,000	2,697
• Fisher Scientific International, Inc. 28,500	1,147	Arden Realty, Inc. 32,900	920
▲ General Electric Co. 5,413,500	157,046	AvalonBay Communities, Inc. 37,800	1,726
Graco, Inc. 24,800	945	Boston Properties, Inc. 51,600	2,283
Harsco Corp. 21,100	808	BRE Properties, Class A 26,600	861
Herman Miller, Inc. 39,000	896	Camden Property Trust 22,300	883
HON Industries, Inc. 30,700	1,259	CarrAmerica Realty Corp. 27,700	833
Honeywell International, Inc. 463,263	14,181	Catellus Development Corp. 48,100	1,071
Hubbell, Inc., Class B 30,838	1,321	CBL & Associates Properties, Inc. 15,500	826
IDEX Corp. 16,900	628	Centerpoint Properties Trust 12,000	815
Illinois Tool Works, Inc. 167,442	12,315	Chelsea Property Group, Inc. 23,600	1,161
Johnson Controls, Inc. 48,100	5,172	Cousins Properties, Inc. 25,400	730
Kennametal, Inc. 18,300	675	Crescent Real Estate Equity Co. 52,000	798
• Millipore Corp. 25,200	1,105	Developers Diversified Realty Corp. 46,400	1,341
Pall Corp. 66,933	1,566	Duke Realty Corp. 72,200	2,114
Parker Hannifin Corp. 63,475	3,235	Equity Office Properties Trust 218,200	6,112
Pentair, Inc. 25,700	1,054	Equity Residential 146,300	4,279
Precision Castparts Corp. 27,300	1,123	Federal Realty Investment Trust 26,600	1,010
Roper Industries, Inc. 18,300	904	First Industrial Realty Trust 20,100	649
Snap-On, Inc. 30,450	893	Forest City Enterprises, Inc., Class A 25,750	1,141
• SPX Corp. 43,800	2,108	General Growth Properties, Inc. 38,400	2,938
Teleflex, Inc. 20,500	943	Health Care Property Investors, Inc. 34,700	1,618
The Timken Co. 44,400	745	Health Care Real Estate Investment Trust, Inc. 22,800	756
W.W. Grainger, Inc. 49,600	2,271	Healthcare Realty Trust, Inc. 22,000	743
	262,672	Heritage Property Investment Trust 21,600	609
Railroad & Shipping 0.4%		Highwoods Properties, Inc. 27,800	689
Alexander & Baldwin, Inc. 21,500	667	Hospitality Properties Trust 32,600	1,195
Burlington Northern Santa Fe Corp. 199,553	5,775	• Host Marriott Corp. 156,700	1,638
CSX Corp. 120,800	3,844	HRPT Properties Trust 76,200	713
GATX Corp. 25,500	573	iStar Financial, Inc. 53,000	2,017
Norfolk Southern Corp. 210,600	4,244	Kimco Realty Corp. 59,200	2,466
Union Pacific Corp. 137,661	8,617	Liberty Property Trust 42,100	1,532
	23,720	The Macerich Co. 28,100	1,130
Real Property 1.4%		Mack-Cali Realty Corp. 30,000	1,131
AMB Property Corp. 42,900	1,287	The Mills Corp. 24,400	996
Annaly Mortgage Management, Inc. 49,200	804	New Plan Excel Realty Trust 50,400	1,144
Apartment Investment & Management Co., Class A 50,800	2,078	Pan Pacific Retail Properties, Inc. 20,700	918

See financial notes. 51

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Plum Creek Timber Co., Inc. 98,100	2,585	Dollar General Corp. 179,369	4,030
Prentiss Properties Trust 22,300	674	• Dollar Tree Stores, Inc. 61,300	2,340
ProLogis 96,808	2,860	Family Dollar Stores, Inc. 91,900	4,008
Public Storage, Inc. 68,000	2,720	Federated Department Stores, Inc. 102,100	4,855
Realty Income Corp. 18,200	717	Foot Locker, Inc. 76,900	1,376
Reckson Associates Realty Corp. 26,000	578	The Gap, Inc. 481,700	9,191
Regency Centers Corp. 32,500	1,205	Home Depot, Inc. 1,242,097	46,045
The Rouse Co. 47,200	2,030	J.C. Penney Co., Inc. Holding Co. 146,300	3,460
Shurgard Storage Centers, Inc., Class A 24,200	876	• Kohl's Corp. 183,700	10,300
Simon Property Group, Inc. 103,600	4,670	• Kroger Co. 407,530	7,128
The St. Joe Co. 39,900	1,318	Limited Brands, Inc. 278,968	4,910
Thornburg Mortgage, Inc. 35,500	967	Lowe's Cos., Inc. 423,600	24,963
Trizec Properties, Inc. 78,100	1,043	The May Department Stores Co. 156,350	4,372
United Dominion Realty Trust, Inc. 64,700	1,129	Michaels Stores, Inc. 36,900	1,752
Vornado Realty Trust 60,400	3,053	• The Neiman Marcus Group, Inc., Class A 25,000	1,189
Weingarten Realty Investment 27,000	1,168	Nordstrom, Inc. 73,100	2,229
	86,245	• O'Reilly Automotive, Inc. 27,800	1,203
Retail 7.3%		• Office Depot, Inc. 163,548	2,442
• 99 Cents Only Stores 38,566	1,148	• Payless Shoesource, Inc. 35,400	468
• Abercrombie & Fitch Co., Class A 52,700	1,502	PETsMART, Inc. 76,500	1,959
• Advance Auto Parts, Inc. 20,600	1,611	Pier 1 Imports, Inc. 48,100	1,111
Albertson's, Inc. 203,542	4,130	RadioShack Corp. 96,532	2,895
• Amazon.com, Inc. 215,400	11,722	• Rent-A-Center, Inc. 53,750	1,680
Autonation, Inc. 162,600	3,041	• Rite Aid Corp. 278,300	1,595
• AutoZone, Inc. 47,900	4,603	Ross Stores, Inc. 40,500	2,025
• Barnes & Noble, Inc. 35,100	1,046	• Safeway, Inc. 236,880	4,998
• Bed, Bath & Beyond, Inc. 160,200	6,767	• Saks, Inc. 74,440	1,035
• Best Buy Co., Inc. 173,150	10,096	Sears, Roebuck & Co. 166,600	8,768
• Big Lots, Inc. 60,400	907	• Staples, Inc. 264,160	7,085
• BJ's Wholesale Club, Inc. 36,400	935	Talbots, Inc. 30,000	986
• Borders Group, Inc. 41,400	938	Target Corp. 490,800	19,504
• Carmax, Inc. 55,600	1,752	Tiffany & Co. 77,600	3,682
• Chico's FAS, Inc. 46,200	1,734	TJX Cos., Inc. 279,900	5,875
Circuit City Stores, Inc. 109,300	1,043	• Toys 'R' Us, Inc. 115,080	1,496
Claire's Stores, Inc. 25,400	983	▲ 3 Wal-Mart Stores, Inc. 2,361,500	139,210
• Costco Wholesale Corp. 246,208	8,708		
CVS Corp. 212,414	7,473		
Dillards, Inc., Class A 44,100	713		

Schwab 1000 Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)
Walgreen Co. 552,300	19,231
• Whole Foods Market, Inc. 31,900	1,890
• Williams-Sonoma, Inc. 71,400	2,523
Winn-Dixie Stores, Inc. 73,300	593
• Zale Corp. 13,760	712
	435,966
Steel 0.1%	
Nucor Corp. 43,300	2,374
United States Steel Corp. 53,260	1,260
Worthington Industries, Inc. 51,600	752
	4,386
Telephone 3.3%	
Adtran, Inc. 21,400	1,456
Alltel Corp. 170,667	8,067
AT&T Corp. 425,017	7,901
• AT&T Wireless Services, Inc. 1,466,121	10,629
BellSouth Corp. 997,100	26,234
CenturyTel, Inc. 78,087	2,792
• Citizens Communications Co. 149,718	1,864
• Level 3 Communications, Inc. 351,400	1,894
• Liberty Media Corp., Class A 1,334,100	13,461
• Nextel Communications, Inc., Class A 557,600	13,494
• Nextel Partners, Inc., Class A 93,100	1,119
• Qwest Communications International, Inc. 904,647	3,193
SBC Communications, Inc. 1,793,428	43,006
Sprint Corp. (FON Group) 486,368	7,782
• Sprint Corp. (PCS Group) 549,121	2,389
Telephone & Data Systems, Inc. 30,600	1,916
• U.S. Cellular Corp. 46,700	1,581
Verizon Communications, Inc. 1,489,393	50,044
	198,822
Tobacco 0.9%	
Altria Group, Inc. 1,096,200	50,973
R.J. Reynolds Tobacco Holdings, Inc. 45,800	2,200
UST, Inc. 89,900	3,059
	56,232

Security and Number of Shares	Mkt. Value (\$ x 1,000)
Travel & Recreation 0.4%	
Brunswick Corp. 46,900	1,392
• Extended Stay America, Inc. 48,800	717
Harrah's Entertainment, Inc. 60,100	2,614
Hilton Hotels Corp. 202,567	3,209
Mandalay Resort Group 35,800	1,405
Marriott International, Inc., Class A 125,700	5,430
• MGM MIRAGE 82,200	2,918
• Park Place Entertainment Corp. 163,000	1,565
Speedway Motorsports, Inc. 22,000	636
Starwood Hotels & Resorts Worldwide, Inc. 107,700	3,633
Station Casinos, Inc. 30,100	895
	24,414
Trucking & Freight 0.2%	
C.H. Robinson Worldwide, Inc. 46,000	1,802
CNF, Inc. 25,700	900
Expeditors International Washington, Inc. 56,200	2,110
Heartland Express, Inc. 26,100	648
• J.B. Hunt Transport Services, Inc. 41,000	1,041
Paccar, Inc. 62,280	4,918
Ryder Systems, Inc. 32,500	975
• Swift Transportation Co., Inc. 43,400	973
Werner Enterprises, Inc. 41,500	749
	14,116
Utilities: Electric & Gas 2.9%	
• The AES Corp. 328,906	2,878
AGL Resources, Inc. 32,300	909
Allete, Inc. 46,700	1,411
Alliant Energy Corp. 57,800	1,391
Ameren Corp. 87,430	3,904
American Electric Power Co., Inc. 211,820	5,971
Atmos Energy Corp. 26,400	647
• Calpine Corp. 196,500	906
Centerpoint Energy, Inc. 164,917	1,618
Cinergy Corp. 94,465	3,430

See financial notes. 53

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• CMS Energy Corp. 75,000	609	Group, Inc. 121,200	4,953
Consolidated Edison, Inc. 121,800	4,929	Puget Energy, Inc. 48,300	1,098
Constellation Energy Group, Inc. 89,950	3,271	Questar Corp. 44,500	1,413
Dominion Resources, Inc. 174,016	10,719	SCANA Corp. 59,600	2,044
DPL, Inc. 65,692	1,197	Sempra Energy 120,638	3,354
DTE Energy Co. 91,183	3,363	The Southern Co. 392,100	11,685
Duke Energy Corp. 487,362	8,846	TECO Energy, Inc. 100,800	1,324
Duquesne Light Holdings, Inc. 38,700	622	TXU Corp. 173,012	3,948
• Edison International 182,400	3,595	UGI Corp. 21,600	665
El Paso Corp. 317,646	2,332	Vectren Corp. 40,000	944
Energy East Corp. 78,184	1,755	WGL Holdings, Inc. 25,300	700
Entergy Corp. 123,421	6,652	Williams Cos., Inc. 274,309	2,798
Equitable Resources, Inc. 32,600	1,343	Wisconsin Energy Corp. 62,200	2,037
Exelon Corp. 175,987	11,166	WPS Resources Corp. 16,600	736
FirstEnergy Corp. 175,098	6,022	Xcel Energy, Inc. 215,335	3,531
FPL Group, Inc. 99,000	6,310		176,668
Great Plains Energy, Inc. 37,600	1,199		
Hawaiian Electric Industries, Inc. 19,100	874		
KeySpan Corp. 85,434	2,988		
Kinder Morgan, Inc. 67,200	3,599		
MDU Resources Group, Inc. 59,700	1,351		
National Fuel Gas Co. 41,700	932		
Nicor, Inc. 22,800	781		
NiSource, Inc. 139,880	2,897		
Northeast Utilities, Inc. 70,500	1,328		
NSTAR 27,500	1,284		
OGE Energy Corp. 45,100	1,029		
Oneok, Inc. 37,800	752		
Peoples Energy Corp. 18,500	748		
Pepco Holdings, Inc. 91,525	1,611		
• PG&E Corp. 222,258	5,434		
Philadelphia Suburban Corp. 38,700	914		
Piedmont Natural Gas Co. 17,200	683		
Pinnacle West Capital Corp. 49,000	1,791		
PPL Corp. 95,120	3,797		
Progress Energy, Inc. 131,100	5,650		
Public Service Enterprise			

Short-Term Investment

0.0% of net assets

Provident Institutional TempFund 466,624	467
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Security Rate, Maturity Date	Face value (\$ x 1,000)
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U.S. Treasury Obligation

0.0% of net assets

▲ U.S. Treasury Bill 0.93%, 12/18/03	200	200
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End of investments. For totals, please see the first page of holdings for this fund.

Security Rate, Maturity Date	Face value (\$ x 1,000)	Mkt. value (\$ x 1,000)
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Collateral Invested for Securities on Loan

18.2% of net assets

Commercial Paper & Other Corporate Obligations

American Express Centurion Bank		
1.11%, 12/12/03	16,589	16,589
1.11%, 01/27/04	10,890	10,890
American Express Credit Corp.		
1.11%, 04/16/04	45,006	45,006
1.09%, 05/13/04	10,308	10,308
Canadian Imperial Bank Corp.		
1.09%, 05/28/04	29,321	29,316
CC USA, Inc.		
1.08%, 11/17/03	15,856	15,824
Concord Minutemen Capital Corp.		
1.11%, 01/09/04	24,998	24,933
1.08%, 11/14/03	25,557	25,509
1.08%, 11/18/03	27,683	27,626
1.07%, 11/19/03	22,412	22,395
Crown Point Funding Corp.		
1.11%, 01/16/04	35,351	35,265
1.08%, 11/14/03	28,474	28,416
Depfa Bank PLC		
1.08%, 11/18/03	41,117	41,005
1.08%, 12/22/03	5,090	5,076
Fairway Finance Corp.		
1.10%, 01/12/04	10,198	10,169
General Electric Capital Corp.		
1.08%, 05/10/04	42,650	42,650
Lexington Parker		
1.07%, 11/06/03	16,286	16,271
Svenska Handelsbanken		
1.39%, 10/27/04	40,561	40,557
Tulip Funding Corp.		
1.07%, 11/10/03	15,580	15,565
Westdeutsche Landesbank AG		
1.09%, 09/23/04	23,350	22,345
1.09%, 09/29/04	12,558	12,555
1.08%, 10/12/04	2,114	2,114
		500,384

Security Rate, Maturity Date	Face value (\$ x 1,000)	Mkt. value (\$ x 1,000)
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Short-Term Investments

Wells Fargo Bank, Time Deposit		
1.06%, 11/03/03	69,773	69,773

Security and Number of Shares**Other Investment Companies**

Institutional Money Market Trust	515,213,849	515,214
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End of collateral invested for securities on loan. For totals, please see the first page of holdings for this fund.

Statement of

Assets and Liabilities

As of October 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$1,047,251 of securities on loan)	\$5,962,336
Collateral held for securities on loan	1,085,371
Receivables:	
Fund shares sold	3,844
Interest	2
Dividends	7,666
Investments sold	816
Due from broker for futures	3
Income from securities on loan	144
Prepaid expenses	+ 80
Total assets	7,060,262

Liabilities

Collateral held for securities on loan	1,085,371
Payables:	
Fund shares redeemed	3,806
Investments bought	746
Investment adviser and administrator fees	53
Transfer agent and shareholder service fees	66
Accrued expenses	+ 587
Total liabilities	1,090,629

Net Assets

Total assets	7,060,262
Total liabilities	- 1,090,629
Net assets	\$5,969,633

Net Assets by Source

Capital received from investors	4,460,996
Net investment income not yet distributed	55,633
Net realized capital losses	(549,038)
Net unrealized capital gains	2,002,042

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$ 3,974,081		131,357		\$30.25
Select Shares®	\$1,995,552		65,933		\$30.27

Unless stated, all numbers x 1,000.

The fund paid \$3,960,400 for these securities. Not counting short-term obligations and government securities, the fund paid \$450,859 for securities during the report period and received \$268,270 from securities it sold or that matured.

These derive from investments and futures. As of the report date, the fund had twelve open S&P 500 futures contracts due to expire on December 18, 2003, with an aggregate contract value of \$3,149 and net unrealized gains of \$106.

Federal Tax Data

Portfolio cost	\$3,981,035
Net unrealized gains and losses:	
Gains	\$2,461,677
Losses	+ (480,376)
	\$1,981,301

As of October 31, 2003:**Net undistributed earnings:**

Ordinary income	\$55,588
Long-term capital gains	\$-

Unused capital losses:

Expires 10/31 of:	Loss amount
2004	\$844
2005	2,606
2006	650
2007	11,853
2009	97,811
2010	250,410
2011	+ 164,078
	\$528,252

Reclassifications:

Net realized capital losses	\$415
Reclassified as:	
Capital received from investors	(\$415)

Statement of

Operations

For November 1, 2002 through October 31, 2003. All numbers x 1,000.

Investment Income

Dividends	\$90,420
Interest	58
Securities on loan	+ 1,168
Total investment income	91,646

Net Realized Gains and Losses

Net realized losses on investments sold	(169,559)
Net realized gains on futures contracts	+ 730
Net realized losses	(168,829)

Net Unrealized Gains and Losses

Net unrealized gains on investments	1,141,108
Net unrealized gains on futures contracts	+ 40
Net unrealized gains	1,141,148

Expenses

Investment adviser and administrator fees	11,814
Transfer agent and shareholder service fees:	
Investor Shares	8,646
Select Shares®	1,730
Trustees' fees	33
Custodian fees	168
Portfolio accounting fees	776
Professional fees	56
Registration fees	116
Shareholder reports	598
Interest expense	5
Other expenses	+ 59
Total expenses	24,001
Expense reduction	- 831
Net expenses	23,170

Increase in Net Assets from Operations

Total investment income	91,646
Net expenses	- 23,170
Net investment income	68,476
Net realized losses	(168,829)
Net unrealized gains	+ 1,141,148
Increase in net assets from operations	\$1,040,795

Unless stated, all numbers x 1,000.

An additional \$5 was withheld for foreign taxes.

Calculated as a percentage of average daily net assets: 0.30% of the first \$500 million and 0.22% of assets beyond that.

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%, and 0.05% of the assets of each respective share class. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$407 from the investment adviser (CSIM) and \$424 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through February 29, 2004, as follows:

Share Class	% of Average Daily Net Assets
Investor Shares	0.51
Select Shares	0.36

Prior to March 1, 2003, the limits were 0.46% and 0.35% for the Investor Shares and Select Shares, respectively. This limit doesn't include interest, taxes and certain non-routine expenses.

These add up to a net gain on investments of \$972,319.

See financial notes. 57

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	11/1/02–10/31/03	11/1/01–10/31/02
Net investment income	\$68,476	\$61,586
Net realized losses	(168,829)	(250,220)
Net unrealized gains or losses	+ 1,141,148	(624,054)
Increase or decrease in net assets from operations	1,040,795	(812,688)

Distributions Paid

Dividends from net investment income		
Investor Shares	40,944	35,185
Select Shares®	+ 22,368	19,589
Total dividends from net investment income	\$63,312	\$54,774

Transactions in Fund Shares

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	23,357	\$623,574	23,138	\$680,418
Select Shares	+ 14,563	384,508	13,770	407,100
Total shares sold	37,920	\$1,008,082	36,908	\$1,087,518
Shares Reinvested				
Investor Shares	1,516	\$38,050	1,048	\$32,699
Select Shares	+ 766	19,200	539	16,793
Total shares reinvested	2,282	\$57,250	1,587	\$49,492
Shares Redeemed				
Investor Shares	(21,127)	(\$560,404)	(26,817)	(\$764,754)
Select Shares	+ (12,277)	(323,765)	(16,042)	(456,881)
Total shares redeemed	(33,404)	(\$884,169)	(42,859)	(\$1,221,635)
Net transactions in fund shares	6,798	\$181,163	(4,364)	(\$84,625)

Shares Outstanding and Net Assets

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	190,492	\$4,810,987	194,856	\$5,763,074
Total increase or decrease	+ 6,798	1,158,646	(4,364)	(952,087)
End of period	197,290	\$5,969,633	190,492	\$4,810,987

Unless stated, all numbers x 1,000.

Unaudited

For corporations, 100% of the fund's dividends for the report period qualify for the dividends-received deduction.

The tax-basis components of distributions paid are:

Current period:

Ordinary Income	\$63,312
Long-term capital gains	\$–

Prior period:

Ordinary Income	\$54,774
Long-term capital gains	\$–

The fund charges 0.75% of early withdrawal fees on shares redeemed 180 days or less after the purchase.

Current period:

Investor Shares	\$222
Select Shares	+ 163
Total	\$385

Prior period:

Investor Shares	\$323
Select Shares	+ 190
Total	\$513

Dollar amounts are net of the redemption proceeds.

Figures for shares represent shares sold plus shares reinvested, minus shares redeemed. Figures for net assets represent the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Includes distributable net investment income in the amount of \$55,633 and \$50,469 for the current period and for prior period, respectively.

Schwab Small-Cap Index Fund®

Financial Statements

Financial Highlights

Investor Shares	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	13.27	15.98	21.06	17.41	15.39
Income or loss from investment operations:					
Net investment income	0.11	0.13	0.07	0.07	0.06
Net realized and unrealized gains or losses	4.98	(2.17)	(2.76)	3.62	2.89
Total income or loss from investment operations	5.09	(2.04)	(2.69)	3.69	2.95
Less distributions:					
Dividends from net investment income	(0.14)	(0.09)	(0.08)	(0.04)	(0.06)
Distributions from net realized gains	—	(0.58)	(2.31)	—	(0.87)
Total distributions	(0.14)	(0.67)	(2.39)	(0.04)	(0.93)
Net asset value at end of period	18.22	13.27	15.98	21.06	17.41
Total return (%)	38.72	(13.66)	(13.66)	21.22	19.96
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.56	0.49	0.49	0.49 ¹	0.49
Gross operating expenses	0.60	0.60	0.61	0.66	0.79
Net investment income	0.74	0.77	0.49	0.44	0.33
Portfolio turnover rate	34	44	49	54	41
Net assets, end of period (\$ x 1,000,000)	886	722	804	803	452

¹ The ratio of net operating expenses would have been 0.50% if certain non-routine expenses (proxy fees) had been included.

Financial Highlights

Select Shares®	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	13.28	16.00	21.09	17.44	15.41
Income or loss from investment operations:					
Net investment income	0.14	0.14	0.11	0.11	0.07
Net realized and unrealized gains or losses	4.99	(2.18)	(2.78)	3.61	2.90
Total income or loss from investment operations	5.13	(2.04)	(2.67)	3.72	2.97
Less distributions:					
Dividends from net investment income	(0.16)	(0.10)	(0.11)	(0.07)	(0.07)
Distributions from net realized gains	—	(0.58)	(2.31)	—	(0.87)
Total distributions	(0.16)	(0.68)	(2.42)	(0.07)	(0.94)
Net asset value at end of period	18.25	13.28	16.00	21.09	17.44
Total return (%)	39.02	(13.62)	(13.56)	21.37	20.14
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.41	0.38	0.38	0.38 ¹	0.38
Gross operating expenses	0.45	0.45	0.46	0.51	0.65
Net investment income	0.89	0.88	0.60	0.55	0.44
Portfolio turnover rate	34	44	49	54	41
Net assets, end of period (\$ x 1,000,000)	759	638	727	757	447

¹ The ratio of net operating expenses would have been 0.39% if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of October 31, 2003

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

We use the symbols below to designate certain characteristics. With the top ten holdings, the number in the circle is the security's rank among the top ten.

① Top ten holding

- Non-income producing security
- ▲ Collateral for open futures contracts

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
99.8% Common Stock	1,334,511	1,642,535
0.0% U.S. Treasury Obligations	150	150
99.8% Total Investments	1,334,661	1,642,685
7.5% Collateral Invested for Securities on Loan	122,374	122,374
(7.3)% Other Assets and Liabilities, Net		(119,767)
100.0% Total Net Assets		1,645,292

Security and Number of Shares

Mkt. Value
(\$ x 1,000)

Common Stock 99.8% of net assets**Aerospace / Defense 0.9%**

• Armor Holdings, Inc.	63,700	1,242
• DRS Technologies, Inc.	52,000	1,251
• EDO Corp.	45,300	1,010
• Engineered Support Systems, Inc.	36,900	2,495
• ESCO Technologies, Inc.	29,900	1,300
• Esterline Technologies Corp.	48,000	1,063
• GenCorp, Inc.	100,300	950
• Teledyne Technologies, Inc.	73,000	1,204
• Trimble Navigation Ltd.	72,700	2,010
• Veeco Instruments, Inc.	66,270	1,680
		14,205

Security and Number of Shares

Mkt. Value
(\$ x 1,000)

Air Transportation 1.0%

• AirTran Holdings, Inc.	165,900	2,689
• Alaska Air Group, Inc.	60,700	1,748
• Atlantic Coast Airlines Holdings, Inc.	104,800	1,160
• Continental Airlines, Inc., Class B	149,300	2,852
• EGL, Inc.	107,400	1,752
• ExpressJet Holdings, Inc.	123,100	1,883
• Northwest Airlines Corp., Class A	195,100	2,671
• SkyWest, Inc.	132,400	2,448
		17,203

Alcoholic Beverages 0.0%

• The Robert Mondavi Corp., Class A	21,500	754
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Apparel 1.3%

• Aeropostale, Inc.	82,500	2,545
• Brown Shoe Co., Inc.	41,400	1,432
• The Buckle, Inc.	49,650	1,113
• The J. Jill Group, Inc.	43,500	529
• K-Swiss, Inc., Class A	40,100	1,762
• Kellwood Co.	60,900	2,275
• Kenneth Cole Productions, Inc., Class A	44,350	1,313
• Oshkosh B'Gosh, Inc., Class A	26,600	574
• Phillips-Van Heusen Corp.	69,600	1,193
• Quiksilver, Inc.	124,900	2,145
• Russell Corp.	74,200	1,356
• Stage Stores, Inc.	42,700	1,229
• Stride Rite Corp.	89,400	1,077
• Unifi, Inc.	124,100	619
• Wolverine World Wide, Inc.	91,600	1,850
		21,012

Automotive Products / Motor Vehicles 1.6%

• A.O. Smith Corp., Class B	67,100	2,124
• Aftermarket Technology Corp.	53,300	632
• Arctic Cat, Inc.	49,500	1,115
• Bandag, Inc.	45,000	1,647
• CSK Auto Corp.	99,600	1,708

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Fleetwood Enterprises, Inc. 80,300	809	• FirstFed Financial Corp. 39,600	1,782
• Group 1 Automotive, Inc. 50,700	1,796	Frontier Financial Corp. 42,900	1,345
Modine Manufacturing Co. 77,500	1,983	Gold Banc Corp., Inc. 92,000	1,189
• Monaco Coach Corp. 65,900	1,588	Greater Bay Bancorp 118,000	3,181
Myers Industries, Inc. 71,100	867	Hancock Holding Co. 34,917	1,998
Sonic Automotive, Inc. 67,400	1,530	Harbor Florida Bancshares, Inc. 54,700	1,472
• TBC Corp. 51,000	1,387	Harleysville National Corp. 54,693	1,652
Thor Industries, Inc. 63,600	4,078	Independent Bank Corp. 33,400	976
• United Auto Group, Inc. 91,700	2,381	Integra Bank Corp. 39,570	827
Winnebago Industries, Inc. 41,800	2,437	Irwin Financial Corp. 59,200	1,659
	26,082	MAF Bancorp., Inc. 60,225	2,525
		Main Street Banks, Inc. 40,000	1,043
Banks 7.3%		Mid-State Bancshares 53,700	1,306
Alabama National Bancorp 29,400	1,548	Midwest Banc Holdings, Inc. 41,300	973
Allegiant Bancorp, Inc. 39,200	862	• Movie Gallery, Inc. 72,000	1,489
Anchor Bancorp Wisconsin, Inc. 53,300	1,327	National Penn Bancshares, Inc. 55,710	1,660
BancFirst Corp. 16,700	901	NBT Bancorp., Inc. 75,600	1,588
BankAtlantic Bancorp, Inc., Class A 119,900	2,013	Net.B@nk, Inc. 108,600	1,489
Boston Private Financial Holdings, Inc. 48,600	1,238	OceanFirst Financial Corp. 32,200	842
Capital City Bank Group, Inc. 31,250	1,208	Old Second Bancorp, Inc. 15,400	708
Capitol Bancorp Ltd. 28,300	750	Omega Financial Corp. 17,700	640
Chemical Financial Corp. 54,187	1,883	Oriental Financial Group 40,650	1,041
Chittenden Corp. 84,025	2,704	PFF Bancorp, Inc. 37,800	1,410
City Holding Co. 38,400	1,299	Prosperity Bancshares, Inc. 43,600	1,007
Community Bank System, Inc. 29,900	1,458	Provident Bankshares Corp. 56,194	1,744
Community Trust Bancorp, Inc. 28,000	903	Republic Bancorp, Inc. 130,420	1,894
Connecticut Bancshares, Inc. 24,300	1,256	Riggs National Corp. 64,800	1,070
Corus Bankshares, Inc. 30,700	1,805	S&T Bancorp, Inc. 60,600	1,832
Dime Community Bancshares, Inc. 58,850	1,641	• S1 Corp. 159,000	1,285
Financial Institutions, Inc. 27,000	675	Sandy Spring Bancorp, Inc. 33,700	1,216
First Busey Corp., Class A 30,800	831	Seacoast Banking Corp. of Florida 31,700	561
First Charter Corp. 69,400	1,423	Second Bancorp., Inc. 22,300	618
First Commonwealth Financial Corp. 134,100	1,851	• Silicon Valley Bancshares 78,700	2,762
First Essex Bancorp, Inc. 17,000	925	▲ The South Financial Group, Inc. 114,200	2,984
First Federal Capital Corp. 46,500	1,022	▲ Southwest Bancorp of Texas, Inc. 78,000	2,801
First Financial Bancorp 101,830	1,690	Sterling Bancorp 34,000	993
First Financial Bancshares, Inc. 35,731	1,502	Sterling Bancshares, Inc. 98,950	1,138
First Merchants Corp. 40,530	1,083	Suffolk Bancorp 26,100	914
First Republic Bank 34,100	1,221	Susquehanna Bancshares, Inc. 91,075	2,281
		▲ Texas Regional Bancshares, Inc., Class A 67,219	2,437
		Tompkins Trustco, Inc. 16,800	816

Schwab Small-Cap Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Troy Financial Corp. 21,700	765	Business Services 13.1%	
The Trust Co. of New Jersey 43,100	1,354	•4Kids Entertainment, Inc. 31,000	758
Trustco Bank Corp. 168,420	2,198	ABM Industries, Inc. 112,200	1,746
UCBH Holdings, Inc. 103,100	3,682	•Advent Software, Inc. 73,400	1,344
UMB Financial Corp. 50,293	2,516	•The Advisory Board Co. 34,700	1,263
Umpqua Holdings Corp. 66,700	1,364	Advo, Inc. 45,100	2,022
United Community Financial Corp. 80,600	893	•Agile Software Corp. 111,500	1,223
United National Bancorp. 43,300	1,522	•Altiris, Inc. 53,700	1,846
Unizan Financial Corp. 50,300	1,027	•American Management Systems, Inc. 97,200	1,439
USB Holding Co., Inc. 46,200	864	•AMN Healthcare Services, Inc. 64,633	977
WesBanco, Inc. 47,000	1,253	•Ansys, Inc. 33,800	1,205
WestCorp., Inc. 103,300	3,907	•Anteon International Corp. 77,200	2,636
Wintrust Financial Corp. 43,300	1,877	•Ariba, Inc. 627,700	2,040
WSFS Financial Corp. 16,500	704	▲ Barra, Inc. 44,700	1,699
	120,093	Bowne & Co., Inc. 76,600	1,149
Business Machines & Software 2.6%		•Bright Horizons Family Solutions, Inc. 28,600	1,229
•Adaptec, Inc. 247,200	2,104	The Brink's Co. 124,400	2,494
•Advanced Digital Information Corp. 142,400	2,314	▲ Brocade Communications Systems, Inc. 591,400	3,874
Analogic Corp. 29,600	1,292	•Catalina Marketing Corp. 121,300	2,141
▲ Arbritron, Inc. 68,700	2,714	CDI Corp. 45,500	1,490
•Ascential Software Corp. 129,375	2,871	•Cell Genesys, Inc. 81,400	1,045
▲ Avocent Corp. 104,786	3,961	•Ciber, Inc. 139,900	1,290
Black Box Corp. 41,300	1,778	•Clarent Corp. 105,200	4
•Borland Software Corp. 170,500	1,514	•Cognizant Technology Solutions Corp. 139,900	6,350
•Cray, Inc. 152,600	1,987	•Connetics Corp. 74,500	1,334
•Enterasys Networks, Inc. 469,600	1,831	•CoStar Group, Inc. 36,800	1,386
•Hanger Orthopedic Group, Inc. 49,800	849	•Cross Country Healthcare, Inc. 73,200	1,017
•Imagistics International, Inc. 38,500	1,238	•CSG Systems International, Inc. 120,300	1,382
•Intergraph Corp. 106,100	2,765	•Dendrite International, Inc. 88,850	1,342
•Invision Technologies, Inc. 39,600	1,076	•Digital Insight Corp. 74,900	1,571
•Iomega Corp. 118,660	654	•Digital River, Inc. 69,700	1,908
Landamerica Financial Group, Inc. 42,700	2,135	•Diversa Corp. 97,800	824
•LTX Corp. 111,100	1,587	•Documentum, Inc. 114,500	3,406
•Micromuse, Inc. 179,400	1,444	•DoubleClick, Inc. 313,200	2,609
•MICROS Systems, Inc. 38,700	1,567	•E.piphany, Inc. 168,100	1,167
•PalmOne, Inc. 72,000	1,032	•Echelon Corp. 90,200	1,171
•PalmSource, Inc. 22,320	852	•eFunds Corp. 106,600	1,707
•Scansource, Inc. 27,000	1,161	•Exelixis, Inc. 146,400	1,088
•The Titan Corp. 176,800	3,734		
	42,460		

See financial notes. 63

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Exult, Inc. 244,800	1,941	NDCHealth Corp. 79,200	2,090
• F5 Networks, Inc. 61,100	1,528	• NetIQ Corp. 128,700	1,562
Factset Research Systems, Inc. 77,100	3,365	New England Business Service, Inc. 30,200	879
• FileNet Corp. 83,100	2,220	Newcastle Investment Corp. 65,700	1,537
• Forrester Research, Inc. 53,100	905	• Openwave Systems, Inc. 140,500	1,834
• Freemarkets, Inc. 97,100	608	• Parametric Technology Corp. 612,100	1,904
• FTI Consulting, Inc. 95,100	1,892	• Paxar Corp. 88,435	1,059
G&K Services, Inc., Class A 46,850	1,546	• Per-Se Technologies, Inc. 69,500	945
• Gartner, Inc., Class B 288,500	3,517	▲• Polycom, Inc. 225,500	4,517
• Genesis Health Ventures, Inc. 89,700	2,413	• Pre-Paid Legal Services, Inc. 39,900	1,084
• Global Imaging Systems, Inc. 49,500	1,438	• PRG-Schultz International, Inc. 142,800	678
Grey Global Group, Inc. 3,100	2,077	• Progress Software Corp. 77,200	1,704
• Heidrick & Struggles International, Inc. 41,700	824	• ProQuest Co. 63,800	1,895
• Hyperion Solutions Corp. 89,645	3,002	▲• R.H. Donnelley Corp. 69,400	2,977
• Identix, Inc. 195,032	1,121	• Radiant Systems, Inc. 67,500	450
• IDT Corp. 57,900	1,074	• RealNetworks, Inc. 362,500	2,411
• IDX Systems Corp. 66,900	1,753	• Red Hat, Inc. 390,500	5,873
• Informatica Corp. 183,300	1,998	• Renaissance Learning, Inc. 69,900	1,759
• Infospace, Inc. 70,950	1,850	• Resources Connection, Inc. 50,300	1,244
• Intercept, Inc. 49,000	481	• Right Management Consultants, Inc. 52,100	940
▲• Internet Security Systems 113,100	1,856	Roto-Rooter, Inc. 23,100	815
• Interwoven, Inc. 242,200	918	• RSA Security, Inc. 132,300	1,716
• JDA Software Group, Inc. 65,100	1,394	• Serena Software, Inc. 93,900	1,620
John H. Harland Co. 64,000	1,743	• SourceCorp 36,900	865
• Keane, Inc. 144,900	1,904	• Spartech Corp. 65,900	1,528
• Korn/Ferry International 85,600	748	• Spherion Corp. 139,800	1,216
• Kroll, Inc. 89,900	2,091	• SRA International, Inc., Class A 37,200	1,620
• Kronos, Inc. 44,925	2,695	The Standard Register Co. 64,100	1,128
• Labor Ready, Inc. 89,000	967	Startek, Inc. 32,900	1,093
• Macrovision Corp. 112,600	2,474	Strayer Education, Inc. 23,000	2,252
• Magma Design Automation, Inc. 70,800	1,715	• Sycamore Networks, Inc. 624,500	3,123
• Mantech International Corp., Class A 37,900	927	• Sylvan Learning Systems, Inc. 94,100	2,663
• MAXIMUS, Inc. 48,100	1,679	• Symyx Technologies, Inc. 71,500	1,512
• Maxygen, Inc. 80,100	761	• Systems & Computer Technology Corp. 77,200	1,135
• Mentor Graphics Corp. 156,300	2,618	• TeleTech Holdings, Inc. 169,000	1,112
• MPS Group, Inc. 235,100	2,245	• Telik, Inc. 77,700	1,579
• MRO Software, Inc. 55,600	703	• Tetra Tech, Inc. 123,218	2,770
Nautilus Group, Inc. 76,949	1,201	• Tetra Technologies, Inc. 50,100	1,133
• NCO Group, Inc. 59,000	1,404	• Tier Technologies, Inc., Class B 37,200	381

Schwab Small-Cap Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Trizetto Group, Inc. 112,600	766	Products, Inc. 41,200	2,221
• Tularik, Inc. 125,400	1,576	• Dycom Industries, Inc. 109,200	2,360
• United Online, Inc. 96,800	2,787	ElkCorp 45,850	1,165
• UNOVA, Inc. 135,300	2,937	• EMCOR Group, Inc. 34,200	1,289
• URS Corp. 72,600	1,589	Granite Construction, Inc. 96,225	1,924
• Verity, Inc. 83,700	1,176	• 8 Hovnanian Enterprises, Inc., Class A 67,300	5,470
• Vignette Corp. 576,900	1,448	• Insituform Technologies, Inc., Class A 60,000	858
• Watson Wyatt & Co. Holdings 76,200	1,833	M/I Schottenstein Homes, Inc. 33,200	1,382
• WebEx Communications, Inc. 94,500	2,088	• NCI Building Systems, Inc. 43,100	937
• webMethods, Inc. 113,600	986	• Palm Harbor Homes, Inc. 54,300	1,007
• Websense, Inc. 50,700	1,186	The Ryland Group, Inc. 55,600	4,943
• Wind River Systems, Inc. 177,600	1,190	• Simpson Manufacturing Co., Inc. 56,400	2,524
	214,937	Standard-Pacific Corp. 72,400	3,464
Chemicals 2.0%		• Surebeam Corp., Class A 132,000	39
A. Schulman, Inc. 66,900	1,270	Texas Industries, Inc. 47,700	1,296
Arch Chemicals, Inc. 53,100	1,178	• USG Corp. 98,000	1,641
• Bio-Rad Laboratories, Inc., Class A 57,800	3,020	Walter Industries, Inc. 95,000	1,129
Brady Corp., Class A 52,800	1,864		37,574
▲ Crompton Corp. 252,700	1,354	Consumer Durables 1.0%	
• Entegris, Inc. 162,400	2,137	• Genlyte Group, Inc. 31,400	1,481
▲ Ferro Corp. 93,100	1,911	• Griffon Corp. 67,400	1,304
Georgia Gulf Corp. 74,400	2,001	Haverty Furniture Cos., Inc. 48,500	1,006
H.B. Fuller Co. 65,400	1,621	• Helen of Troy Ltd. 64,800	1,454
▲ • Hercules, Inc. 253,200	2,646	Kimball International, Inc., Class B 87,700	1,359
MacDermid, Inc. 70,300	2,101	• Select Comfort Corp. 73,000	2,285
Millennium Chemicals, Inc. 142,800	1,431	Sturm Ruger & Co., Inc. 65,000	738
Olin Corp. 133,900	2,331	Thomas Industries, Inc. 40,000	1,208
• PolyOne Corp. 209,300	1,011	Toro Co. 56,000	2,783
• Rogers Corp. 36,900	1,475	• United Rentals, Inc. 174,700	3,043
Rollins, Inc. 104,450	2,122		16,661
Solutia, Inc. 240,100	641	Containers 0.2%	
Tredegar Corp. 87,400	1,362	Greif, Inc., Class A 50,700	1,649
WD-40 Co. 38,600	1,253	• Silgan Holdings, Inc. 42,800	1,369
Wellman, Inc. 78,300	646		3,018
	33,375	Electronics 11.3%	
Construction 2.3%		• Actel Corp. 57,300	1,546
American Woodmark Corp. 18,600	913	Acuity Brands, Inc. 94,200	2,025
• Beazer Homes USA, Inc. 30,269	3,012		
Centex Construction			

See financial notes. 65

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Agilysys, Inc. 72,900	749	• Exar Corp. 90,700	1,459
• ① Amkor Technology, Inc. 378,000	7,125	• FEI Co. 74,100	1,760
• Andrew Corp. 346,945	4,538	• Flir Systems, Inc. 75,200	2,351
• Anixter International, Inc. 82,000	1,958	• FuelCell Energy, Inc. 84,300	1,286
• Arris Group, Inc. 177,200	1,063	• GlobespanVirata, Inc. 304,300	1,875
• Artisan Components, Inc. 49,800	1,021	• Hollywood Entertainment Corp. 140,200	2,131
• Asyst Technologies, Inc. 88,700	1,654	• Hutchinson Technology, Inc. 58,300	1,954
• ATMI, Inc. 69,800	1,605	• Intermagnetics General Corp. 37,714	888
• Avid Technology, Inc. 67,300	3,482	• Itron, Inc. 47,400	971
• Axcelis Technologies, Inc. 227,000	2,402	• Kemet Corp. 196,600	2,605
Belden, Inc. 57,300	1,074	• Kopin Corp. 159,400	1,168
• Benchmark Electronics, Inc. 56,700	2,762	• Kulicke & Soffa Industries, Inc. 109,200	1,603
• Brooks Automation, Inc. 83,524	2,084	▲• Lattice Semiconductor Corp. 258,600	2,017
C&D Technologies, Inc. 59,900	1,194	• Littelfuse, Inc. 49,700	1,322
• Cable Design Technologies Corp. 102,075	984	▲• Macromedia, Inc. 140,200	2,679
• CCC Information Services Group, Inc. 62,000	1,042	• Mercury Computer Systems, Inc. 50,000	1,076
• Celera Genomics Group – Applera Corp. 162,900	2,178	• Methode Electronics, Class A 84,400	1,005
• Checkpoint Systems, Inc. 76,500	1,441	• MKS Instruments, Inc. 118,000	3,068
• ChipPAC, Inc., Class A 216,400	1,805	• Monolithic System Technology, Inc. 65,300	532
• CMGI, Inc. 894,500	1,682	• Mykrolis Corp. 92,700	1,367
• Coherent, Inc. 67,200	1,546	• New Focus, Inc. 152,500	792
Cohu, Inc. 48,400	971	• Newport Corp. 89,000	1,403
▲• CommScope, Inc. 136,400	2,113	• Omnivision Technologies, Inc. 61,300	3,482
• Conexant Systems, Inc. 615,100	3,586	Park Electrochemical Corp. 45,350	1,111
• Corvis Corp. 924,000	1,321	• Photon Dynamics, Inc. 37,500	1,418
• Cox Radio, Inc., Class A 95,900	2,121	• Pinnacle Systems, Inc. 146,300	1,017
• Credence Systems Corp. 136,100	2,220	• Planar Systems, Inc. 33,400	773
CTS Corp. 78,400	868	• Plantronics, Inc. 100,900	2,806
Cubic Corp. 61,300	1,741	• Plexus Corp. 96,500	1,669
• Cyberonics 51,700	1,414	• Power Integrations, Inc. 67,300	2,343
• ⑥ Cypress Semiconductor Corp. 268,800	5,768	• Power-One, Inc. 191,400	1,734
• Dionex Corp. 47,200	2,008	• Powerwave Technologies, Inc. 143,300	933
• DSP Group, Inc. 62,500	1,493	• Quantum Corp. 396,000	1,232
• Dupont Photomasks, Inc. 42,600	987	▲• ⑩ Rambus, Inc. 219,700	5,440
• Electro Rent Corp. 53,722	787	• Rayovac Corp. 72,900	1,199
• Electro Scientific Industries, Inc. 63,200	1,552	• Rudolph Technologies, Inc. 34,100	892
▲• Electronics for Imaging 118,700	3,217	• ScanSoft, Inc. 222,500	1,286
• ESS Technology, Inc. 88,700	1,231	• Semtech Corp. 166,700	3,701
		• Silicon Image, Inc. 157,900	1,110
		▲• ③ Silicon Laboratories, Inc. 111,000	5,992

Schwab Small-Cap Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Silicon Storage Technology, Inc. 218,300	2,441	• Range Resources Corp. 122,100	934
• Standard Microsystems Corp. 38,400	1,152	• Seacor Smit, Inc. 42,650	1,635
• Technitrol, Inc. 91,100	1,986	• Southwestern Energy Co. 77,800	1,509
• Tekelec 138,900	2,235	• Swift Energy Co. 63,600	884
▲• Thomas & Betts Corp. 132,600	2,360	TC Pipelines L.P. 36,900	1,164
• THQ, Inc. 86,150	1,528	▲• Tom Brown, Inc. 103,700	2,802
• Triquint Semiconductor, Inc. 306,700	2,199	• Unit Corp. 94,700	1,836
• Varian Semiconductor Equipment Associates, Inc. 77,900	3,766	USEC, Inc. 188,600	1,405
▲• Varian, Inc. 77,300	2,768	• W-H Energy Services, Inc. 61,300	961
• Viasat, Inc. 59,400	1,166		40,284
• Vicor Corp. 97,000	984		
• Vitesse Semiconductor Corp. 468,100	3,295		
• Western Wireless Corp., Class A 165,900	3,218		
• Wilson Greatbatch Technologies, Inc. 47,600	1,795		
• Zoran Corp. 89,300	1,488		
	186,189		
Energy: Raw Materials 2.5%		Food & Agriculture 1.5%	
• Atwood Oceanics, Inc. 32,100	831	• 7-Eleven, Inc. 238,040	3,797
Berry Petroleum Co., Class A 47,600	866	• American Italian Pasta Co., Class A 39,700	1,518
Cabot Oil & Gas Corp. 73,900	1,888	• Chiquita Brands International, Inc. 90,400	1,672
CARBO Ceramics, Inc. 35,900	1,508	Coca-Cola Bottling Co. Consolidated 15,100	763
• Dril-Quip, Inc. 39,600	594	Delta & Pine Land Co. 87,300	1,996
• Evergreen Resources, Inc. 89,400	2,452	• Fisher Communications, Inc. 18,900	903
• Grey Wolf, Inc. 420,900	1,351	Flowers Foods, Inc. 104,400	2,477
• Hanover Compressor Co. 165,600	1,756	• Hain Celestial Group, Inc. 77,200	1,629
• Headwaters, Inc. 65,200	1,222	• International Multifoods Corp. 45,000	1,004
• Hydril Co. 53,400	1,252	▲ Interstate Bakeries 101,600	1,491
• Joy Global, Inc. 111,500	2,125	• J & J Snack Foods Corp. 19,900	710
• Kirby Corp. 54,900	1,613	Lance, Inc. 66,100	856
Massey Energy Co. 171,100	2,378	• Ralcorp Holdings, Inc. 66,566	1,831
• McDermott International, Inc. 144,700	1,071	• Tejon Ranch Co. 33,400	1,313
• Newpark Resources, Inc. 179,400	721	• United Natural Foods, Inc. 45,000	1,741
NL Industries, Inc. 109,900	1,933	• Wild Oats Markets, Inc. 68,100	707
• Offshore Logistics, Inc. 53,300	1,162		24,408
Penn Virginia Corp. 19,700	894		
• Plains Resources, Inc. 54,700	725		
• Prima Energy Corp. 29,200	812		
		Gold 0.1%	
		Royal Gold, Inc. 46,900	972
		Healthcare / Drugs & Medicine 10.6%	
		• aaiPharma, Inc. 63,350	1,146
		• Abgenix, Inc. 202,600	2,482
		• Advanced Medical Optics, Inc. 65,900	1,329
		• Advanced Neuromodulation Systems, Inc. 43,500	1,783

See financial notes. 67

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Albany Molecular Research, Inc. 71,600	1,052	• InterMune, Inc. 73,800	1,476
• Alexion Pharmaceuticals, Inc. 45,000	832	• Isis Pharmaceuticals, Inc. 125,500	835
• Alkermes, Inc. 197,200	2,558	• Kindred Healthcare, Inc. 40,800	1,683
Alpharma, Inc., Class A 119,800	2,180	• KV Pharmaceutical Co., Class A 110,175	2,644
• American Healthways, Inc. 33,900	1,405	• La Jolla Pharmaceutical Co. 94,300	322
• American Medical Systems Holdings, Inc. 75,000	1,500	Landauer, Inc. 19,300	755
• AMERIGROUP Corp. 53,800	2,250	• Ligand Pharmaceuticals, Inc., Class B 156,900	2,162
• Amsurg Corp. 46,000	1,656	• Martek Biosciences Corp. 60,200	2,914
• Antigenics, Inc. 91,200	998	• Medarex, Inc. 163,800	1,171
Arrow International, Inc. 99,000	2,612	• Medicines Co. 105,100	2,801
• Atrix Labs, Inc. 42,800	860	Mentor Corp. 106,400	2,155
• Beverly Enterprises, Inc. 247,100	1,500	• Merit Medical Systems, Inc. 43,466	1,138
• BioMarin Pharmaceuticals, Inc. 147,900	1,035	Mine Safety Appliances Co. 27,400	1,551
• Biosite, Inc. 34,000	877	• Myriad Genetics, Inc. 58,700	743
Cambrex Corp. 59,200	1,399	• Nektar Therapeutics 126,300	1,660
• Centene Corp. 42,550	1,302	• NPS Pharmaceuticals, Inc. 85,000	2,238
• Cerus Corp. 39,000	175	Oakley, Inc. 156,300	1,696
• Chattem, Inc. 46,800	687	• Ocular Sciences, Inc. 53,800	1,503
• Cima Labs, Inc. 32,300	1,014	• Odyssey HealthCare, Inc. 82,650	2,293
• Conmed Corp. 65,800	1,339	• Orthodontic Centers of America, Inc. 114,200	1,009
Cooper Cos., Inc. 70,800	3,076	• OSI Pharmaceuticals, Inc. 84,500	2,366
• Corixa Corp. 115,700	691	Owens & Minor, Inc. 78,400	1,595
• Corvel Corp. 24,400	881	• Pacificare Health Systems, Inc. 84,000	4,998
• CV Therapeutics, Inc. 64,700	1,141	• Parexel International Corp. 59,800	1,000
Datascope Corp. 34,900	1,162	Perrigo Co. 162,100	2,180
▲• Endo Pharmaceutical Holdings, Inc. 300,400	4,915	▲•⑦ Pharmaceutical Resources, Inc. 76,500	5,529
• Enzo Biochem, Inc. 68,061	1,259	PolyMedica Corp. 55,600	1,640
• Enzon Pharmaceuticals, Inc. 101,700	1,135	• Priority Healthcare Corp., Class B 100,300	2,169
• First Horizon Pharmaceutical Corp. 79,600	563	• Protein Design Labs, Inc. 207,200	2,793
• Gen-Probe, Inc. 107,000	2,864	• Province Healthcare Co. 112,300	1,442
• Genta, Inc. 167,300	1,790	• PSS World Medical, Inc. 154,500	1,440
• Haemonetics Corp. 55,200	1,273	• Regeneron Pharmaceuticals, Inc. 115,800	1,603
ICN Pharmaceuticals, Inc. 188,300	3,636	• RehabCare Group, Inc. 38,900	608
• ICU Medical, Inc. 30,700	1,037	▲• Resmed, Inc. 75,700	3,162
•④ ImClone Systems, Inc. 169,800	5,901	▲• Sepracor, Inc. 192,300	5,121
• Inamed Corp. 52,400	4,526	• Serologicals Corp. 56,200	899
• Incyte Corp. 167,000	882	• Sierra Health Services, Inc. 63,400	1,477
• Integra LifeSciences Holdings Corp. 59,500	2,007	• Sola International, Inc. 56,900	976

Schwab Small-Cap Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Sunrise Senior Living, Inc. 48,100	1,390	Harleysville Group, Inc. 68,500	1,525
• SurModics, Inc. 40,300	847	Hooper Holmes, Inc. 146,200	762
• Sybron Dental Specialties, Inc. 86,500	1,989	Horace Mann Educators Corp. 94,900	1,257
• Tanox, Inc. 100,500	1,804	Kansas City Life Insurance Co. 27,900	1,310
• Thoratec Corp. 126,200	1,942	Liberty Corp. 44,300	1,974
• Transkaryotic Therapies, Inc. 75,700	992	• Ohio Casualty Corp. 139,200	2,130
• Trimeris, Inc. 49,000	1,254	• Philadelphia Consolidated Holding Co. 49,000	2,310
• United Surgical Partners International, Inc. 62,400	1,882	The Phoenix Cos., Inc. 213,600	2,350
• United Therapeutics Corp. 49,500	996	PMA Capital Corp., Class A 70,900	932
• US Oncology, Inc. 195,472	2,138	Presidential Life Corp. 67,000	1,029
• Vaxgen, Inc. 45,700	431	• ProAssurance Corp. 66,496	2,001
• Ventana Medical Systems, Inc. 37,900	1,586	RLI Corp. 56,650	1,903
• Viasys Healthcare, Inc. 67,900	1,226	Selective Insurance Group, Inc. 59,900	1,839
• Vicuron Pharmaceuticals, Inc. 122,600	2,250	State Auto Financial Corp. 89,200	2,391
• Visx, Inc. 110,300	2,676	Sterling Financial Corp. 38,600	1,095
West Pharmaceutical Services, Inc. 33,400	1,104	• Stewart Information Services Corp. 41,500	1,293
• Wright Medical Group, Inc. 73,900	2,169	• Triad Guaranty, Inc. 32,700	1,613
• XOMA Ltd. 171,300	1,283	• UICI 105,400	1,577
• Zoll Medical Corp. 19,500	663	United Fire & Casualty Co. 22,400	893
	175,079	Zenith National Insurance Corp. 44,100	1,354
			47,954
Household Products 0.2%		Media 2.6%	
• Elizabeth Arden, Inc. 42,900	858	• Adolor Corp. 71,800	1,312
Nu Skin Enterprises, Inc., Class A 82,600	1,311	Advanced Marketing Services, Inc. 46,600	534
• Playtex Products, Inc. 127,400	765	• AMC Entertainment, Inc. 84,200	1,145
	2,934	• American Tower Corp., Class A 470,800	5,461
Insurance 2.9%		Banta Corp. 58,200	2,227
▲ Alfa Corp. 181,100	2,334	Blockbuster, Inc., Class A 82,200	1,584
• Allmerica Financial Corp. 121,100	3,225	• Charter Communications, Inc., Class A 672,200	2,870
• Argonaut Group, Inc. 48,900	785	• CNET Networks, Inc. 322,300	2,624
• Clark, Inc. 41,400	623	• Consolidated Graphics, Inc. 30,400	841
• CNA Surety Corp. 97,500	1,064	• Cumulus Media, Inc., Class A 112,380	2,105
Delphi Financial Group, Inc., Class A 46,571	2,346	• Entravision Communications Corp., Class A 167,500	1,603
FBL Financial Group, Inc., Class A 62,100	1,621	• Gaylord Entertainment Co. 76,700	2,067
Fremont General Corp. 172,400	2,867	Gray Television, Inc. 93,100	1,184
Great American Financial Resources, Inc. 99,750	1,551		

See financial notes. 69

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Information Holdings, Inc. 49,400	1,108	Fidelity Bankshares, Inc. 34,800	943
• Insight Communications Co. 118,300	1,146	• Financial Federal Corp. 41,700	1,399
• Journal Register Co. 94,400	1,891	First Community Bancorp 36,500	1,278
• Lin TV Corp., Class A 62,200	1,403	First Financial Corp. 29,200	862
• Mediacom Communications Corp. 208,200	1,457	First Financial Holdings, Inc. 30,100	908
• Primedia, Inc. 589,600	1,586	First Indiana Corp. 37,800	690
• Pulitzer, Inc. 21,200	1,103	First Sentinel Bancorp., Inc. 63,591	1,186
• Regent Communications, Inc. 111,100	664	Flagstar Bancorp., Inc. 135,900	3,031
• Saga Communications, Inc., Class A 41,900	796	Glacier Bancorp, Inc. 44,330	1,364
• Salem Communications Corp., Class A 42,100	979	Hudson River Bancorp 35,400	1,182
• Sinclair Broadcast Group, Inc., Class A 102,400	1,192	Independent Bank Corp. Michigan 44,420	1,285
• Spanish Broadcasting System, Class A 84,000	756	• Knight Trading Group, Inc. 254,000	3,515
• Tivo, Inc. 143,800	1,153	• La Quinta Corp. 346,900	2,140
• Valuevision Media, Inc., Class A 80,700	1,311	• Local Financial Corp. 40,100	778
	42,102	MB Financial, Inc. 39,600	1,873
Miscellaneous 0.1%		MCG Capital Corp. 86,000	1,512
• Coinstar, Inc. 52,100	763	McGrath RentCorp 27,100	772
Miscellaneous Finance 4.4%		• Meritage Corp. 30,400	1,797
1st Source Corp. 49,100	982	The Midland Co. 40,600	936
Amcore Financial, Inc. 56,550	1,527	• National Western Life Insurance Co., Class A 8,000	1,151
American Capital Strategies Ltd. 124,700	3,367	New Century Financial Corp. 78,600	2,914
• Bankunited Financial Corp., Class A 66,500	1,470	Northwest Bancorp, Inc. 108,649	2,263
• Bay View Capital Corp. 144,600	879	▲ Pacific Capital Bancorp. 77,399	2,636
Blackrock, Inc. 41,500	2,131	Pacific Northwest Bancorp 39,000	1,515
• Boca Resorts, Inc., Class A 89,800	1,212	• Saxon Capital, Inc. 67,200	1,267
Cathay Bancorp., Inc. 51,900	2,511	Seacoast Financial Services Corp. 57,600	1,475
Central Pacific Financial Co. 36,700	960	United Community Banks, Inc. 51,000	1,619
Charter Municipal Mortgage Acceptance Co. 94,600	1,815	Value Line, Inc. 22,100	1,094
• CompuCredit Corp. 107,100	2,117	Waypoint Financial Corp. 76,400	1,591
• Corrections Corp. of America 81,000	1,989		72,455
CVB Financial Corp. 100,340	2,002	Non-Durables & Entertainment 3.8%	
East-West Bancorp, Inc. 54,500	2,675	Action Performance Cos., Inc. 41,800	856
• eSpeed, Inc., Class A 67,600	1,842	▲ Activision, Inc. 201,100	3,035
		• AFC Enterprises, Inc. 67,900	1,137
		Bob Evans Farms, Inc. 78,400	2,317
		• California Pizza Kitchen, Inc. 44,100	820
		• CEC Entertainment, Inc. 58,500	2,861
		Churchill Downs, Inc. 29,300	1,126

Schwab Small-Cap Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Electronics Boutique Holdings Corp. 57,600	1,639	Oil: Domestic 2.0%	
• Fossil, Inc. 105,850	2,858	• CAL Dive International, Inc. 86,700	1,797
Handleman Co. 56,400	1,001	• Comstock Resources, Inc. 70,900	1,059
IHOP Corp. 49,700	1,844	• Encore Acquisition Co. 69,300	1,594
• Isle of Capri Casinos, Inc. 66,700	1,391	Frontier Oil Corp. 62,200	995
• Jack in the Box, Inc. 82,700	1,504	• Global Industries Ltd. 231,300	1,069
• Jakks Pacific, Inc. 48,200	627	• Gulfmark Offshore, Inc. 47,000	656
Landry's Restaurants, Inc. 62,200	1,557	Holly Corp. 35,200	877
Lone Star Steakhouse & Saloon, Inc. 47,000	1,028	▲ Houston Exploration Co. 71,400	2,499
• Marvel Enterprises, Inc. 169,300	4,986	• Magnum Hunter Resources, Inc. 156,800	1,356
• O'Charleys, Inc. 46,200	778	Patina Oil & Gas Corp. 76,406	3,223
• P.F. Chang's China Bistro, Inc. 57,300	2,793	• Quicksilver Resource, Inc. 49,400	1,270
• Papa John's International, Inc. 38,900	1,023	• Remington Oil & Gas Corp. 62,400	1,114
• Penn National Gaming, Inc. 90,400	2,142	• Spinnaker Exploration Co. 76,500	1,958
• Rare Hospitality International Inc. 75,950	1,884	St. Mary Land & Exploration Co. 65,400	1,707
Russ Berrie & Co., Inc. 46,300	1,660	• Stone Energy Corp. 60,640	2,191
• Ryan's Family Steak Houses, Inc. 95,950	1,337	• Superior Energy Services, Inc. 170,400	1,523
• SCP Pool Corp. 79,725	2,790	• Tesoro Petroleum Corp. 146,500	1,670
▲ Service Corp. International 687,000	3,332	• Ultra Petroleum Corp. 170,700	3,124
• Sonic Corp. 89,200	2,481	• Universal Compression Holdings, Inc. 70,800	1,557
• Sotheby's Holdings, Inc., Class A 136,100	1,449	Vintage Petroleum, Inc. 147,700	1,706
• The Steak N Shake Co. 63,700	1,102	32,945	
• Stewart Enterprises, Inc., Class A 236,700	966	Optical & Photo 0.3%	
• Take-Two Interactive Software, Inc. 94,300	3,730	• Lexar Media, Inc. 172,000	3,941
The Topps Co., Inc. 92,300	943	• Photonics, Inc. 70,900	1,527
Triarc Cos., Class B 96,000	1,023	5,468	
Triarc Cos., Inc. 48,000	500	Paper & Forest Products 0.7%	
Tupperware Corp. 132,300	1,991	• Carastar Industries, Inc. 66,500	639
62,511		Chesapeake Corp. 34,800	849
Non-Ferrous Metals 0.6%		Deltic Timber Corp. 28,000	802
Commercial Metals Co. 64,766	1,599	Glatfelter 100,200	1,278
• Hecla Mining Co. 231,600	1,367	Longview Fibre Co. 120,100	1,291
Minerals Technologies, Inc. 45,500	2,493	Potlatch Corp. 66,000	2,063
▲ Mueller Industries, Inc. 79,100	2,496	Rock-Tennessee Co., Class A 79,200	1,275
Reliance Steel & Aluminum Co. 73,175	2,100	Universal Forest Products, Inc. 40,500	1,199
10,055		Wausau-Mosinee Paper Corp. 119,125	1,472
		10,868	

See financial notes. 71

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Producer Goods & Manufacturing 5.6%			
• Actuant Corp., Class A 53,200	1,715	• Possis Medical, Inc. 33,500	545
• Advanced Energy Industries, Inc. 72,800	1,662	Regal Beloit 56,700	1,154
• Aeroflex, Inc. 149,600	1,388	Robbins & Myers, Inc. 32,900	694
Albany International Corp., Class A 74,083	2,289	Sauer-Danfoss, Inc. 109,300	1,550
Applied Industrial Technologies, Inc. 44,900	1,013	• Sequa Corp., Class A 23,700	1,130
Baldor Electric Co. 76,120	1,621	• The Shaw Group, Inc. 115,300	1,574
Barnes Group, Inc. 51,200	1,494	• SPS Technologies, Inc. 29,800	1,470
▲ Briggs & Stratton Corp. 49,200	3,199	Standex International Corp. 27,700	705
Clarcor, Inc. 57,250	2,327	Steelcase, Inc., Class A 97,200	1,142
Cognex Corp. 98,500	2,645	Stewart & Stevenson Services, Inc. 64,800	1,083
• Cuno, Inc. 37,200	1,484	Tecumseh Products Co., Class A 41,400	1,697
Curtiss-Wright Corp. 23,200	1,717	Tennant Co. 20,100	795
Federal Signal Corp. 109,200	1,615	• Terex Corp. 109,600	2,473
▲ • Flowserve Corp. 127,334	2,605	Trinity Industries, Inc. 103,050	2,623
▲ • FMC Corp. 81,800	2,291	• Triumph Group, Inc. 37,000	1,208
Franklin Electric Co., Inc. 25,100	1,531	Valmont Industries, Inc. 53,900	1,121
• Gardner Denver, Inc. 36,400	752	Watsco, Inc. 60,900	1,304
• GrafTech International Ltd. 152,200	1,581	Watts Water Technologies, Inc., Class A 64,500	1,146
Helix Technology Corp. 59,100	1,061	Woodward Governor Co. 25,800	1,194
Hughes Supply, Inc. 54,450	2,105	▲ York International Corp. 90,500	3,596
• Ionics, Inc. 37,700	1,074		91,619
• Jarden Corp. 31,700	1,309	Railroad & Shipping 0.5%	
JLG Industries, Inc. 97,600	1,165	Florida East Coast Industries, Class A 83,800	2,491
Kaydon Corp. 63,900	1,519	• Genessee & Wyoming, Inc., Class A 31,900	775
Lennox International, Inc. 134,200	2,220	• Kansas City Southern Railway 137,800	1,823
Libbey, Inc. 30,091	800	Overseas Shipholding Group 77,000	2,099
▲ Lincoln Electric Holdings, Inc. 93,800	2,288	Wabtec Corp. 100,121	1,532
• Lone Star Technologies, Inc. 65,000	905		8,720
Manitowoc Co., Inc. 59,862	1,299	Real Property 5.7%	
Matthews International Corp., Class A 72,600	1,959	Alexandria Real Estate Equities, Inc. 43,600	2,224
• Maverick Tube Corp. 94,200	1,591	AMLI Residential Properties 40,200	1,023
• Micrel, Inc. 207,500	3,424	Anthracite Capital, Inc. 114,200	1,164
• Moog, Inc., Class A 30,100	1,276	Anworth Mortgage Asset Corp. 71,000	997
MSC Industrial Direct Co., Class A 79,500	1,880	Bedford Property Investors, Inc. 39,200	1,029
NACCO Industries, Inc., Class A 15,150	1,194		
Nordson Corp. 76,800	2,128		
• Oceaneering International, Inc. 55,900	1,289		

Schwab Small-Cap Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
▲ Brandywine Realty Trust 81,600	2,068	Novastar Financial, Inc. 25,700	1,895
Capital Automotive Real Estate Investment Trust 70,300	2,187	Parkway Properties, Inc. 23,100	1,018
Capstead Mortgage Corp. 34,200	457	Pennsylvania Real Estate Investment Trust 51,000	1,703
Colonial Properties Trust 59,500	2,201	Post Properties, Inc. 84,800	2,239
Commercial Net Lease Realty 105,500	1,815	PS Business Parks, Inc. 49,000	1,847
Cornerstone Realty Income Trust, Inc. 118,800	982	RAIT Investment Trust 48,600	1,135
Corporate Office Properties Trust SBI 66,900	1,294	Redwood Trust, Inc. 39,100	1,939
Crown American Realty Trust 71,200	853	Saul Centers, Inc. 36,000	979
EastGroup Properties, Inc. 41,800	1,218	Senior Housing Properties Trust 135,100	2,012
Entertainment Properties Trust 45,800	1,474	SL Green Realty Corp. 76,100	2,751
Equity One, Inc. 150,400	2,519	Sovran Self Storage, Inc. 30,300	1,026
Essex Property Trust, Inc. 51,500	3,084	Summit Properties, Inc. 66,300	1,482
FelCor Lodging Trust, Inc. 131,000	1,335	Sun Communities, Inc. 42,500	1,549
Gables Residential Trust 60,800	1,957	Tanger Factory Outlet Centers 22,200	896
Getty Realty Corp. 50,600	1,252	Taubman Centers, Inc. 112,300	2,264
Glenborough Realty Trust, Inc. 63,000	1,228	The Town & Country Trust 38,000	883
Glimcher Realty Trust 78,300	1,658	• Trammell Crow Co. 83,600	1,138
Great Lakes Real Estate Investment Trust 36,700	588	Universal Health Realty Income 27,900	781
Home Properties of NY, Inc. 64,800	2,495	US Restaurant Properties, Inc. 45,700	731
IMPAC Mortgage Holdings, Inc. 112,100	1,687	Ventas, Inc. 180,000	3,366
Innkeepers USA Trust 83,100	723	▲ Washington Real Estate Investment Trust 90,200	2,670
Investors Real Estate Trust 78,000	775		94,043
• Jones Lang LaSalle, Inc. 73,700	1,404		
Keystone Property Trust 48,600	972	Retail 4.2%	
Kilroy Realty Corp. 63,600	1,838	• Alloy, Inc. 88,100	395
Koger Equity, Inc. 48,800	945	• American Eagle Outfitters, Inc. 160,400	2,565
Kramont Realty Trust 53,800	924	• AnnTaylor Stores Corp. 99,999	3,580
LaSalle Hotel Properties 42,900	723	• Blue Rhino Corp. 38,400	445
Lexington Corp. Properties Trust 79,900	1,532	Burlington Coat Factory Warehouse Corp. 103,340	2,217
LNR Property Corp. 45,600	1,865	Casey's General Stores, Inc. 113,500	1,759
Manufactured Home Communities, Inc. 50,200	1,908	The Cato Corp., Class A 46,500	981
• Meristar Hospitality Corp. 137,900	942	• Central Garden & Pet Co. 39,900	1,104
MFA Mortgage Investments, Inc. 131,100	1,255	• Charming Shoppes, Inc. 260,500	1,706
Mid-America Apartment Communities, Inc. 44,800	1,407	• The Children's Place Retail Stores, Inc. 59,400	1,788
National Health Investors, Inc. 60,700	1,290	Christopher & Banks Corp. 82,950	2,422
Nationwide Health Properties, Inc. 133,700	2,447	• Cost Plus, Inc. 48,900	2,243
		• The Dress Barn, Inc. 69,500	973
		• Duane Reade, Inc. 50,900	700

See financial notes. 73

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Fred's, Inc. 87,525	3,298	Inter-Tel, Inc. 58,600	1,476
• Genesco, Inc. 51,700	871	• Interdigital Communications Corp. 127,100	2,159
• Great Atlantic & Pacific Tea Co. 86,600	541	• Price Communications Corp. 124,100	1,560
• Guitar Center, Inc. 53,600	1,745	SureWest Communications 32,800	1,308
• The Gymboree Corp. 69,200	1,142		15,109
Hancock Fabrics, Inc. 42,500	634		
• HOT Topic, Inc. 108,373	3,111	Tobacco 0.3%	
• Insight Enterprises, Inc. 104,850	1,764	DIMON, Inc. 101,600	731
• Jo-Ann Stores, Inc., Class A 45,400	1,362	Schweitzer-Mauduit International, Inc. 34,200	910
▲ Linens 'N Things, Inc. 101,400	2,993	▲ Universal Corp. 57,100	2,488
Longs Drug Stores Corp. 86,300	1,933	Vector Group Ltd. 87,976	1,386
• The Men's Wearhouse, Inc. 90,650	2,671		5,515
• OfficeMax, Inc. 285,900	2,739	Travel & Recreation 1.4%	
• Pacific Sunwear of California 177,280	4,093	• Alliance Gaming Corp. 111,900	2,714
Pep Boys-Manny, Moe & Jack 123,600	2,377	• American Classic Voyages Co. 52,800	—
Ruddick Corp. 104,700	1,671	• Argosy Gaming Co. 65,100	1,549
• School Specialty, Inc. 43,200	1,204	• Aztar Corp. 79,900	1,668
• ShopKo Stores, Inc. 66,800	1,034	Callaway Golf Co. 171,500	2,787
• Too, Inc. 76,700	1,266	Central Parking Corp. 75,400	910
• Tractor Supply Co. 85,400	3,579	• Choice Hotels International, Inc. 81,200	2,681
• Urban Outfitters, Inc. 87,200	2,909	• Dollar Thrifty Automotive Group, Inc. 56,100	1,469
Weis Markets, Inc. 62,800	2,295	The Marcus Corp. 70,225	1,050
• West Marine, Inc. 42,300	937	• Multimedia Games, Inc. 28,500	1,072
• The Wet Seal, Inc., Class A 59,825	658	• Prime Hospitality Corp. 101,500	924
	69,705	• Scientific Games Corp., Class A 137,500	1,829
Steel 0.4%		• Shuffle Master, Inc. 37,600	1,145
Allegheny Technologies, Inc. 188,100	1,439	• Six Flags, Inc. 214,200	1,268
Carpenter Technology Corp. 51,500	1,331	• Vail Resorts, Inc. 65,100	872
Gibraltar Steel Corp. 38,100	915	• WMS Industries, Inc. 65,200	1,508
Quanex Corp. 35,000	1,402		23,446
• Steel Dynamics, Inc. 109,800	2,046	Trucking & Freight 0.9%	
	7,133	Arkansas Best Corp. 56,900	1,884
Telephone 0.9%		• Forward Air Corp. 48,600	1,413
• Cincinnati Bell, Inc. 555,300	2,838	• Knight Transportation, Inc. 85,000	2,139
• Commonwealth Telephone Enterprises, Inc. 54,100	2,205	• Landstar Systems, Inc. 34,400	2,513
• Extreme Networks, Inc. 266,100	2,288	• PAM Transportation Services, Inc. 24,700	467
• General Communication, Inc., Class A 129,300	1,275		

Schwab Small-Cap Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)
Roadway Corp. 45,600	2,337
USF Corp. 62,200	1,985
• Yellow Corp. 66,200	2,175
	14,913

Utilities: Electric & Gas 3.0%

• Allegheny Energy, Inc. 288,600	3,053
American States Water Co. 35,250	864
• Aquila, Inc. 436,100	1,723
Avista Corp. 111,100	1,889
Black Hills Corp. 71,600	2,303
California Water Service Group 34,300	938
CH Energy Group, Inc. 35,700	1,564
Cleco Corp. 108,000	1,809
• Dynegy, Inc., Class A 848,700	3,403
• El Paso Electric Co. 109,400	1,328
The Empire District Electric Co. 53,400	1,132
▲ Energen Corp. 81,100	2,990
Idacorp, Inc. 86,600	2,351
The Laclede Group, Inc. 44,400	1,259
MGE Energy, Inc. 40,900	1,297
New Jersey Resources Corp. 62,100	2,350
Northwest Natural Gas Co. 58,800	1,705
NUI Corp. 38,800	662
Otter Tail Corp. 58,500	1,561
PNM Resources, Inc. 89,700	2,537
• Sierra Pacific Resources 269,600	1,610
South Jersey Industries 27,900	1,058
• Southern Union Co. 159,673	2,812
Southwest Gas Corp. 77,100	1,741
UIL Holdings Corp. 33,600	1,262
Unisource Energy Corp. 77,380	1,493
▲ Westar Energy, Inc. 164,000	3,277
	49,971

Security Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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U.S. Treasury Obligations 0.0% of net assets

▲ U.S. Treasury Bills 0.85%-0.93%, 12/18/03	150	150
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End of investments. For totals, please see the first page of holdings for this fund.

Security and Number of Shares

Collateral Invested for Securities on Loan 7.5% of net assets

Other Investment Companies

Securities Lending Investment Fund 122,374,453	122,374
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End of collateral invested for securities on loan. For totals, please see the first page of holdings for this fund.

Schwab Small-Cap Index Fund*

Statement of

Assets and Liabilities

As of October 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$116,026 of securities of loan)	\$1,642,685
Collateral held for securities on loan	122,374
Receivables:	
Fund shares sold	1,708
Dividends	881
Investments sold	4,112
Income from securities on loan	58
Prepaid expenses	+ 36
Total assets	1,771,854

Liabilities

Collateral held for securities on loan	122,374
Cash overdraft	785
Payables:	
Fund shares redeemed	2,299
Interest expenses	1
Investments bought	846
Due to broker for futures	10
Investment adviser and administrator fees	24
Transfer agent and shareholder service fees	4
Accrued expenses	+ 219
Total liabilities	126,562

Net Assets

Total assets	1,771,854
Total liabilities	- 126,562
Net assets	\$1,645,292

Net Assets by Source

Capital received from investors	1,617,099
Net investment income not yet distributed	7,747
Net realized capital losses	(287,631)
Net unrealized capital gains	308,077

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$886,035		48,632		\$18.22
Select Shares®	\$759,257		41,603		\$18.25

Unless stated, all numbers x 1,000.

The fund paid \$1,334,661 for these securities. Not counting short-term obligations and government securities, the fund paid \$469,511 for securities during the report period and received \$646,990 from securities it sold or that matured.

These derive from investments and futures. As of the report date, the fund had seven open Russell 2000 futures contracts due to expire on December 21, 2003, with an aggregate contract value of \$1,849 and net unrealized gains of \$53.

Federal Tax Data

Portfolio cost	\$1,338,069
Net unrealized gains and losses:	
Gains	\$441,758
Losses	+ (137,142)
	\$304,616

Net undistributed earnings:

Ordinary income	\$7,747
Long-term capital gains	\$-

Unused capital losses:

Expires 10/31 of:	Loss amount
2010	\$86,072
2011	+ 198,098
	\$284,170

Reclassifications:

Net realized capital losses	\$39
Reclassified as:	
Net investment income not yet distributed	(\$39)

Statement of

Operations

For November 1, 2002 through October 31, 2003. All numbers x 1,000.

Investment Income

Dividends	\$17,535
Interest	9
Securities on loan	+ 682
Total investment income	18,226

Net Realized Gains and Losses

Net realized losses on investments sold	(194,040)
Net realized gains on futures contracts	+ 61
Net realized losses	(193,979)

Net Unrealized Gains and Losses

Net unrealized gains on investments	656,430
Net unrealized gains on futures contracts	+ 37
Net unrealized gains	656,467

Expenses

Investment adviser and administrator fees	4,169
Transfer agent and shareholder service fees:	
Investor Shares	1,869
Select Shares®	652
Trustees' fees	10
Custodian fees	161
Portfolio accounting fees	220
Professional fees	44
Registration fees	52
Shareholder reports	166
Interest expense	15
Other expenses	+ 17
Total expenses	7,375
Expense reduction	- 523
Net expenses	6,852

Increase in Net Assets from Operations

Total investment income	18,226
Net expenses	- 6,852
Net investment income	11,374
Net realized losses	(193,979)
Net unrealized gains	+ 656,467
Increase in net assets from operations	\$473,862

Unless stated, all numbers x 1,000.

An additional \$3 was withheld for foreign taxes.

Calculated as a percentage of average daily net assets: 0.33% of the first \$500 million and 0.28% of assets beyond that.

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%, and 0.05% of the assets of each respective share class. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$337 from the investment adviser (CSIM) and \$186 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through February 29, 2004, as follows:

Share Class	% of Average Daily Net Assets
Investor Shares	0.60
Select Shares	0.42

Prior to March 1, 2003, these limits were 0.49% and 0.38% for the Investor Shares and Select Shares, respectively. This limit doesn't include interest, taxes and certain non-routine expenses.

These add up to a net gain on investments of \$462,488.

See financial notes. 77

Schwab Small-Cap Index Fund*

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	11/1/02–10/31/03	11/1/01–10/31/02
Net investment income	\$11,374	\$13,371
Net realized losses	(193,979)	(78,341)
Net unrealized gains or losses	+ 656,467	(171,545)
Increase or decrease in net assets from operations	473,862	(236,515)

Distributions Paid

Dividends from Net Investment Income

Investor Shares	7,507	4,403
Select Shares®	+ 7,345	4,635
Total dividends from net investment income	14,852	9,038

Distributions from Net Realized Gains

Investor Shares	—	29,754
Select Shares	+ —	26,290
Total distributions from net realized gains	—	56,044

Total distributions	\$14,852	\$65,082
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Transactions in Fund Shares

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	6,678	\$101,578	14,769	\$243,412
Select Shares	+ 6,760	99,820	14,560	231,836
Total shares sold	13,438	\$201,398	29,329	\$475,248

Shares Reinvested

Investor Shares	522	\$7,085	1,919	\$32,335
Select Shares	+ 503	6,844	1,710	28,842
Total shares reinvested	1,025	\$13,929	3,629	\$61,177

Shares Redeemed

Investor Shares	(12,997)	(\$188,682)	(12,547)	(\$192,562)
Select Shares	+ (13,679)	(200,308)	(13,662)	(212,752)
Total shares redeemed	(26,676)	(\$388,990)	(26,209)	(\$405,314)

Net transactions in fund shares	(12,213)	(\$173,663)	6,749	\$131,111
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Shares Outstanding and Net Assets

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	102,448	\$1,359,945	95,699	\$1,530,431
Total increase or decrease	+ (12,213)	285,347	6,749	(170,486)
End of period	90,235	\$1,645,292	102,448	\$1,359,945

Unless stated, all numbers x 1,000.

Unaudited

For corporations, 100% of the fund's dividends for the report period qualify for the dividends-received deduction.

The tax-basis components of distributions paid are:

	Current period	Prior period
Ordinary Income	\$14,852	\$9,038
Long-term capital gains	\$—	\$56,044

The fund charges 0.75% of early withdrawal fees on shares redeemed 180 days or less after the purchase.

	Current period	Prior period
Investor Shares	\$70	\$128
Select Shares	+ 39	+ 65
Total	\$109	\$193

Dollar amounts are net of the redemption proceeds.

Figures for shares represent shares sold plus shares reinvested, minus shares redeemed. Figures for net assets represent the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Includes distributable net investment income in the amount of \$7,747 and \$11,264 for the current period and prior period, respectively.

Percent of fund shares owned by other SchwabFunds® as of the end of the current period:

Schwab MarketTrack Portfolios®	
All Equity Portfolio	6.5%
Growth Portfolio	7.1%
Balanced Portfolio	4.8%
Conservative Portfolio	1.8%
Schwab Annuity Portfolios	
Growth Portfolio II	0.3%

Schwab Total Stock Market Index Fund[®]

Financial Statements

Financial Highlights

Investor Shares	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	6/1/99 ¹ – 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	14.35	16.62	22.49	20.87	20.00
Income or loss from investment operations:					
Net investment income	0.16	0.16	0.15	0.16	0.07
Net realized and unrealized gains or losses	3.14	(2.27)	(5.87)	1.56	0.80
Total income or loss from investment operations	3.30	(2.11)	(5.72)	1.72	0.87
Less distributions:					
Dividends from net investment income	(0.17)	(0.16)	(0.15)	(0.10)	—
Net asset value at end of period	17.48	14.35	16.62	22.49	20.87
Total return (%)	23.24	(12.86)	(25.55)	8.23	4.35 ²
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.53	0.40	0.40	0.40 ³	0.40 ⁴
Gross operating expenses	0.59	0.62	0.65	0.67	0.91 ⁴
Net investment income	1.18	1.11	0.94	0.76	0.92 ⁴
Portfolio turnover rate	3	2	2	2	1 ²
Net assets, end of period (\$ x 1,000,000)	469	263	224	218	136

¹ Commencement of operations.

² Not annualized.

³ The ratio of net operating expenses would have been 0.41% if certain non-routine expenses (proxy fees) had been included.

⁴ Annualized.

Financial Highlights

Select Shares®	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	6/1/99 ¹ – 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	14.37	16.65	22.52	20.89	20.00
Income or loss from investment operations:					
Net investment income	0.20	0.19	0.18	0.17	0.07
Net realized and unrealized gains or losses	3.14	(2.29)	(5.87)	1.56	0.82
Total income or loss from investment operations	3.34	(2.10)	(5.69)	1.73	0.89
Less distributions:					
Dividends from net investment income	(0.19)	(0.18)	(0.18)	(0.10)	—
Net asset value at end of period	17.52	14.37	16.65	22.52	20.89
Total return (%)	23.50	(12.81)	(25.40)	8.30	4.45 ²
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.36	0.27	0.27	0.27 ³	0.27 ⁴
Gross operating expenses	0.44	0.47	0.50	0.52	0.74 ⁴
Net investment income	1.35	1.24	1.07	0.89	1.05 ⁴
Portfolio turnover rate	3	2	2	2	1 ²
Net assets, end of period (\$ x 1,000,000)	429	264	257	262	149

¹ Commencement of operations.² Not annualized.³ The ratio of net operating expenses would have been 0.28% if certain non-routine expenses (proxy fees) had been included.⁴ Annualized.

Portfolio Holdings as of October 31, 2003

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

We use the symbols below to designate certain characteristics. With the top ten holdings, the number in the circle is the security's rank among the top ten.

① Top ten holding

- Non-income producing security
- ◆ American Depositary Receipt
- ▲ Collateral for open futures contracts
- Issuer is affiliated with the fund's adviser
- ▷ Security is valued at fair value (see Accounting Policies)

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
99.2% Common Stock	918,872	891,598
0.1% U.S. Treasury Obligations	310	310
0.0% Rights	120	7
0.0% Preferred Stock	3	4
0.0% Warrants	55	—
99.3% Total Investments	919,360	891,919
10.9% Collateral Invested for Securities on Loan	98,169	98,169
(10.2)% Other Assets and Liabilities, Net		(91,500)
100.0% Total Net Assets		898,588

Security and Number of Shares

Common Stock 99.2% of net assets

Aerospace/Defense 1.4%

• Aerosonic Corp.	1,000	7
The Boeing Co.	59,300	2,282
Crane Co.	5,000	141
• DRS Technologies, Inc.	1,200	29
EDO Corp.	900	20
Engineered Support Systems, Inc.	1,650	112
• EnPro Industries, Inc.	920	9
• ESCO Technologies, Inc.	1,400	61
• Esterline Technologies Corp.	2,900	64

Security and Number of Shares	Mkt. Value (\$ x 1,000)
GenCorp, Inc. 2,500	24
General Dynamics Corp. 13,200	1,105
Goodrich Corp. 8,404	232
Heico Corp., Class A 2,260	27
• Integrated Defense Technologies, Inc. 900	15
Kaman Corp., Class A 1,300	16
• KVH Industries, Inc. 1,300	36
• L-3 Communications Holdings, Inc. 6,600	309
Lockheed Martin Corp. 31,552	1,463
Northrop Grumman Corp. 12,516	1,119
Raytheon Co. 29,900	792
Rockwell Automation, Inc. 13,200	410
Rockwell Collins, Inc. 13,100	360
• SatCon Technology Corp. 900	3
• Teledyne Technologies, Inc. 12,157	200
Textron, Inc. 9,300	462
• Timco Aviation Services, Inc. 80	—
• Transtechnology Corp. 500	3
• Trimble Navigation Ltd. 3,800	105
United Technologies Corp. 35,534	3,009
• Veeco Instruments, Inc. 1,000	25
	12,440

Air Transportation 1.1%

• AirTran Holdings, Inc.	2,000	32
• Alaska Air Group, Inc.	1,900	55
• AMR Corp.	2,500	33
• ATA Holdings Corp.	1,200	12
• Atlantic Coast Airlines Holdings, Inc.	1,600	18
• Continental Airlines, Inc., Class B	5,000	95
Delta Air Lines, Inc.	8,500	111
• EGL, Inc.	4,150	68
• ExpressJet Holdings, Inc.	3,000	46
FedEx Corp.	28,263	2,141
• Hawk Corp., Class A	1,800	7
• JetBlue Airways Corp.	3,650	210
• Kellstrom Industries, Inc.	600	—
• MAIR Holdings, Inc.	1,100	8
• Mesa Air Group, Inc.	1,300	14
• Northwest Airlines Corp., Class A	3,500	48
Sabre Holdings Corp.	9,901	217

See financial notes. 81

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
SkyWest, Inc. 4,000	74	Superior Uniform Group, Inc. 1,600	25
Southwest Airlines Co. 54,225	1,052	Tandy Brands Accessories, Inc. 1,000	15
United Parcel Service, Inc., Class B 80,480	5,836	• Tarrant Apparel Group 1,700	7
	10,077	• Timberland Co., Class A 1,400	73
Alcoholic Beverages 0.4%		• Unifi, Inc. 1,900	9
Adolph Coors Co., Class B 2,500	140	VF Corp. 15,000	637
Anheuser-Busch Cos., Inc. 59,000	2,906	Wolverine World Wide, Inc. 5,200	105
Brown-Forman Corp., Class B 3,706	313		4,942
• Constellation Brands, Inc., Class A 8,800	276	Automotive Products / Motor Vehicles 1.3%	
• National Beverage Corp. 3,700	56	A.O. Smith Corp., Class B 1,300	41
	3,691	• Aftermarket Technology Corp. 4,300	51
Apparel 0.5%		• American Axle & Manufacturing Holdings, Inc. 5,300	183
Brown Shoe Co., Inc. 3,300	114	ArvinMeritor, Inc. 4,900	82
The Buckle, Inc. 1,000	22	Bandag, Inc. 3,200	117
• Casual Male Corp. 1,100	—	BorgWarner, Inc. 2,700	215
• Coach, Inc. 8,004	284	Carlisle Cos., Inc. 3,600	206
• Columbia Sportswear Co. 1,850	108	Cascade Corp. 4,400	105
• Finlay Enterprises, Inc. 1,000	15	• Collins & Aikman Corp. 1,400	4
• Guess?, Inc. 2,700	32	Cooper Tire & Rubber Co. 6,400	126
Haggar Corp. 1,200	19	Cummins, Inc. 1,400	66
• Hampshire Group Ltd. 1,000	35	Dana Corp. 40,800	664
Jones Apparel Group, Inc. 12,156	419	Danaher Corp. 9,500	787
K-Swiss, Inc., Class A 1,200	53	Delphi Corp. 26,600	237
Kellwood Co. 2,900	108	Donaldson Co., Inc. 1,900	109
Kenneth Cole Productions, Inc., Class A 3,100	92	• Dura Automotive Systems, Inc., Class A 12,100	117
Liz Claiborne, Inc. 18,600	686	Eaton Corp. 6,300	632
• Maxwell Shoe Co., Inc., Class A 1,000	16	Federal Screw Works 250	8
Nike, Inc., Class B 20,700	1,323	Ford Motor Co. 131,736	1,598
Oshkosh B'Gosh, Inc., Class A 1,200	26	General Motors Corp. 39,386	1,681
Phillips-Van Heusen Corp. 1,800	31	• General Motors Corp., Class H 80,182	1,317
Polo Ralph Lauren Corp. 3,500	106	Gentex Corp. 2,300	90
• Quiksilver, Inc. 2,000	34	Genuine Parts Co. 8,000	255
Reebok International Ltd. 8,000	312	• Goodyear Tire & Rubber Co. 6,500	45
Russell Corp. 2,600	48	• Group 1 Automotive, Inc. 1,400	50
Saucony, Inc., Class B 1,900	31	Harley-Davidson, Inc. 22,500	1,067
• Skechers USA, Inc., Class A 6,500	49	• Keystone Automotive Industries, Inc. 1,800	45
• Stage Stores, Inc. 1,200	34	• Lear Corp. 5,800	337
• Steven Madden Ltd. 1,800	39	Lithia Motors, Inc., Class A 700	17
Stride Rite Corp. 2,900	35	Magna International, Inc., Class A 459	37
		• MarineMax, Inc. 800	15
		• Midas, Inc. 1,300	17

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Modine Manufacturing Co. 3,700	95	Berkshire Bancorp, Inc. 1,200	55
• Monaco Coach Corp. 1,200	29	Boston Private Financial Holdings, Inc. 2,129	54
• Monro Muffler Brake, Inc. 700	23	Brookline Bancorp, Inc. 2,405	36
Myers Industries, Inc. 2,346	29	Bryn Mawr Bank Corp. 1,400	33
• Navistar International Corp. 1,900	77	BSB Bancorp, Inc. 900	28
Oshkosh Truck Corp. 4,500	206	Camden National Corp. 700	21
Polaris Industries, Inc. 1,600	137	Capital City Bank Group, Inc. 1,500	58
• Rush Enterprises, Inc., Class A 500	4	• Capital Crossing Bank 1,000	38
• Rush Enterprises, Inc., Class B 500	5	Capitol Bancorp Ltd. 1,500	40
Sonic Automotive, Inc. 1,400	32	Capitol Federal Financial 4,420	164
Standard Motor Products, Inc. 2,000	22	Cascade Bancorp 2,124	40
• Stoneridge, Inc. 1,700	23	Cavalry Bancorp, Inc. 500	9
Superior Industries International, Inc. 800	34	CCBT Financial Cos., Inc. 200	5
• TBC Corp. 1,100	30	• Central Coast Bancorp 1,331	23
Thor Industries, Inc. 1,000	64	Century Bancorp, Inc., Class A 800	28
Titan International, Inc. 800	1	Chemical Financial Corp. 1,318	46
• Tower Automotive, Inc. 2,300	9	Chittenden Corp. 1,818	59
• United Auto Group, Inc. 1,000	26	Citizens Banking Corp. Michigan 2,090	61
• United Defense Industries, Inc. 900	29	Citizens South Banking Corp. 1,000	15
• UQM Technologies, Inc. 1,500	5	City Holding Co. 1,800	61
Visteon Corp. 5,451	35	City National Corp. 3,100	187
Winnebago Industries, Inc. 1,300	76	The Colonial BancGroup, Inc. 4,600	72
	11,312	Columbia Bancorp 700	19
Banks 7.7%		Columbia Banking Systems, Inc. 1,859	36
ABC Bancorp 1,500	25	Comerica, Inc. 13,496	695
Abigail Adams National Bancorp 500	9	Commerce Bancorp, Inc. N.J. 3,060	148
Alabama National Bancorp 1,600	84	Commerce Bancshares, Inc. 11,518	552
AmSouth Bancorp. 25,903	612	Community Bank System, Inc. 700	34
Anchor Bancorp Wisconsin, Inc. 3,100	77	Community First Bankshares, Inc. 2,000	54
Arrow Financial Corp. 963	26	Community Trust Bancorp, Inc. 2,056	66
Associated Banc-Corp. 5,146	212	Compass Bancshares, Inc. 11,400	431
BancFirst Corp. 500	27	Connecticut Bancshares, Inc. 700	36
Bancorpsouth, Inc. 4,612	108	Corus Bankshares, Inc. 500	29
Bank Mutual Corp. 3,669	43	Cullen/Frost Bankers, Inc. 3,300	128
Bank of America Corp. 109,200	8,270	Dime Community Bancshares, Inc. 2,250	63
Bank of Hawaii Corp. 3,500	138	Doral Financial Corp. 4,600	232
The Bank of New York Co., Inc. 54,500	1,700	Exchange National Bancshares, Inc. 750	27
Bank One Corp. 80,700	3,426	Fifth Third Bancorp 40,588	2,353
BankAtlantic Bancorp, Inc., Class A 2,200	37	First Bancorp Puerto Rico 2,100	70
Banknorth Group, Inc. 6,974	218	First Busey Corp., Class A 1,000	27
BB&T Corp. 38,386	1,484	First Charter Corp. 3,500	72

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Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
First Citizens BancShares, Inc., Class A 300	34	Irwin Financial Corp. 3,700	104
First Commonwealth Financial Corp. 2,100	29	J.P. Morgan Chase & Co. 145,580	5,226
First Essex Bancorp, Inc. 700	38	KeyCorp, Inc. 29,300	828
First Federal Capital Corp. 2,500	55	Lakeland Financial Corp. 1,100	40
First Financial Bancorp 1,839	31	M&T Bank Corp. 8,962	842
First Financial Bancshares, Inc. 1,500	63	MAF Bancorp., Inc. 700	29
First M & F Corp. 1,000	37	Main Street Banks, Inc. 1,000	26
First Merchants Corp. 1,041	28	MainSource Financial Group, Inc. 1,000	28
First Midwest Bancorp, Inc. Illinois 3,125	97	Marshall & Ilsley Corp. 16,150	579
First Niagra Financial Group, Inc. 3,104	44	MASSBANK Corp. 1,500	61
First Oak Brook Bancshares, Inc. 1,500	43	Mellon Financial Corp. 30,300	905
First of Long Island Corp. 2,000	83	Mercantile Bankshares Corp. 5,574	236
First Republic Bank 1,300	47	Merchants Bancshares, Inc. 750	21
First Tennessee National Corp. 10,800	490	Mid-State Bancshares 3,500	85
Firstfed America Bancorp, Inc. 2,000	51	Midwest Banc Holdings, Inc. 1,300	31
• FirstFed Financial Corp. 2,900	131	• Movie Gallery, Inc. 1,525	32
FirstMerit Corp. 4,800	124	Nara Bancorp, Inc. 2,000	45
FleetBoston Financial Corp. 76,277	3,081	National City Corp. 44,100	1,440
FNB Corp. 2,639	87	National Commerce Financial Corp. 11,650	320
Franklin Financial Corp. Tennessee 700	22	National Penn Bancshares, Inc. 906	27
Frontier Financial Corp. 700	22	NBT Bancorp., Inc. 1,400	29
Fulton Financial Corp. 5,150	106	Net.B@nk, Inc. 3,300	45
GA Financial, Inc. 1,100	31	NewMil Bancorp, Inc. 1,000	26
Gold Banc Corp., Inc. 1,400	18	North Fork Bancorp., Inc. 7,300	285
Great Southern Bancorp, Inc. 700	28	North Valley Bancorp 1,500	24
Greater Bay Bancorp 2,906	78	Northern Trust Corp. 15,500	720
Hancock Holding Co. 1,050	60	OceanFirst Financial Corp. 1,050	27
Harbor Florida Bancshares, Inc. 1,100	30	Old National Bancorp. 3,283	73
Harleysville National Corp. 1,102	33	Omega Financial Corp. 1,000	36
Hibernia Corp., Class A 16,900	382	Oriental Financial Group 1,375	35
Home Federal Bancorp 800	22	Pacific Crest Capital, Inc. 1,000	26
Horizon Financial Corp. 2,156	38	Park National Corp. 805	94
◆ HSBC Holdings PLC 13,000	976	Patriot Bank Corp. 550	12
Hudson City Bancorp, Inc. 19,100	660	Pennfed Finance Services, Inc. 2,000	63
Hudson United Bancorp 5,740	208	Peoples Bank-Bridgeport 2,500	82
Huntington Bancshares, Inc. 13,290	288	Peoples Financial Corp. 3,000	49
Independent Bank Corp. 1,000	29	PFF Bancorp, Inc. 1,120	42
Integra Bank Corp. 1,225	26	PNC Financial Services Group, Inc. 19,700	1,055
Interchange Financial Services Corp. 1,050	26	Popular, Inc. 13,400	603
• Internet Capital Group, Inc. 7,000	3	Progress Financial Corp. 1,365	42
		Prosperity Bancshares, Inc. 2,400	55

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Provident Bankshares Corp. 2,382	74	UCBH Holdings, Inc. 2,200	79
Provident Financial Group, Inc. 2,100	62	UMB Financial Corp. 1,787	89
• Quaker City Bancorp, Inc. 1,250	53	Umpqua Holdings Corp. 343	7
Regions Financial Corp. 16,900	621	Union Bankshares Corp. 700	22
Republic Bancorp, Inc. 5,154	75	Union Planters Corp. 15,950	531
Republic Bancorp, Inc., Class A 1,500	30	UnionBanCal Corp. 22,600	1,224
Riggs National Corp. 2,000	33	United Bankshares, Inc. 1,900	58
S&T Bancorp, Inc. 1,400	42	United Community Financial Corp. 1,900	21
• S1 Corp. 12,930	105	United National Bancorp. 1,230	43
Sandy Spring Bancorp, Inc. 2,900	105	Unizan Financial Corp. 1,371	28
Seacoast Banking Corp. of Florida 1,980	35	USB Holding Co., Inc. 1,777	33
Second Bancorp., Inc. 900	25	Valley National Bancorp 6,435	188
Shore Bancshares, Inc. 500	19	Wachovia Corp. 95,036	4,359
• Silicon Valley Bancshares 2,200	77	Washington Trust Bancorp, Inc. 1,000	28
Simmons First National Corp., Class A 1,000	26	Wells Fargo & Co. 120,381	6,780
Sky Financial Group, Inc. 4,376	107	WesBanco, Inc. 3,200	85
The South Financial Group, Inc. 3,000	78	West Coast Bancorp 1,200	25
SouthTrust Corp. 23,554	750	Westamerica Bancorp. 1,700	85
Southwest Bancorp of Texas, Inc. 1,500	54	WestCorp., Inc. 2,207	83
Southwest Bancorp, Inc. 3,300	52	Whitney Holding Corp. 1,950	74
St. Francis Capital Corp. 1,200	40	Wilmington Trust Corp. 3,200	108
State Bancorp, Inc. 840	17	Wintrust Financial Corp. 1,800	78
State Street Corp. 23,000	1,204	WSFS Financial Corp. 1,000	43
Sterling Bancorp 1,523	45	Zions Bancorp. 5,200	319
Sterling Bancshares, Inc. 2,100	24		69,349
• Sterling Financial Corp. 847	27		
Suffolk Bancorp 2,400	84		
• Sun Bancorp, Inc. N.J. 3,150	74		
SunTrust Banks, Inc. 20,200	1,355		
Susquehanna Bancshares, Inc. 2,700	68		
SY Bancorp, Inc. 1,400	28		
Synovus Financial Corp. 18,700	516		
TCF Financial Corp. 4,300	224		
Texas Regional Bancshares, Inc., Class A 1,551	56		
Timberland Bancorp, Inc. 1,000	24		
Tompkins Trustco, Inc. 770	37		
TriCo Bancshares 200	6		
The Trust Co. of New Jersey 3,000	94		
Trustco Bank Corp. 2,857	37		
Trustmark Corp. 4,300	122		
U.S. Bancorp 137,631	3,746		

Business Machines & Software 8.3%

• 3Com Corp. 17,900	129
• 3D Systems Corp. 1,400	13
• Adaptec, Inc. 5,700	49
Adobe Systems, Inc. 17,500	767
• Advanced Digital Information Corp. 2,600	42
Analogic Corp. 5,200	227
• Andersen Group, Inc. 1,400	7
• Apple Computer, Inc. 18,700	428
• Arbitron, Inc. 2,120	84
• Artesyn Technologies, Inc. 1,100	9
• Ascential Software Corp. 2,912	65
Autodesk, Inc. 8,400	162
• Avici Systems, Inc. 375	2
• Avocent Corp. 13,963	528

See financial notes. 85

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• BEA Systems, Inc. 27,900	388	• Maxtor Corp. 14,748	202
• Black Box Corp. 5,200	224	• McData Corp., Class A 2,617	27
• BMC Software, Inc. 19,000	330	• Microchip Technology, Inc. 13,975	457
• Borland Software Corp. 3,000	27	• Micromuse, Inc. 2,900	23
• Cisco Systems, Inc. 511,969	10,741	• MICROS Systems, Inc. 5,500	223
• Cognitronics Corp. 2,600	7	▲ ② Microsoft Corp. 786,660	20,571
• Compuware Corp. 19,900	112	• MIPS Technology, Inc., Class A 1,100	5
• Converse Technology, Inc. 13,400	242	• MSC Software Corp. 1,800	19
• Concerto Software, Inc. 1,100	13	• NCR Corp. 11,900	428
• Concurrent Computer Corp. 3,000	14	• Network Appliance, Inc. 13,500	333
• CoSine Communications, Inc. 730	5	• Novell, Inc. 25,600	150
• Dell, Inc. 186,800	6,747	• Oracle Corp. 381,900	4,568
• Diebold, Inc. 5,300	302	• PalmOne, Inc. 1,569	22
• Digital Lightwave, Inc. 1,300	1	• PalmSource, Inc. —	—
• EMC Corp. 164,834	2,281	• Pitney Bowes, Inc. 17,000	699
• Enterasys Networks, Inc. 8,500	33	• Precis, Inc. 1,200	5
• Fair Isaac Corp. 5,163	329	• Printronix, Inc. 2,400	34
• Flow International Corp. 900	3	• Rainbow Technologies, Inc. 5,000	62
• Foundry Networks, Inc. 4,300	100	• Read-Rite Corp. 1,180	—
• Gadzoox Networks, Inc. 600	—	• Roxio, Inc. 724	7
• Gateway, Inc. 11,800	59	• Sandisk Corp. 5,500	443
• General Binding Corp. 500	7	• Scansource, Inc. 600	26
• Hanger Orthopedic Group, Inc. 5,400	92	• Seagate Escrow Security 7,500	2
• Hewlett-Packard Co. 218,916	4,884	• Siebel Systems, Inc. 18,100	228
• IKON Office Solutions, Inc. 8,500	71	• Silicon Graphics, Inc. 4,800	5
• Imagistics International, Inc. 2,840	91	• SoftBrands, Inc. 671	1
• Immersion Corp. 800	5	• Storage Technology Corp. 14,400	347
• Input/Output, Inc. 3,400	14	• StorageNetworks, Inc. 2,100	4
• Integrated Device Technology, Inc. 4,200	66	• Sun Microsystems, Inc. 226,230	896
• Intergraph Corp. 9,700	253	• Sybase, Inc. 19,036	341
• Interland, Inc. 510	4	• Tech Data Corp. 2,800	92
⑨ International Business Machines Corp. 125,850	11,261	• The Titan Corp. 6,381	135
• InterVoice, Inc. 1,678	17	• Total System Services, Inc. 13,800	381
• Invision Technologies, Inc. 1,500	41	• Ultimate Electronics, Inc. 400	4
• Iomega Corp. 12,400	68	• Unisys Corp. 23,100	355
• Juniper Networks, Inc. 13,600	245	• Vitria Technology, Inc. 925	5
• Landamerica Financial Group, Inc. 5,800	290	• Xerox Corp. 57,200	601
• Lantronix, Inc. 1,900	2		74,411
• Lexmark International, Inc., Class A 10,900	802		
• LTX Corp. 1,900	27		
		Business Services 5.1%	
		• 4Kids Entertainment, Inc. 1,000	24
		• Aaron Rents, Inc., Class A 1,650	34
		• ABM Industries, Inc. 2,400	37

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Actuate Corp. 2,300	8	• Blue Coat Systems, Inc. 340	6
• Administaff, Inc. 2,800	32	• Blue Martini Software, Inc. 285	1
• Advent Software, Inc. 1,600	29	• Bottomline Technologies, Inc. 500	4
• The Advisory Board Co. 1,000	36	• Bowne & Co., Inc. 1,700	26
• Advo, Inc. 2,700	121	• Braun Consulting, Inc. 1,300	3
• Aether Systems, Inc. 1,100	5	• Bright Horizons Family Solutions, Inc. 1,300	56
• Affiliated Computer Services, Inc., Class A 9,500	465	• The Brink's Co. 5,600	112
• Affymetrix, Inc. 2,300	59	• BroadVision, Inc. 1,090	5
• Agile Software Corp. 1,900	21	• Brocade Communications Systems, Inc. 9,500	62
• Akamai Technologies, Inc. 4,038	32	• BSQUARE Corp. 1,600	3
• The Allied Defense Group, Inc. 500	10	• CACI International, Inc., Class A 4,100	203
• Allied Waste Industries, Inc. 14,300	161	• Career Education Corp. 8,614	461
• Ambassadors International, Inc. 1,700	22	• Carreker Corp. 1,200	12
• America Online Latin America, Inc., Class A 2,500	6	• Casella Waste Systems, Inc., Class A 2,500	31
• American Locker Group, Inc. 500	6	• Catalina Marketing Corp. 2,900	51
• American Management Systems, Inc. 4,200	62	• Catapult Communications Corp. 1,600	22
• American Superconductor Corp. 700	7	• CDI Corp. 1,200	39
• AMN Healthcare Services, Inc. 1,610	24	• CDW Corp. 6,800	408
• Analysts International Corp. 2,400	7	• Cell Genesys, Inc. 1,500	19
• Angelica Corp. 1,000	21	• Candiant Corp. 74,220	1,516
• Ansoft Corp. 2,300	27	• Centra Software, Inc. 2,400	7
• answerthink, Inc. 1,700	9	• Ceridian Corp. 19,500	410
• Ansys, Inc. 1,700	61	• Cerner Corp. 1,700	72
• Anteon International Corp. 2,000	68	• Certegy, Inc. 4,150	140
• Apollo Group, Inc., Class A 12,050	766	• Charles River Associates, Inc. 2,500	77
• Applied Molecular Evolution, Inc. 2,100	26	• Checkfree Corp. 5,400	149
• Aramark Corp., Class B 6,800	182	• Chindex International, Inc. 1,100	25
• Arena Pharmaceuticals, Inc. 800	6	• ChoicePoint, Inc. 3,400	119
• Ariba, Inc. 9,200	30	• Chordiant Software, Inc. 1,100	5
• Art Technology Group, Inc. 2,200	4	• Ciber, Inc. 1,900	18
• Artistdirect, Inc. 1,000	—	• Cintas Corp. 12,850	548
• Ask Jeeves, Inc. 1,900	36	• Citrix Systems, Inc. 20,000	506
• Aspen Technology, Inc. 1,000	8	• Clarent Corp. 1,545	—
• At Road, Inc. 4,400	57	• Clarus Corp. 1,200	9
• Atari, Inc. 1,600	6	• Click Commerce, Inc. 320	2
• Automatic Data Processing, Inc. 42,600	1,608	• Closure Medical Corp. 3,400	105
• Barra, Inc. 3,250	124	• Cognizant Technology Solutions Corp. 5,300	241
• BearingPoint, Inc. 7,100	67	• Com21, Inc. 1,400	—
• BindView Development Corp. 1,700	4	• Comarco, Inc. 500	4
• The BISYS Group, Inc. 6,000	86		

See financial notes. 87

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Commerce One, Inc. 730	1	• Dyax Corp. 2,000	10
Computer Associates International, Inc. 42,226	993	• E.piphany, Inc. 2,100	15
• Computer Sciences Corp. 13,238	524	• Earthlink, Inc. 7,350	67
• Concord Communications, Inc. 1,600	29	• eBay, Inc. 45,424	2,541
• Concord EFS, Inc. 34,300	367	• Echelon Corp. 1,200	16
• Connetics Corp. 3,400	61	• Eclipsys Corp. 1,800	21
• Convergys Corp. 10,500	169	• Edgewater Technology, Inc. 767	4
• Copart, Inc. 6,550	82	• Edison Schools, Inc. 1,900	3
• Corillian Corp. 2,000	13	• Education Management Corp. 1,700	107
• Corinthian Colleges, Inc. 4,600	285	• eFunds Corp. 2,502	40
• Corio, Inc. 1,400	4	Electronic Data Systems Corp. 34,100	731
• Cornell Cos., Inc. 2,100	30	• eLoyalty Corp. 190	1
• Corporate Executive Board Co. 2,700	138	• Embarcadero Technologies, Inc. 2,900	37
• Correctional Services Corp. 2,000	5	• Encysive Pharmaceuticals, Inc. 2,600	16
• CoStar Group, Inc. 800	30	• Engage, Inc. 4,900	—
Courier Corp. 2,800	153	Ennis Business Forms, Inc. 4,500	65
• Covansys Corp. 2,500	24	• Entrust, Inc. 2,800	13
• Credit Acceptance Corp. 2,400	28	• EPIQ Systems, Inc. 1,550	26
• Cross Country Healthcare, Inc. 1,600	22	• ePresence, Inc. 2,700	11
• Cross Media Marketing Corp. 1,391	—	Equifax, Inc. 9,300	227
• CSG Systems International, Inc. 2,900	33	• EXE Technologies, Inc. 371	3
• CuraGen Corp. 2,100	13	• Exelixis, Inc. 1,800	13
• CycleLogic, Inc. 2	—	• Exponent, Inc. 3,000	63
• Cysive, Inc. 1,000	3	• Exult, Inc. 4,100	33
• D&B Corp. 16,000	745	• Ezenia, Inc. 1,000	—
• Daleen Technologies, Inc. 800	—	• F5 Networks, Inc. 3,300	83
• Datastream Systems, Inc. 1,300	10	Factset Research Systems, Inc. 2,500	109
Deluxe Corp. 3,800	153	• Falcon Products, Inc. 1,500	9
• Dendrite International, Inc. 1,100	17	• FalconStor Software, Inc. 1,200	9
• DeVry, Inc. 4,800	116	• Fargo Electronics, Inc. 2,000	28
• Digex, Inc. 1,800	2	• FileNet Corp. 3,800	102
• Digimarc Corp. 1,000	17	• First Consulting Group, Inc. 1,800	10
• Digital Insight Corp. 2,300	48	First Data Corp. 53,500	1,910
• Digital River, Inc. 2,100	57	• Firstwave Technologies, Inc. 1,000	6
• Digitalthink, Inc. 1,300	3	• Fiserv, Inc. 12,800	452
• Digitas, Inc. 1,500	13	• Five Star Quality Care, Inc. 135	—
• Diversa Corp. 1,100	9	• Forrester Research, Inc. 1,600	27
• Divine, Inc., Class A 161	—	• Freemarkets, Inc. 3,300	21
• Docent, Inc. 633	3	Friedman Billings Ramsey Group, Inc., Class A 8,180	163
• Documentum, Inc. 4,300	128	• FTI Consulting, Inc. 2,700	54
• DoubleClick, Inc. 8,237	69	G&K Services, Inc., Class A 1,200	40
• DST Systems, Inc. 8,100	306	• Gartner, Inc., Class B 8,051	98

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
•Genaissance Pharmaceuticals, Inc. 1,800	5	•Intrado, Inc. 1,100	20
•Genencor International, Inc. 14,000	214	•Intuit, Inc. 14,215	710
•Genesis Health Ventures, Inc. 12,500	336	•Invitrogen Corp. 3,629	231
•GenesisIntermedia, Inc. 1,200	—	•Iron Mountain, Inc. 6,525	250
•Gentiva Health Services, Inc. 750	9	•The IT Group, Inc. 1,900	—
•Genuity, Inc., Class A 280	—	•ITT Educational Services, Inc. 6,000	299
•Geoworks Corp. 800	—	Jack Henry & Associates, Inc. 6,300	126
•Global Imaging Systems, Inc. 2,100	61	•Jacobs Engineering Group, Inc. 3,800	176
Global Payments, Inc. 8,520	355	•JDA Software Group, Inc. 2,000	43
•GP Strategies Corp. 1,500	11	John H. Harland Co. 3,500	95
Grey Global Group, Inc. 200	134	•Kana Software, Inc. 528	2
GTECH Holdings Corp. 4,700	210	•Keane, Inc. 3,960	52
H&R Block, Inc. 21,300	1,003	•Keith Cos., Inc. 3,000	37
•HA-LO Industries, Inc. 2,100	—	Kelly Services, Inc., Class A 3,200	78
•Hall, Kinion & Associates, Inc. 900	4	•Kinder Morgan Management LLC 3,102	118
•Heidrick & Struggles International, Inc. 3,100	61	•Korn/Ferry International 1,100	10
•Hewitt Associates, Inc., Class A 7,000	180	•Kroll, Inc. 1,900	44
•Hudson Highland Group, Inc. 360	8	•Kronos, Inc. 1,250	75
•Hyperion Solutions Corp. 2,850	95	•Lamar Advertising Co. 3,200	97
•I-Many, Inc. 1,300	1	•Learning Tree International, Inc. 1,400	25
•iBEAM Broadcasting Corp. 290	—	•Liberate Technologies 5,900	20
•ICOS Corp. 2,700	126	•Lightbridge, Inc. 2,200	21
•ICT Group, Inc. 500	7	•LookSmart Ltd. 2,400	4
•Identix, Inc. 1,600	9	•Luminex Corp. 800	7
•IDT Corp. 1,700	32	•Macrovision Corp. 3,100	68
•IDX Systems Corp. 1,500	39	•Magma Design Automation, Inc. 1,700	41
•iGate Corp. 1,300	7	•Management Network Group, Inc. 2,400	7
IMS Health, Inc. 16,300	384	•Manhattan Associates, Inc. 1,300	36
•InFocus Corp. 1,600	11	Manpower, Inc. 5,200	241
•Infonet Services Corp., Class B 11,200	27	•Manugistics Group, Inc. 2,300	17
•Informatica Corp. 6,700	73	•MAPICS, Inc. 1,000	11
•Information Resources, Inc. 2,500	12	•Mapinfo Corp. 525	5
•Inforte Corp. 3,700	35	•Marimba, Inc. 2,000	10
•Infospace, Inc. 3,872	101	•Matria Healthcare, Inc. 1,200	20
•infoUSA, Inc. 2,300	19	•Matrixone, Inc. 1,700	9
•Innodata Corp. 2,400	7	•MAXIMUS, Inc. 1,700	59
•Interactive Intelligence, Inc. 1,000	3	•Maxygen, Inc. 1,500	14
•Intercept, Inc. 1,500	15	•MCSI, Inc. 1,248	—
•Internap Network Services Corp. 4,600	5	•Mechanical Technology, Inc. 1,800	12
•Internet Security Systems 4,600	75	•Media Arts Group, Inc. 2,000	5
•Interpublic Group of Cos., Inc. 16,644	248	•Medical Staffing Network Holdings, Inc. 1,300	10
•Interwoven, Inc. 3,700	14	•MemberWorks, Inc. 4,500	130

See financial notes. 89

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
•Mentor Graphics Corp. 5,700	95	•On Assignment, Inc. 1,700	9
•Mercury Interactive Corp. 3,300	153	•OneSource Information Services, Inc. 3,800	38
•Meta Group, Inc. 1,100	7	•Onyx Software Corp. 350	2
•MetaSolv, Inc. 2,800	6	•Openwave Systems, Inc. 2,771	36
•Metricom, Inc. 1,400	—	•Opnet Technologies, Inc. 1,100	15
•Metro One Telecommunications 4,400	12	•Opsware, Inc. 800	7
•Michael Baker Corp. 500	5	•Option Care, Inc. 1,500	15
•MicroStrategy, Inc., Class A 856	47	•Orbital Sciences Corp. 2,600	24
•Microvision, Inc. 900	6	•Orchid BioSciences, Inc. 1,400	2
•Millenium Cell, Inc. 2,200	7	•Pac-West Telecomm, Inc. 1,900	5
•Mindspeed Technologies, Inc. 3,598	18	•Packeteer, Inc. 1,100	19
•Moldflow Corp. 300	3	•Paradigm Genetics, Inc. 400	—
•Monster Worldwide, Inc. 4,800	122	•Parametric Technology Corp. 9,700	30
•MPS Group, Inc. 8,100	77	•Paxar Corp. 2,300	28
•MRO Software, Inc. 3,900	49	Paychex, Inc. 27,400	1,066
•Multi-Color Corp. 500	12	•PC-Tel, Inc. 1,400	14
•Napro Biotherapeutics, Inc. 1,200	2	•PDI, Inc. 400	9
•Nassda Corp. 500	4	•Pec Solutions, Inc. 1,000	15
National Instruments Corp. 2,050	87	•Pegasus Solutions, Inc. 3,900	43
•National Processing, Inc. 3,200	71	•PeopleSoft, Inc. 18,593	386
Nautilus Group, Inc. 1,625	25	•Per-Se Technologies, Inc. 10,000	136
•Navigant Consulting, Inc. 2,500	41	•Peregrine Systems, Inc. 7,015	3
•NCO Group, Inc. 1,761	42	•Perot Systems Corp., Class A 4,600	49
NDCHealth Corp. 1,900	50	•Phoenix Technologies Ltd. 1,300	9
•Neoforma, Inc. 1,500	24	•Pixar, Inc. 2,600	179
•Neon Systems, Inc. 2,400	12	•PLATO Learning, Inc. 1,433	15
•NeoRx Corp. 400	2	•Polycom, Inc. 6,700	134
•Netcentives, Inc. 2,000	—	•Pomeroy IT Solutions, Inc. 2,100	30
•Netegrity, Inc. 1,500	18	•Portal Software, Inc. 1,220	20
•NetIQ Corp. 7,704	94	•Pre-Paid Legal Services, Inc. 1,100	30
•Netratings, Inc. 3,000	31	•PRG-Schultz International, Inc. 2,500	12
•Netscout Systems, Inc. 1,800	10	•Priceline.com, Inc. 1,483	42
•NetScreen Technologies, Inc. 1,400	37	•Progress Software Corp. 4,200	93
•Netsolve, Inc. 1,600	13	•ProQuest Co. 1,700	50
•Network Associates, Inc. 11,945	166	•ProsoftTraining 900	—
•Network Commerce, Inc. 140	—	•Pumatech, Inc. 1,500	10
New England Business Service, Inc. 2,300	67	•QRS Corp. 1,450	15
Newcastle Investment Corp. 2,200	51	•Quality Systems, Inc. 900	43
•NMS Communications Corp. 1,500	6	•Quest Software, Inc. 5,000	75
•Nuance Communications, Inc. 1,000	7	•Quintus Corp. 1,500	—
•NYFIX, Inc. 750	6	Quixote Corp. 1,300	31
Omnicom Group, Inc. 14,300	1,141	•Quovadx, Inc. 2,600	14

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• R.H. Donnelley Corp. 2,000	86	• SportsLine.com, Inc. 2,300	3
• Radiant Systems, Inc. 1,300	9	• SPSS, Inc. 700	13
• RealNetworks, Inc. 6,000	40	• SS&C Technologies, Inc. 7,400	163
• Red Hat, Inc. 7,100	107	• The Standard Register Co. 4,100	72
• Redback Networks, Inc. 5,600	2	• Startek, Inc. 1,400	46
• Register.com 1,296	6	• Stericycle, Inc. 2,200	102
• RemedyTemp, Inc., Class A 1,200	14	• Stratasys, Inc. 900	43
• Renaissance Learning, Inc. 2,100	53	• Strayer Education, Inc. 700	69
• Republic Services, Inc. 17,700	412	• Sungard Data Systems, Inc. 20,900	586
• Resources Connection, Inc. 600	15	• SupportSoft, Inc. 2,300	28
• Retek, Inc. 3,843	39	• Sycamore Networks, Inc. 18,200	91
• The Reynolds & Reynolds Co., Class A 5,000	136	• Sylvan Learning Systems, Inc. 2,200	62
• Right Management Consultants, Inc. 4,625	83	• Symantec Corp. 14,200	946
• Robert Half International, Inc. 7,500	177	• Symyx Technologies, Inc. 1,300	27
• Ross Systems, Inc. 1,000	19	• Synopsys, Inc. 10,684	339
• Roto-Rooter, Inc. 1,200	42	• Synplicity, Inc. 1,200	8
• RPC, Inc. 900	9	• Syntel, Inc. 2,500	62
• RSA Security, Inc. 5,000	65	• Systems & Computer Technology Corp. 3,400	50
• Rural Cellular Corp., Class A 1,200	12	• Talx Corp. 1,700	37
• Saba Software, Inc. 500	2	• Telecommunication Systems, Inc., Class A 1,300	7
• SafeNet, Inc. 900	30	• TeleTech Holdings, Inc. 5,000	33
• Sagent Technology, Inc. 1,500	—	• Tetra Tech, Inc. 12,031	270
• Sanchez Computer Associates, Inc. 1,800	7	• Tetra Technologies, Inc. 1,200	27
• Sapient Corp. 3,600	20	• TIBCO Software, Inc. 8,500	55
• Seachange International, Inc. 850	13	• Tier Technologies, Inc., Class B 500	5
• Secure Computing Corp. 3,200	46	• Transaction Systems Architects, Inc., Class A 5,200	104
• Seebeyond Technology Corp. 3,100	11	• TransAxis, Inc. 17	—
• Selectica, Inc. 1,900	8	• TRC Cos., Inc. 1,350	24
• Sequenom, Inc. 1,600	5	• Trizetto Group, Inc. 3,400	23
• Serena Software, Inc. 2,100	36	• Tularik, Inc. 2,100	26
• The ServiceMaster Co. 20,400	234	• Tumbleweed Communications Corp. 2,000	13
• SFBC International, Inc. 1,000	29	• Unify Corp. 1,200	1
• Sirius Satellite Radio, Inc. 1,200	3	• United Online, Inc. 4,100	118
• Sitel Corp. 2,800	5	• Universal Access Global Holdings, Inc. 145	1
◆ Skillsoft PLC 4,971	40	• Universal Electronics, Inc. 2,200	29
• Sonic Foundry, Inc. 600	1	• UNOVA, Inc. 3,100	67
• SONICblue, Inc. 2,600	—	• URS Corp. 1,700	37
• SonicWALL, Inc. 4,900	40	• Usinternetworking, Inc. 1,100	—
• SourceCorp 1,100	26	• VA Software Corp. 1,427	7
• Spartech Corp. 1,700	39		
• Spherion Corp. 1,830	16		

See financial notes. 91

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
•Vastera, Inc. 2,000	7	•AEP Industries, Inc. 400	3
•Ventiv Health, Inc. 2,233	19	Air Products & Chemicals, Inc. 15,200	690
•VeriSign, Inc. 18,375	292	Airgas, Inc. 5,000	96
•Verisity Ltd. 1,000	12	Albemarle Corp. 2,000	54
•Veritas Software Corp. 30,024	1,085	Arch Chemicals, Inc. 2,700	60
•Verity, Inc. 1,600	22	•Bio-Rad Laboratories, Inc., Class A 1,000	52
•Verso Technologies, Inc. 1,363	5	Brady Corp., Class A 700	25
•Vertel Corp. 900	—	Cabot Corp. 2,700	75
Viad Corp. 14,500	362	Calgon Carbon Corp. 2,300	15
•The viaLink Co. 700	—	•Celgene Corp. 3,000	125
•Viewlocity, Inc. 60	—	Crompton Corp. 4,424	24
•Viewpoint Corp. 2,000	2	•Cytec Industries, Inc. 7,400	258
•Vignette Corp. 8,948	22	Dow Chemical Co. 65,266	2,460
•Vixel Corp. 600	6	E.I. du Pont de Nemours & Co. 72,695	2,937
•Volt Information Sciences, Inc. 2,100	37	Eastman Chemical Co. 3,100	101
•Wackenhut Corrections Corp. 3,800	79	Ecolab, Inc. 19,000	511
•Waste Connections, Inc. 1,000	35	•Entegris, Inc. 3,000	39
•Waste Industries USA, Inc. 1,500	14	•Ethyl Corp. 2,000	32
Waste Management, Inc. 42,100	1,091	Ferro Corp. 4,200	86
•WatchGuard Technologies, Inc. 1,800	10	•Foamex International, Inc. 2,600	12
•Watson Wyatt & Co. Holdings 4,600	111	Georgia Gulf Corp. 3,300	89
•Wave Systems Corp., Class A 1,800	5	Great Lakes Chemical Corp. 3,600	77
•WebEx Communications, Inc. 2,500	55	H.B. Fuller Co. 2,000	50
•WebMD Corp. 19,426	151	Hawkins, Inc. 1,900	24
•webMethods, Inc. 1,921	17	•Hercules, Inc. 8,500	89
•Websense, Inc. 2,500	59	IMC Global, Inc. 3,500	24
•Weight Watchers International, Inc. 6,200	229	Lubrizol Corp. 3,400	103
•Westaff, Inc. 2,000	5	Lyondell Chemical Co. 4,600	66
•Wind River Systems, Inc. 3,160	21	MacDermid, Inc. 3,800	114
•Wireless Facilities, Inc. 1,800	31	•Matrixx Initiatives, Inc. 1,700	24
•Witness Systems, Inc. 2,100	16	Millennium Chemicals, Inc. 2,400	24
•WorldGate Communications, Inc. 2,000	2	Monsanto Co. 18,645	467
•Wynn Resorts Ltd. 4,000	81	Oil-Dri Corp. of America 400	6
•Xybernaut Corp. 1,400	3	Olin Corp. 1,820	32
•Yahoo!, Inc. 44,472	1,943	•OM Group, Inc. 900	16
•Zamba Corp. 2,000	1	•Omnova Solutions, Inc. 1,000	3
•Zap.com Corp. 32	—	•Oxigene, Inc. 900	9
•Zix Corp. 900	8	Penford Corp. 1,700	24
	45,687	•PolyOne Corp. 3,200	15
		PPG Industries, Inc. 11,600	669
		Praxair, Inc. 11,600	807
Chemicals 1.4%			
A. Schulman, Inc. 2,300	44		
Aceto Corp. 5,250	82		

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Rogers Corp. 300	12	• Integrated Electrical Services, Inc. 1,800	13
Rohm & Haas Co. 26,753	1,051	KB Home 3,900	267
Rollins, Inc. 1,950	40	Lafarge North America, Inc. 6,200	224
RPM International, Inc. 7,100	103	Lennar Corp., Class A 4,745	436
Sigma-Aldrich Corp. 6,300	330	Lennar Corp., Class B 474	41
Solutia, Inc. 4,100	11	M/I Schottenstein Homes, Inc. 1,800	75
Stepan Co. 1,200	30	Martin Marietta Materials, Inc. 4,200	172
Tredegar Corp. 2,600	40	Masco Corp. 33,300	916
• Trex Co., Inc. 500	18	• Mastec, Inc. 5,350	69
• Twinlab Corp. 900	—	MDC Holdings, Inc. 1,331	90
• Uniroyal Technology Corp. 1,100	—	• NCI Building Systems, Inc. 2,900	63
Valspar Corp. 4,200	200	• NVR, Inc. 500	245
WD-40 Co. 1,600	52	• Palm Harbor Homes, Inc. 2,700	50
Wellman, Inc. 5,400	45	• Performance Technologies, Inc. 1,600	17
• Zoltek Cos., Inc. 1,500	7	Pulte Homes, Inc. 4,436	384
	12,452	• Quanta Services, Inc. 2,400	20
Construction 0.8%		The Ryland Group, Inc. 3,400	302
American Woodmark Corp. 500	24	• SBA Communications Corp. 1,300	5
Ameron International Corp. 3,400	112	The Sherwin-Williams Co. 10,500	352
Apogee Enterprises, Inc. 2,000	21	• Simpson Manufacturing Co., Inc. 1,600	72
• Armstrong Holdings, Inc. 1,600	2	• Socket Communications, Inc. 800	2
• Beazer Homes USA, Inc. 851	85	Standard-Pacific Corp. 2,400	115
Brookfield Homes Corp. 3,500	76	The Stanley Works 6,600	220
Building Material Holding Corp. 4,000	56	• Stone & Webster, Inc. 700	—
• Cavco Industries, Inc. 205	5	• Surebeam Corp., Class A 2,711	1
Centex Construction Products, Inc. 3,200	172	Texas Industries, Inc. 1,000	27
Centex Corp. 4,100	400	• Toll Brothers, Inc. 5,600	206
Craftmade International, Inc. 2,800	67	United Mobile Homes, Inc. 1,600	26
D.R. Horton, Inc. 12,302	490	• USG Corp. 3,900	65
• Dominion Homes, Inc. 500	14	Vulcan Materials Co. 6,900	306
• Dycom Industries, Inc. 2,399	52	Walter Industries, Inc. 1,900	23
ElkCorp 950	24	• WCI Communities, Inc. 1,300	28
• EMCOR Group, Inc. 900	34	• WESCO International, Inc. 2,300	16
Florida Rock Industries, Inc. 1,550	89	• West Corp. 4,500	109
Fluor Corp. 5,600	208	• Westell Technologies, Inc., Class A 2,560	21
• Global Power Equipment Group, Inc. 1,000	6	• Yankee Candle Co., Inc. 3,700	103
Granite Construction, Inc. 1,850	37		7,328
• Hovnanian Enterprises, Inc., Class A 3,100	252	Consumer Durables 0.4%	
• Huttig Building Products, Inc. 811	2	• Applicia, Inc. 3,100	23
• Insituform Technologies, Inc., Class A 1,300	19	Black & Decker Corp. 7,100	339

See financial notes. 93

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Champion Enterprises, Inc. 2,200	16	Greif, Inc., Class A 3,700	120
• Chromcraft Revington, Inc. 1,300	16	• Mobile Mini, Inc. 600	13
Compix International, Inc. 800	5	• Mod-Pac Corp. 500	4
Ethan Allen Interiors, Inc. 1,700	63	• Mod-Pac Corp., Class B 125	1
Flexsteel Industries, Inc. 600	12	• Owens-Illinois, Inc. 16,200	199
Furniture Brands International, Inc. 2,200	53	• Packaging Dynamics Corp. 260	3
• Gemstar -TV Guide International, Inc. 18,160	85	• Pactiv Corp. 12,400	273
• Genlyte Group, Inc. 1,600	75	• Sealed Air Corp. 8,500	453
• Griffon Corp. 2,200	43	• Silgan Holdings, Inc. 2,900	93
Haverty Furniture Cos., Inc. 1,700	35	Sonoco Products Co. 4,100	87
• Helen of Troy Ltd. 2,000	45		1,579
Hillenbrand Industries, Inc. 3,300	196	Electronics 6.3%	
• Interface, Inc., Class A 3,300	18	• ACT Manufacturing, Inc. 900	—
Isco, Inc. 200	2	• ACT Teleconferencing, Inc. 1,100	1
Kimball International, Inc., Class B 3,600	56	• Actel Corp. 1,100	30
La-Z-Boy, Inc. 5,800	117	Acuity Brands, Inc. 17,200	370
Leggett & Platt, Inc. 13,700	286	• Acxiom Corp. 25,700	409
Maytag Corp. 4,600	117	• Adaptive Broadband Corp. 1,000	—
• MITY Enterprises, Inc. 600	9	• ADC Telecommunications, Inc. 28,220	72
• Mohawk Industries, Inc. 4,819	357	• ADE Corp. 600	15
National Presto Industries, Inc. 400	14	• Adelphia Business Solutions, Inc. 4,638	—
Newell Rubbermaid, Inc. 18,900	431	• Adelphia Communications, Class A 6,301	2
• Recoton Corp. 500	—	• Advanced Fibre Communications, Inc. 3,500	84
• Restoration Hardware, Inc. 1,700	14	• Advanced Micro Devices, Inc. 14,500	220
• Salton, Inc. 1,100	12	• Advanced Power Technology, Inc. 1,500	11
Skyline Corp. 100	3	• Agere Systems, Inc., Class A 50,116	174
• SLI, Inc. 1,600	—	• Agilent Technologies, Inc. 34,317	855
Stanley Furniture Co., Inc. 2,600	80	Agilysys, Inc. 1,600	16
Sturm Ruger & Co., Inc. 1,100	12	• Airnet Communications Corp. 1,300	1
Thomas Industries, Inc. 700	21	• Alliance Fiber Optic Products, Inc. 2,100	5
Toro Co. 800	40	• Alliance Semiconductor Corp. 1,200	9
• United Rentals, Inc. 5,900	103	• Alliant Techsystems, Inc. 2,437	126
Virco Manufacturing Corp. 1,170	7	• Altera Corp. 27,900	564
• Water Pik Technologies, Inc. 195	2	• American Physicians Capital, Inc. 2,500	66
Whirlpool Corp. 7,500	529	American Power Conversion Corp. 14,100	285
	3,236	• American Science & Engineering, Inc. 500	7
Containers 0.2%		• American Technical Ceramics Corp. 500	4
Ball Corp. 2,800	157	• AMIS Holdings, Inc. 2,500	50
Bemis Co. 3,200	148	• Amkor Technology, Inc. 11,900	224
• Crown Holdings, Inc. 3,600	28		

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
•Amphenol Corp., Class A 2,900	170	•Captaris, Inc. 2,200	13
•Anadigics, Inc. 1,150	6	•CCC Information Services Group, Inc. 13,100	220
•Analog Devices, Inc. 25,200	1,117	•Celera Genomics Group - Applera Corp. 5,600	75
•Anaren, Inc. 800	11	Chase Corp. 100	1
•Andrew Corp. 10,925	143	•Checkpoint Systems, Inc. 4,600	87
•Anixter International, Inc. 3,300	79	•ChipPAC, Inc., Class A 6,600	55
•Applied Materials, Inc. 119,998	2,804	•Chronimed, Inc. 600	5
•Applied Micro Circuits Corp. 12,238	71	•CIENA Corp. 17,294	111
•Arris Group, Inc. 2,600	16	•Cirrus Logic, Inc. 3,800	31
•Arrow Electronics, Inc. 12,000	256	•ClearOne Communications, Inc. 1,000	2
•Artisan Components, Inc. 1,100	23	•CMGI, Inc. 14,086	27
•Aspect Communications Corp. 4,200	57	•Coherent, Inc. 1,800	41
•Astronics Corp. 1,000	6	Cohu, Inc. 1,100	22
•Astronics Corp., Class B 250	1	•CommScope, Inc. 4,900	76
•Asyst Technologies, Inc. 1,700	32	•Computer Network Technology Corp. 1,100	11
•Atmel Corp. 17,900	101	•Comtech Telecommunications 1,450	43
•ATMI, Inc. 1,400	32	•Conexant Systems, Inc. 10,796	63
•Audiovox Corp., Class A 1,600	19	•Corvis Corp. 13,000	19
•Avanex Corp. 2,100	11	•Cox Radio, Inc., Class A 4,600	102
•Avid Technology, Inc. 1,100	57	•Credence Systems Corp. 1,700	28
•Avnet, Inc. 8,288	161	•Cree, Inc. 2,900	52
AVX Corp. 7,500	110	CTS Corp. 800	9
•Aware, Inc. 1,100	4	Cubic Corp. 1,200	34
•Axcelis Technologies, Inc. 7,044	75	•Cyberonics 3,700	101
•AXT, Inc. 800	2	•Cymer, Inc. 1,700	78
Badger Meter, Inc. 1,000	36	•Cypress Semiconductor Corp. 8,500	182
BEI Technologies, Inc. 1,200	22	•Daktronics, Inc. 5,600	87
Bel Fuse, Inc., Class A 1,200	31	•DDI Corp. 1,600	—
Belden, Inc. 800	15	•Diodes, Inc. 1,900	45
•Bell Microproducts, Inc. 1,000	8	•Dionex Corp. 1,200	51
•Benchmark Electronics, Inc. 6,700	326	•DSP Group, Inc. 3,300	79
Boston Acoustics, Inc. 1,300	15	•Ducommun, Inc. 4,300	80
•Broadcom Corp., Class A 12,700	406	•Dupont Photomasks, Inc. 1,900	44
•Brooks Automation, Inc. 1,364	34	•Dynamics Research Corp. 1,200	20
•Bruker BioSciences Corp. 2,100	11	•Electro Rent Corp. 2,600	38
C&D Technologies, Inc. 2,000	40	•Electro Scientific Industries, Inc. 1,300	32
•C-COR.net Corp. 1,600	16	•Electroglas, Inc. 900	3
•Cable Design Technologies Corp. 1,700	16	•Electronics for Imaging 3,400	92
•Cabot Microelectronics Corp. 660	38	•Emcore Corp. 1,500	7
•Cadence Design Systems, Inc. 11,600	179	•EMS Technologies, Inc. 1,000	18
•California Amplifier, Inc. 1,000	10		
•Caliper Technologies Corp. 700	4		

See financial notes. 95

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Emulex Corp. 5,900	167	Intersil Corp., Class A 9,864	254
• Energizer Holdings, Inc. 6,333	233	• Itron, Inc. 1,500	31
• Energy Conversion Devices, Inc. 600	7	ITT Industries, Inc. 6,200	422
• Entrada Networks, Inc. 75	—	• Ixia 5,200	62
• ESS Technology, Inc. 3,100	43	• IXYS Corp. 900	9
• Exar Corp. 1,800	29	• Jabil Circuit, Inc. 13,400	373
• Excel Technology, Inc. 600	17	• JDS Uniphase Corp. 54,424	193
• Fairchild Semiconductor International, Inc., Class A 4,100	93	Keithley Instruments, Inc. 700	11
• FEI Co. 1,500	36	• Kemet Corp. 3,700	49
• First Virtual Communications, Inc. 240	—	• KLA-Tencor Corp. 12,500	717
• Flir Systems, Inc. 2,400	75	• Kopin Corp. 2,500	18
• FormFactor, Inc. 2,500	62	• Kulicke & Soffa Industries, Inc. 1,900	28
Frequency Electronics, Inc. 500	5	• Lam Research Corp. 9,100	262
• FSI International, Inc. 1,300	8	• Lattice Semiconductor Corp. 4,600	36
• FuelCell Energy, Inc. 1,200	18	• LeCroy Corp. 900	15
• General Cable Corp. 2,200	21	• Lightpath Technologies, Inc., Class A 75	—
• Genus, Inc. 500	3	Linear Technology Corp. 25,000	1,065
• Gerber Scientific, Inc. 1,900	15	• Littelfuse, Inc. 4,500	120
• Getty Images, Inc. 4,600	206	• Logicvision, Inc. 1,000	4
• Glenayre Technologies, Inc. 2,300	7	• Loral Space & Communications 1,390	—
• GlobespanVirata, Inc. 8,556	53	• LSI Logic Corp. 27,464	254
• GTC Biotherapeutics, Inc. 1,800	6	• Lucent Technologies, Inc. 286,923	918
Harman International Industries, Inc. 3,400	436	• Macromedia, Inc. 4,500	86
• Harmonic, Inc. 6,342	49	• Manufacturers Services Ltd. 2,500	15
Harris Corp. 4,000	149	• Mattson Technology, Inc. 4,100	58
• Harvard Bioscience, Inc. 500	4	Maxim Integrated Products, Inc. 22,453	1,116
• Hearst-Argyle Television, Inc. 3,700	90	• Maxwell Technologies, Inc. 1,000	8
• Herley Industries, Inc. 500	9	• Measurement Specialties, Inc. 700	9
• HI/FN, Inc. 800	8	• MEMC Electronic Materials, Inc. 11,800	132
• Hollywood Entertainment Corp. 4,300	65	• Mercury Computer Systems, Inc. 3,600	77
• Hutchinson Technology, Inc. 17,100	573	• Mestek, Inc. 700	13
• Illumina, Inc. 1,500	9	• Metawave Communications Corp. 1,900	—
• Integrated Circuit Systems, Inc. 5,400	181	Methode Electronics, Class A 3,600	43
• Integrated Silicon Solutions, Inc. 900	13	• Micron Technology, Inc. 25,500	366
• Intel Corp. 472,532	15,617	• Microsemi Corp. 3,500	72
• Intelli-Check, Inc. 500	4	• Microtune, Inc. 2,200	5
• Interactive Data Corp. 20,700	356	• MKS Instruments, Inc. 1,700	44
• Intermagnetics General Corp. 1,371	32	Mocon, Inc. 600	5
• International Rectifier Corp. 4,100	196	Molex, Inc. 16,125	506
		• Monolithic System Technology, Inc. 1,200	10
		Motorola, Inc. 169,155	2,289

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
•MRV Communications, Inc. 4,307	13	•Rambus, Inc. 5,700	141
MTS Systems Corp. 4,500	79	Raven Industries, Inc. 1,400	37
•Mykrolis Corp. 3,021	45	•Rayovac Corp. 2,800	46
•Nanogen, Inc. 1,500	5	•Remec, Inc. 2,500	28
•Nanometrics, Inc. 300	4	•Rex Stores Corp. 1,875	30
•National Semiconductor Corp. 12,100	492	•RF Micro Devices, Inc. 7,200	84
•Netopia, Inc. 2,100	21	Richardson Electronics Ltd. 1,300	13
•New Focus, Inc. 2,800	15	•Robotic Vision Systems, Inc. 1,000	1
•Newport Corp. 4,200	66	•Rofin-Sinar Technologies, Inc. 1,900	45
•Novellus Systems, Inc. 6,671	275	•Rudolph Technologies, Inc. 500	13
•Novoste Corp. 1,600	8	•Sanmina-SCI Corp. 35,816	378
•Nvidia Corp. 7,000	124	•SBS Technologies, Inc. 1,700	23
•Omnivision Technologies, Inc. 1,400	80	•ScanSoft, Inc. 1,204	7
•Oplink Communications, Inc. 4,600	11	Scientific-Atlanta, Inc. 11,900	352
•Optical Communication Products, Inc. 500	1	•SCM Microsystems, Inc. 1,200	10
•OSI Systems, Inc. 1,200	22	•Seagate Technology 6,000	138
•P-Com Inc. 520	—	•Semitool, Inc. 1,800	16
Park Electrochemical Corp. 1,100	27	•Semtech Corp. 3,200	71
•Parkervision, Inc. 400	4	•Silicon Image, Inc. 2,000	14
•ParthusCeva, Inc. 433	3	•Silicon Laboratories, Inc. 2,500	135
•Paxson Communications Corp. 1,900	10	•Silicon Storage Technology, Inc. 3,500	39
•Pemstar, Inc. 1,600	6	•Siliconix, Inc. 8,100	411
•Pericom Semiconductor Corp. 1,400	16	•Sipex Corp. 1,600	14
PerkinElmer, Inc. 8,977	162	•Sirenza Microdevices, Inc. 1,300	6
•Photon Dynamics, Inc. 900	34	•Skyworks Solutions, Inc. 5,689	49
•Pinnacle Systems, Inc. 1,800	13	•Solectron Corp. 36,820	204
•Pixelworks, Inc. 1,600	19	•Somera Communications, Inc. 1,900	3
•Planar Systems, Inc. 3,700	86	•Spectralink Corp. 1,000	18
•Plantronics, Inc. 4,000	111	•Spherix, Inc. 500	3
•Plexus Corp. 1,700	29	•Standard Microsystems Corp. 1,100	33
•PLX Technology, Inc. 1,300	11	•Stratex Networks, Inc. 2,800	9
•Powell Industries, Inc. 1,000	19	•Superconductor Technologies, Inc. 1,600	8
•Power Integrations, Inc. 1,400	49	•Superior Telecom, Inc. 1,124	—
•Power-One, Inc. 6,000	54	•Supertex, Inc. 1,400	26
•Powerwave Technologies, Inc. 3,200	21	Symbol Technologies, Inc. 16,437	205
•Proxim Corp., Class A 5,412	8	•Symmetricom, Inc. 8,450	61
•QLogic Corp. 7,022	394	•Synaptics, Inc. 1,000	13
Qualcomm, Inc. 56,300	2,674	•T/R Systems, Inc. 1,500	2
•Quantum Corp. 5,500	17	•Taser International, Inc. 1,000	63
•QuickLogic Corp. 900	5	•Technitrol, Inc. 4,000	87
•Radisys Corp. 3,700	72	•Tekelec 8,700	140
		Tektronix, Inc. 5,300	136

See financial notes. 97

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Tellabs, Inc. 28,300	213	• Zebra Technologies Corp., Class A 4,250	242
• Tellium, Inc. 4,000	6	• Zoran Corp. 1,761	29
• Teradyne, Inc. 13,059	298		56,542
• Terayon Communication Systems Corp. 2,800	19		
• Tessco Technologies, Inc. 900	12	Energy: Raw Materials 1.5%	
• Texas Instruments, Inc. 127,397	3,684	Alliance Resource Partners L.P. 1,700	50
• Therma-Wave, Inc. 1,000	5	Anadarko Petroleum Corp. 17,030	743
• Thermo Electron Corp. 26,550	584	Apache Corp. 10,936	762
• Thomas & Betts Corp. 7,300	130	APCO Argentina, Inc. 200	5
• THQ, Inc. 1,950	35	Arch Coal, Inc. 3,500	86
• Three-Five Systems, Inc. 1,099	5	• Atwood Oceanics, Inc. 1,200	31
• Tollgrade Communications, Inc. 1,100	17	Baker Hughes, Inc. 23,300	658
• Transmeta Corp. 4,500	18	Berry Petroleum Co., Class A 2,000	36
• Transwitch Corp. 3,100	10	• BJ Services Co. 11,800	387
• Tripath Technology, Inc. 1,800	9	Buckeye Partners L.P. 3,400	147
• Triquint Semiconductor, Inc. 5,310	38	Burlington Resources, Inc. 14,000	681
• Troy Group, Inc. 2,000	5	Cabot Oil & Gas Corp. 14,400	368
• TTM Technologies, Inc. 4,400	71	CARBO Ceramics, Inc. 500	21
• Tweeter Home Entertainment Group, Inc. 1,100	9	• Cimarex Energy Co. 3,122	64
• United Industrial Corp. 1,200	21	• Cooper Cameron Corp. 3,300	141
• Unitil Corp. 600	15	• CREDO Petroleum Corp. 1,200	21
• Valence Technology, Inc. 1,400	5	• Denbury Resources, Inc. 4,900	62
• Varian Semiconductor Equipment Associates, Inc. 1,500	73	Devon Energy Corp. 15,680	761
• Varian, Inc. 5,800	208	ENSCO International, Inc. 5,700	150
• Viasat, Inc. 1,000	20	Enterprise Products Partners L.P. 17,000	368
• Vicor Corp. 1,700	17	EOG Resources, Inc. 11,400	480
• Virage Logic Corp. 1,400	14	• Evergreen Resources, Inc. 1,600	44
• Vishay Intertechnology, Inc. 11,781	221	• FMC Technologies, Inc. 4,591	92
• Vitesse Semiconductor Corp. 6,986	49	• Forest Oil Corp. 4,450	104
• Waters Corp. 8,700	273	• Friede Goldman Halter, Inc. 1,855	—
• Western Digital Corp. 13,200	178	• Grant Prideco, Inc. 3,600	41
• Western Wireless Corp., Class A 5,200	101	• Grey Wolf, Inc. 5,800	19
• Wilson Greatbatch Technologies, Inc. 1,100	41	Halliburton Co. 31,200	745
• WJ Communications, Inc. 2,300	14	• Hanover Compressor Co. 5,600	59
• Xicor, Inc. 1,000	11	Helmerich & Payne, Inc. 2,300	61
• Xilinx, Inc. 24,600	780	• Hydril Co. 2,500	59
• YDI Wireless, Inc. 100	—	Inergy L.P. 1,000	45
		• Joy Global, Inc. 8,600	164
		• Key Energy Services, Inc. 4,800	42
		Kinder Morgan Energy Partners L.P. 1,502	64

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Kirby Corp. 1,300	38	Bridgford Foods Corp. 300	2
Lufkin Industries, Inc. 500	12	Bunge Ltd. 6,800	184
Massey Energy Co. 6,000	83	Campbell Soup Co. 24,500	635
Natural Resource Partners L.P. 2,000	66	• Chiquita Brands International, Inc. 10,000	185
NL Industries, Inc. 2,800	49	Coca-Cola Bottling Co. Consolidated 400	20
• Noble Corp. 10,100	347	The Coca-Cola Co. 178,100	8,264
Noble Energy, Inc. 3,500	139	Coca-Cola Enterprises, Inc. 27,200	548
Occidental Petroleum Corp. 28,100	991	ConAgra Foods, Inc. 38,293	913
• Offshore Logistics, Inc. 1,100	24	Consolidated-Tomoka Land Co. 900	27
• Oil States International, Inc. 3,600	44	Corn Products International, Inc. 7,800	264
• Parker Drilling Co. 2,800	6	• Dean Foods Co. 8,613	261
Peabody Energy Corp. 3,800	127	• Del Monte Foods Co. 8,931	85
Penn Virginia Resource Partners L.P. 1,000	33	Delta & Pine Land Co. 2,000	46
Plains All American Pipeline L.P. 4,600	138	Dreyer's Grand Ice Cream Holdings, Inc. 2,300	178
• Plains Resources, Inc. 4,000	53	• Eden Bioscience Corp. 1,000	2
• Range Resources Corp. 2,400	18	• Embrex, Inc. 1,300	13
• Reliant Resources, Inc. 20,125	100	Fleming Cos., Inc. 3,400	—
• Rowan Cos., Inc. 3,400	81	Flowers Foods, Inc. 19,515	463
Schlumberger Ltd. 42,500	1,996	Fresh Brands, Inc. 1,800	23
• Seacor Smit, Inc. 1,250	48	Fresh Del Monte Produce, Inc. 4,200	105
• Smith International, Inc. 7,400	276	General Mills, Inc. 25,800	1,157
TC Pipelines L.P. 400	13	• Green Mountain Coffee Roasters, Inc. 900	19
Tidewater, Inc. 2,700	74	• Griffen Land & Nurseries, Inc. 300	4
• Tom Brown, Inc. 3,200	86	H.J. Heinz Co. 21,900	774
• Unit Corp. 2,400	47	• Hain Celestial Group, Inc. 1,406	30
USEC, Inc. 3,000	22	Hershey Foods Corp. 8,200	632
Valero Energy Corp. 8,649	369	Hormel Foods Corp. 6,500	160
• W-H Energy Services, Inc. 900	14	Ingles Markets, Inc., Class A 300	3
• Weatherford International Ltd. 4,800	167	Interstate Bakeries 3,200	47
Western Gas Resources, Inc. 2,000	85	• J & J Snack Foods Corp. 3,200	114
• Westmoreland Coal Co. 3,500	52	The J.M. Smuckers Co. 2,438	107
World Fuel Services Corp. 500	14	• John B. Sanfilippo & Son 5,000	172
• Xanser Corp. 1,400	3	Kellogg Co. 28,900	957
	13,176	Kraft Foods, Inc., Class A 14,500	422
Food & Agriculture 3.3%		Lance, Inc. 1,900	25
• 7-Eleven, Inc. 5,000	80	• Lesco, Inc. 500	6
• American Italian Pasta Co., Class A 1,000	38	Lindsay Manufacturing Co. 800	19
The Andersons, Inc. 1,500	24	Marsh Supermarkets, Inc., Class B 1,000	11
Archer-Daniels-Midland Co. 45,958	660	• Maui Land & Pineapple Co., Inc. 800	22
• Aurora Foods, Inc. 2,500	—		

See financial notes. 99

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
McCormick & Co., Inc. 5,800	172	Newmont Mining Corp. 29,051	1,272
MGP Ingredients, Inc. 1,700	16	Royal Gold, Inc. 3,100	64
• Monterey Pasta Co. 700	3		1,655
Nash Finch Co. 1,700	27	Healthcare / Drugs & Medicine 12.4%	
• Neogen Corp. 500	10	• 1-800 Contacts, Inc. 500	11
• The Pantry, Inc. 400	7	• aaiPharma, Inc. 1,800	33
• Peet's Coffee & Tea, Inc. 1,800	30	Abbott Laboratories 112,505	4,795
The Pepsi Bottling Group, Inc. 18,200	406	• Abgenix, Inc. 3,600	44
PepsiAmericas, Inc. 13,200	198	• Abiomed, Inc. 800	7
PepsiCo, Inc. 124,800	5,968	• Accredo Health, Inc. 2,841	91
• Performance Food Group Co. 1,900	71	• Aclara BioSciences, Inc. 2,400	8
Pilgrim's Pride Corp., Class B 1,400	18	• Advanced Medical Optics, Inc. 2,400	48
• Ralcorp Holdings, Inc. 6,700	184	• Advanced Neuromodulation Systems, Inc. 1,050	43
Rocky Mountain Chocolate Factory, Inc. 1,000	11	• AdvancePCS Corp. 6,300	324
Sanderson Farms, Inc. 3,500	123	• AeroGen, Inc. 3,200	2
Sara Lee Corp. 54,378	1,084	• Alaris Medical Systems, Inc. 5,000	78
• The Scotts Co., Class A 2,800	162	• Albany Molecular Research, Inc. 1,600	24
Seaboard Corp. 200	51	• Align Technology, Inc. 8,700	134
Sensient Technologies Corp. 2,300	44	• Alkermes, Inc. 3,100	40
• Smart & Final, Inc. 2,700	19	Allergan, Inc. 9,400	711
• Smithfield Foods, Inc. 6,300	134	• Alliance Imaging, Inc. 1,800	8
• Spartan Stores, Inc. 500	2	• Alliance Pharmaceutical Corp. 220	—
Standard Commercial Corp. 1,100	21	• Allscripts Healthcare Solutions, Inc. 1,900	10
Supervalu, Inc. 18,087	456	Alpharma, Inc., Class A 3,700	67
Sysco Corp. 47,036	1,583	• America Service Group, Inc. 800	21
Tasty Baking Co. 500	4	• American Healthways, Inc. 1,550	64
• Tejon Ranch Co. 674	27	• American Medical Systems Holdings, Inc. 1,400	28
Tootsie Roll Industries, Inc. 2,190	72	• AMERIGROUP Corp. 900	38
Tyson Foods, Inc., Class A 15,240	217	AmerisourceBergen Corp. 4,824	274
• United Natural Foods, Inc. 1,300	50	• Amgen, Inc. 90,368	5,581
• VistaCare, Inc., Class A 1,000	35	• Amsurg Corp. 700	25
• Wild Oats Markets, Inc. 3,800	39	• Amylin Pharmaceuticals, Inc. 2,300	63
Wm. Wrigley Jr. Co. 11,600	654	• Andrx Corp. 3,900	78
• Zapata Corp. 1,000	54	• Anthem, Inc. 14,417	987
	29,653	• Antigenics, Inc. 1,400	15
Gold 0.2%		• Aphton Corp. 800	6
Barrick Gold Corp. 5,565	109	• Apogent Technologies, Inc. 7,100	156
• Glamis Gold Ltd. 8,600	120	Applied Biosystems Group –	
• Golden Cycle Gold Corp. 600	6	Applera Corp. 11,400	263
• Meridian Gold, Inc. 6,600	84		

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Apria Healthcare Group, Inc. 10,500	305	• Community Health Systems, Inc. 7,100	171
• Arqule, Inc. 1,300	7	• Conmed Corp. 1,700	35
• Arrow International, Inc. 6,400	169	• Cooper Cos., Inc. 2,200	96
• Arthrocare Corp. 1,400	31	• Corixa Corp. 1,802	11
• Aspect Medical Systems, Inc. 1,200	11	• Corvel Corp. 1,900	69
• Atrix Labs, Inc. 1,400	28	• Covance, Inc. 5,800	151
• AVANIR Pharmaceuticals, Class A 1,900	3	• Coventry Health Care, Inc. 9,600	526
• Avant Immunotherapeutics, Inc. 3,000	7	• CryoLife, Inc. 750	5
• Avigen, Inc. 900	6	• CTI Molecular Imaging, Inc. 2,000	32
• Barr Laboratories, Inc. 3,354	258	• Cubist Pharmaceuticals, Inc. 1,900	22
• Bausch & Lomb, Inc. 3,400	164	• Curis, Inc. 3,140	15
• Baxter International, Inc. 26,118	694	• CV Therapeutics, Inc. 1,100	19
• Beckman Coulter, Inc. 5,100	253	• Cygnus, Inc. 600	—
• Becton Dickinson & Co. 17,300	633	• Cyotgen Corp. 230	3
• Beverly Enterprises, Inc. 3,800	23	• Cytoc Corp. 7,800	101
• BioCryst Pharmaceuticals, Inc. 1,400	11	• D&K Healthcare Resources, Inc. 700	9
• Biogen, Inc. 11,500	465	• Dade Behring Holdings, Inc. 2,600	80
• BioMarin Pharmaceuticals, Inc. 1,800	13	• Datascope Corp. 1,000	33
• Biomet, Inc. 17,625	632	• DaVita, Inc. 16,500	579
• Biopure Corp. 1,200	4	• Deltagen, Inc. 2,200	—
• Bioreliance Corp. 1,200	41	• Dendreon Corp. 1,400	12
• Biosite, Inc. 1,400	36	• Dentsply International, Inc. 6,550	289
• Biosource International, Inc. 1,500	11	• Diagnostic Products Corp. 1,700	69
• Bone Care International, Inc. 1,400	20	• Digene Corp. 1,400	49
• Boston Scientific Corp. 30,900	2,093	• DJ Orthopedics, Inc. 3,000	54
• Bradley Pharmaceuticals, Inc. 1,700	46	• Durect Corp. 2,000	4
• Bristol-Myers Squibb Co. 140,550	3,566	• Dynacq International, Inc. 3,616	61
• C.R. Bard, Inc. 4,000	320	• Edwards Lifesciences Corp. 3,900	113
• Cambrex Corp. 900	21	• Eli Lilly & Co. 80,200	5,343
• Cardinal Health, Inc. 30,660	1,819	• Emisphere Technologies, Inc. 800	5
• Caremark Rx, Inc. 19,900	499	• Endo Pharmaceutical Holdings, Inc. 10,500	172
• Cell Therapeutics, Inc. 1,400	15	• Entremed, Inc. 1,200	6
• Centene Corp. 500	15	• Enzo Biochem, Inc. 1,697	31
• Cephalon, Inc. 3,500	164	• Enzon Pharmaceuticals, Inc. 1,900	21
• Cerus Corp. 500	2	• Eon Labs, Inc. 2,400	101
• Charles River Laboratories International, Inc. 1,900	61	• Express Scripts, Inc. 6,300	346
• Chattem, Inc. 1,200	18	• First Health Group Corp. 5,700	139
• Chiron Corp. 12,600	688	• First Horizon Pharmaceutical Corp. 900	6
• Cholestech Corp. 1,700	12	• Forest Laboratories, Inc. 25,000	1,250
• ChromaVision Medical Systems, Inc. 1,100	1	• Gen-Probe, Inc. 3,400	91
• CIPHERGEN Biosystems, Inc. 1,700	19	• Gene Logic, Inc. 1,300	6

See financial notes. 101

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Genelabs Technologies, Inc. 800	1	• Intuitive Surgical, Inc. 1,050	15
• Genentech, Inc. 15,700	1,287	• Invacare Corp. 2,000	82
• Genome Therapeutics Corp. 2,100	6	• Inveresk Research Group, Inc. 1,700	39
• Genta, Inc. 2,900	31	• Isis Pharmaceuticals, Inc. 1,900	13
• Genzyme Corp. – General Division 15,232	699	• IVAX Corp. 8,750	169
• Geron Corp. 1,000	13	⑩ Johnson & Johnson 214,870	10,814
• Gilead Sciences, Inc. 14,060	767	• Kendle International, Inc. 1,700	11
• Guidant Corp. 25,816	1,317	• Kindred Healthcare, Inc. 2,312	95
• Guilford Pharmaceuticals, Inc. 1,200	9	• King Pharmaceuticals, Inc. 18,516	248
• Haemonetics Corp. 3,700	85	• Kosan Biosciences, Inc. 2,500	23
• HCA, Inc. 29,100	1,113	• KV Pharmaceutical Co., Class A 2,700	65
• Health Management Associates, Inc., Class A 15,900	352	• Laboratory Corp. of America Holdings 10,300	365
• Health Net, Inc. 16,600	524	• Landauer, Inc. 1,100	43
• Healthcare Services Group 2,500	41	• Large Scale Biology Corp. 2,400	4
• HealthExtras, Inc. 1,900	22	• Lexicon Genetics, Inc. 1,900	11
• HealthTronics Surgical Services, Inc. 2,500	17	• LifePoint Hospitals, Inc. 2,300	59
• Henry Schein, Inc. 2,300	143	• Ligand Pharmaceuticals, Inc., Class B 2,300	32
• Hologic, Inc. 2,600	35	• Lincare Holdings, Inc. 7,100	277
• Human Genome Sciences, Inc. 5,100	71	• Magellan Health Services, Inc. 2,200	—
• Humana, Inc. 18,900	384	• Manor Care, Inc. 8,000	266
• I-Stat Corp. 600	7	• Maxim Pharmaceuticals, Inc. 2,400	14
• ICN Pharmaceuticals, Inc. 5,400	104	• McKesson Corp. 19,900	602
• ICU Medical, Inc. 550	19	• Med-Design Corp. 1,200	4
• Idec Pharmaceuticals Corp. 6,900	242	• Medamicus, Inc. 500	6
• IDEXX Laboratories, Inc. 2,500	118	• Medarex, Inc. 3,000	21
• Igen International, Inc. 1,300	75	• Medcath Corp. 1,500	16
• li-Vi, Inc. 1,900	45	• Medco Health Solutions, Inc. 18,638	619
• ImClone Systems, Inc. 4,435	154	• Medicines Co. 1,700	45
• Immucor, Inc. 750	22	• Medicis Pharmaceutical Corp., Class A 1,700	108
• Immunogen, Inc. 1,500	7	• Medimmune, Inc. 17,375	463
• Immunomedics, Inc. 2,400	20	• Medis Technologies Ltd. 1,110	10
• IMPAC Medical Systems, Inc. 3,000	71	• MedQuist, Inc. 3,217	54
• Impax Laboratories, Inc. 1,600	19	• Medtronic, Inc. 87,974	4,009
• Inamed Corp. 9,300	803	• Mentor Corp. 3,000	61
• Incyte Corp. 2,600	14	• Merck & Co., Inc. 158,552	7,016
• Indevus Pharmaceuticals, Inc. 1,800	10	• Merit Medical Systems, Inc. 1,666	44
• Inspire Pharmaceuticals, Inc. 1,300	24	• MGI Pharma, Inc. 1,900	71
• Integra LifeSciences Holdings Corp. 1,100	37	• Mid Atlantic Medical Services, Inc. 8,300	485
• InterMune, Inc. 1,100	22	• Millennium Pharmaceuticals, Inc. 11,956	190
		• MIM Corp. 1,500	9

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Mine Safety Appliances Co. 900	51	• Priority Healthcare Corp., Class B 2,000	43
• Molecular Devices Corp. 8,100	144	• Protein Design Labs, Inc. 4,100	55
Mylan Laboratories, Inc. 45,000	1,087	• Province Healthcare Co. 2,325	30
• Myriad Genetics, Inc. 1,400	18	• PSS World Medical, Inc. 2,800	26
• Nabi Biopharmaceuticals 2,800	31	• QMed, Inc. 500	4
• National Healthcare Corp. 600	12	• Quest Diagnostics 7,410	501
Nature's Sunshine Products, Inc. 2,000	16	• Regeneration Technologies, Inc. 1,700	20
• NBTY, Inc. 16,000	436	• Regeneron Pharmaceuticals, Inc. 1,900	26
• Nektar Therapeutics 2,200	29	• RehabCare Group, Inc. 4,000	63
• Neose Technologies, Inc. 500	4	• Renal Care Group, Inc. 4,700	176
• Neurocrine Biosciences, Inc. 1,400	66	• Resmed, Inc. 2,000	84
• Neurogen Corp. 800	4	• Respiroics, Inc. 1,900	79
• Northfield Laboratories, Inc. 1,100	7	• Sangamo Biosciences, Inc. 1,200	6
• Noven Pharmaceuticals, Inc. 5,500	56	• Savient Pharmaceuticals, Inc. 2,300	14
• NPS Pharmaceuticals, Inc. 1,000	26	Schering-Plough Corp. 80,950	1,236
• Nuvelo, Inc. 900	3	• Select Medical Corp. 2,500	84
Oakley, Inc. 4,200	46	• Sepracor, Inc. 6,600	176
• Ocular Sciences, Inc. 1,500	42	• Serologicals Corp. 1,200	19
• Odyssey HealthCare, Inc. 2,250	62	• SICOR, Inc. 7,200	193
Omnicare, Inc. 7,500	288	• Sierra Health Services, Inc. 11,700	273
• Onyx Pharmaceuticals, Inc. 1,800	44	• Sola International, Inc. 2,700	46
• OraSure Technologies, Inc. 1,500	13	• SonoSite, Inc. 1,600	32
• Orthodontic Centers of America, Inc. 2,112	19	• Specialty Laboratories 700	9
• OSI Pharmaceuticals, Inc. 1,690	47	• St. Jude Medical, Inc. 12,300	715
Owens & Minor, Inc. 2,000	41	• Steris Corp. 6,100	127
• Oxford Health Plans, Inc. 21,700	879	Stryker Corp. 13,800	1,119
• Pacificare Health Systems, Inc. 9,400	559	• Sunrise Senior Living, Inc. 4,900	142
• Pain Therapeutics, Inc. 2,600	16	• Sunrise Technologies International, Inc. 1,700	—
• Parexel International Corp. 2,400	40	• SuperGen, Inc. 900	9
• Patterson Dental Co. 5,300	339	• Sybron Dental Specialties, Inc. 4,633	107
• Pediatrix Medical Group, Inc. 3,000	160	• Tanox, Inc. 1,900	34
Perrigo Co. 4,300	58	• Techne Corp. 3,800	132
⑥ Pfizer, Inc. 555,352	17,549	• Tenet Healthcare Corp. 30,150	416
• Pharmaceutical Product Development, Inc. 2,500	75	• Theragenics Corp. 2,500	11
• Pharmaceutical Resources, Inc. 1,900	137	• Therasense, Inc. 2,300	42
• Pharmacopeia, Inc. 1,300	16	• Third Wave Technologies, Inc. 1,800	6
• Pharmacyclics, Inc. 1,100	6	• Thoratec Corp. 2,636	41
PolyMedica Corp. 4,400	130	• Titan Pharmaceuticals, Inc. 800	3
• Pozen, Inc. 1,300	16	• Transgenomic, Inc. 1,200	3
• Praecis Pharmaceuticals, Inc. 1,600	11	• Transkaryotic Therapies, Inc. 900	12
		• Triad Hospitals, Inc. 6,044	186

See financial notes. 103

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Trimeris, Inc. 500	13	International Flavors & Fragrances, Inc. 4,400	146
• TriPath Imaging, Inc. 2,600	24	Nu Skin Enterprises, Inc., Class A 6,500	103
• Tripos, Inc. 1,000	7	Procter & Gamble Co. 93,700	9,210
• United Surgical Partners International, Inc. 1,400	42		17,028
UnitedHealth Group, Inc. 42,200	2,147	Insurance 4.4%	
• Universal Health Services, Class B 4,000	188	21st Century Holding Co. 1,000	19
• Urologix, Inc. 1,800	8	21st Century Insurance Group 7,200	101
• US Oncology, Inc. 5,200	57	Aetna, Inc. 14,800	850
• USANA Health Sciences, Inc. 1,000	33	AFLAC, Inc. 37,600	1,372
• Utah Medical Products, Inc. 2,500	59	Alfa Corp. 4,800	62
• Varian Medical Systems, Inc. 4,700	301	• Alleghany Corp. 212	43
• Vaxgen, Inc. 600	6	• Allmerica Financial Corp. 2,400	64
• VCA Antech, Inc. 2,700	76	The Allstate Corp. 50,874	2,010
• Ventana Medical Systems, Inc. 1,200	50	AMBAC Financial Group, Inc. 7,250	513
• Vertex Pharmaceuticals, Inc. 3,144	41	American Financial Group, Inc. 5,500	122
• Viasys Healthcare, Inc. 1,482	27	• American International Group, Inc. 185,222	11,267
• Vical, Inc. 1,600	9	• American Medical Security Group, Inc. 5,600	128
• Viropharma, Inc. 1,000	3	American National Insurance Co. 1,300	108
• Visx, Inc. 3,100	75	AmerUs Group Co. 1,900	72
Vital Signs, Inc. 1,900	58	AON Corp. 23,000	504
• Watson Pharmaceuticals, Inc. 7,732	304	• Arch Capital Group Ltd. 1,400	51
• WellPoint Health Networks, Inc. 10,180	905	• Argonaut Group, Inc. 2,400	38
West Pharmaceutical Services, Inc. 3,300	109	Arthur J. Gallagher & Co. 4,300	125
• Wright Medical Group, Inc. 1,700	50	Baldwin & Lyons, Inc., Class B 750	18
Wyeth 96,900	4,277	Brown & Brown, Inc. 3,000	91
• XOMA Ltd. 2,400	18	Chubb Corp. 13,547	905
Young Innovations, Inc. 2,000	60	CIGNA Corp. 10,300	588
• Zimmer Holdings, Inc. 13,300	849	Cincinnati Financial Corp. 12,200	499
• Zymogenetics, Inc. 2,000	25	• Clark, Inc. 1,700	26
	111,298	• CNA Financial Corp. 15,700	339
Household Products 1.9%		• CNA Surety Corp. 2,200	24
Alberto-Culver Co., Class B 3,300	209	Commerce Group, Inc. 1,600	64
Avon Products, Inc. 17,000	1,155	Crawford & Co., Class B 1,600	11
Church & Dwight Co., Inc. 3,300	123	Delphi Financial Group, Inc., Class A 3,010	152
Clorox Co. 27,000	1,223	EMC Insurance Group, Inc. 1,200	20
Colgate-Palmolive Co. 35,500	1,888	Erie Indemnity Co., Class A 3,000	120
The Dial Corp. 13,100	315	FBL Financial Group, Inc., Class A 2,090	55
The Estee Lauder Cos., Inc., Class A 10,300	385	Fidelity National Financial, Inc. 14,503	448
The Gillette Co. 70,900	2,262	First American Corp. 4,800	137
Inter Parfums, Inc. 675	9		

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
First United Corp. 2,200	51	The PMI Group, Inc. 5,600	214
• FPIC Insurance Group, Inc. 400	7	Presidential Life Corp. 1,000	15
Fremont General Corp. 2,000	33	Principal Financial Group, Inc. 22,400	702
Great American Financial Resources, Inc. 2,800	44	• ProAssurance Corp. 1,670	50
Harleysville Group, Inc. 1,800	40	The Progressive Corp. 23,300	1,720
Hartford Financial Services Group, Inc. 19,400	1,065	Protective Life Corp. 5,500	179
HCC Insurance Holdings, Inc. 2,100	61	Prudential Financial, Inc. 38,500	1,488
Hilb, Rogal & Hamilton Co. 2,000	60	Radian Group, Inc. 9,202	487
Hooper Holmes, Inc. 2,100	11	Reinsurance Group of America, Inc. 2,600	104
Horace Mann Educators Corp. 1,800	24	RLI Corp. 2,800	94
Independence Holding Co. 1,500	35	Safeco Corp. 10,000	367
Infinity Property & Casualty Corp. 2,500	81	Safety Insurance Group, Inc. 1,000	16
Jefferson-Pilot Corp. 10,100	482	SCPIE Holdings, Inc. 700	9
John Hancock Financial Services, Inc. 19,900	703	Selective Insurance Group, Inc. 1,200	37
Liberty Corp. 1,000	45	• SNTL Corp. - Litigation Trust Certificates 1,300	—
Lincoln National Corp. 12,600	503	St. Paul Cos., Inc. 16,200	618
Loews Corp. 12,500	537	Stancorp Financial Group, Inc. 2,500	158
• Markel Corp. 300	76	State Auto Financial Corp. 1,300	35
Marsh & McLennan Cos., Inc. 43,000	1,838	Sterling Financial Corp. 1,000	28
MBIA, Inc. 9,750	581	• Stewart Information Services Corp. 3,700	115
Mercury General Corp. 2,900	138	Torchmark Corp. 10,600	465
Metlife, Inc. 55,500	1,743	Transatlantic Holdings, Inc. 2,650	203
MGIC Investment Corp. 6,300	323	Travelers Property Casualty Corp., Class A 20,549	335
• MIIX Group, Inc. 2,400	4	Travelers Property Casualty Corp., Class B 36,790	602
Mony Group, Inc. 1,500	48	• Triad Guaranty, Inc. 1,700	84
• National Medical Health Card Systems, Inc. 800	12	• UICI 2,500	37
Nationwide Financial Services, Inc., Class A 1,300	44	United Fire & Casualty Co. 500	20
• Navigators Group, Inc. 1,500	48	Unitrin, Inc. 3,100	115
NYMAGIC, Inc. 2,100	50	UnumProvident Corp. 13,414	220
Odyssey Re Holdings Corp. 2,900	61	• USI Holdings Corp. 4,500	57
• Ohio Casualty Corp. 3,000	46	W.R. Berkley Corp. 10,200	350
Old Republic International Corp. 10,900	392	• WellChoice, Inc. 2,500	81
• Penn Treaty American Corp. 600	1	Zenith National Insurance Corp. 1,100	34
Penn-America Group, Inc. 1,400	21		39,298
• Philadelphia Consolidated Holding Co. 1,000	47		
The Phoenix Cos., Inc. 4,500	49		
PMA Capital Corp., Class A 700	9		
		Media 4.0%	
		• Acme Communications, Inc. 1,900	16
		• Adolor Corp. 1,700	31
		Advanced Marketing Services, Inc. 900	10
		• AMC Entertainment, Inc. 2,900	40

See financial notes. 105

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• American Tower Corp., Class A 14,500	168	Knight-Ridder, Inc. 5,700	418
Banta Corp. 2,700	103	Lee Enterprises, Inc. 2,500	105
Belo Corp., Class A 9,400	256	• Lifeline Systems, Inc. 2,300	81
Blockbuster, Inc., Class A 6,900	133	• Lin TV Corp., Class A 3,300	74
• Cablevision Systems Corp., NY Group, Class A 16,300	329	• Lynch Interactive Corp. 900	23
Cadmus Communications Corp. 1,900	23	• Martha Stewart Living Omnimedia, Class A 1,400	14
• Charter Communications, Inc., Class A 20,300	87	McClatchy Co., Class A 7,200	466
Clear Channel Communications, Inc. 44,221	1,805	The McGraw-Hill Cos., Inc. 17,300	1,158
• CNET Networks, Inc. 9,983	81	Media General, Inc., Class A 2,000	132
• Comcast Corp., Class A 68,336	2,318	• Mediacom Communications Corp. 7,600	53
• Comcast Corp., Special Class A 42,800	1,396	Meredith Corp. 6,000	291
• Consolidated Graphics, Inc. 3,900	108	• Merrimac Industries, Inc. 600	3
• Cox Communications, Inc., Class A 42,135	1,436	• Metro-Goldwyn-Mayer, Inc. 13,134	210
• Crown Media Holdings, Inc., Class A 3,500	31	New York Times Co., Class A 10,200	485
• Cumulus Media, Inc., Class A 2,600	49	• PanAmSat Corp. 15,400	319
• Daily Journal Corp. 500	14	• Quipp, Inc. 900	11
• DGSE Cos., Inc. 700	1	R.R. Donnelley & Sons Co. 7,700	200
Dow Jones & Co., Inc. 5,000	260	• Radio One, Inc., Class A 9,500	152
The E.W. Scripps Co., Class A 6,000	558	• Radio Unica Communications Corp. 300	—
• EchoStar Communications Corp., Class A 18,300	701	The Reader's Digest Association, Inc., Class A 7,300	108
• Emmis Communications Corp., Class A 4,300	95	Regal Entertainment Group, Class A 4,200	86
• Entercom Communications Corp. 3,000	137	• Saga Communications, Inc., Class A 1,250	24
• Entravision Communications Corp., Class A 5,000	48	• Salem Communications Corp., Class A 900	21
• Fox Entertainment Group, Inc., Class A 25,350	702	• Scholastic Corp. 2,200	68
Gannett Co., Inc. 18,500	1,556	• Sinclair Broadcast Group, Inc., Class A 2,300	27
• Gaylord Entertainment Co. 1,800	49	Thomas Nelson, Inc. 800	13
• GC Cos., Inc. 500	—	• Time Warner, Inc. 329,252	5,034
Gray Television, Inc. 3,100	39	• Tivo, Inc. 4,500	36
Gray Television, Inc., Class A 1,000	13	Tribune Co. 21,900	1,074
Harte-Hanks, Inc. 8,100	161	• Univision Communications, Inc., Class A 23,010	781
Hollinger International, Inc. 7,300	98	• Valassis Communications, Inc. 5,900	153
• Information Holdings, Inc. 2,200	49	• Valuevision Media, Inc., Class A 1,400	23
• Insight Communications Co. 2,700	26	Viacom, Inc., Class B 128,012	5,104
• InterActiveCorp 47,117	1,730	The Walt Disney Co. 146,650	3,320
John Wiley & Sons, Class A 3,800	99	Washington Post, Class B 600	443
• Journal Register Co. 3,200	64	• Westwood One, Inc. 7,200	216
		• XM Satellite Radio Holdings, Inc., Class A 10,300	209
			35,755

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Miscellaneous 0.5%			
3M Co. 56,000	4,417	• Bay View Capital Corp. 5,061	31
• ABX Air, Inc. 6,900	24	The Bear Stearns Cos., Inc. 13,620	1,039
• ANC Rental Corp. 3,037	—	• Berkshire Hathaway, Inc., Class A 92	7,159
• AT&T Latin America Corp., Class A 2,100	—	Berkshire Hills Bancorp, Inc. 1,400	50
• Breakaway Solutions, Inc. 1,400	—	Blackrock, Inc. 400	21
• Coinstar, Inc. 5,200	76	• Boca Resorts, Inc., Class A 1,800	24
Harbor Global Co. Ltd. 160	2	• BOK Financial Corp. 3,437	130
• i2 Technologies, Inc. 15,300	27	BP Prudhoe Bay Royalty Trust 2,200	46
• Jupiter Media Metrix, Inc. 1,673	—	• Cadiz, Inc. 2,100	—
• NetFlix, Inc. 3,000	172	Camco Financial Corp. 700	12
• Nucentrix Broadband Networks, Inc. 2,100	—	• Capital Corp. of the West 1,050	40
• Scient, Inc. 624	—	Capital One Financial Corp. 17,600	1,070
• Vialta, Inc. 34	—	Cash America International, Inc. 2,500	48
	4,718	Cathay Bancorp., Inc. 1,600	77
		Central Pacific Financial Co. 900	24
		■ The Charles Schwab Corp. 98,620	1,337
		Charter Financial Corp. 900	30
Miscellaneous Finance 8.5%		Charter Municipal Mortgage Acceptance Co. 1,400	27
1st Source Corp. 1,571	31	Charter One Financial, Inc. 15,125	483
• A.B. Watley Group, Inc. 1,300	—	Chesterfield Financial Corp. 1,500	35
A.G. Edwards, Inc. 5,900	239	Chicago Mercantile Exchange 1,800	122
• Acacia Research – Acacia Technologies 330	2	CIT Group, Inc. 16,100	541
• Acacia Research – CombiMatrix 184	1	▲ 4 Citigroup, Inc. 376,436	17,843
• Actrade Financial Technologies Ltd. 1,000	1	Citizens First Bancorp, Inc. 700	16
Advanta Corp., Class A 7,400	81	Coastal Bancorp, Inc. 800	27
• Affiliated Managers Group, Inc. 1,200	87	Coastal Financial Corp. 2,281	37
Alliance Capital Management Holding L.P. 5,200	175	• The Commercial Capital Bancorp, Inc. 2,500	47
Allied Capital Corp. 8,515	212	Commercial Federal Corp. 2,300	59
Amcore Financial, Inc. 1,200	32	• CompuCredit Corp. 4,400	87
American Capital Strategies Ltd. 5,100	138	• Corrections Corp. of America 3,828	94
American Express Co. 94,150	4,418	Countrywide Financial Corp. 8,900	936
American Home Mortgage Holdings, Inc. 2,000	42	Cross Timbers Royalty Trust 1,500	38
• AmeriCredit Corp. 3,800	51	CVB Financial Corp. 2,166	43
• Ameritrade Holding Corp. 28,800	393	Downey Financial Corp. 2,000	92
Asta Funding, Inc. 1,000	30	• DVI, Inc. 1,200	—
Astoria Financial Corp. 7,000	242	• E*TRADE Group, Inc. 25,035	258
Bank of the Ozarks, Inc. 1,400	60	East-West Bancorp, Inc. 1,300	64
• Bankunited Financial Corp., Class A 2,200	49	Eaton Vance Corp. 5,800	202
Banner Corp. 1,200	28	• eSpeed, Inc., Class A 3,300	90
		Fannie Mae 69,900	5,011
		Federated Investors, Inc., Class B 7,450	206

See financial notes. 107

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Fidelity Bankshares, Inc. 1,933	52	• Local Financial Corp. 2,000	39
• Financial Federal Corp. 800	27	• Mail-Well, Inc. 1,300	5
Financial Industries Corp. 700	10	MB Financial, Inc. 1,200	57
First Financial Corp. 600	18	MBNA Corp. 97,650	2,417
First Financial Holdings, Inc. 1,400	42	MCG Capital Corp. 2,200	39
First Indiana Corp. 1,375	25	McGrath RentCorp 800	23
First Place Financial Corp. 2,900	56	• Meritage Corp. 1,000	59
First Sentinel Bancorp., Inc. 2,300	43	Merrill Lynch & Co., Inc. 68,800	4,073
Flagstar Bancorp., Inc. 4,500	100	Metris Cos., Inc. 3,000	14
Flushing Financial Corp. 1,200	29	• MicroFinancial, Inc. 1,900	6
Franklin Resources, Inc. 17,600	835	The Midland Co. 1,800	41
Freddie Mac 50,500	2,835	Moody's Corp. 10,300	596
• Gabelli Asset Management, Inc., Class A 700	25	Morgan Stanley 79,800	4,379
Glacier Bancorp, Inc. 550	17	MutualFirst Financial, Inc. 2,000	56
Golden West Financial Corp. 10,400	1,044	• National Financial Partners Corp. 2,500	68
Goldman Sachs Group, Inc. 36,400	3,418	• National Western Life Insurance Co., Class A 300	43
• Golf Trust of America, Inc. L.P. 2,400	7	• NCO Portfolio Management, Inc. 2,600	18
GreenPoint Financial Corp. 9,150	285	New Century Financial Corp. 3,600	133
• Hawthorne Financial Corp. 1,050	27	New York Community Bancorp., Inc. 9,736	352
Heritage Financial Corp. 700	15	• NextCard, Inc. 2,600	—
Hudson River Bancorp 1,600	53	• North American Scientific, Inc. 700	5
Hugoton Royalty Trust 3,300	66	Northrim BanCorp, Inc. 2,500	52
IBERIABANK Corp. 700	36	Northway Financial, Inc. 200	7
Independence Community Bank Corp. 3,600	132	Northwest Bancorp, Inc. 2,500	52
Independent Bank Corp. Michigan 1,637	47	Nueberger Berman, Inc. 3,950	171
IndyMac Bancorp, Inc. 3,400	100	Nuveen Investments, Inc., Class A 6,300	176
• Instinet Group, Inc. 1,200	7	Oak Hill Financial, Inc. 1,000	30
International Bancshares Corp. 1,877	86	• Ocwen Financial Corp. 2,920	14
Interpool, Inc. 1,200	18	PAB Bankshares, Inc. 700	10
• Investment Technology Group, Inc. 2,250	45	Pacific Capital Bancorp. 2,133	73
Investors Financial Services Corp. 5,500	194	Pacific Northwest Bancorp 1,000	39
• ITLA Capital Corp. 700	33	Partners Trust Financial Group, Inc. 1,700	43
Janus Capital Group, Inc. 16,500	233	The Peoples Holding Co. 500	24
Jefferies Group, Inc. 1,600	50	• Petrocorp, Inc. 3,000	40
Klamath First Bancorp, Inc. 2,700	65	PMC Commercial Trust 1,500	21
• Knight Trading Group, Inc. 9,700	134	• Portfolio Recovery Associates, Inc. 2,000	52
• LabOne, Inc. 2,100	58	Provident Financial Holdings 500	16
LaBranche & Co., Inc. 2,400	25	• Providian Financial Corp. 18,900	210
Legg Mason, Inc. 4,200	350	R&G Financial Corp., Class B 1,700	56
Lehman Brothers Holdings, Inc. 16,500	1,188	Raymond James Financial, Inc. 4,600	188
Leucadia National Corp. 3,100	130		

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Resource America, Inc., Class A 2,000	25	•AFC Enterprises, Inc. 1,000	17
Roslyn Bancorp., Inc. 4,550	123	•American Greetings Corp., Class A 8,500	181
Santander BanCorp 1,760	44	Applebee's International, Inc. 2,775	104
•Saxon Capital, Inc. 1,000	19	Bob Evans Farms, Inc. 2,200	65
Seacoast Financial Services Corp. 1,973	51	Boyd Gaming Corp. 2,800	43
SEI Investments Co. 7,200	210	•Boyd's Collection Ltd. 2,200	11
•Siebert Financial Corp. 2,900	12	•Brinker International, Inc. 6,900	220
SLM Corp. 31,800	1,245	•Buca, Inc. 1,100	6
•SoundView Technology Group, Inc. 600	7	CBRL Group, Inc. 3,300	128
Southern Financial Bancorp, Inc. 253	9	•CEC Entertainment, Inc. 1,350	66
Sovereign Bancorp., Inc. 19,860	413	•Centillum Communications, Inc. 1,000	5
State Financial Services Corp., Class A 2,000	53	•Championship Auto Racing Teams, Inc. 1,000	—
Staten Island Bancorp., Inc. 2,900	58	•The Cheesecake Factory 1,925	77
Student Loan Corp. 1,700	220	Churchill Downs, Inc. 900	35
SWS Group, Inc. 1,141	25	•CKE Restaurants, Inc. 1,800	13
T. Rowe Price Group, Inc. 8,200	337	Darden Restaurants, Inc. 10,800	226
•Tarragon Realty Investors, Inc. 2,359	37	•Dave and Buster's, Inc. 1,700	22
TF Financial Corp. 700	23	•Department 56, Inc. 3,300	46
•UnitedGlobalCom, Inc., Class A 2,200	16	Dover Motorsports, Inc. 1,400	5
Value Line, Inc. 300	15	•Drew Industries, Inc. 2,500	63
W Holding Co., Inc. 2,100	49	•Electronic Arts, Inc. 10,100	1,000
W.P. Carey & Co. LLC 1,600	52	•Electronics Boutique Holdings Corp. 1,300	37
Waddell & Reed Financial, Inc., Class A 4,750	105	•Enesco Group, Inc. 1,100	11
Washington Federal, Inc. 4,064	107	•Equity Marketing, Inc. 500	7
Washington Mutual, Inc. 66,078	2,891	The First Years, Inc. 4,000	57
Waypoint Financial Corp. 1,651	34	Fortune Brands, Inc. 17,700	1,153
Webster Financial Corp. 3,012	135	•Fossil, Inc. 1,975	53
•Wellsford Real Properties, Inc. 1,400	25	•Garden Fresh Restaurant Corp. 1,700	27
Wesco Financial Corp. 200	66	Handleman Co. 6,600	117
Westwood Holdings Group, Inc. 285	5	Hasbro, Inc. 12,000	262
•WFS Financial, Inc. 4,100	179	•Hibbet Sporting Goods, Inc. 1,575	43
White Mountains Insurance Group, Inc. 200	85	•Hollywood Media Corp. 1,100	2
Willow Grove Bancorp, Inc. 1,596	27	IHOP Corp. 500	19
•World Acceptance Corp. 2,500	45	International Game Technology 23,600	773
	76,212	International Speedway Corp., Class A 3,245	138
Non-Durables & Entertainment 1.4%		•Isle of Capri Casinos, Inc. 9,400	196
•The 3DO Co. 262	—	•Jack in the Box, Inc. 1,700	31
•A.T. Cross Co., Class A 2,400	15	•Krispy Kreme Doughnuts, Inc. 2,100	91
Action Performance Cos., Inc. 1,100	23	Lancaster Colony Corp. 3,400	135
•Activision, Inc. 4,950	75		

See financial notes. 109

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Landry's Restaurants, Inc. 1,800	45	World Wrestling Entertainment, Inc. 900	10
Lone Star Steakhouse & Saloon, Inc. 4,400	96	•Yum! Brands, Inc. 21,500	734
•Luby's, Inc. 1,400	4		12,316
•Marvel Enterprises, Inc. 7,800	230		
Mattel, Inc. 31,300	606	Non-Ferrous Metals 0.4%	
McDonald's Corp. 91,800	2,296	•A.M. Castle & Co. 1,500	8
•Midway Games, Inc. 2,100	6	Alcoa, Inc. 58,464	1,846
Movado Group, Inc. 3,700	89	•Brush Engineered Materials, Inc. 1,100	14
•O'Charleys, Inc. 400	7	•Century Aluminum Co. 600	10
•On Command Corp. 1,500	3	Commercial Metals Co. 1,000	25
Oneida Ltd. 700	3	Commonwealth Industries, Inc. 1,300	9
Outback Steakhouse, Inc. 4,500	189	•Encore Wire Corp. 500	8
•P.F. Chang's China Bistro, Inc. 800	39	Engelhard Corp. 9,300	266
•Panera Bread Co., Class A 800	32	Freeport-McMoran Copper & Gold, Inc., Class B 16,000	620
•Papa John's International, Inc. 1,700	45	•Imco Recycling, Inc. 2,400	18
•Peco II, Inc. 1,200	1	•Kaiser Aluminum Corp. 2,000	—
•Penn National Gaming, Inc. 1,900	45	Minerals Technologies, Inc. 3,100	170
•Rare Hospitality International Inc. 825	20	•Mueller Industries, Inc. 1,700	54
•RC2 Corp. 2,200	47	•Phelps Dodge Corp. 7,330	452
Regis Corp. 3,900	148	Reliance Steel & Aluminum Co. 1,250	36
Riviana Foods, Inc. 1,200	33	•RTI International Metals, Inc. 4,000	48
Ruby Tuesday, Inc. 3,100	85	Southern Peru Copper Corp. 1,500	43
Russ Berrie & Co., Inc. 1,000	36	•Stillwater Mining Co. 1,133	8
•Ryan's Family Steak Houses, Inc. 2,250	31	•Titanium Metals Corp. 180	6
•SCP Pool Corp. 1,275	45	•Wolverine Tube, Inc. 1,000	5
•Service Corp. International 20,100	98		3,646
•Smith & Wollensky Restaurant Group, Inc. 900	5		
•Sonic Corp. 1,875	52	Oil: Domestic 1.1%	
•Sotheby's Holdings, Inc., Class A 2,800	30	Amerada Hess Corp. 6,400	330
•Starbucks Corp. 28,300	894	Ashland, Inc. 4,000	149
•The Steak N Shake Co. 1,580	27	•CAL Dive International, Inc. 1,500	31
•Stewart Enterprises, Inc., Class A 4,200	17	Chesapeake Energy Corp. 6,600	79
•Student Advantage, Inc. 19	—	•Comstock Resources, Inc. 4,500	67
•Take-Two Interactive Software, Inc. 8,000	316	ConocoPhillips 47,598	2,720
The Topps Co., Inc. 1,700	17	Consol Energy, Inc. 5,800	126
•Trans World Entertainment Corp. 1,500	10	Crosstex Energy L.P. 1,000	42
Triarc Cos., Inc., Class B 1,400	15	Diamond Offshore Drilling, Inc. 9,300	172
Triarc Cos., Inc. 700	7	•Enbridge Energy Management LLC 1,064	48
Tupperware Corp. 2,300	35	•Encore Acquisition Co. 1,500	35
Wendy's International, Inc. 7,300	270	•Energy Partners Ltd. 1,700	20
		Frontier Oil Corp. 3,600	58

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Global Industries Ltd. 4,400	20	Unocal Corp. 20,007	634
• Gulf Island Fabrication, Inc. 2,800	42	Valero L.P. 1,600	73
• Gulfmark Offshore, Inc. 1,600	22	• Varco International, Inc. 7,140	126
• Harvest Natural Resources, Inc. 6,000	41	Vintage Petroleum, Inc. 10,500	121
Holly Corp. 2,000	50	• Westport Resources Corp. 5,725	137
• Houston Exploration Co. 5,400	189	XTO Energy, Inc. 13,566	321
Kaneb Services LLC 1,466	41		10,299
Kerr-McGee Corp. 10,519	437		
Magellan Midstream Partners 1,200	58	Oil: International 2.6%	
• Magnum Hunter Resources, Inc. 1,750	15	• ATP Oil & Gas Corp. 1,600	8
Marathon Oil Corp. 23,000	680	ChevronTexaco Corp. 78,317	5,819
Markwest Energy Partners L.P. 500	19	▲ 5 Exxon Mobil Corp. 479,816	17,552
• Meridian Resource Corp. 3,100	12	GlobalSantaFe Corp. 16,655	375
Murphy Oil Corp. 6,000	354		23,754
• Nabors Industries Ltd. 9,317	352		
• National-Oilwell, Inc. 5,569	106	Optical & Photo 0.2%	
• Newfield Exploration Co. 3,700	147	• APA Optics, Inc. 1,000	3
• Nuevo Energy Co. 2,300	45	• August Technology Corp. 1,300	25
• OYO Geospace Corp. 300	4	• BMC Industries, Inc. 2,100	—
Pacific Energy Partners L.P. 1,000	26	• Corning, Inc. 96,307	1,057
Patina Oil & Gas Corp. 3,125	132	CPI Corp. 400	8
• Patterson-UTL Energy, Inc. 6,600	189	• Drexler Technology Corp. 1,000	15
• Pioneer Natural Resources Co. 8,400	222	Eastman Kodak Co. 26,000	635
• Plains Exploration & Production Co. 2,520	34	• Fischer Imaging Corp. 500	2
Pogo Producing Co. 6,300	263	Imation Corp. 2,000	68
• Premcor, Inc. 2,600	61	• Ingram Micro, Inc., Class A 10,400	154
• Pride International, Inc. 5,200	85	• Lexar Media, Inc. 5,400	124
• Quicksilver Resource, Inc. 1,400	36	• Meade Instruments Corp. 800	3
• Remington Oil & Gas Corp. 1,400	25	• Photronics, Inc. 1,400	30
• Spinnaker Exploration Co. 900	23	• Polaroid Corp. 3,800	—
St. Mary Land & Exploration Co. 3,700	97	• StockerYale, Inc. 500	1
• Stone Energy Corp. 976	35	• Zomax, Inc. 2,000	12
Sunoco Logistics Partners L.P. 2,000	68	• Zygo Corp. 500	8
Sunoco, Inc. 5,500	241		2,145
• Superior Energy Services, Inc. 4,900	44		
• Syntroleum Corp. 4,000	16	Paper & Forest Products 0.7%	
TEPPCO Partners L.P. 4,000	151	Boise Cascade Corp. 2,800	79
• Tesoro Petroleum Corp. 4,800	55	Bowater, Inc. 2,300	94
• Transmontaigne, Inc. 1,600	9	• Buckeye Technologies, Inc. 1,200	11
• Transocean, Inc. 22,731	436	Chesapeake Corp. 1,000	24
• Ultra Petroleum Corp. 6,500	119	CSS Industries, Inc. 900	24
• Universal Compression Holdings, Inc. 400	9	Deltic Timber Corp. 700	20
		Georgia-Pacific Corp. 44,365	1,166

See financial notes. 111

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
International Paper Co. 35,304	1,389	CIRCOR International, Inc. 1,250	26
•Kadant, Inc. 1	—	Clarcor, Inc. 1,700	69
Kimberly-Clark Corp. 35,139	1,856	Cognex Corp. 2,900	78
•Louisiana-Pacific Corp. 4,800	91	•Columbus McKinnon Corp. 2,400	13
MeadWestvaco Corp. 8,674	225	Cooper Industries Ltd., Class A 7,200	381
•Packaging Corp. of America 6,000	118	•Cuno, Inc. 1,300	52
Potlatch Corp. 13,400	419	Curtiss-Wright Corp. 400	30
Rayonier, Inc. 1,500	63	•CyberCare, Inc. 900	—
Rock-Tennessee Co., Class A 2,000	32	•Daisytek International Corp. 1,700	—
•Smurfit-Stone Container Corp. 10,900	169	Deere & Co. 16,200	982
Temple-Inland, Inc. 1,900	103	•DiamondCluster International, Inc., Class A 1,000	9
Wausau-Mosinee Paper Corp. 4,700	58	Dover Corp. 14,200	554
Weyerhaeuser Co. 11,250	678	•DT Industries, Inc. 1,200	1
	6,619	•Duratek, Inc. 1,500	14
Producer Goods & Manufacturing 4.5%		Emerson Electric Co. 29,500	1,674
•Aaon, Inc. 1,575	29	•Evergreen Solar, Inc. 1,000	3
•Actuant Corp., Class A 2,840	92	•The Fairchild Corp., Class A 3,100	15
•Advanced Energy Industries, Inc. 3,900	89	Fastenal Co. 3,600	160
•Aeroflex, Inc. 5,400	50	Federal Signal Corp. 2,800	41
•AGCO Corp. 3,762	68	•Fisher Scientific International, Inc. 4,900	197
Alamo Group, Inc. 500	7	•Flowserve Corp. 3,900	80
Albany International Corp., Class A 3,918	121	•FMC Corp. 3,100	87
•American Standard Cos., Inc. 4,800	459	•Foster Wheeler Ltd. 2,500	3
Ametek, Inc. 2,100	99	Franklin Electric Co., Inc. 1,900	116
Applied Industrial Technologies, Inc. 2,900	65	•Gardner Denver, Inc. 2,700	56
Aptargroup, Inc. 2,200	79	▲① General Electric Co. 714,566	20,730
•Astec Industries, Inc. 500	6	The Gorman-Rupp Co. 800	19
Avery Dennison Corp. 7,200	379	Graco, Inc. 4,675	178
•AZZ, Inc. 700	9	•GrafTech International Ltd. 2,100	22
Baldor Electric Co. 3,800	81	Hardinge, Inc. 1,800	17
Barnes Group, Inc. 700	20	Harsco Corp. 3,100	119
•BE Aerospace, Inc. 1,100	6	Helix Technology Corp. 1,100	20
BHA Group Holdings, Inc. 1,500	35	Herman Miller, Inc. 5,700	131
•Blount International, Inc. 1,200	6	•Hexcel Corp. 2,000	14
Blyth, Inc. 2,300	64	HON Industries, Inc. 4,000	164
Briggs & Stratton Corp. 3,000	195	Honeywell International, Inc. 60,962	1,866
Butler Manufacturing Co. 1,200	21	Hubbell, Inc., Class B 3,800	163
•Cantel Medical Corp. 1,381	20	Hughes Supply, Inc. 1,300	50
•Capstone Turbine Corp. 2,600	5	•Ibis Technology Corp. 800	9
Caterpillar, Inc. 26,200	1,920	IDEX Corp. 2,100	78
		Illinois Tool Works, Inc. 22,850	1,681
		Ingersoll-Rand Co., Class A 11,200	676

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Ionics, Inc. 400	11	Precision Castparts Corp. 4,300	177
• Jacuzzi Brands, Inc. 2,000	14	• Presstek, Inc. 1,100	8
• Jarden Corp. 1,100	45	• Proton Energy Systems, Inc. 1,400	4
JLG Industries, Inc. 1,800	21	Regal Beloit 1,200	24
Johnson Controls, Inc. 6,000	645	• Research Frontiers, Inc. 800	8
• Juno Lighting, Inc. 1,429	27	Robbins & Myers, Inc. 1,400	30
Kaydon Corp. 3,300	78	• ROHN Industries, Inc. 1,800	—
Kennametal, Inc. 1,500	55	Roper Industries, Inc. 1,500	74
Knappe & Vogt Manufacturing Co. 2,200	26	• Safeguard Scientifics, Inc. 3,300	13
• Kos Pharmaceuticals, Inc. 700	28	Sauer-Danfoss, Inc. 2,300	33
• Ladish Co., Inc. 1,300	10	• Sequa Corp., Class A 2,800	134
Lawson Products, Inc. 2,000	60	• The Shaw Group, Inc. 2,000	27
Lennox International, Inc. 5,271	87	Snap-On, Inc. 4,000	117
Libbey, Inc. 1,500	40	• SPS Technologies, Inc. 1,200	59
Lincoln Electric Holdings, Inc. 3,900	95	• SPX Corp. 8,610	414
• Lone Star Technologies, Inc. 1,700	24	Standex International Corp. 3,000	76
• Magnetek, Inc. 1,500	9	Steelcase, Inc., Class A 3,500	41
Manitowoc Co., Inc. 1,300	28	Stewart & Stevenson Services, Inc. 1,000	17
• Material Sciences Corp. 4,000	38	• Strattec Security Corp. 1,500	80
Matthews International Corp., Class A 1,900	51	Tecumseh Products Co., Class A 700	29
• Maverick Tube Corp. 1,000	17	Teleflex, Inc. 1,800	83
• Merix Corp. 1,200	21	Tennant Co. 2,100	83
• Micrel, Inc. 3,600	59	• Tenneco Automotive, Inc. 1,980	12
• Middleby Corp. 3,500	91	• Terex Corp. 1,200	27
Milacron, Inc. 2,300	5	The Timken Co. 7,300	122
• Millipore Corp. 2,600	114	Trinity Industries, Inc. 1,100	28
• Modtech Holdings, Inc. 1,000	8	• Triumph Group, Inc. 1,200	39
• Moog, Inc., Class A 2,350	100	• Ultratech Stepper, Inc. 1,300	41
MSC Industrial Direct Co., Class A 4,300	102	Valhi, Inc. 8,600	108
NACCO Industries, Inc., Class A 1,300	102	Valmont Industries, Inc. 2,400	50
• NATCO Group, Inc., Class A 1,200	8	W.W. Grainger, Inc. 7,300	334
NN, Inc. 1,800	22	Watsco, Inc. 3,400	73
Nordson Corp. 4,000	111	Watts Water Technologies, Inc., Class A 1,500	27
• Oceaneering International, Inc. 1,300	30	Woodward Governor Co. 500	23
Pall Corp. 8,400	197	X-Rite, Inc. 2,000	22
• Park-Ohio Holdings Corp. 2,600	23	York International Corp. 3,800	151
Parker Hannifin Corp. 8,500	433		40,120
Penn Engineering & Manufacturing Corp. 1,000	18		
Pentair, Inc. 3,500	144	Railroad & Shipping 0.4%	
• Plug Power, Inc. 2,248	14	Alexander & Baldwin, Inc. 5,600	174
• Possis Medical, Inc. 1,100	18	Burlington Northern Santa Fe Corp. 27,800	804

See financial notes. 113

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
CSX Corp. 14,600	465	CarrAmerica Realty Corp. 2,900	87
Florida East Coast Industries, Class A 3,600	107	Catellus Development Corp. 6,600	147
GATX Corp. 4,000	90	CBL & Associates Properties, Inc. 2,200	117
• Greenbrier Cos., Inc. 1,600	20	Centerpoint Properties Trust 1,800	122
• Kansas City Southern Railway 2,550	34	Chelsea Property Group, Inc. 4,000	197
Maritrans, Inc. 2,500	39	Colonial Properties Trust 2,500	92
Norfolk Southern Corp. 26,400	532	Commercial Net Lease Realty 3,320	57
• OMI Corp. 4,000	27	Cornerstone Realty Income Trust, Inc. 2,200	18
Overseas Shipholding Group 1,200	33	Corporate Office Properties Trust SBI 3,500	68
• SCS Transportation, Inc. 1,600	24	Correctional Properties Trust 1,600	43
Union Pacific Corp. 19,500	1,221	Cousins Properties, Inc. 2,700	78
Wabtec Corp. 2,828	43	Crescent Real Estate Equity Co. 7,400	114
	3,613	Developers Diversified Realty Corp. 5,112	148
		Duke Realty Corp. 10,490	307
Real Property 1.7%		EastGroup Properties, Inc. 900	26
• Alexander's, Inc. 700	75	Entertainment Properties Trust 2,700	87
Alexandria Real Estate Equities, Inc. 2,500	127	Equity Inns, Inc. 2,700	23
AMB Property Corp. 4,800	144	Equity Office Properties Trust 27,738	777
American Land Lease, Inc. 1,700	31	Equity One, Inc. 6,600	111
American Mortgage Acceptance Co. 1,500	25	Equity Residential 18,700	547
• American Real Estate Partners L.P. 2,300	27	Essex Property Trust, Inc. 2,600	156
• American Realty Investors, Inc. 1,037	11	Federal Realty Investment Trust 2,700	102
• American Retirement Corp. 700	2	FelCor Lodging Trust, Inc. 3,200	33
AMLI Residential Properties 1,000	25	First Industrial Realty Trust 2,600	84
Annaly Mortgage Management, Inc. 6,900	113	Forest City Enterprises, Inc., Class A 2,700	120
Anthracte Capital, Inc. 4,900	50	Gables Residential Trust 3,500	113
Anworth Mortgage Asset Corp. 1,000	14	General Growth Properties, Inc. 5,200	398
Apartment Investment & Management Co., Class A 7,400	303	Getty Realty Corp. 2,000	49
Archstone-Smith Trust 15,285	408	Glenborough Realty Trust, Inc. 2,900	57
Arden Realty, Inc. 5,500	154	Glimcher Realty Trust 3,800	80
AvalonBay Communities, Inc. 6,100	279	Great Lakes Real Estate Investment Trust 1,000	16
• Avatar Holdings, Inc. 700	23	Health Care Property Investors, Inc. 5,324	248
Bedford Property Investors, Inc. 2,900	76	Health Care Real Estate Investment Trust, Inc. 2,700	90
Boston Properties, Inc. 7,400	327	Healthcare Realty Trust, Inc. 2,400	81
Brandywine Realty Trust 3,000	76	Heritage Property Investment Trust 2,000	56
BRE Properties, Class A 2,500	81	Highwoods Properties, Inc. 3,100	77
Burnham Pacific Properties, Inc. 2,400	1	Home Properties of NY, Inc. 2,500	96
Camden Property Trust 2,300	91	• Homestore, Inc. 4,200	15
Capital Automotive Real Estate Investment Trust 3,300	103	Hospitality Properties Trust 3,500	128
Capstead Mortgage Corp. 2,240	30	• Host Marriott Corp. 20,400	213
		HRPT Properties Trust 7,100	66

Schwab Total Stock Market Index Fund®

Retail 6.8%		
• 1-800-Flowers.com, Inc., Class A	3,700	39
• 99 Cents Only Stores	3,066	91
• A.C. Moore Arts & Crafts, Inc.	1,400	32
• Abercrombie & Fitch Co., Class A	8,300	237
• Advance Auto Parts, Inc.	1,680	131
Albertson's, Inc.	25,468	517
• Alloy, Inc.	3,100	14

See financial notes. 115

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Amazon.com, Inc. 28,700	1,562	• The Finish Line, Class A 1,800	55
• American Eagle Outfitters, Inc. 5,050	81	• Foot Locker, Inc. 14,100	252
• AnnTaylor Stores Corp. 6,550	234	• Footstar, Inc. 600	4
• Arden Group, Inc., Class A 600	42	• Fred's, Inc. 3,262	123
• Asbury Automotive Group, Inc. 1,600	27	• Friedman's, Inc., Class A 1,500	18
• Autonation, Inc. 21,600	404	• FTD, Inc., Class A 1,500	37
• AutoZone, Inc. 8,900	855	• GameStop Corp., Class A 500	8
• Barnes & Noble, Inc. 7,400	221	• The Gap, Inc. 65,900	1,257
• Bed, Bath & Beyond, Inc. 21,200	895	• Genesco, Inc. 1,300	22
• Best Buy Co., Inc. 23,650	1,379	• Great Atlantic & Pacific Tea Co. 2,200	14
• Big Lots, Inc. 11,100	167	• Guitar Center, Inc. 1,700	55
• BJ's Wholesale Club, Inc. 6,100	157	• The Gymboree Corp. 3,100	51
• Blair Corp. 1,500	34	• Home Depot, Inc. 163,000	6,042
• Borders Group, Inc. 9,000	204	• HOT Topic, Inc. 6,300	181
• Brightpoint, Inc. 1,650	47	• Insight Enterprises, Inc. 2,150	36
• Brookstone, Inc. 4,950	101	• J.C. Penney Co., Inc. Holding Co. 20,100	475
• Burlington Coat Factory Warehouse Corp. 2,500	54	• Jo-Ann Stores, Inc., Class A 3,300	99
• Carmax, Inc. 3,923	124	• Kirkland's, Inc. 1,000	22
• Casey's General Stores, Inc. 2,600	40	• Kohl's Corp. 19,300	1,082
• The Cato Corp., Class A 1,200	25	• Kroger Co. 53,300	932
• Central Garden & Pet Co. 1,600	44	• Limited Brands, Inc. 39,144	689
• Charming Shoppes, Inc. 3,700	24	• Linens 'N Things, Inc. 4,800	142
• Chico's FAS, Inc. 3,150	118	• Longs Drug Stores Corp. 1,800	40
• The Children's Place Retail Stores, Inc. 1,800	54	• Lowe's Cos., Inc. 56,200	3,312
• Christopher & Banks Corp. 2,650	77	• The May Department Stores Co. 13,500	377
• Circuit City Stores, Inc. 12,500	119	• The Men's Wearhouse, Inc. 2,400	71
• Claire's Stores, Inc. 8,000	310	• Michaels Stores, Inc. 4,900	233
• Coldwater Creek, Inc. 1,575	20	• The Neiman Marcus Group, Inc., Class A 2,700	128
• Cole National Corp. 1,300	29	• Nobel Learning Communities, Inc. 500	3
• Cost Plus, Inc. 700	32	• Nordstrom, Inc. 10,300	314
• Costco Wholesale Corp. 30,600	1,082	• O'Reilly Automotive, Inc. 2,200	95
• CVS Corp. 28,000	985	• Office Depot, Inc. 21,000	314
• DEB Shops, Inc. 1,600	31	• OfficeMax, Inc. 6,700	64
• Dillards, Inc., Class A 6,000	97	• Pacific Sunwear of California 9,975	230
• Dollar General Corp. 25,275	568	• Party City Corp. 1,300	18
• Dollar Tree Stores, Inc. 5,150	197	• Pathmark Stores, Inc. 1,400	10
• The Dress Barn, Inc. 5,500	77	• Payless Shoesource, Inc. 2,406	32
• Duane Reade, Inc. 700	10	• PC Connection, Inc. 3,000	31
• Duckwall-ALCO Stores, Inc. 1,800	27	• Pep Boys-Manny, Moe & Jack 2,500	48
• Family Dollar Stores, Inc. 7,700	336	• PETsMART, Inc. 7,600	195
• Federated Department Stores, Inc. 22,400	1,065	• Pier 1 Imports, Inc. 3,900	90
		• Pricesmart, Inc. 200	2

Schwab Total Stock Market Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
RadioShack Corp. 11,600	348	Nucor Corp. 3,000	164
• Rent-A-Center, Inc. 5,250	164	Quanex Corp. 2,500	100
• Retail Ventures, Inc. 700	4	Roanoke Electric Steel Corp. 800	8
• Rite Aid Corp. 34,900	200	Ryerson Tull, Inc. 1,600	13
Ross Stores, Inc. 4,200	210	Schnitzer Steel Industries, Inc., Class A 1,100	41
Ruddick Corp. 3,100	49	• Steel Dynamics, Inc. 1,700	32
• Safeway, Inc. 30,900	652	Steel Technologies, Inc. 700	11
• Saks, Inc. 16,900	235	United States Steel Corp. 7,400	175
• School Specialty, Inc. 1,600	45	Worthington Industries, Inc. 4,700	69
Sears, Roebuck & Co. 21,200	1,116		703
• Shoe Carnival, Inc. 1,200	21		
• ShopKo Stores, Inc. 8,900	138	Telephone 3.2%	
• Spiegel, Inc., Class A 5,000	1	Adtran, Inc. 3,500	238
• Staples, Inc. 34,700	931	• Alaska Communications Systems Group, Inc. 2,700	13
Talbots, Inc. 5,700	187	Alltel Corp. 23,935	1,131
Target Corp. 64,600	2,567	Applied Signal Technology, Inc. 2,100	43
Tiffany & Co. 6,500	308	AT&T Corp. 58,947	1,096
TJX Cos., Inc. 35,400	743	• AT&T Wireless Services, Inc. 192,734	1,397
• Too, Inc. 1,742	29	Atlantic Tele-Network, Inc. 1,300	33
• Toys 'R' Us, Inc. 15,300	199	• Avaya, Inc. 30,385	393
• Tractor Supply Co. 1,500	63	BellSouth Corp. 134,450	3,537
• Tuesday Morning Corp. 2,500	80	• Centennial Communications Corp. 3,500	21
Unifirst Corp. 3,900	103	CenturyTel, Inc. 10,500	375
• United Stationers, Inc. 2,900	108	• Cincinnati Bell, Inc. 18,568	95
• Urban Outfitters, Inc. 3,200	107	• Citizens Communications Co. 22,400	279
▲ ③ Wal-Mart Stores, Inc. 317,100	18,693	• Commonwealth Telephone Enterprises, Inc. 9,400	383
Walgreen Co. 73,900	2,573	• Computer Access Technology Corp. 800	3
Weis Markets, Inc. 1,700	62	• Copper Mountain Networks, Inc. 200	2
• West Marine, Inc. 1,100	24	• Covad Communications Group, Inc. 7,000	31
• The Wet Seal, Inc., Class A 3,075	34	• Crown Castle International Corp. 20,900	265
• Whitehall Jewellers, Inc. 1,800	22	• CTC Communications Group, Inc. 1,550	—
• Whole Foods Market, Inc. 3,600	213	D&E Communications, Inc. 2,000	28
• Williams-Sonoma, Inc. 9,200	325	• Ditech Communications Corp. 1,600	17
• Winmark Corp. 1,200	22	• Equinix, Inc. 65	1
Winn-Dixie Stores, Inc. 16,800	136	• Extreme Networks, Inc. 4,500	39
• Zale Corp. 1,260	65	• Finisar Corp. 7,900	25
	60,996	• Goamerica, Inc. 1,800	1
Steel 0.1%		Hickory Tech Corp. 1,100	13
• AK Steel Holding Corp. 4,027	10	• ID Systems, Inc. 500	5
Allegheny Technologies, Inc. 3,650	28	• Inet Technologies, Inc. 2,200	30
Ampco-Pittsburgh Corp. 2,800	34	Inter-Tel, Inc. 6,000	151
Intermet Corp. 4,100	18		

See financial notes. 117

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• Interdigital Communications Corp. 2,000	34	Tobacco 0.8%	
• ITC Deltacom, Inc. 13	—	Altria Group, Inc. 144,800	6,733
• ITXC Corp. 1,600	6	• M & F Worldwide Corp. 1,200	13
• j2 Global Communications, Inc. 2,000	57	R.J. Reynolds Tobacco Holdings, Inc. 7,332	352
• Level 3 Communications, Inc. 28,000	151	Schweitzer-Mauduit International, Inc. 5,800	154
• Liberty Media Corp., Class A 176,077	1,777	Universal Corp. 1,800	79
• McLeodUSA, Inc., Class A Escrow 21,892	—	UST, Inc. 7,700	262
• Mpower Holding Corp. 27	—	Vector Group Ltd. 1,227	20
• Net2Phone, Inc. 1,600	9		7,613
• Network Plus Corp. 2,000	—	Travel & Recreation 0.7%	
• Nextel Communications, Inc., Class A 74,600	1,805	• Alliance Gaming Corp. 3,000	73
• Nextel Partners, Inc., Class A 6,700	81	• Ambassadors Group, Inc. 1,700	32
North Pittsburgh Systems, Inc. 3,500	64	• Amerco, Inc. 900	17
• Novatel Wireless, Inc. 160	1	• American Classic Voyages Co. 900	—
• NTL, Inc. 3,500	216	• Ameristar Casinos, Inc. 1,700	36
NWH, Inc. 1,000	19	• Argosy Gaming Co. 1,600	38
• Occam Networks, Inc. 1,900	—	• Aztar Corp. 1,900	40
• OmniSky Corp. 2,900	—	• Bally Total Fitness Holding Corp. 1,300	9
• Pegasus Communications Corp. 3,160	58	Brunswick Corp. 13,900	412
• PentaStar Communications, Inc. 600	—	Callaway Golf Co. 5,600	91
• Price Communications Corp. 3,855	48	Carnival Corp. 35,500	1,239
• Qwest Communications International, Inc. 118,337	418	Cedar Fair L.P. 5,300	151
• RCN Corp. 2,300	3	Central Parking Corp. 1,600	19
SBC Communications, Inc. 240,712	5,772	• Choice Hotels International, Inc. 3,400	112
• Sonus Networks, Inc. 15,400	126	• Dick's Sporting Goods, Inc. 500	23
Sprint Corp. (FON Group) 72,700	1,163	• Dollar Thrifty Automotive Group, Inc. 1,000	26
• Sprint Corp. (PCS Group) 70,600	307	Dover Downs Gaming & Entertainment, Inc. 1,480	14
• SR Telecom, Inc. 60	—	• Empire Resorts, Inc. 500	6
• Sunrise Telecom, Inc. 2,000	8	• Extended Stay America, Inc. 6,300	93
Telephone & Data Systems, Inc. 4,300	269	Harrah's Entertainment, Inc. 9,900	431
• Time Warner Telecom, Inc., Class A 2,000	21	Hilton Hotels Corp. 27,926	442
• Turnstone Systems, Inc. 1,600	5	• Interstate Hotels & Resorts, Inc. 82	1
• U.S. Cellular Corp. 3,600	122	• K2, Inc. 1,700	28
• U.S. Wireless Corp. 400	—	• Lakes Entertainment, Inc. 900	12
• Ulticom, Inc. 2,300	24	Mandalay Resort Group 4,100	161
• Utstarcom, Inc. 1,200	38	The Marcus Corp. 4,600	69
Verizon Communications, Inc. 200,286	6,730	Marine Products Corp. 180	3
Warwick Valley Telephone Co. 600	19	Marriott International, Inc., Class A 16,200	700
• WiTel Communications, Inc. 4,800	85	• MGM MIRAGE 12,300	437
	29,081		

Schwab Total Stock Market Index Fund®

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
• MTR Gaming Group, Inc. 2,300	25	Utilities: Electric & Gas 2.7%	
• Multimedia Games, Inc. 750	28	• The AES Corp. 41,596	364
• Navigant International, Inc. 4,300	65	AGL Resources, Inc. 4,300	121
• Park Place Entertainment Corp. 20,300	195	• Allegheny Energy, Inc. 8,000	85
• Prime Hospitality Corp. 1,800	16	Allete, Inc. 5,700	172
• Rent-Way, Inc. 3,200	19	Alliant Energy Corp. 4,300	103
• ResortQuest International, Inc. 3,000	22	Ameren Corp. 12,100	540
Royal Caribbean Cruises Ltd. 12,800	380	American Electric Power Co., Inc. 28,320	798
• Scientific Games Corp., Class A 6,500	86	American States Water Co. 950	23
• Shuffle Master, Inc. 1,250	38	Atmos Energy Corp. 1,800	44
• Six Flags, Inc. 3,500	21	Avista Corp. 3,800	65
Speedway Motorsports, Inc. 2,300	66	• BayCorp Holdings Ltd. 6	—
• The Sports Authority, Inc. 370	14	Black Hills Corp. 1,400	45
Starwood Hotels & Resorts Worldwide, Inc. 15,230	514	• Calpine Corp. 12,300	57
Station Casinos, Inc. 4,650	138	Cascade Natural Gas Corp. 1,000	19
• Stellent, Inc. 1,100	10	Centerpoint Energy, Inc. 21,100	207
• Vail Resorts, Inc. 1,300	17	Central Vermont Public Service Corp. 2,700	62
• WMS Industries, Inc. 1,500	35	CH Energy Group, Inc. 1,900	83
	6,404	Cinergy Corp. 12,600	457
Trucking & Freight 0.3%		Cleco Corp. 3,400	57
Arkansas Best Corp. 1,100	36	• CMS Energy Corp. 5,000	41
BancTrust Financial Group, Inc. 1,100	17	Consolidated Edison, Inc. 10,300	417
C.H. Robinson Worldwide, Inc. 7,500	294	Constellation Energy Group, Inc. 16,800	611
CNF, Inc. 2,000	70	• Covanta Energy Corp. 2,100	—
• Consolidated Freightways Corp. 2,700	—	Dominion Resources, Inc. 21,610	1,331
Expeditors International Washington, Inc. 5,600	210	DPL, Inc. 8,952	163
• Forward Air Corp. 1,100	32	DTE Energy Co. 11,301	417
Heartland Express, Inc. 1,971	49	Duke Energy Corp. 57,200	1,038
• J.B. Hunt Transport Services, Inc. 4,000	102	Duquesne Light Holdings, Inc. 6,100	98
• Knight Transportation, Inc. 1,800	45	• Edison International 58,700	1,157
• Landstar Systems, Inc. 3,800	278	El Paso Corp. 27,887	205
• Old Dominion Freight Line 1,800	58	• El Paso Electric Co. 2,800	34
Paccar, Inc. 9,400	742	Energen Corp. 2,600	96
• Pacer International, Inc. 2,800	58	Energy East Corp. 9,714	218
Roadway Corp. 1,400	72	Entergy Corp. 15,700	846
Ryder Systems, Inc. 6,400	192	Equitable Resources, Inc. 4,400	181
• Swift Transportation Co., Inc. 5,970	134	Exelon Corp. 27,237	1,728
USF Corp. 1,300	41	FirstEnergy Corp. 23,217	798
Werner Enterprises, Inc. 3,332	60	Florida Public Utilities Co. 1,066	16
• Yellow Corp. 1,200	39	FPL Group, Inc. 12,200	778
	2,529	Great Plains Energy, Inc. 9,000	287

See financial notes. 119

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Green Mountain Power Corp. 3,800	86	Texas Genco Holdings, Inc. 2,680	80
Hawaiian Electric Industries, Inc. 2,600	119	TXU Corp. 14,900	340
Idacorp, Inc. 1,700	46	• U.S. Energy Systems, Inc. 600	1
KeySpan Corp. 10,900	381	UGI Corp. 5,100	157
Kinder Morgan, Inc. 10,700	573	UIL Holdings Corp. 6,200	233
The Laclede Group, Inc. 800	23	Unisource Energy Corp. 2,100	41
MDU Resources Group, Inc. 7,950	180	Vectren Corp. 5,766	136
MGE Energy, Inc. 400	13	Westar Energy, Inc. 5,700	114
National Fuel Gas Co. 5,800	130	WGL Holdings, Inc. 3,000	83
New Jersey Resources Corp. 1,650	62	Williams Cos., Inc. 36,860	376
• NewPower Holdings, Inc. 3,800	2	Wisconsin Energy Corp. 8,400	275
Nicor, Inc. 3,000	103	WPS Resources Corp. 2,400	106
NiSource, Inc. 22,864	474	Xcel Energy, Inc. 29,195	479
Northeast Utilities, Inc. 5,624	106		
Northwest Natural Gas Co. 3,200	93		24,780
NSTAR 3,867	181		
OGE Energy Corp. 3,500	80		
Oneok, Inc. 4,400	88		
Otter Tail Corp. 1,100	29		
Peoples Energy Corp. 3,200	129		
Pepco Holdings, Inc. 5,000	88		
• PG&E Corp. 29,900	731		
Philadelphia Suburban Corp. 2,937	69		
Piedmont Natural Gas Co. 1,600	64		
Pinnacle West Capital Corp. 3,800	139		
PNM Resources, Inc. 2,000	57		
PPL Corp. 12,500	499		
Progress Energy, Inc. 16,159	696		
Public Service Enterprise Group, Inc. 10,000	409		
Puget Energy, Inc. 7,500	170		
Questar Corp. 8,100	257		
SCANA Corp. 7,905	271		
Sempra Energy 16,675	464		
• Sierra Pacific Resources 4,476	27		
The Southern Co. 53,900	1,606		
• Southern Union Co. 3,010	53		
Southwest Gas Corp. 1,100	25		
TECO Energy, Inc. 5,600	74		

Preferred Stock
 0.0% of net assets

Real Property 0.0%

 Commercial Net Lease Realty 147 **4**
Warrants
 0.0% of net assets

Air Transportation 0.0%

 Timco Aviation Services
 expires 2/28/07, 160 —

Business Machines & Software 0.0%

 MicroStrategy, Inc.
 expires 6/24/04, 57 —

Non-Ferrous Metals 0.0%

 Metals USA, Inc.
 expires 10/31/07, 97 —

Real Property 0.0%

 Pinnacle Holdings, Inc.
 expires 11/13/07, 9 —

Schwab Total Stock Market Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)
-------------------------------	----------------------------

Rights
0.0% of net assets

Business Machines & Software 0.0%

Comdisco Holding Co. 4,700	4
----------------------------	---

Healthcare/Drugs & Medicine 0.0%

Cell Pathways, Inc. 1,600	—
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Telephone 0.0%

XO Communications, Inc. expires 1/14/03 8,601	3
--	---

Security Rate, Maturity Date	Face Value (\$ x 1,000)
---------------------------------	----------------------------

U.S. Treasury Obligations
0.1% of net assets

▲ U.S. Treasury Bills 0.84%-0.93%, 12/18/03 310	310
--	-----

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

Collateral Invested for Securities on Loan
10.9% of net assets

Commercial Paper & Other Corporate Obligations

American Express Centurion Bank 1.11%, 12/12/03 4,378	4,378
1.11%, 01/27/04 1,579	1,579
American Express Credit Corp. 1.11%, 04/16/04 2,492	2,492
1.09%, 05/13/04 2,424	2,424
Canadian Imperial Bank Corp. 1.09%, 05/28/04 2,707	2,707

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

Concord Minutemen Capital Corp. 1.11%, 01/09/04 1,118	1,115
1.08%, 11/14/03 3,651	3,644
1.08%, 11/18/03 1,181	1,178
1.07%, 11/19/03 2,962	2,960
Crown Point Funding Corp. 1.11%, 01/16/04 3,403	3,394
1.08%, 11/14/03 2,459	2,454
Depfa Bank PLC 1.08%, 11/18/03 2,260	2,254
1.08%, 12/22/03 1,278	1,274
Fairway Finance Corp. 1.10%, 01/12/04 1,235	1,232
General Electric Capital Corp. 1.08%, 05/10/04 1,392	1,392
Lexington Parker 1.07%, 11/06/03 580	580
Svenska Handelsbanken 1.39%, 10/27/04 2,553	2,553
Tulip Funding Corp. 1.07%, 11/10/03 4,803	4,798
Westdeutsche Landesbank AG 1.09%, 09/23/04 2,324	2,323
1.09%, 09/29/04 3,676	3,675
1.08%, 10/12/04 926	926

49,332

Short-Term Investments

Wells Fargo Bank Time Deposit 1.06%, 11/03/03 6,436	6,436
--	-------

Security and Number of Shares

Other Investment Companies

Institutional Money Market Trust 42,401,212	42,401
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End of collateral invested for securities on loan. For totals, please see the first page of holdings for this fund.

Schwab Total Stock Market Index Fund*

Statement of

Assets and Liabilities

As of October 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$94,850 of securities on loan)	\$891,919
Collateral held for securities on loan	98,169
Receivables:	
Fund shares sold	1,684
Interest	4
Dividends	1,084
Investments sold	14,512
Income from securities on loan	15
Prepaid expenses	+ 43
Total assets	1,007,430

Liabilities

Collateral held for securities on loan	98,169
Cash Overdraft	6,958
Payables:	
Fund shares redeemed	386
Investments bought	3,173
Due to broker for futures	14
Investment adviser and administrator fees	1
Transfer agent and shareholder service fees	10
Accrued expenses	+ 131
Total liabilities	108,842

Net Assets

Total assets	1,007,430
Total liabilities	- 108,842
Net assets	\$898,588

Net Assets by Source

Capital received from investors	941,236
Net investment income not yet distributed	7,185
Net realized capital losses	(22,578)
Net unrealized capital losses	(27,255)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$469,499		26,863		\$17.48
Select Shares®	\$429,089		24,495		\$17.52

Unless stated, all numbers x 1,000.

The fund paid \$919,360 for these securities. Not counting short-term obligations and government securities, the fund paid \$241,442 for securities during the report period and received \$22,234 from securities it sold or that matured.

These derive from investments and futures. As of the report date, the fund had eleven open S&P 500 futures contracts due to expire on December 18, 2003, with an aggregate contract value of \$2,886 and net unrealized gains of \$89 and twelve open Russell 2000 futures due to expire on December 21, 2003 with an aggregate contract value of \$3,170 and net unrealized gains of \$97.

Federal Tax Data

Portfolio cost	\$920,253
Net unrealized gains and losses:	
Gains	\$139,980
Losses	+ (168,314)
	(\$28,334)

Undistributed earnings:

Ordinary income	\$7,180
Long-term capital gains	\$-

Unused capital losses:

Expires 10/31 of:	Loss amount
2007	\$18
2008	3,413
2009	2,000
2010	11,486
2011	+ 4,577
	\$21,494

Reclassifications:

Net realized capital losses	\$3
-----------------------------	-----

Reclassified as:

Net investment income not yet distributed	(\$3)
---	-------

Schwab Total Stock Market Index Fund®

Statement of

Operations

For November 1, 2002 through October 31, 2003. All numbers x 1,000.

Investment Income

Dividends	\$11,488
Interest	58
Securities on loan	+ 216
Total investment income	11,762

Net Realized Gains and Losses

Net realized losses on investments sold	(6,655)
Net realized gains on futures contracts	+ 1,361
Net realized losses	(5,294)

Net Unrealized Gains and Losses

Net unrealized gains on investments	155,330
Net unrealized gains on futures contracts	+ 222
Net unrealized gains	155,552

Expenses

Investment adviser and administrator fees	1,913
Transfer agent and shareholder service fees:	
Investor Shares	872
Select Shares®	339
Trustees' fees	9
Custodian fees	58
Portfolio accounting fees	116
Professional fees	39
Registration fees	89
Shareholder reports	90
Other expenses	+ 27
Total expenses	3,552
Expense reduction	- 492
Net expenses	3,060

Increase in Net Assets from Operations

Total investment income	11,762
Net expenses	- 3,060
Net investment income	8,702
Net realized losses	(5,294)
Net unrealized gains	+ 155,552
Increase in net assets from operations	\$158,960

Unless stated, all numbers x 1,000.

An additional \$1 was withheld for foreign taxes.

Calculated as a percentage of average daily net assets: 0.30% of the first \$500 million and 0.22% of assets beyond that.

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%, and 0.05% of the assets of each respective share class. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$386 from the investment adviser (CSIM) and \$106 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through February 29, 2004, as follows:

Share Class	% of Average Daily Net Assets
Investor Shares	0.58
Select Shares	0.39

Prior to March 1, 2003, these limits were 0.40% and 0.27% for the Investor Shares and Select Shares, respectively. This limit doesn't include interest, taxes and certain non-routine expenses.

These add up to a net gain on investments of \$150,258

See financial notes. 123

Schwab Total Stock Market Index Fund®

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	11/1/02–10/31/03	11/1/01–10/31/02
Net investment income	\$8,702	\$6,337
Net realized losses	(5,294)	(11,625)
Net unrealized gains or losses	+ 155,552	(71,931)
Increase or decrease in net assets from operations	158,960	(77,219)

Distributions Paid

Dividends from net investment income		
Investor Shares	3,195	2,256
Select Shares®	+ 3,512	2,809
Total dividends from net investment income	\$6,707	\$5,065

Transactions in Fund Shares

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	12,774	\$194,287	8,607	\$139,890
Select Shares	+ 11,399	172,567	7,243	117,125
Total shares sold	24,173	\$366,854	15,850	\$257,015
Shares Reinvested				
Investor Shares	209	\$2,984	120	\$2,114
Select Shares	+ 203	2,911	139	2,439
Total shares reinvested	412	\$5,895	259	\$4,553
Shares Redeemed				
Investor Shares	(4,461)	(\$68,649)	(3,882)	(\$62,511)
Select Shares	+ (5,507)	(85,326)	(4,446)	(70,982)
Total shares redeemed	(9,968)	(\$153,975)	(8,328)	(\$133,493)
Net transactions in fund shares	14,617	\$218,774	7,781	\$128,075

Shares Outstanding and Net Assets

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	36,741	\$527,561	28,960	\$481,770
Total increase	+ 14,617	371,027	7,781	45,791
End of period	51,358	\$898,588	36,741	\$527,561

Unless stated, all numbers x 1,000.

Unaudited

For corporations, 100% of the fund's dividends for the report period qualify for the dividends-received deduction.

The tax-basis components of distributions paid are:

Current period:

Ordinary Income	\$6,707
Long-term capital gains	\$–

Prior period:

Ordinary Income	\$5,065
Long-term capital gains	\$–

The fund charges 0.75% of early withdrawal fees on shares redeemed 180 days or less after the purchase.

Current period:

Investor Shares	\$76
Select Shares	+ 173
Total	\$249

Prior period:

Investor Shares	\$65
Select Shares	+ 60
Total	\$125

Dollar amounts are net of the redemption proceeds.

Figures for shares represent shares sold plus shares reinvested, minus shares redeemed. Figures for net assets represent the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Includes distributable net investment income in the amount of \$7,185 and \$5,193 for the current period and prior period, respectively.

Schwab International Index Fund®

Financial Statements

Financial Highlights

Investor Shares	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	10.47	12.22	17.13	17.93	14.21
Income or loss from investment operations:					
Net investment income	0.23	0.21	0.15	0.20	0.19
Net realized and unrealized gains or losses	2.25	(1.82)	(4.81)	(0.85)	3.66
Total income or loss from investment operations	2.48	(1.61)	(4.66)	(0.65)	3.85
Less distributions:					
Dividends from net investment income	(0.21)	(0.14)	(0.25)	(0.15)	(0.13)
Net asset value at end of period	12.74	10.47	12.22	17.13	17.93
Total return (%)	24.24	(13.34)	(27.58)	(3.69)	27.31
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.65	0.58	0.58	0.58 ¹	0.58
Gross operating expenses	0.74	0.76	0.75	0.82	0.99
Net investment income	2.01	1.70	1.14	1.60	1.24
Portfolio turnover rate	7	13	18	16	5
Net assets, end of period (\$ x 1,000,000)	494	443	519	637	447

¹ The ratio of net operating expenses would have been 0.59% if certain non-routine expenses (proxy fees) had been included.

Financial Highlights

Select Shares [®]	11/1/02– 10/31/03	11/1/01– 10/31/02	11/1/00– 10/31/01	11/1/99– 10/31/00	11/1/98– 10/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	10.47	12.23	17.14	17.96	14.23
Income or loss from investment operations:					
Net investment income	0.25	0.21	0.16	0.27	0.18
Net realized and unrealized gains or losses	2.26	(1.82)	(4.80)	(0.91)	3.70
Total income or loss from investment operations	2.51	(1.61)	(4.64)	(0.64)	3.88
Less distributions:					
Dividends from net investment income	(0.23)	(0.15)	(0.27)	(0.18)	(0.15)
Net asset value at end of period	12.75	10.47	12.23	17.14	17.96
Total return (%)	24.50	(13.31)	(27.45)	(3.65)	27.49
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.49	0.47	0.47	0.47 ¹	0.47
Gross operating expenses	0.59	0.61	0.60	0.67	0.86
Net investment income	2.19	1.81	1.25	1.71	1.57
Portfolio turnover rate	7	13	18	16	5
Net assets, end of period (\$ x 1,000,000)	629	536	616	700	449

¹ The ratio of net operating expenses would have been 0.48% if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of October 31, 2003

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

We use the symbols below to designate certain characteristics. With the top ten holdings, the number in the circle is the security's rank among the top ten.

- ① Top ten holding
- Non-income producing security
- ◆ American Depositary Receipt

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
99.4% Foreign Common Stock	1,070,673	1,115,751
0.4% Foreign Preferred Stock	2,913	4,024
0.0% Warrants	724	606
0.0% Rights	—	392
0.0% Short-Term Investment	43	43
99.8% Total Investments	1,074,353	1,120,816
4.5% Collateral Invested for Securities on Loan	50,420	50,420
(4.3)% Other Assets and Liabilities, Net		(48,298)
100.0% Total Net Assets		1,122,938

Foreign Common Stock 99.4% of net assets**Australia 4.0%**

Amcor Ltd.	170,097	1,026
AMP Ltd.	243,014	1,135
Australia & New Zealand Banking Group Ltd.	299,660	3,785
BHP Billiton Ltd.	753,530	6,266
Coles Myer Ltd.	218,165	1,203
Commonwealth Bank of Australia	256,408	5,003
Foster's Group Ltd.	446,157	1,447
Insurance Australia Group Ltd.	337,549	1,066

Security and Number of Shares	Mkt. Value (\$ x 1,000)
Macquarie Bank Ltd. 41,612	1,029
Macquarie Infrastructure Group 386,221	869
National Australia Bank Ltd. 306,901	6,661
News Corp. Ltd. 292,452	2,604
QBE Insurance Group Ltd. 125,449	917
Rio Tinto Ltd. 60,818	1,538
Suncorp-Metway Ltd. 107,619	990
Telstra Corp. Ltd. 416,897	1,402
Wesfarmers Ltd. 80,774	1,662
Westpac Banking Corp. 346,721	3,973
Woodside Petroleum Ltd. 101,251	951
Woolworths Ltd. 202,146	1,595
	45,122

Belgium 0.7%

Dexia 121,918	1,920
Electrabel SA 6,048	1,673
Fortis 211,219	3,767
Solvay SA 12,932	963
	8,323

Canada 5.8%

Alcan, Inc. 62,405	2,490
Bank of Montreal 99,813	3,736
Bank of Nova Scotia 99,352	4,935
Barrick Gold Corp. 110,291	2,146
BCE, Inc. 65,656	1,487
• Biovail Corp. 27,400	659
Bombardier, Inc., Class B 279,400	1,255
Brascan Corp. 31,900	908
Canadian Imperial Bank of Commerce 75,516	3,392
Canadian National Railway Co. 39,116	2,352
Canadian Natural Resources Ltd. 25,900	1,100
Canadian Pacific Railway Ltd. 32,300	905
Enbridge, Inc. 33,700	1,324
EnCana Corp. 97,217	3,339
George Weston Ltd. 11,500	900
Imperial Oil Ltd. 24,010	956
• Inco Ltd. 37,300	1,238

Portfolio Holdings continued

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Loblaw Cos. Ltd. 21,098	1,022	European Aeronautic Defense & Space Co. 61,447	1,250
Magna International, Inc., Class A 16,447	1,319	• France Telecom SA 158,066	3,826
Manulife Financial Corp. 98,250	2,982	Groupe Danone 24,586	3,710
• MI Developments, Inc., Class A 8,223	207	L'oreal 69,764	5,158
National Bank of Canada 36,900	1,145	Lafarge SA 33,456	2,396
• Nortel Networks Corp. 784,900	3,502	Lagardere S.C.A. 24,730	1,244
Petro-Canada 48,400	1,951	LVMH Moët-Hennessy Louis Vuitton SA 44,980	3,109
Placer Dome, Inc. 83,200	1,285	Michelin (C.G.D.E.), Class B 28,839	1,131
Power Corp. of Canada 35,402	1,163	Pechiney, Class A 15,156	838
Power Financial Corp. 26,300	906	Pernod-Ricard 11,468	1,107
Royal Bank of Canada 136,817	6,589	Peugeot SA 37,097	1,591
Sun Life Financial Services of Canada, Inc. 130,364	3,223	Pinault-Printemps-Redoute SA 14,727	1,501
Suncor Energy, Inc. 81,600	1,714	Renault SA 30,391	2,010
Talisman Energy, Inc. 25,625	1,252	Sanofi-Synthelabo SA 74,329	4,601
Thomson Corp. 40,000	1,310	Schneider Electric SA 40,373	2,363
TransCanada Corp. 94,561	1,930	Societe Generale, Class A 65,700	4,880
	64,622	Societe Television Francaise 1 26,048	781
		STMicroelectronics NV 117,296	3,123
Denmark 0.6%		Suez SA 155,587	2,496
AP Moller-Maersk A/S 224	1,759	⑤ Total Fina Elf SA 131,656	20,463
Danske Bank A/S 103,537	2,089	Veolia Environnement 52,576	1,173
Novo-Nordisk A/S, Class B 50,724	1,824	Vinci SA 13,931	1,010
TDC A/S 23,628	759	• Vivendi Universal SA 177,845	3,736
	6,431	◆ Vivendi Universal SA 54,392	1,144
			117,445
France 10.5%		Germany 6.9%	
Accor SA 37,106	1,459	Adidas-Salomon AG 9,200	852
Air Liquide SA 19,987	2,962	Allianz AG 55,988	6,002
• Alcatel SA, Class A 245,737	3,242	Altana AG 12,100	763
Arcelor SA 74,513	1,063	BASF AG 108,135	4,960
Aventis SA 134,970	7,147	Bayer AG 128,045	3,077
AXA 281,489	5,334	• Bayerische Hypo- und Vereinsbank AG 66,874	1,473
BNP Paribas 161,683	8,496	Commerzbank AG 88,400	1,747
Bouygues 42,044	1,144	DaimlerChrysler AG 173,770	6,482
• Cap Gemini SA 21,739	1,096	Deutsche Bank AG 106,276	7,010
Carrefour SA 112,519	5,907	Deutsche Boerse AG 19,400	1,079
Cie Generale D'Optique Essilor International SA 19,882	956	Deutsche Post AG 75,227	1,447
Compagnie de Saint-Gobain 60,643	2,558	• Deutsche Telekom AG 420,162	6,618
Credit Agricole SA 67,809	1,440		

Schwab International Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
E.ON AG 118,150	5,972	• Telecom Italia SPA 1,239,033	2,149
• Hypo Real Estate Holding 16,719	292	TIM SPA 753,178	3,476
• Infineon Technologies AG 75,100	1,107	UniCredito Italiano SPA 767,312	3,782
Linde AG 18,812	863		34,544
Metro AG 29,214	1,195		
Muenchener Rueckversicherungs AG 23,640	2,819	Japan 19.2%	
RWE AG 69,676	1,936	Advantest Corp. 13,000	968
SAP AG 40,624	5,910	Aeon Co. Ltd. 48,000	1,585
Schering AG 33,246	1,553	Ajinomoto Co., Inc. 111,000	1,121
Siemens AG 160,190	10,801	Asahi Glass Co. Ltd. 146,000	1,153
ThyssenKrupp AG 63,966	1,067	Asahi Kasei Corp. 250,000	1,192
Volkswagen AG 46,293	2,335	Bridgestone Corp. 126,000	1,650
	77,360	Canon, Inc. 171,000	8,275
		Chubu Electric Power Co., Inc. 122,100	2,449
Hong Kong / China 1.3%		Dai Nippon Printing Co. Ltd. 117,000	1,807
Cheung Kong Holdings Ltd. 299,000	2,493	Denso Corp. 92,000	1,745
CLP Holdings Ltd. 387,080	1,749	East Japan Railway Co. 653	2,958
Hang Seng Bank Ltd. 154,700	1,932	Eisai Co. Ltd. 37,000	868
Hong Kong & China Gas Co. 718,400	994	Fanuc Ltd. 24,300	1,461
HongKong Electric Holdings 277,756	1,084	Fuji Photo Film Co. Ltd. 92,000	2,711
Hutchison Whampoa Ltd. 445,800	3,459	Fujisawa Pharmaceutical Co. Ltd. 47,000	970
Sun Hung Kai Properties Ltd. 265,694	2,250	• Fujitsu Ltd. 326,000	2,043
Swire Pacific Ltd., Class A 190,000	1,160	Honda Motor Co. Ltd. 158,700	6,265
	15,121	Hoya Corp. 23,600	2,136
		Ito-Yokado Co. Ltd. 68,000	2,499
Italy 3.1%		Itochu Corp. 273,000	921
Alleanza Assicurazioni SPA 100,995	1,011	Japan Tobacco, Inc. 158	1,055
Assicurazioni Generali SPA 194,418	4,475	• JFE Holdings, Inc. 94,000	2,403
Banca Intesa SPA 735,870	2,481	The Kansai Electric Power Co. 130,000	2,247
Banco Popolare di Verona e Novara 75,422	1,166	Kao Corp. 109,000	2,241
Enel SPA 429,348	2,685	KDDI Corp. 1	2
ENI-Ente Nazionale Idrocarburi SPA 514,100	8,164	Keyence Corp. 6,900	1,518
Mediaset SPA 110,368	1,115	• Kinki Nippon Railway Co. Ltd. 305,830	921
Mediobanca SPA 95,210	957	Kirin Brewery Co. Ltd. 127,000	1,015
Riunione Adriatica di Sicurtà SPA 60,519	946	Komatsu Ltd. 193,000	1,045
Sanpaolo IMI SPA 189,885	2,137	Konica Minolta Holdings, Inc. 81,000	1,065
		Kyocera Corp. 34,500	2,077

See financial notes. 129

Portfolio Holdings continued[illegible]

Security and Number of Shares	Mkt. Value (\$ x 1,000)	Security and Number of Shares	Mkt. Value (\$ x 1,000)
Koninklijke Philips Electronics NV 263,980	7,117	Sweden 1.6%	
Reed Elsevier NV 117,871	1,313	Electrolux AB, Series B 61,579	1,263
⑥ Royal Dutch Petroleum Co. 422,591	18,752	Hennes & Mauritz AB, Series B 98,150	2,082
• Royal KPN NV 360,914	2,744	Nordea AB 486,740	3,020
TPG NV 67,143	1,448	Sandvik AB 44,107	1,312
Unilever NV 113,789	6,610	Skandinaviska Enskilda Banken, Series A 85,410	1,029
VNU NV 47,654	1,451	Svenska Cellulosa AB, Series B 41,064	1,550
Wolters Kluwer NV 55,267	777	Svenska Handelsbanken AB, Series A 112,602	1,985
	63,753	• Telefonaktiebolaget LM Ericsson, Class B 3,006,733	5,165
Singapore 0.6%		Volvo AB, Series B 40,445	1,130
DBS Group Holdings Ltd. 217,778	1,789		18,536
Oversea-Chinese Banking Corp. 185,000	1,286	Switzerland 8.0%	
Singapore Press Holdings Co. Ltd. 74,666	845	• ABB Ltd. 204,408	1,202
Singapore Telecommunications Ltd. 1,180,696	1,166	Adecco SA, Registered 26,587	1,568
United Overseas Bank Ltd. 237,000	1,851	• Ciba Specialty Chemicals AG 14,322	948
	6,937	Compagnie Financiere Richemont AG, Series A 102,430	2,305
Spain 3.6%		Credit Suisse Group 237,823	8,379
Altadis SA 57,998	1,406	Holcim Ltd. 30,865	1,299
• Antena 3 Television SA 3,262	107	⑧ Nestle SA, Registered 81,268	17,892
Banco Bilbao Vizcaya Argentaria SA 604,944	6,941	⑦ Novartis AG, Registered 476,511	18,163
Banco Popular Espanol 29,001	1,508	Roche Holdings — Genus 143,196	11,849
Banco Santander Central Hispano SA 854,969	8,200	Serono SA, Series B 1,193	824
Endesa SA 186,597	2,961	Swiss Reinsurance, Registered 65,184	4,103
Gas Natural SDG SA 37,672	724	Swisscom AG, Registered 5,043	1,467
Iberdrola SA 149,580	2,495	Syngenta AG 20,323	1,089
Inditex SA 47,334	978	UBS AG, Registered 238,248	14,630
Repsol YPF SA 178,984	3,121	• Zurich Financial Services AG 28,547	3,656
Telefonica SA 964,517	11,997		89,374
	40,438	United Kingdom 27.8%	
		Amersham PLC 136,906	1,704
		Amvescap PLC 119,189	944
		⑨ AstraZeneca PLC 350,878	16,481
		Aviva PLC 444,350	3,646

Portfolio Holdings continued[illegible]

Schwab International Index Fund*

Security and Number of Shares	Mkt. Value (\$ x 1,000)
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Foreign Preferred Stock 0.4% of net assets

Australia 0.3%

News Corp. Ltd. 425,956	3,134
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Germany 0.1%

Henkel KGaA 12,100	890
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Warrants 0.0% of net assets

France 0.0%

• Casino Guichard Perrachon SA, expires 12/15/03, 1,026	—
• Casino Guichard Perrachon SA, expires 12/15/05, 1,026	1
• France Telecom-CVG Equant NV, expires 06/29/04, 35,326	605
	606

United States 0.0%

• NTL, Inc., Series A, expires 01/13/11, 48	—
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Rights 0.0% of net assets

Australia 0.0%

• AMP Ltd. 243,014	14
• Australia & New Zealand Banking Group Ltd. 54,484	167
	181

France 0.0%

• Credit Agricole SA 67,809	16
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Germany 0.0%

• Muenchener Rueckversicherungs AG 23,640	195
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Security Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Short-Term Investment 0.0% of net assets

Brown Brothers Harriman, Grand Cayman Time Deposit 0.50%, 11/03/03	43	43
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End of investments. For totals, please see the first page of holdings for this fund.

Security and Number of Shares

Collateral Invested for Securities on Loan 4.5% of net assets

Other Investment Companies

Securities Lending Investment Fund 50,419,584	50,420
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End of collateral invested for securities on loan. For totals, please see the first page of holdings for this fund.

Statement of

Assets and Liabilities

As of October 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$47,564 of securities on loan)	\$1,120,816
Collateral held for securities on loan	50,420
Foreign currency	28
Receivables:	
Fund shares sold	1,077
Dividends	1,578
Income from securities on loan	17
Dividend tax reclaim	408
Prepaid expenses	+ 27
Total assets	1,174,371

Liabilities

Collateral held for securities on loan	50,420
Cash overdraft	28
Payables:	
Fund shares redeemed	706
Investment adviser and administrator fees	13
Transfer agent and shareholder service fees	9
Accrued expenses	+ 257
Total liabilities	51,433

Net Assets

Total assets	1,174,371
Total liabilities	- 51,433
Net assets	\$1,122,938

Net Assets by Source

Capital received from investors	1,363,651
Net investment income not yet distributed	20,044
Net realized capital losses	(307,255)
Net unrealized capital gains	46,498

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$493,559		38,727		\$12.74
Select Shares®	\$629,379		49,374		\$12.75

Unless stated, all numbers x 1,000.

The fund paid \$1,074,353 for these securities. Not counting short-term obligations and government securities, the fund paid \$73,693 for securities during the report period, and received \$133,500 from securities it sold or that matured.

The fund paid \$27 for these currencies.

Federal Tax Data

Portfolio cost	\$1,079,866
Net unrealized gains and losses:	
Gains	\$170,034
Losses	+ (129,084)
	\$40,950

Undistributed earnings:

Ordinary income	\$20,158
Long-term capital gains	\$-

Unused capital losses:

Expires 10/31 of:	Loss amount
2004	\$1,743
2005	1,837
2006	11,905
2007	7
2008	3,669
2009	130,942
2010	112,722
2011	+ 39,016
	\$301,841

Reclassifications:

Capital received from investors	\$4
Net investment income not yet distributed	\$233
Reclassified as:	
Net realized capital losses	((\$237))

Statement of

Operations

For November 1, 2002 through October 31, 2003. All numbers x 1,000.

Investment Income

Dividends	\$25,891
Interest	12
Securities on loan	+ 801
Total investment income	26,704

Net Realized Gains and Losses

Net realized losses on investments sold	(38,072)
Net realized gains on foreign currency transactions	+ 233
Net realized losses	(37,839)

Net Unrealized Gains and Losses

Net unrealized gains on investments	241,990
Net unrealized losses on foreign currency transactions	+ (36)
Net unrealized gains	241,954

Expenses

Investment adviser and administrator fees	4,046
Transfer agent and shareholder service fees:	
Investor Shares	1,105
Select Shares®	557
Trustees' fees	9
Custodian fees	434
Portfolio accounting fees	162
Professional fees	39
Registration fees	44
Shareholder reports	117
Interest expense	5
Other expenses	+ 19
Total expenses	6,537
Expense reduction	- 907
Net expenses	5,630

Increase in Net Assets from Operations

Total investment income	26,704
Net expenses	- 5,630
Net investment income	21,074
Net realized losses	(37,839)
Net unrealized gains	+ 241,954
Increase in net assets from operations	\$225,189

Unless stated, all numbers x 1,000.

An additional \$3,149 was withheld for foreign taxes.

Calculated as a percentage of average daily net assets: 0.43% of the first \$500 million and 0.38% of assets beyond that.

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%, and 0.05% of the assets of each respective share class. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$697 from the investment adviser (CSIM) and \$210 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the operating expenses of this fund through at least February 29, 2004, as follows:

Share Class	% of Average Daily Net Assets
Investor Shares	0.69
Select Shares	0.50

Prior to March 1, 2003, these limits were 0.58% and 0.47% for the Investor Shares and Select Shares, respectively. This limit doesn't include interest, taxes and certain non-routine expenses.

These add up to a net gain on investments of \$204,115.

See financial notes. 135

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	11/1/02–10/31/03	11/1/01–10/31/02
Net Investment income	\$21,074	\$19,959
Net realized losses	(37,839)	(111,855)
Net unrealized gains or losses	+ 241,954	(61,568)
Increase or decrease in net assets from operations	225,189	(153,464)

Distributions Paid

Dividends from net investment income		
Investor Shares	9,001	5,966
Select Shares®	+ 11,662	7,879
Total dividends from net investment income	\$20,663	\$13,845

Transactions in Fund Shares

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	5,440	\$59,471	10,848	\$131,550
Select Shares	+ 8,086	86,648	14,690	174,196
Total shares sold	13,526	\$146,119	25,538	\$305,746
Shares Reinvested				
Investor Shares	815	\$8,329	456	\$5,554
Select Shares	+ 1,072	10,936	610	7,432
Total shares reinvested	1,887	\$19,265	1,066	\$12,986
Shares Redeemed				
Investor Shares	(9,803)	(\$105,853)	(11,478)	(\$134,445)
Select Shares	+ (10,942)	(119,750)	(14,549)	(173,548)
Total shares redeemed	(20,745)	(\$225,603)	(26,027)	(\$307,993)
Net transactions in fund shares	(5,332)	(\$60,219)	577	\$10,739

Shares Outstanding and Net Assets

	11/1/02–10/31/03		11/1/01–10/31/02	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	93,433	\$978,631	92,856	\$1,135,201
Total increase or decrease	+ (5,332)	144,307	577	(156,570)
End of period	88,101	\$1,122,938	93,433	\$978,631

Unless stated, all numbers x 1,000.

The tax-basis components of distributions paid are:

Current period:

Ordinary Income	\$20,663
Long-term capital gains	\$–

Prior period:

Ordinary Income	\$13,845
Long-term capital gains	\$–

The fund charges 1.50% of early withdrawal fees on shares redeemed 180 days or less after the purchase.

Current period:

Investor Shares	\$62
Select Shares	+ 46
Total	\$108

Prior period:

Investor Shares	\$170
Select Shares	+ 56
Total	\$226

Dollar amounts are net of the redemption proceeds.

Figures for shares represent shares sold plus shares reinvested, minus shares redeemed. Figures for net assets represent the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Includes distributable net investment income in the amount of \$20,044 and \$19,400 for the current period and prior period, respectively.

Percent of fund shares owned by other SchwabFunds® as of the end of the current period:

Schwab MarketTrack Portfolios*

All Equity Portfolio	11.4%
Growth Portfolio	10.3%
Balanced Portfolio	6.9%
Conservative Portfolio	2.6%

Schwab Annuity Portfolios

Growth Portfolio II	0.5%
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Financial Notes

Business Structure of the Funds

Each of the funds discussed in this report is a series of a no-load, open-end management investment company. Each of these companies 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 by trust.

The funds offer multiple share classes. For any given fund, shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums. In addition, one share class, e.Shares®, is available only to clients of Schwab Institutional®, Charles Schwab Trust Company and certain tax-advantaged retirement plans, and can only be traded electronically.

Fund	Investor Shares	Select Shares®	e.Shares
S&P 500	•	•	•
Schwab 1000	•	•	
Small-Cap Index	•	•	
Total Stock Market Index	•	•	
International Index	•	•	

For these funds, shares are bought and sold at net asset value (NAV), which is the price for all outstanding shares. Each share has a par value of 1/1,000 of a cent, and the trusts may issue as many shares as necessary.

The Trusts and Their Funds

This list shows the trust containing each fund in this report, along with all other funds included in these trusts. The funds discussed in this report are highlighted.

Schwab Investments organized October 26, 1990

Schwab 1000 Fund®

Schwab Short-Term Bond Market Fund™

Schwab Total Bond Market Fund™

Schwab YieldPlus 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 GNMA Fund™

Schwab Capital Trust organized May 7, 1993

Schwab S&P 500 Fund

Schwab Small-Cap Index Fund®

Schwab Total Stock Market Index Fund®

Schwab International Index Fund®

Schwab MarketTrack All Equity Portfolio™

Schwab MarketTrack Growth Portfolio™

Schwab MarketTrack Balanced Portfolio™

Schwab MarketTrack Conservative Portfolio™

Schwab U.S. MarketMasters Fund™

Schwab Balanced MarketMasters Fund™

Schwab Small-Cap MarketMasters Fund™

Schwab International MarketMasters Fund™

Schwab Core Equity Fund™

Schwab Dividend Equity Fund™

Schwab Small-Cap Equity Fund™

Schwab Hedged Equity Fund™

Communications Focus Fund

Financial Services Focus Fund

Health Care Focus Fund

Technology Focus Fund

Institutional Select S&P 500 Fund

Institutional Select Large-Cap Value Index Fund

Institutional Select Small-Cap Value Index Fund

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, as described below. Other policies concerning the funds' business operations also are described here.

The funds pay dividends from net investment income and make distributions from net capital gains once a year.

The funds may invest in futures contracts. Futures contracts involve certain risks because they can be very sensitive to market movements.

One risk is that the price of a futures contract may not move in perfect correlation with the price of the underlying securities. Another risk is that, at certain times, it may be impossible for a fund to close out a position in a futures contract due to a difference in trading hours or to market conditions that may reduce the liquidity for a futures contract or its underlying securities.

Because futures carry inherent risks, a fund must give the broker a deposit of cash and/or securities (the "initial margin") whenever it enters into a futures contract. The amount of the deposit may vary from one contract to another, but it is generally a percentage of the contract amount.

Futures are traded publicly on exchanges, and their market value changes daily. The fund records the change in market value of futures, and also the change in the amount of margin deposit required ("variation margin").

The Schwab International Index Fund® may invest in forward currency contracts in connection with the purchase and sale of portfolio securities to minimize the uncertainty of changes in future exchange rates. "Forwards," as they are known, are contracts to buy and sell a currency at a set price on a future date.

Forwards are similar to futures except that they are not publicly traded, but are agreements directly between two parties.

As with futures, forwards involve certain risks that are not fully reflected in the fund's financials. If counterparties to the contracts are unable to meet the terms of the contracts or if the value of the foreign currency changes unfavorably, the fund could sustain a loss.

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.

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 may loan securities to certain brokers, dealers and other financial institutions who pay the funds negotiated fees. The funds receive cash, letters of credit or U.S. government securities as collateral on these loans. All of the cash collateral received is reinvested in high quality, short-term investments. The value of the collateral must be at least 102% of the market value of the loaned securities as of the first day of the loan, and at least 100% each day thereafter.

The funds pay fees to affiliates of the investment adviser for various services. Through their trusts, 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 funds may engage in certain transactions involving related parties. For instance, a fund may own shares of The Charles Schwab Corporation if that company is included in its index. The funds also may let other SchwabFunds® buy and sell fund shares, particularly Schwab MarketTrack Portfolios®, which seek to provide investors with allocated portfolios of Schwab index funds.

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.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds®. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds®.

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 trusts were in compliance with these limitations throughout the report period. The trusts did not pay any of these persons for their service as trustees, but they did pay the non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

The funds may borrow money from banks and custodians. The funds may obtain temporary bank loans through the trusts to which they belong, to

use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

Fund	Amount outstanding at 10/31/03 (\$ × 1,000)	Average borrowing* (\$ × 1,000)	Weighted average interest rate* (%)
Schwab S&P 500 Fund	—	5,678	1.61
Schwab 1000®	—	2,293	1.62
Schwab Small-Cap Index Fund®	785	1,895	1.70
Schwab Total Stock Market Index Fund®	6,958	2,839	1.53
Schwab International Index Fund®	28	1,016	1.67

* Based on the number of days for which the borrowing is outstanding.

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 net realized 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. The net investment income and net realized capital gains and losses may differ for financial statement and tax purposes primarily due to differing treatments of losses on wash sales and foreign currency transactions.

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 the securities in their portfolios every business day. The funds use the following policies to value various types of securities:

- **Securities traded on an exchange or over-the-counter:** valued at closing value for the day, or, on days when no closing value has been reported, halfway between the most recent bid and asked quotes.
- **Securities for which no market quotations are readily available:** valued at fair value, as determined in good faith by the fund's investment adviser using guidelines adopted by the fund's Board of Trustees.
- **Futures and forwards:** open contracts are valued at their settlement prices as of the close of their exchanges (for futures) or at a market value based on that day's exchange rates (for forwards). When a fund closes out a futures or forwards position, it calculates the difference between the value of the position at the beginning and at the end, and records a realized gain or loss accordingly.
- **Short-term securities (60 days or less to maturity):** valued at amortized cost.

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

Dividends and distributions from portfolio securities are recorded on the date they are effective (the ex-dividend date), although the funds record certain foreign security dividends on the day they learn of the ex-dividend date.

Income from interest and the accretion of discount is recorded as it accrues.

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

Assets and liabilities denominated in foreign currencies are reported in U.S. dollars. For assets and liabilities held on a given date, the dollar value is based on market exchange rates in effect on that date. Transactions involving foreign currencies, including purchases, sales, income receipts and expense payments, are calculated using exchange rates in effect on the transaction date.

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

Report of independent auditors

To the Board of Trustees and Shareholders of:

Schwab S&P 500 Fund

Schwab 1000 Fund*

Schwab Small-Cap Index Fund*

Schwab Total Stock Market Index Fund*

Schwab International Index Fund*

In our opinion, the accompanying statements of assets and liabilities, including the portfolio holdings, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Schwab S&P 500 Fund, Schwab 1000 Fund (one of the portfolios constituting Schwab Investments), Schwab Total Stock Market Index Fund, Schwab Small-Cap Index Fund, and Schwab International Index Fund (hereafter collectively referred to as the “funds”) at October 31, 2003, and the results of each of their operations for the year then ended, the changes in each of their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the funds’ management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2003 by correspondence with the custodians and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, CA

December 12, 2003

Fund Trustees

A fund's Board of Trustees is responsible for protecting the interests of that fund's shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds (of which there were 49 as of 10/31/03) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp.; CEO, Director, Schwab Holdings, Inc.; Chair, Director, Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc.; Chair, Charles Schwab Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, The Gap, Inc. (clothing retailer), Siebel Systems (software); Trustee, Stanford University. <i>Until 6/03</i> : Director, Xsign, Inc. (electronic payment systems). <i>Until 5/03</i> : Co-Chair, The Charles Schwab Corporation. <i>Until 5/02</i> : Director, Vodafone AirTouch PLC (telecom). <i>Until 3/02</i> : Director, Audiobase, Inc. (Internet audio solutions). <i>Until 7/01</i> : Director, The Charles Schwab Trust Company. <i>Until 1/99</i> : Director, Schwab Retirement Plan Services, Inc., Mayer & Schweitzer, Inc. (securities brokerage subsidiary of The Charles Schwab Corp.), Performance Technologies, Inc. (technology), TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Equity Index Funds

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	Trustee:2003 (all trusts)	Vice Chair, EVP, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.
Jeffrey M. Lyons ¹ 2/22/55	Trustee: 2002 (all trusts).	EVP, Asset Management Products and Services, Charles Schwab & Co., Inc. <i>Until 9/01</i> : EVP, Mutual Funds, Charles Schwab & Co., Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; VP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Equity Index Funds

Individuals Who Are Independent Trustees		
Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, Director, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital. <i>2001</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Director, Non-Executive Chairman, Solelectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Networks (telecommunications); Public Governor, Member, executive committee, Pacific Stock & Options Exchange. Director, Digital Microwave Corp. (network equipment). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Director, Pennzoil-Quaker State Co. (oil and gas), Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products); Member, audit committee, Northern Border Partners, L.P. (energy).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investments).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

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.

asset allocation The practice of dividing a portfolio among different asset classes, with each asset class assigned a particular percentage.

asset class A group of securities with similar structure and basic characteristics. Stocks, bonds and cash are the three main examples of asset classes.

beta A historical measure of an investment's volatility relative to a market index (usually the S&P 500). The index is defined as having a beta of 1.00. Investments with a beta higher than 1.00 have been more volatile than the index; those with a beta of less than 1.00 have been less volatile.

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."

cap, capitalization See "market cap."

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.

earnings growth rate For a mutual fund, the average yearly rate at which the earnings of the companies in the fund's portfolio have grown, measured over the past five years.

earnings per share (EPS) A company's earnings, or net income, for the past 12 months, divided by the number of shares outstanding.

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.

market cap, market capitalization The value of a company as determined by the total value of all shares of its stock outstanding.

median market cap The midpoint of the range of market caps of the stocks held by a fund. There are different ways of calculating median market cap. With a simple median, half of the stocks in the fund's portfolio would be larger than the median, and half would be smaller. With a weighted median (the type that is calculated for these funds), half of the fund's assets are invested in stocks that are larger than the median market cap, and half in stocks that are smaller.

net asset value (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.

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

price-to-book ratio (P/B) The market price of a company's stock compared with its "book value." A mutual fund's P/B is the weighted average of the P/B of all stocks in the fund's portfolio.

price-to-earnings ratio (P/E) The market price of a company's stock compared with earnings over the past year. A mutual fund's P/E is the weighted average of the P/E of all stocks in the fund's portfolio.

return on equity (ROE) The average yearly rate of return for each dollar of investors' money, measured over the past five years.

stock A share of ownership, or equity, in the issuing company.

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

weighted average For mutual funds, an average that gives the same weight to each security as the security represents in the fund's portfolio.

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

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