

Schwab Equity Index Funds

Semiannual Report

April 30, 2004

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).

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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

When I look at the current economic trends, I see a lot of positive indicators. Corporate profits, revenues, capital spending and the employment numbers have been strong. With the GDP and capital spending also strong, we seem to be in the early stages of what could be a long-term economic recovery. However, even though stock market and economic cycles have historically been in synch, this now seems to be less certain.

The stock market, reflecting the uncertainty around the globe, has become increasingly volatile. Whether it's the war in Iraq or global terrorism, investors are exposed to frightening images over and over again throughout the day. This may play on investors' emotions, potentially contributing to the market's recent volatility.

Given this, and because it can be so difficult to fight your emotions, I believe it's more important than ever to stay diversified. By being diversified across and within all asset classes, you have an "all-weather" portfolio that can offer you some balance in any market climate. There are very obvious reasons why diversification is useful, but what I believe is its understated beauty is that it gives many of you the discipline you need to stick with a well thought out strategy.

I have been a fan of mutual funds throughout my long investing career. I say this because I firmly believe that mutual funds are a cost-effective and convenient way for investors to achieve a diversified portfolio. And as we face increasing uncertainty in the world and in the stock markets, this is perhaps more important than ever.

Overall, despite the likelihood of short-term market volatility, I maintain complete faith in the strength of the U. S. economy. I always have believed and continue to believe that the stock market is the best place for long-term investing, and that with a wise investing plan – and a well diversified portfolio – you will be well-positioned to meet your financial goals.

Sincerely,

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

Management's Discussion

for the six months ended April 30, 2004



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 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

The stock market's continued recovery during the report period was welcome news to long-term investors, especially those of you who had suffered through declining share prices before then.

For years, investors sold stocks and stock mutual funds when the economy was weak or when geopolitical tensions heightened, despite the fact that stock and fund prices often were relatively cheap during those dark hours. Over the past year, however, I've spoken with many individual investors who benefited from sticking with their long-term asset-allocation plans. As a result, they were able to participate in the past year's stock market gains. They learned how difficult it is to successfully "time the market" and determine when to "be in cash." Many have given up this chase altogether and have benefited both financially and emotionally.

Given the ongoing geopolitical situation, however, it's quite understandable that many investors are nervous, and some are again acting more on their emotions than on sound investment principles. When you invest in SchwabFunds®, you can be assured that our portfolio managers understand your concerns and are diligent in their approach to the investment process. Key to this is their knowledge of and adherence to each fund's objective and their vigilant focus on remaining true to it. In short, each of our portfolio manager's responsibility is to remain consistent in implementing their investment strategies, despite the market's fluctuations.

There's one more thing I want to address in this letter and that is, as of July 19, 2004, following a distinguished ten-year career at Schwab, Geri Hom, senior portfolio manager, has decided to retire. Jeff Mortimer, senior vice-president and chief investment officer, equities of Charles Schwab Investment Management, Inc., assumes Geri's responsibilities for overall management of the funds.

I expect these changes to be seamless to our shareholders, as SchwabFunds® has been and will continue to be managed by teams of seasoned professionals, who remain committed to their investing styles. We thank you for your trust in us as we help you reach your long- or short-term financial goals.

Sincerely,

Randall W. Merk



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, which had improved during the second half of 2003, picked up steam at the end of the year and continued to show signs of recovery through the current report period of November 1, 2003 through April 30, 2004. The securities market reflected the positive news through first-quarter 2004. During that time, the market started to bounce around a little, as evidenced by the volatility in the S&P 500® Index in February and March. Toward the end of the report period, in late April, the market fell precipitously and many of the funds' 2004 gains were lost. Nonetheless, its earlier performance was strong enough to push the broader market up 6.27% for the report period, as measured by the S&P 500® Index.

While the economy officially emerged from recession in 2001, the recovery didn't fully materialize until 2003. And it wasn't until late in 2003 when investors started buying companies with good solid fundamentals. During this time, both the manufacturing and services sectors exhibited strong growth. Capital spending showed signs of life amid rising corporate profits.

The economy continued to expand in 2004. Businesses added to their inventories, factory orders rose amid the pick-up in capital spending and production gained some strength. Retail sales continued to rise, despite a mid-quarter pause in the upward trend in consumer confidence, and higher commodity prices were holding. Mortgage refinancing activity, while still significant, started to show signs of waning as mortgage rates inched slightly upward. And finally, the last piece of the economic puzzle—job growth—began to exhibit solid growth.

On the currency front, the dollar rebounded from its lows, due to two reasons. First, the U. S. economy grew more than most other countries' economies did. The second reason is the expectation that interest rates will rise, which has served to stimulate inflows of foreign capital.

The Federal Reserve (Fed) left interest rates unchanged during the period. Inflation began to accelerate, alleviating Fed fears of possible deflation. Consequent expectations that the Fed would soon begin to raise interest rates weighed on markets toward the end of the period. Nevertheless, economic fundamentals remained sound. With delayed job growth underway, the economy was improving on all fronts. Strong

With delayed job growth underway, the economy was improving on all fronts. Strong personal income growth fueled consumer spending, despite higher oil prices and concerns about terrorism and the war in Iraq.

personal income growth fueled consumer spending, despite higher oil prices and concerns about terrorism and the war in Iraq. Business profits exhibited another strong quarterly gain and investment in equipment and inventories remained healthy. In sum, it appeared that the economy, indeed, was back on track.

The Funds

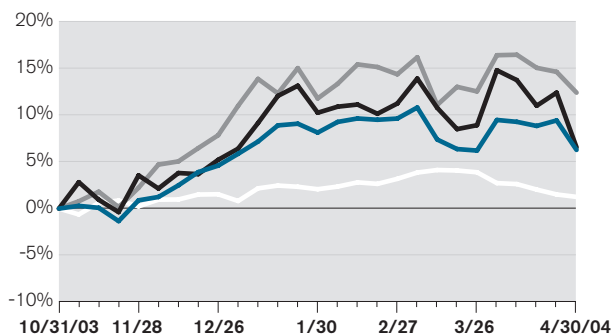
The equities market started off strong at the beginning of the period that ran from November 1, 2003 through April 30, 2004. Toward the middle of first-quarter 2004, however, the market, as evidenced by the S&P 500® Index, became fairly volatile and bounced around until the end of April, when it dropped precipitously, giving up some of its earlier gains. Nonetheless, performance of all of the Equity Index Funds was positive over the report period, closely tracking their benchmarks.

The S&P 500® Index closed at 1107.30, up 6.27% for the period. First-quarter earnings came in very strong. As of the end of April, 410 of the 500 companies in the index had reported earnings, which were an average 8.4% higher than analysts' estimates.

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.

- 6.27% **S&P 500® Index:** measures U.S. large-cap stocks
- 6.54% **Russell 2000® Index:** measures U.S. small-cap stocks
- 12.39% **MSCI-EAFE® Index:** measures (in U.S. dollars) large-cap stocks in Europe, Australasia and the Far East
- 1.25% **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 cannot 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 six months ended 4/30/04

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value will fluctuate so that an investor's shares may be worth more or less than their original cost. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit www.schwab.com/schwabfunds.

Schwab S&P 500 Fund

Investor Shares	6.06%
Select Shares	6.16%
e.Shares	6.13%
Benchmark	6.27%

Performance Details pages 7-9

Schwab 1000 Fund

Investor Shares	5.84%
Select Shares	5.89%
Benchmark	6.04%

Performance Details pages 11-12

Schwab Small-Cap Index Fund

Investor Shares	4.07%
Select Shares	4.14%
Benchmark	4.16%

Performance Details pages 14-15

Schwab Total Stock Market Index Fund

Investor Shares	6.35%
Select Shares	6.41%
Benchmark	6.40%

Performance Details pages 17-18

Schwab International Index Fund

Investor Shares	11.61%
Select Shares	11.68%
Benchmark	12.06%

Performance Details pages 20-21

In terms of performance, the top industry, as measured by the S&P 500® Index, was energy, up 22.44% for the period, due in part to the soaring price of a barrel of oil. Coming in second was telecommunications services, which was up 12.38%, followed by the consumer staples industry, which grew 10.42%. The worst performing industry over the period was information technology, which was down 3.96%.

The Schwab S&P 500 Fund was up 6.06% for the period, closely tracking the S&P 500® Index. While small cap led the way up until April, “bigger became better,” as small-cap stocks’ edge was replaced by large-cap stocks. The best performing sector was energy, which was up 22.44% for the period. The worst performing sector was information technology, down 3.96%

The Schwab 1000 Fund was up 5.84%, closely tracking its benchmark, the Schwab 1000 Index®. The best performing sector was energy, which was up 22.44% for the report period. The weakest sector was information technology, which was down 3.96%.

The Schwab Small-Cap Index Fund was up 4.07% for the period, closely tracking its benchmark, the Schwab Small-Cap Index®. Small-cap stocks were in favor for most of the period, but lost much of their first-quarter sheen in April, when the market started to favor larger-cap stocks. The top performing sector was energy, which was up 34.57% for the period. Within the sector, crude-oil producers returned the most. Conversely, the weakest sector was telecommunications services, which was down 22.65%. Because the fund was underweight, however, it negatively impacted returns by only 0.22%.

Schwab Total Stock Market Index Fund was up 6.35%, closely tracking its benchmark, the Wilshire 5000 Total Market Index. The fund benefited from its exposure to small-cap stocks, which led the market for most of the report period. The best performing sector was energy, followed by health care and telecommunications.

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.

Expenses may be partially absorbed by CSIM and Schwab. Without these reductions, the funds’ total returns 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.

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.

The Schwab International Index Fund closely tracked its benchmark, the Schwab International Index®. All countries in the index contributed positively to results, with Sweden, Spain and Italy being the strongest performers. The sectors of strength included energy, which was up 20.05%, and the utilities sector, which was up 18.05%. The weakest sectors, information technology, up 6.84%, and materials, up 6.64%, were still in positive territory for the period.

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

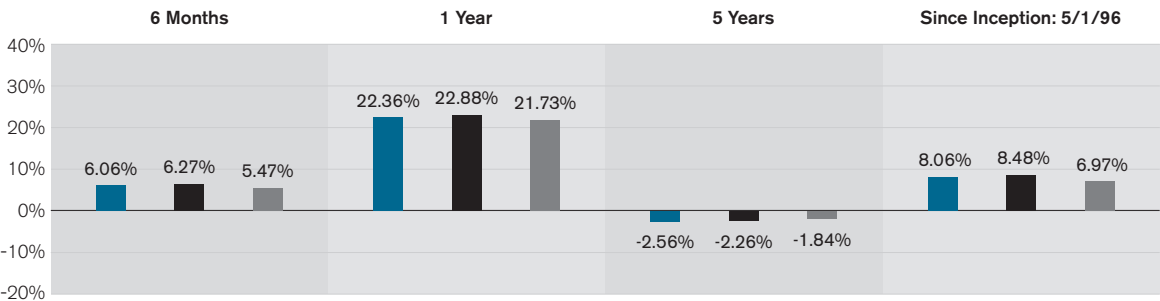
Schwab S&P 500 Fund

Investor Shares Performance as of 4/30/04

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**



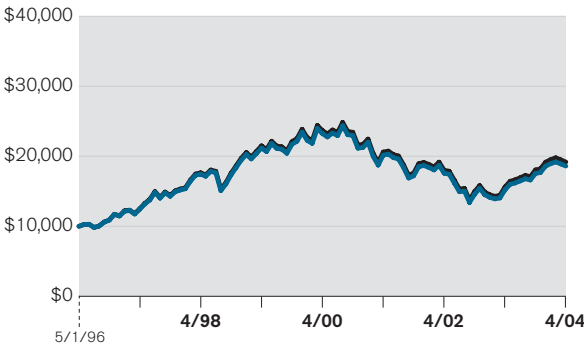
Total Returns After Tax	6 Months	1 Year	5 Years	Since Inception
Pre-Liquidation (still own shares)	5.86%	22.13%	-2.92%	7.68%
Post-Liquidation (shares were sold)	4.19%	14.83%	-2.35%	6.85%

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment returns and principal value will fluctuate so that an investor's shares may be worth more or less than their original cost. Current performance may be lower or higher than performance data quoted. To obtain more current performance information, please visit www.schwab.com/schwabfunds.

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.

- \$18,601 **Investor Shares**
- \$19,187 **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. Results for the report period are not annualized.

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 4/30/04 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.

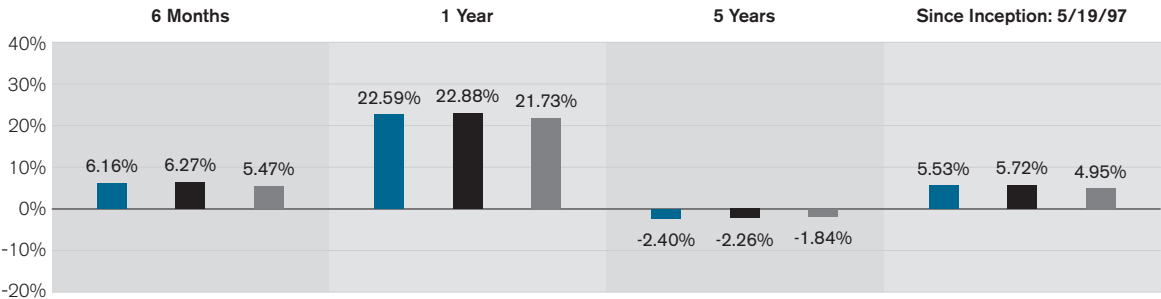
² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

Select Shares Performance as of 4/30/4

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**



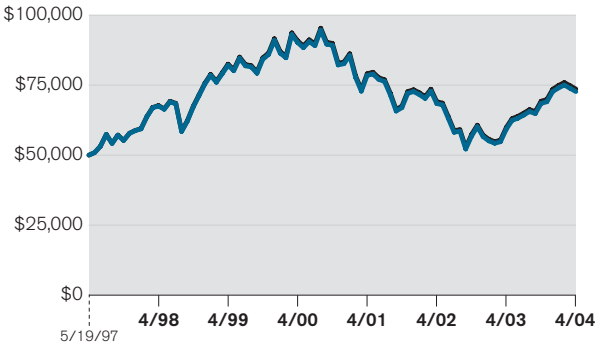
Total Returns After Tax	6 Months		1 Year		5 Years		Since Inception	
Pre-Liquidation (still own shares)	5.94%	3.29%	22.34%	19.51%	-2.81%	-2.94%	5.09%	n/a
Post-Liquidation (shares were sold)	4.28%	2.29%	15.01%	12.89%	-2.25%	-2.05%	4.54%	n/a

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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.

- \$72,695 **Select Shares**
- \$73,627 **S&P 500® Index**



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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 4/30/04 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.

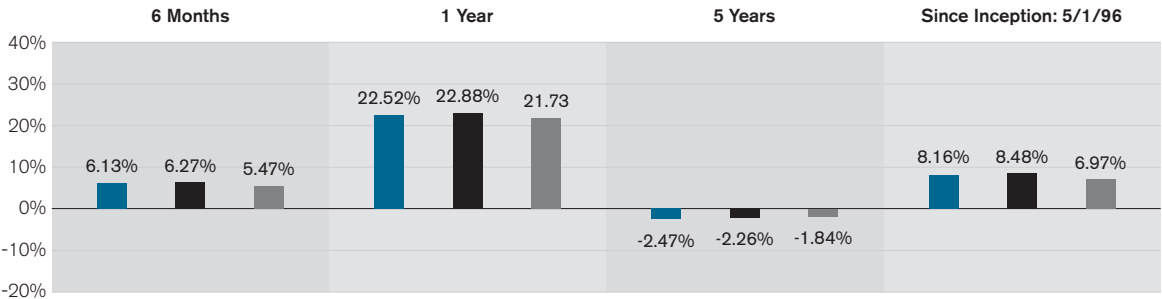
² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

e.Shares Performance as of 4/30/04

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**



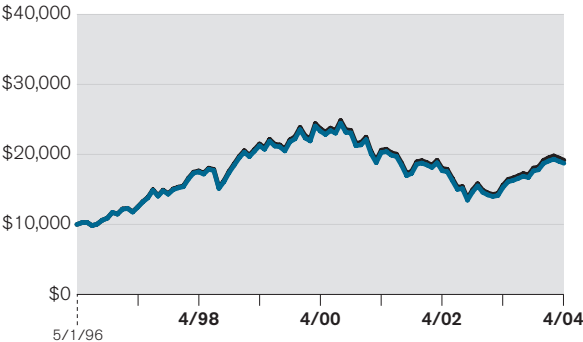
Total Returns After Tax	6 Months		1 Year		5 Years		Since Inception	
Pre-Liquidation (still own shares)	5.91%	3.29%	22.27%	19.51%	-2.87%	-2.94%	7.74%	n/a
Post-Liquidation (shares were sold)	4.25%	2.29%	14.95%	12.89%	-2.30%	-2.05%	6.92%	n/a

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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.

- \$18,738 **e.Shares**
- \$19,187 **S&P 500® Index**



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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 4/30/04 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.

Fund Facts as of 4/30/04

Style Assessment¹



Statistics

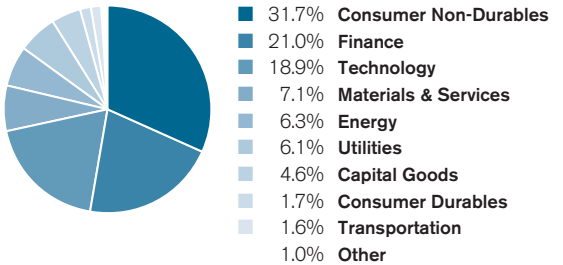
Number of Holdings	501
Weighted Average Market Cap (\$ x 1,000,000)	\$89,407
Price/Earnings Ratio (P/E)	20.4
Price/Book Ratio (P/B)	3.1
Portfolio Turnover Rate ²	2%

Top Holdings³

Security	% of Net Assets
1 General Electric Co.	3.0%
2 Microsoft Corp.	2.7%
3 Exxon Mobil Corp.	2.7%
4 Pfizer, Inc.	2.6%
5 Citigroup, Inc.	2.4%
6 Wal-Mart Stores, Inc.	2.4%
7 American International Group, Inc.	1.8%
8 Intel Corp.	1.6%
9 Bank of America Corp.	1.6%
10 Johnson & Johnson	1.6%
Total	22.4%

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.



Portfolio holdings may have changed since 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 4/30/04, which may have changed since then, and is not a precise indication of risk or performance—past, present, or future.

² Not annualized.

³ This list is not a recommendation of any security by the investment adviser.

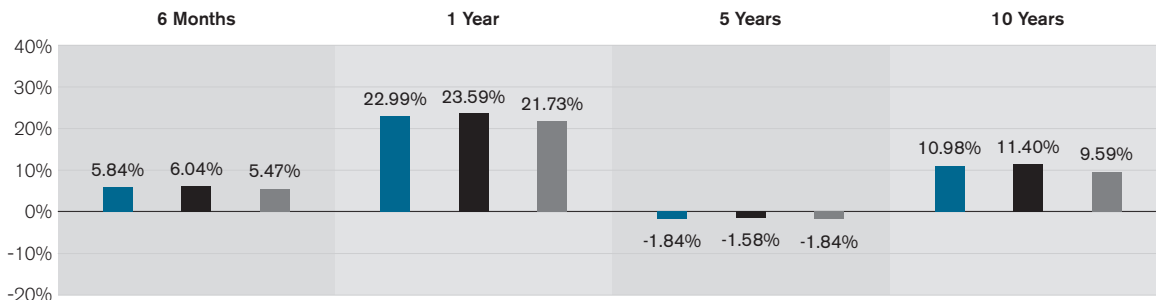
Schwab 1000 Fund

Investor Shares Performance as of 4/30/04

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**



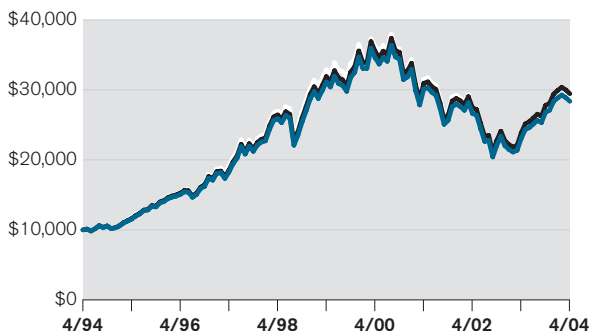
Total Returns After Tax	6 Months	1 Year	5 Years	10 Years
Pre-Liquidation (still own shares)	5.66%	22.79%	-2.14%	10.53%
Post-Liquidation (shares were sold)	4.02%	15.21%	-1.72%	9.53%

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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.

■ \$28,363 **Investor Shares**
 ■ \$29,450 **Schwab 1000 Index®**
 □ \$29,325 **S&P 500® Index**



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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 4/30/04 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.

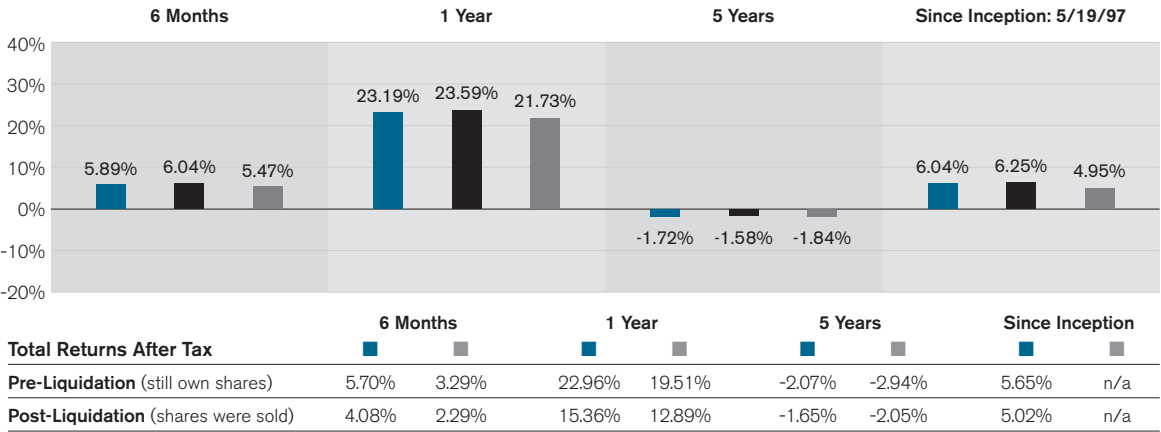
² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

Select Shares Performance as of 4/30/04

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.

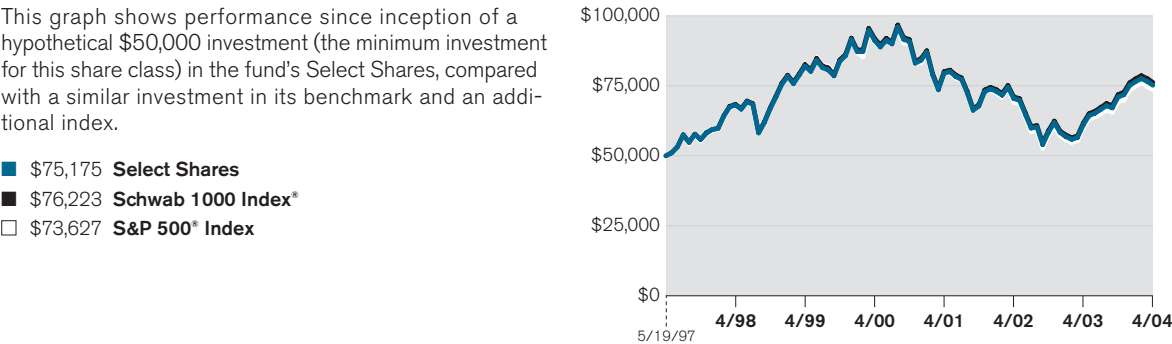
■ Fund: **Select Shares**
■ Benchmark: **Schwab 1000 Index®**
■ Fund Category: **Morningstar Large-Cap Blend**



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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.



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. Results for the report period are not annualized.

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 4/30/04 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.

Fund Facts as of 4/30/04

Style Assessment¹

Statistics

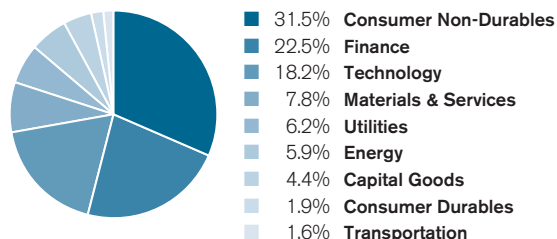
Number of Holdings	996
Weighted Average Market Cap (\$ x 1,000,000)	\$79,389
Price/Earnings Ratio (P/E)	21.0
Price/Book Ratio (P/B)	2.9
Portfolio Turnover Rate ²	3%

Top Holdings³

Security	% of Net Assets
① General Electric Co.	2.6%
② Microsoft Corp.	2.4%
③ Exxon Mobil Corp.	2.4%
④ Pfizer, Inc.	2.3%
⑤ Citigroup, Inc.	2.1%
⑥ Wal-Mart Stores, Inc.	2.1%
⑦ American International Group, Inc.	1.6%
⑧ Intel Corp.	1.4%
⑨ Bank of America Corp.	1.4%
⑩ Johnson & Johnson	1.4%
Total	19.7%

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.



Portfolio holdings may have changed since 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 4/30/04, which may have changed since then, and is not a precise indication of risk or performance—past, present, or future.

² Not annualized.

³ This list is not a recommendation of any security by the investment adviser.

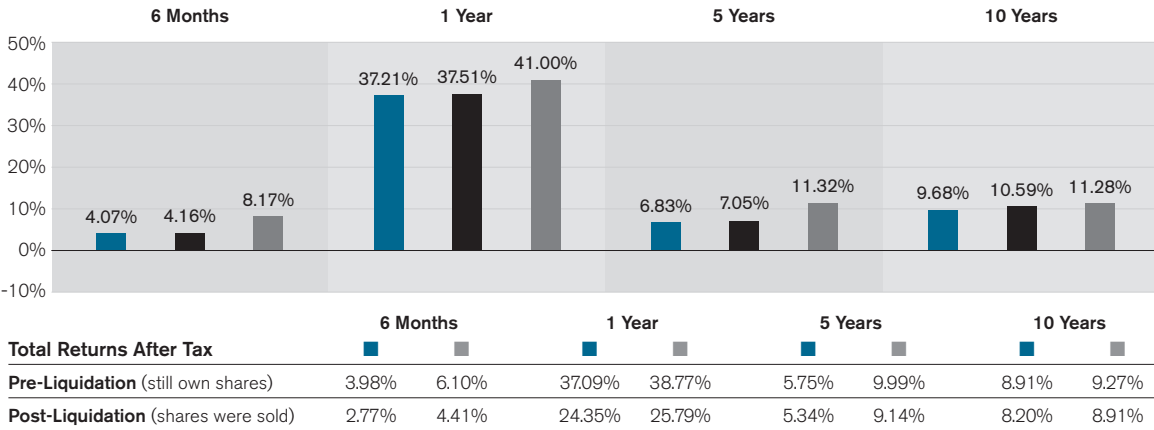
Schwab Small-Cap Index Fund

Investor Shares Performance as of 4/30/04

Pre- and Post-Tax Average Annual Total Returns¹

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**

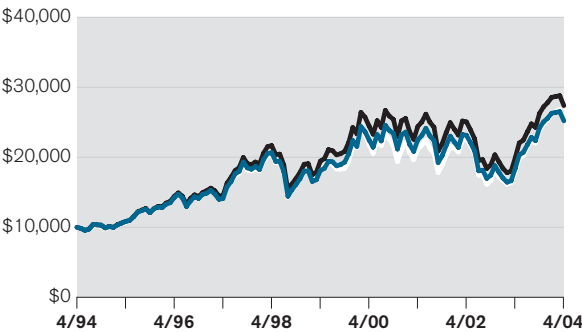


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Performance of a Hypothetical \$10,000 Investment²

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.

- \$25,200 **Investor Shares**
- \$27,376 **Schwab Small-Cap Index®**
- \$25,458 **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. Results for the report period are not annualized.

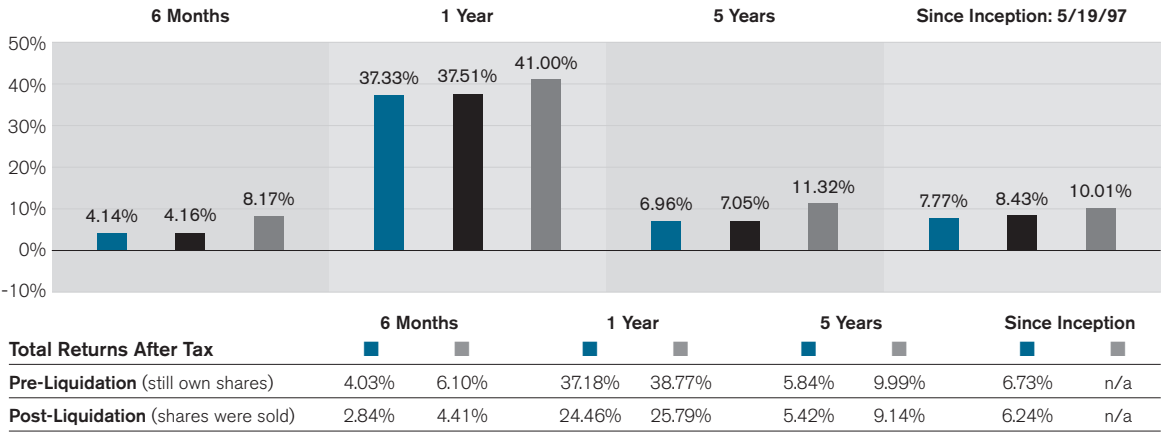
¹ The pre-tax total return and the graph do not reflect the deduction of taxes that a shareholder marginal income tax rates in effect as of 4/30/04 and do not reflect the impact of state and local taxes or the alternative minimum tax. Actual returns depend on an investor's situation and may differ from 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.

Select Shares Performance as of 4/30/04

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**

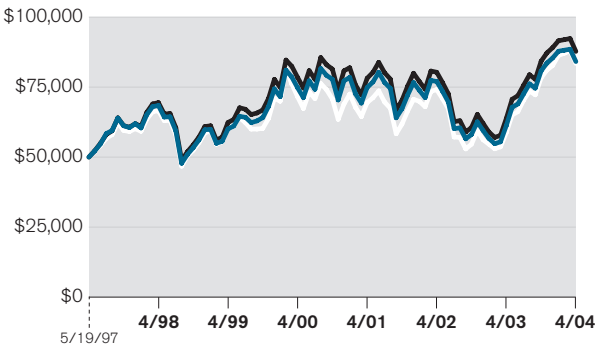


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Performance of a Hypothetical \$50,000 Investment²

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.

- \$84,120 **Select Shares**
■ \$87,745 **Schwab Small-Cap Index®**
□ \$83,427 **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. Results for the report period are not annualized.

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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.

Fund Facts as of 4/30/04

Style Assessment¹



Statistics

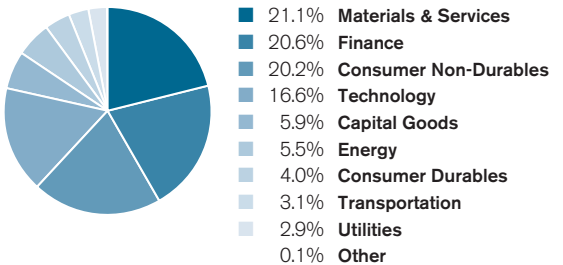
Number of Holdings	996
Weighted Average Market Cap (\$ x 1,000,000)	\$823
Price/Earnings Ratio (P/E)	48.9
Price/Book Ratio (P/B)	2.1
Portfolio Turnover Rate ²	36%

Top Holdings³

Security	% of Net Assets
① UnitedGlobalCom, Inc., Class A	0.4%
② MGI Pharma, Inc.	0.3%
③ United Defense Industries, Inc.	0.3%
④ Onyx Pharmaceuticals, Inc.	0.2%
⑤ Pediatrix Medical Group, Inc.	0.2%
⑥ Ask Jeeves, Inc.	0.2%
⑦ Hughes Supply, Inc.	0.2%
⑧ Resmed, Inc.	0.2%
⑨ Tularik, Inc.	0.2%
⑩ Cathay Bancorp., Inc.	0.2%
Total	2.4%

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.



Portfolio holdings may have changed since 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 4/30/04, which may have changed since then, and is not a precise indication of risk or performance—past, present, or future.

² Not annualized.

³ This list is not a recommendation of any security by the investment adviser.

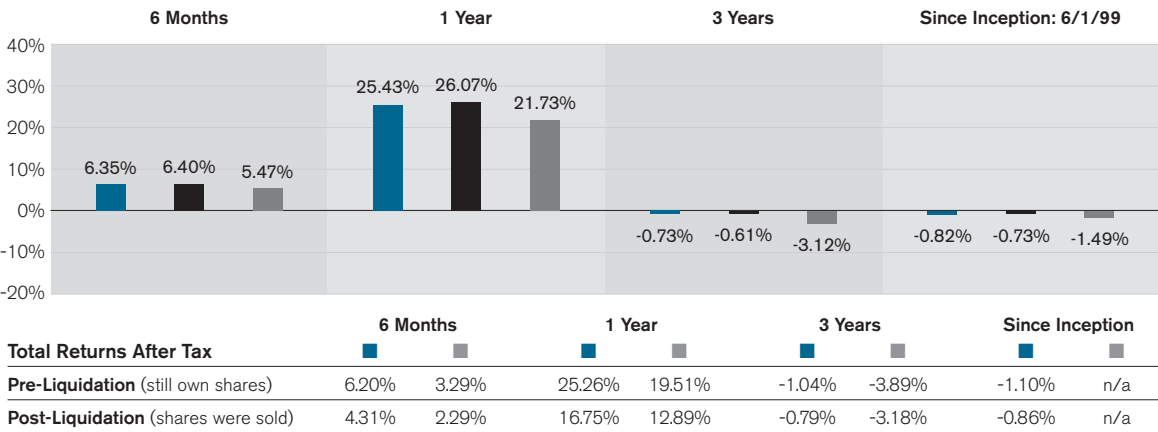
Schwab Total Stock Market Index Fund

Investor Shares Performance as of 4/30/04

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**

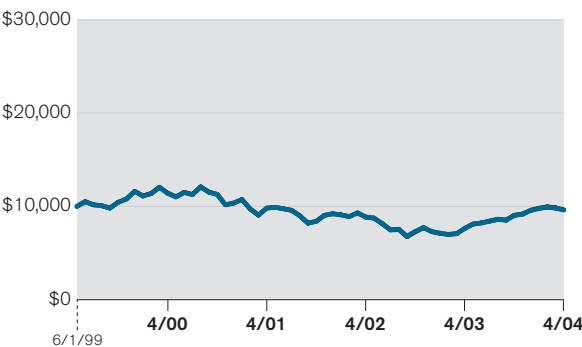


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Performance of a Hypothetical \$10,000 Investment²

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.

- \$9,603 **Investor Shares**
- \$9,644 **Wilshire 5000 Total Market Index**



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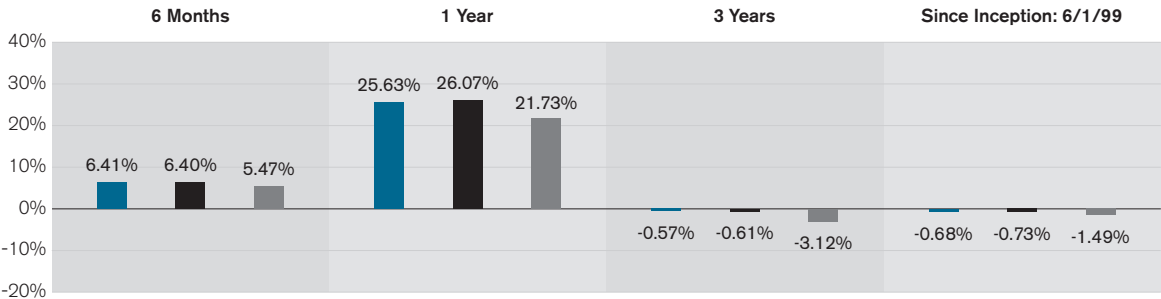
² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

Select Shares Performance as of 4/30/04

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**



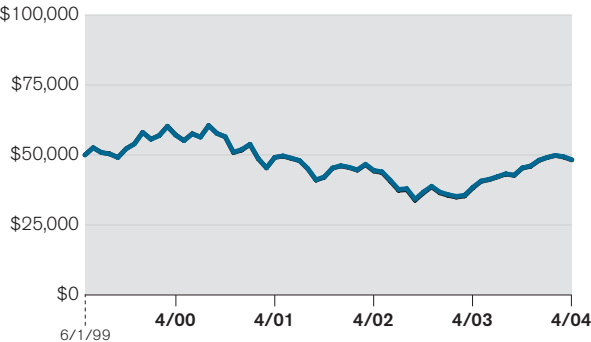
Total Returns After Tax	6 Months		1 Year		3 Years		Since Inception	
Pre-Liquidation (still own shares)	6.24%	3.29%	25.43%	19.51%	-0.92%	-3.89%	-1.00%	n/a
Post-Liquidation (shares were sold)	4.37%	2.29%	16.90%	12.89%	-0.68%	-3.18%	-0.76%	n/a

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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.

- \$48,345 **Select Shares**
- \$48,221 **Wilshire 5000 Total Market Index**



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Fund Facts as of 4/30/04

Style Assessment¹



Statistics

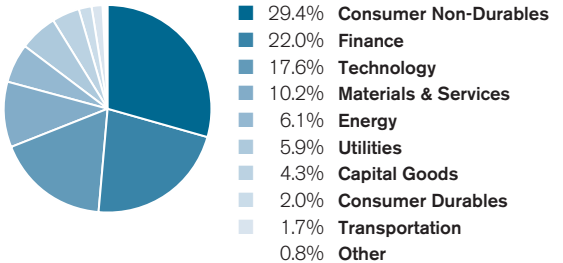
Number of Holdings	3,088
Weighted Average Market Cap (\$ x 1,000,000)	\$70,892
Price/Earnings Ratio (P/E)	21.4
Price/Book Ratio (P/B)	2.8
Portfolio Turnover Rate ²	0%

Top Holdings³

Security	% of Net Assets
1 General Electric Co.	2.3%
2 Microsoft Corp.	2.1%
3 Exxon Mobil Corp.	2.1%
4 Pfizer, Inc.	2.0%
5 Citigroup, Inc.	1.9%
6 Wal-Mart Stores, Inc.	1.8%
7 American International Group, Inc.	1.4%
8 Intel Corp.	1.2%
9 Bank of America Corp.	1.2%
10 Johnson & Johnson	1.2%
Total	17.2%

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.



Portfolio holdings may have changed since 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 4/30/04, which may have changed since then, and is not a precise indication of risk or performance—past, present, or future.

² Rounded to the nearest whole number. Not annualized.

³ This list is not a recommendation of any security by the investment adviser.

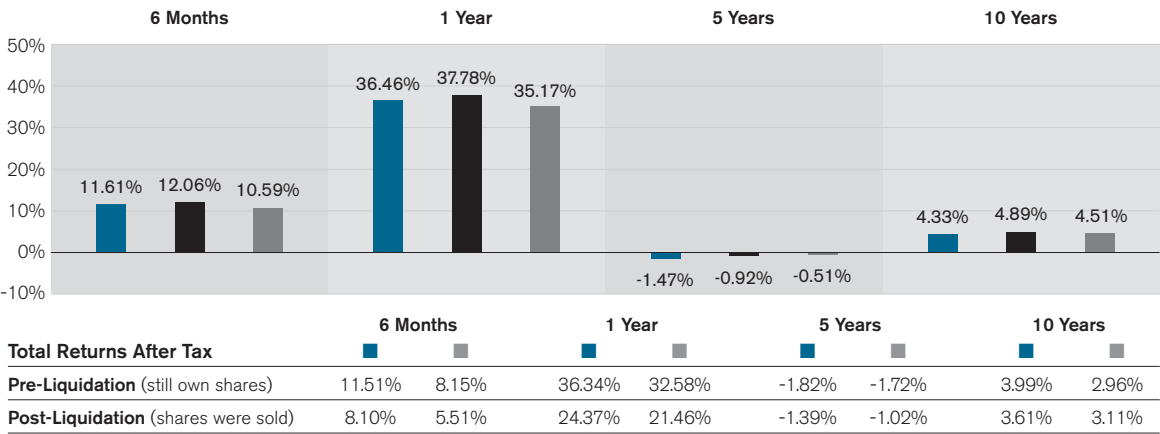
Schwab International Index Fund

Investor Shares Performance as of 4/30/04

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**

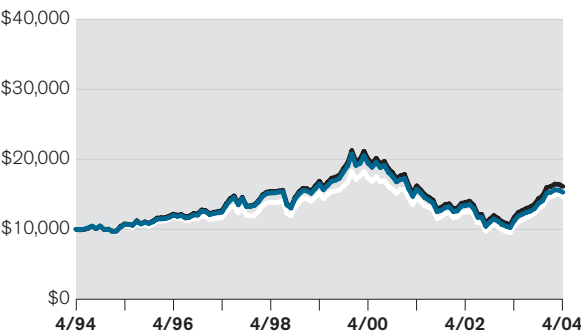


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Performance of a Hypothetical \$10,000 Investment²

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.

- \$15,286 **Investor Shares**
- \$16,118 **Schwab International Index[®]**
- \$14,635 **MSCI-EAFE[®] Index**



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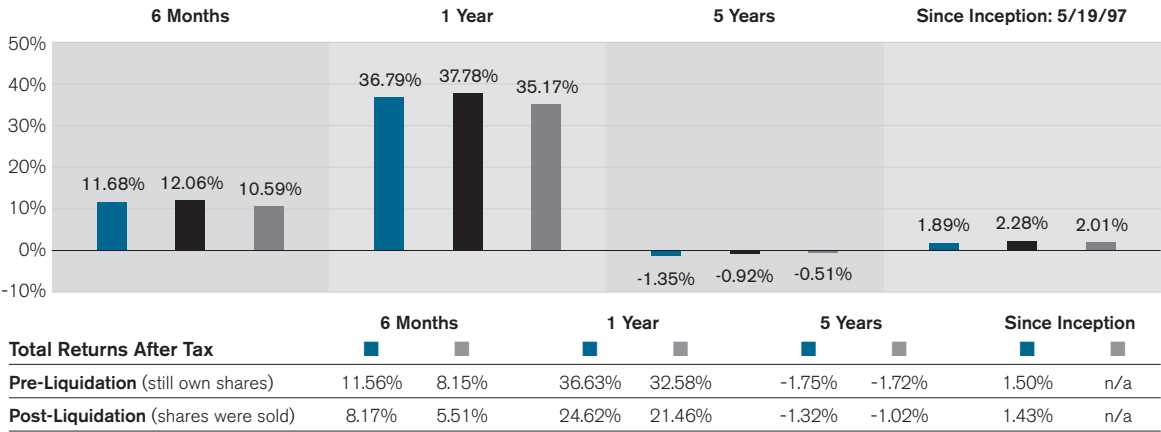
² Fund expenses have been partially absorbed by CSIM and Schwab. Without these reductions, the fund's returns would have been lower.

Select Shares Performance as of 4/30/04

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.

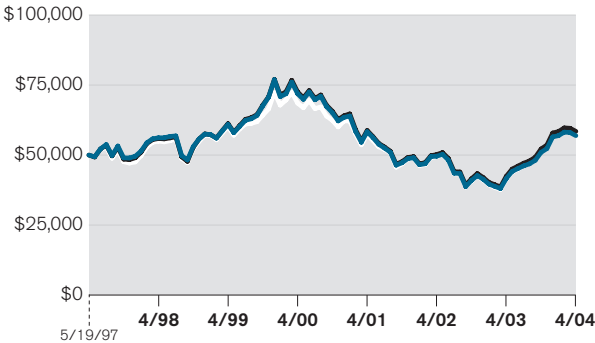
- Fund: **Select Shares**
- Benchmark: **Schwab International Index[®]**
- Fund Category: **Morningstar Foreign Large-Cap Blend**



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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.



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. Results for the report period are not annualized.

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Fund Facts as of 4/30/04

Style Assessment¹Top Holdings²

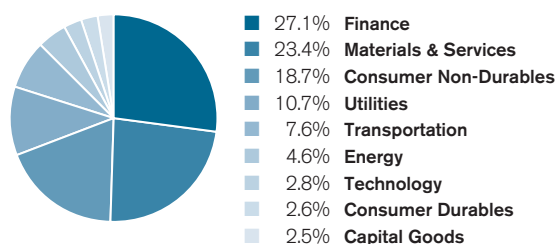
Security	% of Net Assets
① BP PLC	3.1%
② Vodafone Group PLC	2.7%
③ HSBC Holdings PLC	2.5%
④ GlaxoSmithKline PLC	2.0%
⑤ Total Fina Elf SA	1.9%
⑥ Novartis AG, Registered	1.7%
⑦ Nestle SA, Registered	1.6%
⑧ Royal Dutch Petroleum Co.	1.6%
⑨ Toyota Motor Corp.	1.6%
⑩ Royal Bank of Scotland Group PLC	1.3%
Total	20.0%

Statistics

Number of Holdings	359
Weighted Average Market Cap (\$ x 1,000,000)	\$52,737
Price/Earnings Ratio (P/E)	22.8
Price/Book Ratio (P/B)	2.1
Portfolio Turnover Rate³	1%

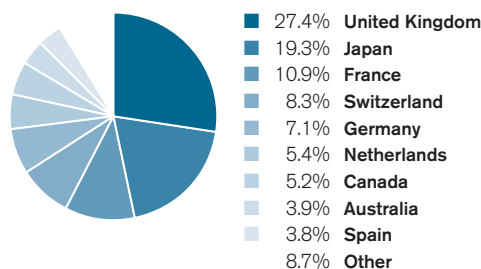
Sector Weightings % of Portfolio

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.



Portfolio holdings may have changed since 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 4/30/04, 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.

³ Not annualized.

Schwab S&P 500 Fund

Financial Statements

Financial Highlights

Investor Shares	11/1/03– 4/30/04*	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	16.36	13.79	16.45	22.15	21.17	17.05
Income or loss from investment operations:						
Net investment income	0.11	0.20	0.20	0.17	0.17	0.17
Net realized and unrealized gains or losses	0.87	2.57	(2.68)	(5.70)	1.06	4.10
Total income or loss from investment operations	0.98	2.77	(2.48)	(5.53)	1.23	4.27
Less distributions:						
Dividends from net investment income	(0.21)	(0.20)	(0.18)	(0.17)	(0.18)	(0.15)
Distributions from net realized gains	–	–	–	–	(0.07)	–
Total distributions	(0.21)	(0.20)	(0.18)	(0.17)	(0.25)	(0.15)
Net asset value at end of period	17.13	16.36	13.79	16.45	22.15	21.17
Total return (%)	6.06 ¹	20.39	(15.32)	(25.11)	5.81	25.20
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.37 ²	0.36	0.35	0.35	0.36 ³	0.35
Gross operating expenses	0.45 ²	0.46	0.46	0.46	0.52	0.62
Net investment income	1.31 ²	1.45	1.21	0.95	0.81	1.01
Portfolio turnover rate	2 ¹	3	8	4	9	3
Net assets, end of period (\$ x 1,000,000)	3,800	3,510	2,760	3,070	3,617	3,183

* Unaudited.

¹ Not annualized.

² Annualized.

³ The ratio of net operating expenses would have been 0.35% if certain non-routine expenses (proxy fees) had not been included.

Financial Highlights

Select Shares	11/1/03– 4/30/04*	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	16.41	13.83	16.50	22.21	21.23	17.09
Income or loss from investment operations:						
Net investment income	0.12	0.24	0.22	0.20	0.20	0.20
Net realized and unrealized gains or losses	0.88	2.57	(2.69)	(5.71)	1.06	4.12
Total income or loss from investment operations	1.00	2.81	(2.47)	(5.51)	1.26	4.32
Less distributions:						
Dividends from net investment income	(0.23)	(0.23)	(0.20)	(0.20)	(0.21)	(0.18)
Distributions from net realized gains	—	—	—	—	(0.07)	—
Total distributions	(0.23)	(0.23)	(0.20)	(0.20)	(0.28)	(0.18)
Net asset value at end of period	17.18	16.41	13.83	16.50	22.21	21.23
Total return (%)	6.16 ¹	20.62	(15.20)	(24.97)	5.94	25.42
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.19 ²	0.19	0.19	0.19	0.20 ³	0.19
Gross operating expenses	0.30 ²	0.31	0.31	0.31	0.36	0.47
Net investment income	1.49 ²	1.63	1.37	1.11	0.98	1.17
Portfolio turnover rate	2 ¹	3	8	4	9	3
Net assets, end of period (\$ x 1,000,000)	4,018	3,692	3,029	3,563	4,357	3,750

* Unaudited.

¹ Not annualized.² Annualized.³ The ratio of net operating expenses would have been 0.19% if certain non-routine expenses (proxy fees) had not been included.

e.Shares	11/1/03– 4/30/04*	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	16.37	13.79	16.46	22.17	21.21	17.08
Income or loss from investment operations:						
Net investment income	0.12	0.23	0.23	0.20	0.20	0.20
Net realized and unrealized gains or losses	0.87	2.56	(2.71)	(5.71)	1.04	4.09
Total income or loss from investment operations	0.99	2.79	(2.48)	(5.51)	1.24	4.29
Less distributions:						
Dividends from net investment income	(0.22)	(0.21)	(0.19)	(0.20)	(0.21)	(0.16)
Distributions from net realized gains	—	—	—	—	(0.07)	—
Total distributions	(0.22)	(0.21)	(0.19)	(0.20)	(0.28)	(0.16)
Net asset value at end of period	17.14	16.37	13.79	16.46	22.17	21.21
Total return (%)	6.13 ¹	20.55	(15.32)	(25.02)	5.84	25.28
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.28 ²	0.28	0.28	0.28	0.29 ³	0.28
Gross operating expenses	0.30 ²	0.31	0.31	0.31	0.36	0.48
Net investment income	1.40 ²	1.54	1.28	1.02	0.88	1.08
Portfolio turnover rate	2 ¹	3	8	4	9	3
Net assets, end of period (\$ x 1,000,000)	254	246	220	304	441	435

* Unaudited.

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

Portfolio Holdings as of April 30, 2004, unaudited

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)	Value (\$x1,000)
99.8% Common Stock	7,378,765	8,052,162
0.1% Short-Term Investment	7,073	7,073
0.0% U.S. Treasury Obligations	844	844
99.9% Total Investments	7,386,682	8,060,079
8.2% Collateral Invested for Securities on Loan	663,201	663,201
(8.1)% Other Assets and Liabilities, Net		(652,365)
100.0% Total Net Assets		8,070,915

Security and Number of Shares **Value**
(\$ x 1,000)

Common Stock 99.8% of net assets

Aerospace / Defense 1.7%

The Boeing Co.	661,222	28,227
Crane Co.	44,919	1,384
General Dynamics Corp.	156,982	14,697
Goodrich Corp.	92,739	2,670
Lockheed Martin Corp.	352,596	16,819
Northrop Grumman Corp.	145,372	14,427
Raytheon Co.	323,772	10,445
Rockwell Automation, Inc.	147,698	4,828
Rockwell Collins, Inc.	139,398	4,496
Textron, Inc.	108,629	5,994
United Technologies Corp.	401,913	34,669
		138,656

Security and Number of Shares **Value**
(\$ x 1,000)

Air Transportation 1.1%

Delta Air Lines, Inc.	94,113	585
FedEx Corp.	232,042	16,686
Sabre Holdings Corp.	110,153	2,599
Southwest Airlines Co.	614,218	8,771
United Parcel Service, Inc., Class B	880,769	61,786
		90,427

Alcoholic Beverages 0.5%

Adolph Coors Co., Class B	28,531	1,875
Anheuser-Busch Cos., Inc.	636,634	32,621
Brown-Forman Corp., Class B	95,468	4,474
		38,970

Apparel 0.3%

Jones Apparel Group, Inc.	100,343	3,673
Liz Claiborne, Inc.	83,728	2,939
Nike, Inc., Class B	207,117	14,902
Reebok International Ltd.	47,859	1,741
VF Corp.	84,078	3,881
		27,136

Automotive Products / Motor Vehicles 1.2%

Cooper Tire & Rubber Co.	56,866	1,216
Cummins, Inc.	33,451	2,001
Dana Corp.	115,009	2,318
Danaher Corp.	121,589	11,249
Delphi Corp.	433,000	4,417
Eaton' Corp.	118,896	7,060
Ford Motor Co.	1,430,712	21,976
General Motors Corp.	437,828	20,762
Genuine Parts Co.	136,090	4,872
Goodyear Tire & Rubber Co.	135,681	1,182
Harley-Davidson, Inc.	236,933	13,344
• Navistar International Corp.	54,800	2,474
Visteon Corp.	99,156	1,077
		93,948

Banks 7.4%

AmSouth Bancorp.	275,065	6,057
⑨ Bank of America Corp.	1,598,036	128,626
The Bank of New York Co., Inc.	606,514	17,674

Security and Number of Shares	Value (\$ x 1,000)
Bank One Corp. 874,615	43,180
BB&T Corp. 429,459	14,812
Comerica, Inc. 137,259	7,087
Fifth Third Bancorp 440,705	23,648
First Horizon National Corp. 96,900	4,260
Huntington Bancshares, Inc. 179,750	3,847
J.P. Morgan Chase & Co. 1,608,324	60,473
KeyCorp, Inc. 329,765	9,794
M&T Bank Corp. 93,704	7,965
Marshall & Ilsley Corp. 177,996	6,545
Mellon Financial Corp. 335,413	9,941
National City Corp. 475,473	16,485
North Fork Bancorp., Inc. 119,300	4,428
Northern Trust Corp. 171,112	7,234
PNC Financial Services Group, Inc. 215,427	11,439
Regions Financial Corp. 174,436	6,055
SouthTrust Corp. 259,207	8,056
State Street Corp. 264,511	12,908
SunTrust Banks, Inc. 222,349	15,131
Synovus Financial Corp. 235,632	5,624
U.S. Bancorp 1,504,491	38,575
Union Planters Corp. 149,052	4,143
Wachovia Corp. 1,027,321	47,000
Wells Fargo & Co. 1,321,957	74,638
Zions Bancorp. 70,147	3,965
	599,590

Business Machines & Software 8.8%

Adobe Systems, Inc. 187,789	7,763
• Apple Computer, Inc. 288,676	7,428
Autodesk, Inc. 87,954	2,946
• BMC Software, Inc. 176,808	3,059
• Cisco Systems, Inc. 5,375,783	112,193
• Compuware Corp. 296,522	2,268
• Comverse Technology, Inc. 148,815	2,435
• Dell, Inc. 2,000,832	69,449
• EMC Corp. 1,895,155	21,150
• Gateway, Inc. 290,537	1,400
Hewlett-Packard Co. 2,383,978	46,964

Security and Number of Shares	Value (\$ x 1,000)
International Business Machines Corp. 1,328,593	117,142
• Lexmark International, Inc., Class A 100,530	9,094
▲② Microsoft Corp. 8,439,190	219,166
• NCR Corp. 73,899	3,303
• Network Appliance, Inc. 270,447	5,036
• Novell, Inc. 291,365	2,809
• Oracle Corp. 4,090,649	45,897
Pitney Bowes, Inc. 183,015	8,007
• Siebel Systems, Inc. 384,366	3,951
• Sun Microsystems, Inc. 2,575,758	10,045
• Unisys Corp. 260,027	3,388
• Xerox Corp. 625,160	8,396
	713,289

Business Services 4.3%

• Affiliated Computer Services, Inc., Class A 106,375	5,159
• Allied Waste Industries, Inc. 247,115	3,111
• Apollo Group, Inc., Class A 136,300	12,387
Automatic Data Processing, Inc. 463,682	20,314
• Cendant Corp. 787,454	18,647
• Cintas Corp. 134,305	6,038
• Citrix Systems, Inc. 130,566	2,487
Computer Associates International, Inc. 456,066	12,227
• Computer Sciences Corp. 146,718	6,002
• Convergys Corp. 110,751	1,608
Deluxe Corp. 38,466	1,589
• eBay, Inc. 505,070	40,315
Electronic Data Systems Corp. 376,521	6,886
Equifax, Inc. 107,607	2,637
First Data Corp. 693,388	31,473
• Fiserv, Inc. 152,764	5,585
H&R Block, Inc. 138,187	6,234
IMS Health, Inc. 187,907	4,745
• Interpublic Group of Cos., Inc. 325,157	5,102
• Intuit, Inc. 157,279	6,680
• Mercury Interactive Corp. 70,943	3,019
• Monster Worldwide, Inc. 87,965	2,253
Omnicom Group, Inc. 147,364	11,717

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)
• Parametric Technology Corp. 206,030	944
Paychex, Inc. 297,062	11,074
• PeopleSoft, Inc. 284,601	4,804
• Robert Half International, Inc. 132,524	3,614
• Sungard Data Systems, Inc. 222,305	5,795
• Symantec Corp. 245,302	11,051
Tyco International Ltd. 1,562,900	42,902
• Veritas Software Corp. 332,242	8,861
Waste Management, Inc. 450,805	12,803
• Yahoo!, Inc. 519,229	26,200
	344,263

Chemicals 1.4%

Air Products & Chemicals, Inc. 179,301	8,931
Dow Chemical Co. 727,450	28,872
E.I. du Pont de Nemours & Co. 781,438	33,563
Eastman Chemical Co. 59,183	2,519
Ecolab, Inc. 198,798	5,924
Great Lakes Chemical Corp. 38,937	978
• Hercules, Inc. 82,003	911
• Monsanto Co. 209,498	7,246
PPG Industries, Inc. 132,163	7,839
Praxair, Inc. 253,588	9,269
Rohm & Haas Co. 174,959	6,785
Sigma-Aldrich Corp. 54,726	3,100
	115,937

Construction 0.4%

Centex Corp. 97,736	4,686
Fluor Corp. 64,302	2,454
KB Home 36,866	2,541
Masco Corp. 352,973	9,887
Pulte Homes, Inc. 97,150	4,777
The Sherwin-Williams Co. 114,364	4,352
The Stanley Works 65,640	2,790
Vulcan Materials Co. 78,918	3,649
	35,136

Consumer Durables 0.2%

Black & Decker Corp. 62,086	3,592
Leggett & Platt, Inc. 150,312	3,397

Security and Number of Shares	Value (\$ x 1,000)
Maytag Corp. 61,971	1,729
Newell Rubbermaid, Inc. 213,537	5,048
Whirlpool Corp. 53,431	3,500
	17,266

Containers 0.1%

Ball Corp. 44,056	2,908
Bemis Co. 81,458	2,200
• Pactiv Corp. 122,064	2,801
• Sealed Air Corp. 65,771	3,228
	11,137

Electronics 5.4%

• ADC Telecommunications, Inc. 632,138	1,580
• Advanced Micro Devices, Inc. 272,013	3,868
• Agilent Technologies, Inc. 370,875	10,017
• Altera Corp. 294,881	5,901
American Power Conversion Corp. 153,555	2,865
Analog Devices, Inc. 291,783	12,430
• Andrew Corp. 120,024	2,034
• Applied Materials, Inc. 1,317,642	24,021
• Applied Micro Circuits Corp. 238,073	1,050
• Broadcom Corp., Class A 237,433	8,966
• CIENA Corp. 365,772	1,514
⑧ Intel Corp. 5,071,605	130,492
ITT Industries, Inc. 72,010	5,710
• Jabil Circuit, Inc. 157,319	4,152
• JDS Uniphase Corp. 1,107,285	3,366
• KLA-Tencor Corp. 155,010	6,459
Linear Technology Corp. 243,108	8,662
• LSI Logic Corp. 293,990	2,187
• Lucent Technologies, Inc. 3,338,204	11,250
Maxim Integrated Products, Inc. 256,749	11,808
• Micron Technology, Inc. 477,135	6,499
Molex, Inc. 146,907	4,375
Motorola, Inc. 1,834,252	33,475
• National Semiconductor Corp. 139,054	5,672
• Novellus Systems, Inc. 119,539	3,462
• Nvidia Corp. 125,865	2,585
PerkinElmer, Inc. 97,208	1,871

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
•PMC – Sierra, Inc. 133,386	1,621	General Mills, Inc. 295,030	14,383
•Power-One, Inc. 62,573	538	H.J. Heinz Co. 274,171	10,471
•QLogic Corp. 74,738	2,017	Hershey Foods Corp. 101,553	9,027
Qualcomm, Inc. 629,918	39,345	Kellogg Co. 322,527	13,836
•Sanmina – SCI Corp. 406,629	4,074	McCormick & Co., Inc. 106,601	3,641
Scientific – Atlanta, Inc. 117,199	3,796	The Pepsi Bottling Group, Inc. 205,842	6,025
•Solelectron Corp. 648,709	3,179	PepsiCo, Inc. 1,336,294	72,815
Symbol Technologies, Inc. 178,827	2,146	Sara Lee Corp. 617,438	14,250
Tektronix, Inc. 65,499	1,939	Supervalu, Inc. 102,901	3,168
•Tellabs, Inc. 322,453	2,815	Sysco Corp. 505,610	19,340
•Teradyne, Inc. 148,524	3,027	Wm. Wrigley Jr. Co. 174,311	10,755
Texas Instruments, Inc. 1,355,447	34,022		313,985
•Thermo Electron Corp. 127,063	3,710		
•Thomas & Betts Corp. 44,556	1,071		
•Waters Corp. 96,300	4,155		
•Xilinx, Inc. 270,166	9,086		
	432,812		
Energy: Raw Materials 1.6%		Gold 0.2%	
Anadarko Petroleum Corp. 195,717	10,486	Newmont Mining Corp. 338,551	12,662
Apache Corp. 252,380	10,567		
Baker Hughes, Inc. 264,086	9,687	Healthcare / Drugs & Medicine 13.5%	
•BJ Services Co. 123,400	5,491	Abbott Laboratories 1,221,333	53,763
Burlington Resources, Inc. 154,522	10,395	Allergan, Inc. 102,596	9,034
Devon Energy Corp. 182,337	11,159	AmerisourceBergen Corp. 89,453	5,178
EOG Resources, Inc. 90,133	4,439	•Amgen, Inc. 1,006,839	56,655
Halliburton Co. 344,508	10,266	•Anthem, Inc. 108,740	9,632
•Noble Corp. 103,457	3,844	Applied Biosystems Group –	
Occidental Petroleum Corp. 302,110	14,260	Applera Corp. 161,833	3,005
•Rowan Cos., Inc. 80,970	1,806	Bausch & Lomb, Inc. 39,537	2,484
Schlumberger Ltd. 459,787	26,911	Baxter International, Inc. 475,802	15,059
Valero Energy Corp. 99,400	6,338	Becton Dickinson & Co. 198,976	10,058
	125,649	•Biogen Idec, Inc. 255,518	15,076
		Biomet, Inc. 201,056	7,942
		•Boston Scientific Corp. 641,532	26,425
		Bristol-Myers Squibb Co. 1,521,108	38,180
		C.R. Bard, Inc. 41,129	4,371
		Cardinal Health, Inc. 340,774	24,962
		•Caremark Rx, Inc. 349,244	11,822
		•Chiron Corp. 146,078	6,778
		Eli Lilly & Co. 877,927	64,800
		•Express Scripts, Inc. 60,000	4,640
		•Forest Laboratories, Inc. 287,240	18,521
		•Genzyme Corp. 177,186	7,718
		Guidant Corp. 243,874	15,367

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
HCA, Inc. 387,922	15,761	AMBAC Financial Group, Inc. 83,554	5,765
Health Management Associates, Inc., Class A 190,429	4,405	7 American International Group, Inc. 2,040,650	146,213
• Humana, Inc. 124,343	2,026	AON Corp. 246,426	6,422
10 Johnson & Johnson 2,321,356	125,423	Chubb Corp. 146,077	10,079
• King Pharmaceuticals, Inc. 187,724	3,238	CIGNA Corp. 108,571	7,004
Manor Care, Inc. 71,759	2,328	Cincinnati Financial Corp. 133,568	5,475
McKesson Corp. 227,183	7,465	Hartford Financial Services Group, Inc. 227,367	13,888
• Medco Health Solutions, Inc. 212,639	7,527	Jefferson-Pilot Corp. 110,614	5,485
• Medimmune, Inc. 193,581	4,692	Lincoln National Corp. 141,597	6,355
Medtronic, Inc. 947,824	47,827	Loews Corp. 146,787	8,515
Merck & Co., Inc. 1,738,242	81,697	Marsh & McLennan Cos., Inc. 415,520	18,740
Mylan Laboratories, Inc. 209,700	4,804	MBIA, Inc. 113,393	6,678
4 Pfizer, Inc. 5,961,311	213,177	Metlife, Inc. 594,118	20,497
• Quest Diagnostics 81,055	6,837	MGIC Investment Corp. 77,579	5,711
Schering-Plough Corp. 1,148,084	19,207	• Principal Financial Group, Inc. 250,724	8,851
• St. Jude Medical, Inc. 134,142	10,230	The Progressive Corp. 170,968	14,963
Stryker Corp. 157,897	15,621	Prudential Financial, Inc. 423,600	18,613
• Tenet Healthcare Corp. 360,505	4,240	Safeco Corp. 108,621	4,756
UnitedHealth Group, Inc. 488,166	30,012	St. Paul Cos., Inc. 517,355	21,041
• Watson Pharmaceuticals, Inc. 83,237	2,964	Torchmark Corp. 90,710	4,720
• WellPoint Health Networks, Inc. 123,422	13,785	UnumProvident Corp. 230,026	3,577
Wyeth 1,043,082	39,710	XL Capital Ltd., Class A 108,565	8,289
• Zimmer Holdings, Inc. 190,692	15,227		
	1,089,673		413,515
Household Products 2.4%		Media 3.6%	
Alberto-Culver Co., Class B 70,426	3,321	Clear Channel Communications, Inc. 483,722	20,070
Avon Products, Inc. 185,527	15,584	• Comcast Corp., Class A 1,759,010	52,946
Clorox Co. 165,110	8,549	Dow Jones & Co., Inc. 64,009	2,950
Colgate-Palmolive Co. 415,539	24,051	Gannett Co., Inc. 213,769	18,529
The Gillette Co. 789,877	32,322	Knight-Ridder, Inc. 61,087	4,730
International Flavors & Fragrances, Inc. 72,428	2,626	The McGraw-Hill Cos., Inc. 148,062	11,676
▲ Procter & Gamble Co. 1,009,813	106,788	Meredith Corp. 39,218	1,998
	193,241	New York Times Co., Class A 117,850	5,399
Insurance 5.1%		R.R. Donnelley & Sons Co. 167,196	4,919
ACE Ltd. 220,000	9,645	• Time Warner, Inc. 3,557,976	59,845
Aetna, Inc. 121,847	10,083	Tribune Co. 258,439	12,374
AFLAC, Inc. 401,064	16,937	• Univision Communications, Inc., Class A 251,484	8,513
The Allstate Corp. 549,300	25,213	Viacom, Inc., Class B 1,368,169	52,880
		The Walt Disney Co. 1,604,605	36,954
			293,783

Security and Number of Shares

Value
(\$ x 1,000)

Miscellaneous 0.7%

3M Co. 612,276 **52,950**

Miscellaneous Finance 7.8%

American Express Co. 1,003,981 49,145
 The Bear Stearns Cos., Inc. 81,229 6,510
 Capital One Financial Corp. 181,711 11,908
 ■ The Charles Schwab Corp. 1,063,150 10,940
 Charter One Financial, Inc. 173,453 5,788
 ⑤ Citigroup, Inc. 4,025,639 193,593
 Countrywide Financial Corp. 217,331 12,888
 • E*TRADE Group, Inc. 285,500 3,243
 Fannie Mae 758,727 52,140
 Federated Investors, Inc.,
 Class B 85,300 2,508
 Franklin Resources, Inc. 193,688 10,620
 Freddie Mac 537,902 31,413
 Golden West Financial Corp. 120,305 12,645
 Goldman Sachs Group, Inc. 377,500 36,523
 Janus Capital Group, Inc. 186,007 2,827
 Lehman Brothers Holdings,
 Inc. 217,704 15,979
 MBNA Corp. 1,001,693 24,421
 Merrill Lynch & Co., Inc. 759,334 41,179
 Moody's Corp. 116,409 7,510
 Morgan Stanley 858,439 44,115
 • Provident Financial Corp. 223,272 2,708
 SLM Corp. 351,683 13,473
 T. Rowe Price Group, Inc. 99,307 5,092
 Washington Mutual, Inc. 701,921 27,649

624,817**Non-durables & Entertainment 1.2%**

Darden Restaurants, Inc. 126,412 2,865
 • Electronic Arts, Inc. 234,756 11,883
 Fortune Brands, Inc. 112,791 8,600
 Hasbro, Inc. 133,312 2,518
 International Game Technology 272,552 10,286
 Mattel, Inc. 335,693 5,694
 McDonald's Corp. 988,796 26,925
 • Starbucks Corp. 309,259 12,018
 Wendy's International, Inc. 89,337 3,484
 • Yum! Brands, Inc. 229,498 8,902

93,175

Security and Number of Shares

Value
(\$ x 1,000)

Non-Ferrous Metals 0.4%

Alcoa, Inc. 683,687 21,024
 Engelhard Corp. 95,939 2,786
 Freeport-McMoran Copper & Gold,
 Inc., Class B 134,615 4,106
 • Phelps Dodge Corp. 72,480 4,771

32,687**Oil: Domestic 1.0%**

Amerada Hess Corp. 70,261 4,998
 Ashland, Inc. 53,145 2,546
 ConocoPhillips 533,248 38,021
 Kerr-McGee Corp. 77,570 3,796
 Marathon Oil Corp. 265,479 8,909
 • Nabors Industries Ltd. 115,107 5,106
 Sunoco, Inc. 59,302 3,730
 • Transocean, Inc. 249,199 6,920
 Unocal Corp. 201,422 7,259

81,285**Oil: International 3.7%**

ChevronTexaco Corp. 838,357 76,710
 ③ Exxon Mobil Corp. 5,126,147 218,117

294,827**Optical & Photo 0.2%**

• Corning, Inc. 1,052,175 11,606
 Eastman Kodak Co. 224,974 5,802

17,408**Paper & Forest Products 0.9%**

Boise Cascade Corp. 66,153 2,231
 Georgia-Pacific Corp. 197,318 6,926
 International Paper Co. 376,813 15,193
 Kimberly-Clark Corp. 391,300 25,611
 • Louisiana-Pacific Corp. 83,408 1,968
 MeadWestvaco Corp. 155,777 4,073
 Temple-Inland, Inc. 41,926 2,590
 Weyerhaeuser Co. 172,097 10,188

68,780

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Producer Goods & Manufacturing 4.8%			
• American Standard Cos., Inc. 55,900	5,880	• AutoZone, Inc. 68,977	6,040
Avery Dennison Corp. 87,772	5,638	• Bed, Bath & Beyond, Inc. 234,687	8,712
Caterpillar, Inc. 271,101	21,073	Best Buy Co., Inc. 255,472	13,859
Cooper Industries Ltd., Class A 72,442	3,978	• Big Lots, Inc. 87,567	1,240
Deere & Co. 190,292	12,947	Circuit City Stores, Inc. 158,574	1,852
Dover Corp. 157,706	6,313	• Costco Wholesale Corp. 357,933	13,405
Emerson Electric Co. 328,181	19,763	CVS Corp. 311,627	12,038
▲① General Electric Co. 7,972,970	238,790	Dillards, Inc., Class A 62,888	1,058
Honeywell International, Inc. 671,080	23,206	Dollar General Corp. 260,124	4,880
Illinois Tool Works, Inc. 242,165	20,877	Family Dollar Stores, Inc. 132,990	4,274
Ingersoll-Rand Co., Class A 136,964	8,841	Federated Department Stores, Inc. 142,646	6,990
Johnson Controls, Inc. 147,168	8,074	The Gap, Inc. 699,936	15,406
• Millipore Corp. 37,784	1,981	Home Depot, Inc. 1,778,011	62,568
Pall Corp. 96,974	2,306	J.C. Penney Co., Inc. Holding Co. 212,006	7,179
Parker Hannifin Corp. 91,418	5,054	• Kohl's Corp. 267,771	11,190
Snap-On, Inc. 44,189	1,493	• Kroger Co. 581,385	10,174
W.W. Grainger, Inc. 72,199	3,783	Limited Brands, Inc. 363,498	7,503
	389,997	Lowe's Cos., Inc. 613,519	31,940
Railroad & Shipping 0.4%		The May Department Stores Co. 225,801	6,955
Burlington Northern Santa Fe Corp. 292,277	9,557	Nordstrom, Inc. 108,076	3,851
CSX Corp. 167,740	5,160	• Office Depot, Inc. 243,533	4,264
Norfolk Southern Corp. 302,882	7,215	RadioShack Corp. 130,108	4,002
Union Pacific Corp. 201,337	11,865	• Safeway, Inc. 345,477	7,929
	33,797	Sears, Roebuck & Co. 174,110	6,973
Real Property 0.4%		• Staples, Inc. 389,842	10,042
Apartment Investment & Management Co., Class A 72,500	2,042	Target Corp. 711,815	30,871
Equity Office Properties Trust 314,006	7,904	Tiffany & Co. 113,553	4,429
Equity Residential 217,429	5,971	TJX Cos., Inc. 392,966	9,655
Plum Creek Timber Co., Inc. 144,500	4,271	• Toys 'R' Us, Inc. 166,616	2,574
ProLogis 142,400	4,189	▲⑥ Wal-Mart Stores, Inc. 3,381,741	192,759
Simon Property Group, Inc. 159,700	7,699	Walgreen Co. 802,744	27,679
	32,076	Winn-Dixie Stores, Inc. 105,395	803
			543,431
Retail 6.7%		Steel 0.1%	
Albertson's, Inc. 286,510	6,693	Allegheny Technologies, Inc. 60,584	619
• Automation, Inc. 214,100	3,644	Nucor Corp. 62,905	3,737

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

United States Steel Corp. 87,046	2,492
Worthington Industries, Inc. 69,657	1,257
	8,105

Telephone 3.6%

Alltel Corp. 243,668	12,266
AT&T Corp. 621,840	10,665
• AT&T Wireless Services, Inc. 2,134,931	29,483
• Avaya, Inc. 331,475	4,535
BellSouth Corp. 1,435,308	37,045
CenturyTel, Inc. 113,133	3,267
• Citizens Communications Co. 218,457	2,849
• Nextel Communications, Inc., Class A 860,271	20,526
• Qwest Communications International, Inc. 1,381,642	5,554
SBC Communications, Inc. 2,584,833	64,362
Sprint Corp. (FON Group) 1,110,436	19,866
Verizon Communications, Inc. 2,158,022	81,444
	291,862

Tobacco 1.2%

Altria Group, Inc. 1,599,865	88,600
R.J. Reynolds Tobacco Holdings, Inc. 67,900	4,398
UST, Inc. 127,974	4,762
	97,760

Travel & Recreation 0.6%

Brunswick Corp. 73,572	3,025
Carnival Corp. 491,712	20,981
Harrah's Entertainment, Inc. 86,097	4,579
Hilton Hotels Corp. 296,097	5,179
Marriott International, Inc., Class A 182,134	8,589
Starwood Hotels & Resorts Worldwide, Inc. 161,921	6,443
	48,796

Trucking & Freight 0.1%

Paccar, Inc. 134,955	7,620
Ryder Systems, Inc. 50,813	1,869
	9,489

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

Utilities: Electric & Gas 2.9%

• The AES Corp. 481,690	4,176
• Allegheny Energy, Inc. 99,242	1,367
Ameren Corp. 141,580	6,190
American Electric Power Co., Inc. 307,485	9,360
• Calpine Corp. 317,541	1,378
Centerpoint Energy, Inc. 235,015	2,536
Cinergy Corp. 140,058	5,314
• CMS Energy Corp. 123,846	1,029
Consolidated Edison, Inc. 175,470	7,231
Constellation Energy Group, Inc. 132,786	5,110
Dominion Resources, Inc. 254,282	16,226
DTE Energy Co. 134,383	5,244
Duke Energy Corp. 708,612	14,923
• Dynegy, Inc., Class A 291,051	1,153
Edison International 255,377	5,976
El Paso Corp. 502,325	3,521
Entergy Corp. 178,608	9,752
Exelon Corp. 258,396	17,297
FirstEnergy Corp. 258,545	10,109
FPL Group, Inc. 143,198	9,110
KeySpan Corp. 126,365	4,568
Kinder Morgan, Inc. 96,339	5,801
Nicor, Inc. 35,789	1,216
NiSource, Inc. 204,355	4,120
Peoples Energy Corp. 27,820	1,163
• PG&E Corp. 328,320	9,035
Pinnacle West Capital Corp. 70,250	2,744
PPL Corp. 138,648	5,941
Progress Energy, Inc. 193,355	8,270
Public Service Enterprise Group, Inc. 185,439	7,955
Sempra Energy 178,781	5,676
The Southern Co. 575,055	16,539
TECO Energy, Inc. 142,669	1,816
TXU Corp. 253,950	8,670
Williams Cos., Inc. 399,773	4,118
Xcel Energy, Inc. 311,475	5,211
	229,845

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)
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Short-Term Investment
 0.1% of net assets

Provident Institutional TempFund 7,072,638	7,073
-----------------------------------------------	--------------

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

U.S. Treasury Obligations
 0.0% of net assets

▲ U.S. Treasury Bills, 0.90%-0.92%, 06/17/04	844	844
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End of investments.
Collateral Invested for Securities on Loan
 8.2% of net assets

**Commercial Paper & Other Corporate
Obligations 4.3%**

American Express Credit Corp. 1.07%, 05/13/04	16,235	16,235
Bank of America 1.05%, 09/20/04	9,486	9,486
Canadian Imperial Bank Corp. 1.72%, 05/25/05	18,682	18,678
1.06%, 05/28/04	41,306	41,300
1.04%, 01/31/05	35,113	35,108
Concord Minutemen Capital Corp. 1.04%, 05/20/04	20,215	20,198
Credit Lyonnais 1.08%, 09/30/04	5,490	5,490
Crown Point Funding Corp. 1.04%, 05/10/04	23,119	23,101
Fairway Finance Corp. 1.04%, 05/13/04	989	988

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

Foreningssparbanken AB 1.06%, 05/17/04	64,980	64,971
General Electric Capital Corp. 1.06%, 05/10/04	17,713	17,730
Societe Generale 1.14%, 05/03/04	11,658	11,655
Svenska Handelsbanken 1.39%, 10/27/04	19,082	19,080
Westdeutsche Landesbank AG 1.50%, 01/10/05	12,314	12,311
1.05%, 09/23/04	18,694	18,690
1.05%, 09/29/04	22,626	22,620
1.05%, 10/12/04	11,613	11,612

349,253
Short-Term Investment 0.5%

Deutsche Bank, Time Deposit 1.04%, 05/03/04	43,647	43,647
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Security and Number of Shares

Other Investment Companies 3.4%

Institutional Money Market Trust 270,300,842	270,301
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End of collateral invested from securities on loan.

Statement of

Assets and Liabilities

As of April 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$633,780 of securities on loan)	\$8,060,079
Collateral invested for securities on loan	663,201
Receivables:	
Fund shares sold	6,568
Interest	7
Dividends	8,995
Investments sold	11,114
Income from securities on loan	80
Prepaid expenses	+ 106
Total assets	8,750,150

Liabilities

Collateral invested for securities on loan	663,201
Payables:	
Fund shares redeemed	4,432
Interest expense	2
Investments bought	11,013
Due to brokers for futures	72
Investment adviser and administrator fees	68
Transfer agent and shareholder service fees	44
Accrued expenses	+ 403
Total liabilities	679,235

Net Assets

Total assets	8,750,150
Total liabilities	– 679,235
Net assets	\$8,070,915

Net Assets by Source

Capital received from investors	8,106,930
Net investment income not yet distributed	34,390
Net realized capital losses	(743,692)
Net unrealized capital gains	673,287

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$3,799,523		221,767		\$17.13
Select Shares	\$4,017,675		233,799		\$17.18
e.Shares	\$253,717		14,806		\$17.14

Unless stated, all numbers x 1,000.

The fund paid \$7,386,682 for these securities.

Not counting short-term obligations and government securities, the fund's security transactions during the period were:

Purchases	\$366,220
Sales/maturities	\$144,385

The fund's total security transactions with other SchwabFunds® during the period were \$1,168.

These derive from investments and futures. As of the report date, the fund had thirty-six open S&P 500 futures contracts due to expire on June 18, 2004, with an aggregate contract value of \$9,955 and net unrealized losses of \$110.

Federal Tax Data

Portfolio Cost	\$7,575,524
Net unrealized gains and losses:	
Gains	\$1,787,522
Losses	+ (1,302,967)
	\$484,555

As of October 31, 2003:

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

Statement of

Operations

For November 1, 2003 through April 30, 2004; unaudited. All numbers x 1,000.

Unless stated, all numbers x 1,000.

Investment Income

Dividends	\$66,060
Interest	44
Securities on loan	+ 627
Total investment income	66,731

Net Realized Gains and Losses

Net realized losses on investments sold	(112,970)
Net realized gains on futures contracts	+ 890
Net realized losses	(112,080)

Net Unrealized Gains and Losses

Net unrealized gains on investments	512,732
Net unrealized losses on futures contracts	+ (494)
Net unrealized gains	512,238

Expenses

Investment adviser and administrator fees	6,845
Transfer agent and shareholder service fees:	
Investor Shares	4,696
Select Shares	1,976
e.Shares	128
Trustees' fees	26
Custodian fees	101
Portfolio accounting fees	553
Professional fees	34
Registration fees	81
Shareholder reports	342
Interest expense	7
Other expenses	+ 65
Total expenses	14,854
Expense reduction	- 3,784
Net expenses	11,070

Increase in Net Assets from Operations

Total investment income	66,731
Net expenses	- 11,070
Net investment income	55,661
Net realized losses	(112,080)
Net unrealized gains	+ 512,238
Increase in net assets from operations	\$455,819

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 \$878 from the investment adviser (CSIM) and \$2,906 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 28, 2005, as follows:

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

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

These add up to a net gain on investments of \$400,158.

Statements of

Changes in net assets

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

Operations

	11/1/03-4/30/04	11/1/02-10/31/03
Net investment income	\$55,661	\$99,392
Net realized losses	(112,080)	(59,341)
Net unrealized gains	+ 512,238	1,201,943
Increase in net assets from operations	455,819	1,241,994

Distributions Paid

Dividends from net investment income		
Investor Shares	46,375	40,628
Select Shares	52,459	49,532
e.Shares	+ 3,356	3,378
Total dividends from net investment income	\$102,190	\$93,538

Transactions in Fund Shares

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	28,062	\$482,466	50,095	\$730,445
Select Shares	30,726	529,624	51,800	753,457
e.Shares	+ 2,097	36,208	4,668	67,061
Total shares sold	60,885	\$1,048,298	106,563	\$1,550,963

Shares Reinvested

Investor Shares	2,680	\$44,333	2,857	\$39,062
Select Shares	2,844	47,146	3,300	45,211
e.Shares	+ 182	3,018	224	3,062
Total shares reinvested	5,706	\$94,497	6,381	\$87,335

Shares Redeemed

Investor Shares	(23,530)	(\$404,419)	(38,573)	(\$558,964)
Select Shares	(24,715)	(425,815)	(49,150)	(705,422)
e.Shares	+ (2,480)	(42,659)	(5,869)	(84,347)
Total shares redeemed	(50,725)	(\$872,893)	(93,592)	(\$1,348,733)

Net transactions in fund shares	15,866	\$269,902	19,352	\$289,565
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Shares Outstanding and Net Assets

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	454,506	\$7,447,384	435,154	\$6,009,363
Total increase	+ 15,866	623,531	19,352	1,438,021
End of period	470,372	\$8,070,915	454,506	\$7,447,384

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 10/31/03 are:

Ordinary Income	\$93,538
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	\$140	\$236
Select Shares	126	302
e.Shares	+ 7	+ 22
Total	\$273	\$560

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 \$34,390 and \$80,919 at the end of 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	2.5%
Growth Portfolio	1.8%
Balanced Portfolio	1.1%
Conservative Portfolio	0.5%

See financial notes. 37

Schwab 1000 Fund

Financial Statements

Financial Highlights

Investor Shares	11/1/03– 4/30/04*	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	30.25	25.25	29.57	39.95	37.12	29.90
Income or loss from investment operations:						
Net investment income	0.17	0.33	0.31	0.26	0.26	0.26
Net realized and unrealized gains or losses	1.58	4.99	(4.36)	(10.40)	2.83	7.21
Total income or loss from investment operations	1.75	5.32	(4.05)	(10.14)	3.09	7.47
Less distributions:						
Dividends from net investment income	(0.34)	(0.32)	(0.27)	(0.24)	(0.26)	(0.25)
Net asset value at end of period	31.66	30.25	25.25	29.57	39.95	37.12
Total return (%)	5.84 ¹	21.34	(13.87)	(25.50)	8.34	25.12
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.51 ²	0.49	0.46	0.46	0.47 ³	0.46
Gross operating expenses	0.51 ²	0.51	0.52	0.51	0.51	0.51
Net investment income	1.11 ²	1.27	1.04	0.78	0.63	0.78
Portfolio turnover rate	3 ¹	5	9	8	9	3
Net assets, end of period (\$ x 1,000,000)	4,226	3,974	3,223	3,852	5,083	4,925

* Unaudited.

¹ Not annualized.

² Annualized.

³ The ratio of net operating expenses would have been 0.46% if certain non-routine expenses (proxy fees) had not been included.

Select Shares	11/1/03– 4/30/04*	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	30.27	25.26	29.58	39.98	37.16	29.93
Income or loss from investment operations:						
Net investment income	0.20	0.37	0.35	0.31	0.29	0.30
Net realized and unrealized gains or losses	1.57	4.99	(4.36)	(10.41)	2.84	7.22
Total income or loss from investment operations	1.77	5.36	(4.01)	(10.10)	3.13	7.52
Less distributions:						
Dividends from net investment income	(0.38)	(0.35)	(0.31)	(0.30)	(0.31)	(0.29)
Net asset value at end of period	31.66	30.27	25.26	29.58	39.98	37.16
Total return (%)	5.89 ¹	21.52	(13.77)	(25.40)	8.46	25.29
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.36 ²	0.35	0.35	0.35	0.36 ³	0.35
Gross operating expenses	0.36 ²	0.36	0.37	0.36	0.36	0.37
Net investment income	1.26 ²	1.41	1.15	0.89	0.74	0.89
Portfolio turnover rate	3 ¹	5	9	8	9	3
Net assets, end of period (\$ x 1,000,000)	2,117	1,996	1,588	1,911	2,159	2,214

* Unaudited.

¹ Not annualized.² Annualized.³ The ratio of net operating expenses would have been 0.35% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of April 30, 2004, unaudited

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
- ▷ Security is valued at fair value (see Accounting Policies)

Holdings by Category		Cost (\$x1,000)	Value (\$x1,000)
99.8%	Common Stock	4,008,427	6,331,128
0.1%	Short-Term Investment	2,440	2,440
0.0%	U.S. Treasury Obligations	364	365
99.9%	Total Investments	4,011,231	6,333,933
17.2%	Collateral Invested for Securities on Loan	1,093,954	1,093,954
(17.1)%	Other Assets and Liabilities, Net		(1,084,771)
100.0%	Total Net Assets		6,343,116

Security and Number of Shares	Value (\$ x 1,000)
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Common Stock 99.8% of net assets

Aerospace / Defense 1.5%

The Boeing Co.	453,182	19,346
Crane Co.	31,950	984
General Dynamics Corp.	106,000	9,923
Goodrich Corp.	62,992	1,814
• L-3 Communications Holdings, Inc.	56,700	3,501
Lockheed Martin Corp.	243,784	11,628
Northrop Grumman Corp.	100,297	9,954
Raytheon Co.	225,200	7,265

Security and Number of Shares		Value (\$ x 1,000)
Rockwell Automation, Inc.	100,100	3,272
Rockwell Collins, Inc.	94,900	3,061
Textron, Inc.	72,900	4,023
United Technologies Corp.	277,327	23,922
		98,693

Air Transportation 1.0%

• AMR Corp.	85,500	970
FedEx Corp.	161,960	11,647
• JetBlue Airways Corp.	54,500	1,509
Sabre Holdings Corp.	77,000	1,816
Southwest Airlines Co.	422,225	6,029
United Parcel Service, Inc., Class B	607,000	42,581
		64,552

Alcoholic Beverages 0.4%

Adolph Coors Co., Class B	19,500	1,281
Anheuser-Busch Cos., Inc.	439,000	22,494
Brown-Forman Corp., Class B	64,956	3,044
• Constellation Brands, Inc., Class A	56,500	1,872
		28,691

Apparel 0.4%

• Coach, Inc.	99,628	4,244
Jones Apparel Group, Inc.	67,700	2,478
Liz Claiborne, Inc.	58,600	2,057
Nike, Inc., Class B	142,700	10,267
Reebok International Ltd.	31,600	1,149
• Timberland Co., Class A	18,700	1,173
VF Corp.	57,900	2,673
		24,041

Automotive Products / Motor Vehicles 1.2%

• American Axle & Manufacturing Holdings, Inc.	28,100	1,081
ArvinMeritor, Inc.	36,800	761
BorgWarner, Inc.	14,700	1,205
Carlisle Cos., Inc.	16,600	984
Cooper Tire & Rubber Co.	39,700	849

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Cummins, Inc. 22,600	1,352	FirstMerit Corp. 45,300	1,067
Dana Corp. 79,789	1,609	FNB Corp. 24,740	485
Danaher Corp. 82,300	7,614	Fulton Financial Corp. 58,087	1,197
Delphi Corp. 300,600	3,066	Greater Bay Bancorp 28,100	797
Donaldson Co., Inc. 46,600	1,278	Hibernia Corp., Class A 83,200	1,813
Eaton Corp. 81,400	4,834	Hudson City Bancorp, Inc. 102,400	3,461
Ford Motor Co. 986,570	15,154	Hudson United Bancorp 24,100	861
General Motors Corp. 302,734	14,356	Huntington Bancshares, Inc. 122,735	2,626
Gentex Corp. 41,200	1,620	J.P. Morgan Chase & Co. 1,105,490	41,566
Genuine Parts Co. 93,275	3,339	KeyCorp, Inc. 226,746	6,734
Harley-Davidson, Inc. 164,500	9,265	M&T Bank Corp. 64,301	5,466
Lear Corp. 36,300	2,200	Marshall & Ilsley Corp. 121,370	4,463
• Navistar International Corp. 36,800	1,662	Mellon Financial Corp. 232,688	6,897
Oshkosh Truck Corp. 18,700	957	Mercantile Bankshares Corp. 42,775	1,836
Polaris Industries, Inc. 23,200	995	National City Corp. 328,000	11,372
Thor Industries, Inc. 30,800	858	National Commerce Financial Corp. 110,050	2,926
	75,039	North Fork Bancorp., Inc. 81,300	3,018
Banks 7.4%		Northern Trust Corp. 118,150	4,995
AmSouth Bancorp. 188,275	4,146	Park National Corp. 7,400	854
Associated Banc-Corp. 39,325	1,610	Peoples Bank-Bridgeport 33,000	1,393
Bancorpsouth, Inc. 41,900	848	PNC Financial Services Group, Inc. 148,830	7,903
⑨ Bank of America Corp. 1,098,618	88,428	Popular, Inc. 71,200	2,990
Bank of Hawaii Corp. 29,950	1,309	Provident Financial Group, Inc. 26,300	1,036
The Bank of New York Co., Inc. 416,900	12,148	Regions Financial Corp. 119,265	4,140
Bank One Corp. 603,593	29,799	Sky Financial Group, Inc. 49,530	1,184
Banknorth Group, Inc. 86,800	2,659	The South Financial Group, Inc. 31,700	878
BB&T Corp. 295,181	10,181	SouthTrust Corp. 177,974	5,531
City National Corp. 26,300	1,621	State Street Corp. 181,200	8,843
The Colonial BancGroup, Inc. 66,800	1,151	SunTrust Banks, Inc. 152,956	10,409
Comerica, Inc. 93,974	4,852	Synovus Financial Corp. 161,962	3,866
Commerce Bancorp, Inc. N.J. 40,600	2,315	TCF Financial Corp. 38,000	1,883
Commerce Bancshares, Inc. 36,690	1,647	Trustmark Corp. 31,300	833
Compass Bancshares, Inc. 65,212	2,501	U.S. Bancorp 1,031,253	26,441
Cullen/Frost Bankers, Inc. 27,900	1,208	UCBH Holdings, Inc. 24,200	896
Doral Financial Corp. 57,900	1,899	Union Planters Corp. 101,100	2,811
Fifth Third Bancorp 304,930	16,363	UnionBanCal Corp. 78,100	4,173
First Horizon National Corp. 67,400	2,963	Valley National Bancorp 52,919	1,368
First Midwest Bancorp, Inc. Illinois 24,900	840	Wachovia Corp. 708,320	32,406

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Wells Fargo & Co. 911,632	51,471	• Oracle Corp. 2,816,014	31,596
Westamerica Bancorp. 17,600	855	• Peregrine Systems, Inc. 2,104	42
WestCorp., Inc. 27,300	1,204	• Pitney Bowes, Inc. 125,400	5,486
Whitney Holding Corp. 21,700	890	• Sandisk Corp. 85,000	1,964
Wilmington Trust Corp. 35,300	1,227	• Seagate Escrow Security 126,560	36
Zions Bancorp. 48,300	2,730	• Siebel Systems, Inc. 266,100	2,736
	468,283	• Storage Technology Corp. 59,400	1,560
		• Sun Microsystems, Inc. 1,757,600	6,855
Business Machines & Software 8.2%		• Sybase, Inc. 51,900	887
• 3Com Corp. 200,150	1,233	• Tech Data Corp. 30,400	1,034
• Adobe Systems, Inc. 125,500	5,188	• The Titan Corp. 43,700	839
• Apple Computer, Inc. 198,800	5,115	• Total System Services, Inc. 105,500	2,342
• Ascential Software Corp. 31,900	542	• Unisys Corp. 177,250	2,310
• Autodesk, Inc. 59,900	2,007	• Xerox Corp. 424,750	5,704
• Avocent Corp. 25,200	809		518,190
• BEA Systems, Inc. 217,600	2,483		
• BMC Software, Inc. 121,300	2,098	Business Services 4.4%	
• Cisco Systems, Inc. 3,696,200	77,140	• Affiliated Computer Services, Inc., Class A 73,200	3,550
• Compuware Corp. 206,100	1,577	• Allied Waste Industries, Inc. 171,865	2,164
• Comverse Technology, Inc. 103,500	1,693	• Apollo Group, Inc., Class A 94,550	8,593
• Dell, Inc. 1,379,400	47,879	• Aramark Corp., Class B 53,800	1,539
• Diebold, Inc. 39,018	1,798	• Automatic Data Processing, Inc. 316,800	13,879
• EMC Corp. 1,294,000	14,441	• BearingPoint, Inc. 104,400	1,046
• Fair Isaac Corp. 38,925	1,313	• The BISYS Group, Inc. 63,500	921
• Foundry Networks, Inc. 70,000	791	• Brocade Communications Systems, Inc. 138,200	739
• Gateway, Inc. 201,400	971	• Career Education Corp. 53,700	3,437
• Hewlett-Packard Co. 1,642,040	32,348	• CDW Corp. 44,600	2,787
• IKON Office Solutions, Inc. 78,600	875	• Cendant Corp. 545,448	12,916
• Integrated Device Technology, Inc. 56,300	757	• Ceridian Corp. 80,200	1,715
• International Business Machines Corp. 914,300	80,614	• Certegy, Inc. 34,800	1,245
• Juniper Networks, Inc. 208,700	4,566	• Checkfree Corp. 42,800	1,286
• Lexmark International, Inc., Class A 69,000	6,242	• ChoicePoint, Inc. 46,966	2,063
• Maxtor Corp. 131,700	857	• Cintas Corp. 91,700	4,123
• Microchip Technology, Inc. 111,200	3,116	• Citrix Systems, Inc. 88,000	1,676
▲ 2 Microsoft Corp. 5,802,900	150,701	• Cognizant Technology Solutions Corp. 35,100	1,519
• NCR Corp. 50,751	2,268	• Computer Associates International, Inc. 312,579	8,380
• Network Appliance, Inc. 185,000	3,445		
• Novell, Inc. 200,400	1,932		

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Computer Sciences Corp. 100,496	4,111	• PeopleSoft, Inc. 201,106	3,395
• Convergys Corp. 76,800	1,115	• Perot Systems Corp., Class A 59,700	795
• Copart, Inc. 47,700	904	• Pixar, Inc. 29,600	2,022
• Corinthian Colleges, Inc. 47,400	1,451	• Polycorn, Inc. 53,300	1,017
• Corporate Executive Board Co. 20,000	1,033	• Red Hat, Inc. 94,600	2,148
Deluxe Corp. 27,100	1,120	Republic Services, Inc. 84,900	2,447
• DeVry, Inc. 37,600	1,083	The Reynolds & Reynolds Co., Class A 36,000	1,028
• DST Systems, Inc. 44,800	1,978	• Robert Half International, Inc. 91,800	2,503
• Dun & Bradstreet Corp. 39,100	2,043	The ServiceMaster Co. 158,400	1,921
• Earthlink, Inc. 85,700	789	• Sirius Satellite Radio, Inc. 661,600	2,183
• eBay, Inc. 348,500	27,817	• Stericycle, Inc. 22,600	1,081
• Education Management Corp. 38,900	1,379	• Sungard Data Systems, Inc. 154,200	4,020
Electronic Data Systems Corp. 257,600	4,712	• Symantec Corp. 167,200	7,532
Equifax, Inc. 74,700	1,831	• Synopsys, Inc. 83,400	2,229
First Data Corp. 476,943	21,649	• VeriSign, Inc. 129,635	2,091
• Fiserv, Inc. 103,889	3,798	• Veritas Software Corp. 231,279	6,168
Friedman Billings Ramsey Group, Inc., Class A 75,500	1,397	Viad Corp. 47,300	1,181
• Gartner, Inc., Class A 69,400	829	Waste Management, Inc. 314,375	8,928
Global Payments, Inc. 20,000	960	• WebMD Corp. 164,700	1,448
GTECH Holdings Corp. 31,700	1,931	• Yahoo!, Inc. 357,606	18,045
H&R Block, Inc. 95,600	4,313		277,632
• ICOS Corp. 33,800	1,081	Chemicals 1.4%	
IMS Health, Inc. 128,500	3,245	Air Products & Chemicals, Inc. 121,900	6,072
• Interpublic Group of Cos., Inc. 222,350	3,489	Airgas, Inc. 39,700	879
• Intuit, Inc. 106,400	4,519	• Bio-Rad Laboratories, Inc., Class A 13,600	797
• Invitrogen Corp. 27,500	1,986	Cabot Corp. 33,200	1,122
• Iron Mountain, Inc. 45,700	2,080	• Celgene Corp. 43,500	2,249
• ITT Educational Services, Inc. 24,300	980	• Cytec Industries, Inc. 21,000	826
Jack Henry & Associates, Inc. 47,900	871	Dow Chemical Co. 500,752	19,875
• Jacobs Engineering Group, Inc. 29,800	1,243	E.I. du Pont de Nemours & Co. 536,689	23,051
• Lamar Advertising Co. 46,600	1,913	Eastman Chemical Co. 41,425	1,763
Manpower, Inc. 46,600	2,186	Ecolab, Inc. 138,300	4,121
• Mercury Interactive Corp. 48,200	2,051	Lubrizol Corp. 27,700	881
• Monster Worldwide, Inc. 60,500	1,549	Lyondell Chemical Co. 94,900	1,552
National Instruments Corp. 41,700	1,274	• Monsanto Co. 140,548	4,862
• Network Associates, Inc. 86,600	1,358	PPG Industries, Inc. 91,100	5,403
Omnicom Group, Inc. 103,900	8,261	Praxair, Inc. 174,400	6,374
Paychex, Inc. 202,342	7,543	Rohm & Haas Co. 119,414	4,631

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
RPM International, Inc. 62,100	936		
Sigma-Aldrich Corp. 37,100	2,101		
Valspar Corp. 27,100	1,346		
	88,841		
Construction 0.7%		Containers 0.2%	
Centex Corp. 66,600	3,194	Ball Corp. 30,200	1,993
D.R. Horton, Inc. 126,433	3,641	Bemis Co. 56,800	1,534
Florida Rock Industries, Inc. 23,100	919	• Crown Holdings, Inc. 88,600	748
Fluor Corp. 44,100	1,683	• Owens-Illinois, Inc. 79,300	1,107
• Hovnanian Enterprises, Inc., Class A 32,400	1,165	• Pactiv Corp. 84,350	1,936
KB Home 24,900	1,716	• Sealed Air Corp. 45,499	2,233
Lafarge North America, Inc. 37,000	1,637	Sonoco Products Co. 52,141	2,296
Lennar Corp., Class A 84,400	3,954		10,847
Martin Marietta Materials, Inc. 26,200	1,133		
Masco Corp. 248,400	6,958	Electronics 5.3%	
MDC Holdings, Inc. 17,369	1,073	• Acxiom Corp. 45,600	1,055
• NVR, Inc. 3,900	1,759	• ADC Telecommunications, Inc. 431,800	1,080
Pulte Homes, Inc. 66,500	3,270	• Adelphia Communications, Class A 75,707	62
The Ryland Group, Inc. 13,300	1,050	• Advanced Fibre Communications, Inc. 46,700	780
The Sherwin-Williams Co. 78,100	2,972	• Advanced Micro Devices, Inc. 186,900	2,658
Standard-Pacific Corp. 17,700	893	• Agere Systems, Inc., Class A 895,900	2,025
The Stanley Works 43,400	1,845	• Agilent Technologies, Inc. 257,000	6,942
• Toll Brothers, Inc. 39,200	1,551	• Alliant Techsystems, Inc. 20,700	1,227
Vulcan Materials Co. 54,600	2,525	• Altera Corp. 203,100	4,064
• West Corp. 36,100	882	American Power Conversion Corp. 106,600	1,989
	43,820	• Amkor Technology, Inc. 93,300	754
		• Amphenol Corp., Class A 46,800	1,479
Consumer Durables 0.3%		Analog Devices, Inc. 199,000	8,477
Black & Decker Corp. 41,650	2,410	• Andrew Corp. 82,400	1,397
Ethan Allen Interiors, Inc. 20,000	832	• Applied Materials, Inc. 904,000	16,480
Furniture Brands International, Inc. 30,000	844	• Applied Micro Circuits Corp. 164,700	726
Hillenbrand Industries, Inc. 33,100	2,234	• Arrow Electronics, Inc. 60,500	1,529
Leggett & Platt, Inc. 103,000	2,328	• Atmel Corp. 252,900	1,477
Maytag Corp. 42,050	1,173	• Avid Technology, Inc. 16,500	792
• Mohawk Industries, Inc. 35,639	2,749	• Avnet, Inc. 64,300	1,391
Newell Rubbermaid, Inc. 147,209	3,480	AVX Corp. 93,200	1,323
• United Rentals, Inc. 41,400	712	• Broadcom Corp., Class A 164,400	6,208
Whirlpool Corp. 37,400	2,450	• Cadence Design Systems, Inc. 141,050	1,808
	19,212	• CIENA Corp. 254,200	1,052
		• Cymer, Inc. 19,300	617
		• Cypress Semiconductor Corp. 64,600	902
		• Emulex Corp. 44,500	742
		• Energizer Holdings, Inc. 45,300	1,962

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Fairchild Semiconductor International, Inc., Class A 63,200	1,231	Texas Instruments, Inc. 932,255	23,400
• Getty Images, Inc. 30,300	1,654	• Thermo Electron Corp. 87,384	2,552
Harman International Industries, Inc. 35,200	2,670	• Varian Semiconductor Equipment Associates, Inc. 19,200	625
Harris Corp. 35,800	1,613	• Vishay Intertechnology, Inc. 86,150	1,499
• Integrated Circuit Systems, Inc. 38,600	914	• Waters Corp. 65,100	2,809
⑧ Intel Corp. 3,488,300	89,754	• Western Digital Corp. 110,500	893
• Interactive Data Corp. 49,800	833	• Western Wireless Corp., Class A 45,400	945
• International Rectifier Corp. 34,400	1,364	• Xilinx, Inc. 185,600	6,242
Intersil Corp., Class A 74,600	1,473	• Zebra Technologies Corp., Class A 25,350	1,858
ITT Industries, Inc. 49,400	3,917		339,236
• Jabil Circuit, Inc. 107,100	2,826	Energy: Raw Materials 1.4%	
• JDS Uniphase Corp. 769,755	2,340	Anadarko Petroleum Corp. 134,680	7,216
• KLA-Tencor Corp. 104,400	4,350	Apache Corp. 173,820	7,278
• Lam Research Corp. 69,900	1,548	Arch Coal, Inc. 28,300	866
Linear Technology Corp. 169,500	6,039	Baker Hughes, Inc. 181,520	6,658
• LSI Logic Corp. 203,400	1,513	• BJ Services Co. 85,000	3,783
• Lucent Technologies, Inc. 2,265,519	7,635	Burlington Resources, Inc. 106,467	7,162
Maxim Integrated Products, Inc. 178,229	8,197	• Cooper Cameron Corp. 28,900	1,397
• Micron Technology, Inc. 327,600	4,462	Devon Energy Corp. 126,716	7,755
• MKS Instruments, Inc. 27,800	534	ENSCO International, Inc. 80,300	2,198
Molex, Inc. 102,121	3,041	EOG Resources, Inc. 61,800	3,044
Motorola, Inc. 1,252,586	22,860	• FMC Technologies, Inc. 35,600	970
• National Semiconductor Corp. 96,700	3,944	• Forest Oil Corp. 28,700	753
• Novellus Systems, Inc. 81,800	2,369	• Grant Prideco, Inc. 65,200	994
• Nvidia Corp. 86,900	1,785	Halliburton Co. 236,960	7,061
• Omnivision Technologies, Inc. 29,200	651	Massey Energy Co. 40,500	949
PerkinElmer, Inc. 68,100	1,311	• Noble Corp. 71,800	2,668
• QLogic Corp. 50,700	1,368	Noble Energy, Inc. 30,500	1,406
Qualcomm, Inc. 431,100	26,927	Occidental Petroleum Corp. 208,500	9,841
• Rambus, Inc. 52,600	980	Peabody Energy Corp. 33,100	1,552
• RF Micro Devices, Inc. 99,500	732	• Reliant Energy, Inc. 158,100	1,314
• Sanmina-SCI Corp. 277,452	2,780	• Rowan Cos., Inc. 56,000	1,249
Scientific-Atlanta, Inc. 81,400	2,637	• Smith International, Inc. 53,800	2,946
• Semtech Corp. 39,600	832	Tidewater, Inc. 32,500	917
• Silicon Laboratories, Inc. 26,700	1,259	• Tom Brown, Inc. 24,500	1,173
• Solectron Corp. 448,400	2,197	Valero Energy Corp. 68,488	4,367
Symbol Technologies, Inc. 123,770	1,485	• Weatherford International Ltd. 69,900	3,039
Tektronix, Inc. 45,400	1,344	Western Gas Resources, Inc. 17,900	975
• Tellabs, Inc. 223,900	1,955		89,531
• Teradyne, Inc. 102,600	2,091		

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Food & Agriculture 3.8%			
• 7-Eleven, Inc. 59,900	964	• Amylin Pharmaceuticals, Inc. 50,200	1,124
Archer-Daniels-Midland Co. 346,836	6,090	• Andrx Corp. 38,700	885
Campbell Soup Co. 220,200	6,084	• Anthem, Inc. 74,100	6,564
The Coca-Cola Co. 1,314,000	66,449	• Apogent Technologies, Inc. 48,500	1,572
Coca-Cola Enterprises, Inc. 244,100	6,591	• Applied Biosystems Group – Applera Corp. 111,600	2,072
ConAgra Foods, Inc. 289,959	8,377	• Barr Laboratories, Inc. 54,225	2,246
• Dean Foods Co. 83,750	2,812	Bausch & Lomb, Inc. 28,200	1,772
• Del Monte Foods Co. 111,695	1,235	Baxter International, Inc. 329,300	10,422
General Mills, Inc. 202,250	9,860	Beckman Coulter, Inc. 33,000	1,843
H.J. Heinz Co. 190,700	7,283	Becton Dickinson & Co. 136,300	6,890
Hershey Foods Corp. 69,700	6,196	• Biogen Idec, Inc. 177,660	10,482
Hormel Foods Corp. 74,400	2,268	Biomet, Inc. 137,100	5,415
The J.M. Smuckers Co. 26,800	1,402	• Boston Scientific Corp. 441,384	18,181
Kellogg Co. 220,900	9,477	Bristol-Myers Squibb Co. 1,044,200	26,209
Kraft Foods, Inc., Class A 150,100	4,940	C.R. Bard, Inc. 27,800	2,954
McCormick & Co., Inc. 74,500	2,545	Cardinal Health, Inc. 234,156	17,152
The Pepsi Bottling Group, Inc. 140,900	4,124	• Caremark Rx, Inc. 239,356	8,102
PepsiAmericas, Inc. 77,500	1,552	• Cephalon, Inc. 29,900	1,702
PepsiCo, Inc. 919,060	50,080	• Charles River Laboratories International, Inc. 24,600	1,132
• Performance Food Group Co. 24,600	864	• Chiron Corp. 100,612	4,668
Sara Lee Corp. 425,900	9,830	• Community Health Systems, Inc. 52,900	1,364
• The Scotts Co., Class A 17,200	1,134	Cooper Cos., Inc. 16,900	913
• Smithfield Foods, Inc. 59,400	1,580	• Covance, Inc. 33,300	1,124
Supervalu, Inc. 72,000	2,217	• Coventry Health Care, Inc. 48,300	2,021
Sysco Corp. 349,100	13,353	• Cytoc Corp. 58,900	1,260
Tootsie Roll Industries, Inc. 28,561	995	• Dade Behring Holdings, Inc. 21,900	1,007
Tyson Foods, Inc., Class A 188,082	3,525	• DaVita, Inc. 34,100	1,743
Wm. Wrigley Jr. Co. 122,500	7,558	Dentsply International, Inc. 42,550	2,062
	239,385	• Edwards Lifesciences Corp. 31,700	1,092
		Eli Lilly & Co. 603,568	44,549
Gold 0.1%		• Endo Pharmaceutical Holdings, Inc. 70,700	1,688
Newmont Mining Corp. 233,738	8,742	• Express Scripts, Inc. 42,100	3,256
Healthcare / Drugs & Medicine 13.1%		• First Health Group Corp. 50,700	847
Abbott Laboratories 842,600	37,091	• Forest Laboratories, Inc. 198,100	12,774
• Accredo Health, Inc. 25,700	993	• Gen-Probe, Inc. 25,800	860
Allergan, Inc. 69,900	6,155	• Genzyme Corp. 120,200	5,236
AmerisourceBergen Corp. 59,995	3,473	• Gilead Sciences, Inc. 115,100	7,002
• Amgen, Inc. 692,840	38,986		

Security and Number of Shares		Value (\$ x 1,000)
Guidant Corp.	168,772	10,634
HCA, Inc.	267,772	10,880
Health Management Associates, Inc., Class A	128,728	2,977
• Health Net, Inc.	60,900	1,549
• Henry Schein, Inc.	23,400	1,649
• Human Genome Sciences, Inc.	69,400	847
• Humana, Inc.	86,500	1,409
• IDEXX Laboratories, Inc.	18,700	1,146
• ImClone Systems, Inc.	40,300	2,695
• Inamed Corp.	18,800	1,106
• IVAX Corp.	105,325	2,243
⑩ Johnson & Johnson	1,593,520	86,098
• King Pharmaceuticals, Inc.	129,266	2,230
• Laboratory Corp. of America Holdings	80,300	3,191
• Lincare Holdings, Inc.	52,700	1,830
Manor Care, Inc.	47,800	1,551
• Martek Biosciences Corp.	14,800	940
McKesson Corp.	156,228	5,134
• Medco Health Solutions, Inc.	144,922	5,130
Medicis Pharmaceutical Corp., Class A	29,400	1,262
• Medimmune, Inc.	132,750	3,218
Medtronic, Inc.	654,100	33,006
Merck & Co., Inc.	1,194,308	56,132
• Millennium Pharmaceuticals, Inc.	161,620	2,423
Mylan Laboratories, Inc.	144,312	3,306
• NBTY, Inc.	35,700	1,327
• Neurocrine Biosciences, Inc.	19,000	1,247
Omnicare, Inc.	55,000	2,281
Oxford Health Plans, Inc.	43,400	2,363
• Pacificare Health Systems, Inc.	45,000	1,609
• Patterson Dental Co.	36,700	2,705
④ Pfizer, Inc.	4,099,512	146,599
• Pharmaceutical Product Development, Inc.	30,100	890
• Pharmaceutical Resources, Inc.	18,300	738
• Protein Design Labs, Inc.	50,300	1,231
• Quest Diagnostics	55,700	4,698
• Renal Care Group, Inc.	26,100	1,291

Security and Number of Shares	Value (\$ x 1,000)
• Respirationics, Inc. 18,800	985
Schering-Plough Corp. 790,600	13,227
Select Medical Corp. 52,000	985
• Sepracor, Inc. 45,600	2,180
• St. Jude Medical, Inc. 94,500	7,207
• Steris Corp. 37,300	827
Stryker Corp. 107,000	10,586
• Techne Corp. 22,100	861
• Tenet Healthcare Corp. 249,409	2,933
• Triad Hospitals, Inc. 40,500	1,377
UnitedHealth Group, Inc. 337,592	20,755
Universal Health Services, Class B 31,200	1,370
Valeant Pharmaceuticals International 44,600	1,030
• Varian Medical Systems, Inc. 36,400	3,125
• Watson Pharmaceuticals, Inc. 58,000	2,065
• WellPoint Health Networks, Inc. 83,450	9,321
Wyeth 718,400	27,350
• Zimmer Holdings, Inc. 131,700	10,516
	833,148

Household Products 2.2%

Alberto-Culver Co., Class B	47,250	2,228
Avon Products, Inc.	126,400	10,618
Church & Dwight Co., Inc.	21,700	975
Clorox Co.	113,300	5,867
Colgate-Palmolive Co.	285,900	16,548
The Estee Lauder Cos., Inc., Class A	65,200	2,980
The Gillette Co.	544,810	22,294
International Flavors & Fragrances, Inc.	50,200	1,820
▲ Procter & Gamble Co.	694,500	73,443
		136,773

Insurance 4.9%

Aetna, Inc.	83,765	6,932
AFLAC, Inc.	277,000	11,698
• Alleghany Corp.	4,020	1,055
• Allmerica Financial Corp.	28,500	991
The Allstate Corp.	379,348	17,412

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
AMBAC Financial Group, Inc. 57,400	3,961	Stancorp Financial Group, Inc. 15,700	971
American Financial Group, Inc. 39,200	1,203	Torchmark Corp. 60,700	3,159
7 American International Group, Inc. 1,402,771	100,509	Transatlantic Holdings, Inc. 28,100	2,515
American National Insurance Co. 14,300	1,348	Unitrin, Inc. 36,200	1,435
AON Corp. 168,312	4,386	UnumProvident Corp. 158,871	2,470
Arthur J. Gallagher & Co. 48,400	1,560	W.R. Berkley Corp. 44,750	1,812
Brown & Brown, Inc. 36,900	1,439		311,774
Chubb Corp. 102,700	7,086		
CIGNA Corp. 75,300	4,858	Media 4.4%	
Cincinnati Financial Corp. 90,420	3,706	• American Tower Corp., Class A 113,800	1,417
• CNA Financial Corp. 119,900	3,286	Belo Corp., Class A 61,400	1,748
Erie Indemnity Co., Class A 34,300	1,585	• Cablevision Systems Corp., NY Group, Class A 117,700	2,569
Fidelity National Financial, Inc. 87,584	3,206	Clear Channel Communications, Inc. 332,129	13,780
First American Corp. 42,000	1,139	• Comcast Corp., Class A 1,213,380	36,523
Hartford Financial Services Group, Inc. 156,700	9,571	• Cox Communications, Inc., Class A 319,986	10,460
HCC Insurance Holdings, Inc. 34,300	1,098	• The DIRECTV Group, Inc. 491,783	8,803
Jefferson-Pilot Corp. 75,587	3,748	Dow Jones & Co., Inc. 43,850	2,021
Lincoln National Corp. 95,400	4,282	The E.W. Scripps Co., Class A 43,375	4,578
Loews Corp. 99,400	5,766	• EchoStar Communications Corp., Class A 132,000	4,381
• Markel Corp. 5,300	1,553	• Emmis Communications Corp., Class A 29,400	688
Marsh & McLennan Cos., Inc. 286,400	12,917	• Entercom Communications Corp. 27,500	1,254
MBIA, Inc. 77,300	4,552	• Fox Entertainment Group, Inc., Class A 230,000	6,406
Mercury General Corp. 29,100	1,484	Gannett Co., Inc. 147,500	12,785
Metlife, Inc. 409,800	14,138	Harte-Hanks, Inc. 46,900	1,124
MGIC Investment Corp. 52,900	3,895	• InterActiveCorp 339,727	10,827
• Mony Group, Inc. 25,400	786	John Wiley & Sons, Class A 33,100	1,013
Nationwide Financial Services, Inc., Class A 30,200	1,039	Knight-Ridder, Inc. 42,800	3,314
Odyssey Re Holdings Corp. 34,900	828	Lee Enterprises, Inc. 24,000	1,147
Old Republic International Corp. 97,162	2,256	McClatchy Co., Class A 24,700	1,754
The PMI Group, Inc. 51,000	2,195	The McGraw-Hill Cos., Inc. 104,750	8,261
• Principal Financial Group, Inc. 173,200	6,114	Media General, Inc., Class A 12,700	913
The Progressive Corp. 117,800	10,310	Meredith Corp. 27,000	1,375
Protective Life Corp. 36,900	1,327	• Metro-Goldwyn-Mayer, Inc. 132,655	2,788
Prudential Financial, Inc. 291,900	12,826	New York Times Co., Class A 79,826	3,657
Radian Group, Inc. 50,300	2,339	• PanAmSat Corp. 80,600	1,860
Reinsurance Group of America, Inc. 32,500	1,262	R.R. Donnelley & Sons Co. 115,400	3,395
Safeco Corp. 74,300	3,254		
St. Paul Cos., Inc. 356,822	14,512		

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Radio One, Inc., Class A 56,200	1,072	Golden West Financial Corp. 81,400	8,556
• Time Warner, Inc. 2,446,330	41,147	Goldman Sachs Group, Inc. 260,300	25,184
Tribune Co. 177,600	8,504	GreenPoint Financial Corp. 71,500	2,788
• Univision Communications, Inc., Class A 172,910	5,853	Independence Community Bank Corp. 44,000	1,603
• Valassis Communications, Inc. 28,000	865	IndyMac Bancorp, Inc. 29,900	962
Viacom, Inc., Class B 942,279	36,419	International Bancshares Corp. 20,800	1,109
The Walt Disney Co. 1,101,121	25,359	Investors Financial Services Corp. 35,100	1,364
Washington Post, Class B 5,200	4,784	Janus Capital Group, Inc. 129,200	1,964
• Westwood One, Inc. 53,600	1,583	Jefferies Group, Inc. 29,200	996
• XM Satellite Radio Holdings, Inc., Class A 97,200	2,329	• Knight Trading Group, Inc. 61,500	715
	276,756	Legg Mason, Inc. 35,600	3,277
Miscellaneous 0.6%		Lehman Brothers Holdings, Inc. 147,570	10,832
3M Co. 420,900	36,399	Leucadia National Corp. 37,300	1,838
Miscellaneous Finance 8.5%		MBNA Corp. 689,280	16,805
A.G. Edwards, Inc. 42,143	1,542	Merrill Lynch & Co., Inc. 522,600	28,341
• Affiliated Managers Group, Inc. 17,250	840	Moody's Corp. 79,900	5,154
Allied Capital Corp. 68,500	1,625	Morgan Stanley 589,910	30,315
American Capital Strategies Ltd. 34,700	911	New York Community Bancorp, Inc. 145,182	3,640
American Express Co. 693,900	33,966	Nuveen Investments, Inc., Class A 49,800	1,276
• AmeriCredit Corp. 84,000	1,362	• Provident Financial Corp. 155,700	1,889
• Ameritrade Holding Corp. 226,600	2,774	Raymond James Financial, Inc. 39,150	983
Astoria Financial Corp. 42,500	1,463	SEI Investments Co. 56,500	1,668
The Bear Stearns Cos., Inc. 55,771	4,469	SLM Corp. 243,750	9,338
• Berkshire Hathaway, Inc., Class A 620	57,902	Sovereign Bancorp., Inc. 164,100	3,279
• BOK Financial Corp. 30,686	1,199	Student Loan Corp. 10,800	1,529
Capital One Financial Corp. 125,850	8,247	T. Rowe Price Group, Inc. 66,700	3,420
■ The Charles Schwab Corp. 730,497	7,517	Waddell & Reed Financial, Inc., Class A 44,200	983
Charter One Financial, Inc. 119,404	3,984	Washington Federal, Inc. 41,229	963
Chicago Mercantile Exchange 17,700	2,076	Washington Mutual, Inc. 484,410	19,081
CIT Group, Inc. 114,500	3,935	Webster Financial Corp. 24,500	1,066
⑤ Citigroup, Inc. 2,769,201	133,171	Wesco Financial Corp. 3,900	1,546
Countrywide Financial Corp. 148,119	8,783		538,566
• E*TRADE Group, Inc. 196,400	2,231	Non-Durables & Entertainment 1.3%	
Eaton Vance Corp. 36,900	1,347	• Activision, Inc. 71,400	1,075
Fannie Mae 523,200	35,954	Applebee's International, Inc. 29,450	1,142
Federated Investors, Inc., Class B 58,250	1,712	• Brinker International, Inc. 51,800	1,992
Franklin Resources, Inc. 136,600	7,490	CBRL Group, Inc. 26,600	999
Freddie Mac 369,900	21,602	• The Cheesecake Factory 27,650	1,171

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Darden Restaurants, Inc. 88,450	2,004	Murphy Oil Corp. 49,340	3,380
• Electronic Arts, Inc. 161,700	8,185	• Nabors Industries Ltd. 78,700	3,491
Fortune Brands, Inc. 78,200	5,963	• National-Oilwell, Inc. 45,700	1,276
Hasbro, Inc. 93,687	1,770	• Newfield Exploration Co. 30,100	1,586
International Game Technology 187,700	7,084	Patina Oil & Gas Corp. 36,800	1,023
International Speedway Corp., Class A 28,500	1,201	• Patterson-UTI Energy, Inc. 43,500	1,574
• Krispy Kreme Doughnuts, Inc. 32,300	1,050	• Pioneer Natural Resources Co. 63,400	2,074
Lancaster Colony Corp. 19,200	793	Pogo Producing Co. 34,200	1,687
• Marvel Enterprises, Inc. 58,050	1,102	• Pride International, Inc. 72,800	1,228
Mattel, Inc. 230,520	3,910	Sunoco, Inc. 41,500	2,610
McDonald's Corp. 682,800	18,593	• Ultra Petroleum Corp. 39,900	1,310
Outback Steakhouse, Inc. 40,175	1,765	Unocal Corp. 138,834	5,004
Regis Corp. 23,500	1,020	• Varco International, Inc. 52,400	1,084
Ruby Tuesday, Inc. 34,800	1,041	• Westport Resources Corp. 36,200	1,239
• Service Corp. International 161,700	1,195	XTO Energy, Inc. 123,666	3,302
• Starbucks Corp. 211,700	8,227		76,738
Wendy's International, Inc. 61,200	2,387		
• Yum! Brands, Inc. 157,720	6,118		
	79,787		
Non-Ferrous Metals 0.3%		Oil: International 3.2%	
Alcoa, Inc. 466,295	14,339	ChevronTexaco Corp. 575,346	52,644
Engelhard Corp. 67,387	1,957	③ Exxon Mobil Corp. 3,525,230	149,999
Freeport-McMoran Copper & Gold, Inc., Class B 92,394	2,818		202,643
• Phelps Dodge Corp. 50,000	3,291		
	22,405	Optical & Photo 0.2%	
Oil: Domestic 1.2%		• Corning, Inc. 716,041	7,898
Amerada Hess Corp. 48,200	3,428	Eastman Kodak Co. 153,700	3,964
Ashland, Inc. 36,900	1,768	• Ingram Micro, Inc., Class A 81,200	970
Chesapeake Energy Corp. 127,400	1,752		12,832
ConocoPhillips 367,178	26,180	Paper & Forest Products 0.8%	
Consol Energy, Inc. 48,200	1,380	Boise Cascade Corp. 46,400	1,565
Diamond Offshore Drilling, Inc. 70,000	1,579	Bowater, Inc. 29,800	1,250
Kerr-McGee Corp. 54,002	2,642	Georgia-Pacific Corp. 136,388	4,787
Marathon Oil Corp. 183,000	6,141	International Paper Co. 259,645	10,469
		Kimberly-Clark Corp. 269,360	17,630
		• Louisiana-Pacific Corp. 56,900	1,342

Security and Number of Shares	Value (\$ x 1,000)
MeadWestvaco Corp. 107,653	2,815
Packaging Corp. of America 56,600	1,244
Rayonier, Inc. 26,196	1,022
• Smurfit-Stone Container Corp. 132,600	2,279
Temple-Inland, Inc. 29,200	1,804
Weyerhaeuser Co. 119,900	7,098
	53,305

Producer Goods & Manufacturing 4.6%

• AGCO Corp. 47,500	914
• American Standard Cos., Inc. 39,100	4,113
Ametek, Inc. 36,000	954
Avery Dennison Corp. 59,300	3,809
Blyth, Inc. 24,500	797
Briggs & Stratton Corp. 11,900	833
Caterpillar, Inc. 188,200	14,629
Cooper Industries Ltd., Class A 50,100	2,751
Deere & Co. 130,700	8,893
Dover Corp. 108,700	4,351
Emerson Electric Co. 227,700	13,712
Fastenal Co. 40,800	2,239
• Fisher Scientific International, Inc. 33,700	1,973
▲ General Electric Co. 5,480,300	164,135
Graco, Inc. 37,050	1,045
Harsco Corp. 22,000	958
Herman Miller, Inc. 39,200	1,030
HON Industries, Inc. 31,300	1,158
Honeywell International, Inc. 464,363	16,058
Hubbell, Inc., Class B 32,138	1,444
Illinois Tool Works, Inc. 167,242	14,418
Ingersoll-Rand Co., Class A 93,100	6,010
Johnson Controls, Inc. 101,400	5,563
• Millipore Corp. 26,100	1,368
Pall Corp. 67,133	1,596
Parker Hannifin Corp. 63,575	3,515
Pentair, Inc. 26,400	1,573
Precision Castparts Corp. 33,300	1,499
Roper Industries, Inc. 19,200	932
Snap-On, Inc. 31,350	1,059

Security and Number of Shares	Value (\$ x 1,000)
• SPX Corp. 40,800	1,810
Teleflex, Inc. 21,300	972
The Timken Co. 47,800	1,054
W.W. Grainger, Inc. 48,900	2,562
York International Corp. 21,500	843
	290,570

Railroad & Shipping 0.4%

Burlington Northern Santa Fe Corp. 199,053	6,509
CSX Corp. 114,900	3,535
Norfolk Southern Corp. 209,500	4,990
Union Pacific Corp. 138,861	8,183
	23,217

Real Property 1.4%

AMB Property Corp. 43,900	1,330
Annaly Mortgage Management, Inc. 61,400	1,062
Apartment Investment & Management Co., Class A 50,600	1,425
Archstone-Smith Trust 102,500	2,812
Arden Realty, Inc. 34,500	974
AvalonBay Communities, Inc. 38,200	1,896
Boston Properties, Inc. 56,700	2,665
BRE Properties, Class A 26,900	853
Camden Property Trust 21,200	897
CarrAmerica Realty Corp. 28,200	804
• Catellus Development Corp. 55,398	1,194
CBL & Associates Properties, Inc. 16,300	819
Centerpoint Properties Trust 12,400	894
Chelsea Property Group, Inc. 23,400	1,193
Cousins Properties, Inc. 26,100	734
Crescent Real Estate Equity Co. 53,300	825
Developers Diversified Realty Corp. 46,400	1,520
Duke Realty Corp. 73,000	2,129
Equity Office Properties Trust 214,400	5,396
Equity Residential 147,800	4,059
Essex Property Trust, Inc. 12,300	750

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Federal Realty Investment Trust 26,400	979	Albertson's, Inc. 196,742	4,596
Forest City Enterprises, Inc., Class A 26,750	1,403	• Amazon.com, Inc. 217,100	9,435
General Growth Properties, Inc. 115,300	3,126	• AnnTaylor Stores Corp. 24,300	985
Health Care Property Investors, Inc. 69,600	1,663	• Autonation, Inc. 147,500	2,510
Health Care Real Estate Investment Trust, Inc. 26,500	846	• AutoZone, Inc. 47,600	4,168
Healthcare Realty Trust, Inc. 23,000	825	• Barnes & Noble, Inc. 35,800	1,069
Hospitality Properties Trust 35,900	1,403	• Bed, Bath & Beyond, Inc. 158,800	5,895
• Host Marriott Corp. 171,300	2,038	Best Buy Co., Inc. 175,550	9,524
iStar Financial, Inc. 57,800	2,054	• Big Lots, Inc. 62,800	889
Kimco Realty Corp. 59,300	2,534	• BJ's Wholesale Club, Inc. 37,500	909
Liberty Property Trust 42,900	1,568	Borders Group, Inc. 41,600	997
The Macerich Co. 31,000	1,298	• Carmax, Inc. 55,600	1,441
Mack-Cali Realty Corp. 31,200	1,165	• Chico's FAS, Inc. 46,800	1,906
The Mills Corp. 25,900	1,052	Circuit City Stores, Inc. 112,400	1,313
New Plan Excel Realty Trust 52,500	1,178	Claire's Stores, Inc. 52,500	1,070
Pan Pacific Retail Properties, Inc. 21,700	953	• Costco Wholesale Corp. 247,508	9,269
Plum Creek Timber Co., Inc. 98,200	2,903	CVS Corp. 213,814	8,260
ProLogis 96,608	2,842	Dollar General Corp. 180,869	3,393
Public Storage, Inc. 68,100	2,846	• Dollar Tree Stores, Inc. 61,800	1,666
Realty Income Corp. 20,400	780	Family Dollar Stores, Inc. 92,400	2,970
Regency Centers Corp. 32,100	1,217	Federated Department Stores, Inc. 96,900	4,748
The Rouse Co. 55,100	2,386	Foot Locker, Inc. 76,900	1,846
Shurgard Storage Centers, Inc., Class A 24,500	816	The Gap, Inc. 482,500	10,620
Simon Property Group, Inc. 109,800	5,293	Home Depot, Inc. 1,226,397	43,157
SL Green Realty Corp. 21,300	869	J.C. Penney Co., Inc. Holding Co. 146,500	4,960
The St. Joe Co. 40,800	1,599	• Kohl's Corp. 184,300	7,702
Thornburg Mortgage, Inc. 38,700	1,002	• Kroger Co. 401,630	7,029
Trizec Properties, Inc. 81,000	1,160	Limited Brands, Inc. 250,568	5,172
United Dominion Realty Trust, Inc. 68,100	1,222	Lowe's Cos., Inc. 423,800	22,063
Ventas, Inc. 43,000	950	The May Department Stores Co. 154,750	4,766
Vornado Realty Trust 64,200	3,239	Michaels Stores, Inc. 35,900	1,796
Weingarten Realty Investment 43,950	1,271	• The Neiman Marcus Group, Inc., Class A 26,200	1,274
	88,711	Nordstrom, Inc. 73,700	2,626
		• O'Reilly Automotive, Inc. 29,200	1,311
		• Office Depot, Inc. 168,048	2,943
		• Pacific Sunwear of California 42,000	902
		PETsMART, Inc. 76,800	2,127
		Pier 1 Imports, Inc. 47,800	988
Retail 6.6%			
• 99 Cents Only Stores 38,766	766		
• Abercrombie & Fitch Co., Class A 51,800	1,629		
• Advance Auto Parts, Inc. 39,300	1,696		

Security and Number of Shares	Value (\$ x 1,000)
RadioShack Corp. 88,132	2,711
• Rent-A-Center, Inc. 45,750	1,339
• Rite Aid Corp. 276,900	1,357
Ross Stores, Inc. 81,600	2,489
• Safeway, Inc. 237,180	5,443
• Saks, Inc. 73,640	1,060
Sears, Roebuck & Co. 119,900	4,802
• Staples, Inc. 265,560	6,841
Talbots, Inc. 30,400	1,062
Target Corp. 490,900	21,290
Tiffany & Co. 78,600	3,065
TJX Cos., Inc. 269,900	6,631
• Toys 'R' Us, Inc. 114,580	1,770
• Urban Outfitters, Inc. 21,300	983
▲ ⑥ Wal-Mart Stores, Inc. 2,325,700	132,565
Walgreen Co. 551,900	19,030
Whole Foods Market, Inc. 32,200	2,576
• Williams-Sonoma, Inc. 62,700	2,036
	419,436

Steel 0.1%

Nucor Corp. 41,900	2,489
United States Steel Corp. 60,860	1,742
Worthington Industries, Inc. 46,100	832
	5,063

Telephone 3.6%

Adtran, Inc. 42,500	1,042
Alltel Corp. 169,367	8,526
AT&T Corp. 425,617	7,299
• AT&T Wireless Services, Inc. 1,461,621	20,185
• Avaya, Inc. 223,600	3,059
BellSouth Corp. 983,400	25,382
CenturyTel, Inc. 77,287	2,232
• Citizens Communications Co. 152,518	1,989
• Crown Castle International Corp. 118,000	1,646
• Level 3 Communications, Inc. 363,200	1,028
• Liberty Media Corp., Class A 1,449,300	15,855
• Nextel Communications, Inc., Class A 591,800	14,120
• Nextel Partners, Inc., Class A 98,000	1,308

Security and Number of Shares	Value (\$ x 1,000)
• NTL, Inc. 46,700	2,651
• Qwest Communications International, Inc. 948,647	3,814
SBC Communications, Inc. 1,776,628	44,238
• Sonus Networks, Inc. 131,200	499
Sprint Corp. (FON Group) 764,529	13,677
Telephone & Data Systems, Inc. 30,900	2,038
• U.S. Cellular Corp. 46,100	1,580
Verizon Communications, Inc. 1,487,393	56,134
	228,302

Tobacco 1.1%

Altria Group, Inc. 1,100,300	60,935
R.J. Reynolds Tobacco Holdings, Inc. 45,300	2,934
UST, Inc. 88,900	3,308
	67,177

Travel & Recreation 0.4%

Brunswick Corp. 49,100	2,019
• Caesars Entertainment, Inc. 162,600	2,154
Harrah's Entertainment, Inc. 59,200	3,148
Hilton Hotels Corp. 203,467	3,559
Mandalay Resort Group 34,900	2,005
Marriott International, Inc., Class A 124,000	5,848
• MGM MIRAGE 77,700	3,559
Starwood Hotels & Resorts Worldwide, Inc. 108,400	4,313
Station Casinos, Inc. 32,200	1,452
	28,057

Trucking & Freight 0.2%

C.H. Robinson Worldwide, Inc. 45,200	1,855
CNF, Inc. 26,700	976
Expeditors International Washington, Inc. 56,400	2,267
• J.B. Hunt Transport Services, Inc. 43,000	1,361
Paccar, Inc. 93,870	5,300
Ryder Systems, Inc. 34,500	1,269
• Swift Transportation Co., Inc. 44,900	760
Werner Enterprises, Inc. 42,800	856
• Yellow Roadway Corp. 25,300	861
	15,505

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)
Utilities: Electric & Gas 3.0%	
• The AES Corp. 334,106	2,897
AGL Resources, Inc. 34,500	987
• Allegheny Energy, Inc. 68,200	940
Allete, Inc. 46,700	1,613
Alliant Energy Corp. 59,300	1,474
Ameren Corp. 97,730	4,273
American Electric Power Co., Inc. 213,820	6,509
Aqua America, Inc. 49,675	1,016
• Calpine Corp. 221,700	962
Centerpoint Energy, Inc. 164,217	1,772
Cinergy Corp. 95,465	3,622
Consolidated Edison, Inc. 120,900	4,982
Constellation Energy Group, Inc. 89,750	3,454
Dominion Resources, Inc. 176,016	11,232
DPL, Inc. 67,892	1,196
DTE Energy Co. 90,183	3,519
Duke Energy Corp. 488,762	10,293
• Dynegy, Inc., Class A 202,300	801
Edison International 174,700	4,088
El Paso Corp. 344,646	2,416
Energen Corp. 19,400	802
Energy East Corp. 78,384	1,846
Entergy Corp. 122,821	6,706
Equitable Resources, Inc. 33,400	1,569
Exelon Corp. 177,387	11,874
FirstEnergy Corp. 176,898	6,917
FPL Group, Inc. 100,600	6,400
Great Plains Energy, Inc. 37,200	1,161
Hawaiian Electric Industries, Inc. 20,200	1,005
KeySpan Corp. 85,334	3,085
Kinder Morgan, Inc. 66,200	3,986
MDU Resources Group, Inc. 60,800	1,362
National Fuel Gas Co. 43,700	1,070
Nicor, Inc. 23,700	806
NiSource, Inc. 140,880	2,840
Northeast Utilities, Inc. 71,800	1,318
NSTAR 28,400	1,375
OGE Energy Corp. 46,700	1,123
Oneok, Inc. 54,800	1,148
Peoples Energy Corp. 19,700	823

Security and Number of Shares	Value (\$ x 1,000)
Pepco Holdings, Inc. 92,025	1,743
• PG&E Corp. 222,458	6,122
Piedmont Natural Gas Co. 20,300	822
Pinnacle West Capital Corp. 49,000	1,914
PPL Corp. 95,220	4,080
Progress Energy, Inc. 131,400	5,620
Public Service Enterprise Group, Inc. 126,100	5,410
Puget Energy, Inc. 50,600	1,111
Questar Corp. 44,600	1,582
SCANA Corp. 59,500	2,047
Sempra Energy 121,438	3,856
The Southern Co. 394,700	11,352
TECO Energy, Inc. 100,800	1,283
TXU Corp. 173,712	5,931
Vectren Corp. 40,600	980
Westar Energy, Inc. 38,900	794
Williams Cos., Inc. 277,909	2,862
Wisconsin Energy Corp. 63,200	1,984
WPS Resources Corp. 19,500	893
Xcel Energy, Inc. 214,035	3,581
	189,229

Short-Term Investment

0.1% of net assets

Provident Institutional TempFund 2,440,442	2,440
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Security Rate, Maturity Date	Face Amount (\$ x 1,000)
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U.S. Treasury Obligations

0.0% of net assets

▲ U.S. Treasury Bills, 0.80%-0.92%, 06/17/04 365	365
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End of investments.

Security Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Collateral Invested for Securities on Loan

17.2% of net assets

Commercial Paper & Other Corporate Obligations 9.3%

American Express Credit Corp. 1.07%, 05/13/04	15,081	15,081
Bank of America 1.05%, 09/20/04	34,844	34,844
Canadian Imperial Bank Corp. 1.72%, 05/25/05	59,330	59,317
1.06%, 05/28/04	22,647	22,644
1.04%, 01/31/05	23,854	23,851
Concord Minutemen Capital Corp. 1.04%, 05/20/04	29,100	29,076
Credit Lyonnais 1.08%, 09/30/04	26,570	26,570
Crown Point Funding Corp. 1.04%, 05/10/04	30,543	30,518
Fairway Finance Corp. 1.04%, 05/13/04	15,834	15,821
Foreningssparbanken AB 1.06%, 05/17/04	69,930	69,919
General Electric Capital Corp. 1.06%, 05/10/04	45,492	45,535
Societe Generale 1.14%, 05/03/04	56,681	56,670
Svenska Handelsbanken 1.39%, 10/27/04	47,558	47,554
Westdeutsche Landesbank AG 1.50%, 01/10/05	44,907	44,894
1.05%, 09/23/04	22,032	22,028
1.05%, 09/29/04	24,167	24,161
1.05%, 10/12/04	22,273	22,271
	590,754	

Security Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Short-Term Investment 1.1%

Deutsche Bank, Time Deposit 1.04%, 05/03/04	71,116	71,116
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Security and Number of Shares**Other Investment Companies 6.8%**

Institutional Money Market Trust 432,083,687	432,084
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End of collateral invested for securities on loan.

Statement of

Assets and Liabilities

As of April 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$1,043,194 of securities on loan)	\$6,333,933
Collateral invested for securities on loan	1,093,954
Receivables:	
Fund shares sold	4,533
Interest	2
Dividends	6,726
Investments sold	6,920
Income from securities on loan	110
Prepaid expenses	+ 87
Total assets	7,446,265

Liabilities

Collateral invested for securities on loan	1,093,954
Payables:	
Fund shares redeemed	3,798
Interest expense	6
Investments bought	4,875
Due to brokers for futures	44
Investment adviser and administrator fees	79
Transfer agent and shareholder service fees	70
Accrued expenses	+ 323
Total liabilities	1,103,149

Net Assets

Total assets	7,446,265
Total liabilities	- 1,103,149
Net assets	\$6,343,116

Net Assets by Source

Capital received from investors	4,555,863
Net investment income not yet distributed	21,736
Net realized capital losses	(557,080)
Net unrealized capital gains	2,322,597

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$4,226,208		133,484		\$31.66
Select Shares	\$2,116,908		66,865		\$31.66

Unless stated, all numbers x 1,000.

The fund paid \$4,011,231 for these securities.

Not counting short-term obligations and government securities, the fund's security transactions during the period were:

Purchases	\$260,245
Sales/maturities	\$201,813

The fund's total security transactions with other SchwabFunds® during the period were \$52,421.

These derive from investments and futures. As of the report date, the fund had twenty-two open S&P 500 futures contracts due to expire on June 18, 2004, with an aggregate contract value of \$6,084 and net unrealized losses of \$105.

Federal Tax Data

Portfolio cost	\$4,032,324
Net unrealized gains and losses:	
Gains	\$2,723,801
Losses	+ (422,192)
	\$2,301,609

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

Statement of

Operations

For November 1, 2003 through April 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Dividends	\$50,145
Interest	26
Securities on loan	+ 728
Total investment income	50,899

Net Realized Gains and Losses

Net realized losses on investments sold	(8,357)
Net realized gains on futures contracts	+ 315
Net realized losses	(8,042)

Net Unrealized Gains and Losses

Net unrealized gains on investments	320,766
Net unrealized losses on futures contracts	+ (211)
Net unrealized gains	320,555

Expenses

Investment adviser and administrator fees	7,147
Transfer agent and shareholder service fees:	
Investor Shares	5,262
Select Shares	1,054
Trustees' fees	18
Custodian fees	78
Portfolio accounting fees	434
Professional fees	33
Registration fees	61
Shareholder reports	317
Interest expense	1
Other expenses	+ 25
Total expenses	14,430
Expense reduction	- 6
Net expenses	14,424

Increase in Net Assets from Operations

Total investment income	50,899
Net expenses	- 14,424
Net investment income	36,475
Net realized losses	(8,042)
Net unrealized gains	+ 320,555
Increase in net assets from operations	\$348,988

Unless stated, all numbers x 1,000.

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.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the operating expenses of this fund through February 28, 2005, as follows:

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

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

These add up to a net gain on investments of \$312,513.

Statements of

Changes in Net Assets

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

Operations

	11/1/03-4/30/04	11/1/02-10/31/03
Net investment income	\$36,475	\$68,476
Net realized losses	(8,042)	(168,829)
Net unrealized gains	+ 320,555	1,141,148
Increase in net assets from operations	348,988	1,040,795

Distributions Paid

Dividends from net investment income		
Investor Shares	45,314	40,944
Select Shares	+ 25,058	22,368
Total dividends from net investment income	\$70,372	\$63,312

Transactions in Fund Shares

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	12,379	\$393,686	23,357	\$623,574
Select Shares	+ 6,203	197,356	14,563	384,508
Total shares sold	18,582	\$591,042	37,920	\$1,008,082
Shares Reinvested				
Investor Shares	1,365	\$41,809	1,516	\$38,050
Select Shares	+ 698	21,363	766	19,200
Total shares reinvested	2,063	\$63,172	2,282	\$57,250
Shares Redeemed				
Investor Shares	(11,617)	(\$369,823)	(21,127)	(\$560,404)
Select Shares	+ (5,969)	(189,524)	(12,277)	(323,765)
Total shares redeemed	(17,586)	(\$559,347)	(33,404)	(\$884,169)
Net transactions in fund shares	3,059	\$94,867	6,798	\$181,163

Shares Outstanding and Net Assets

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	197,290	\$5,969,633	190,492	\$4,810,987
Total increase	+ 3,059	373,483	6,798	1,158,646
End of period	200,349	\$6,343,116	197,290	\$5,969,633

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 10/31/03 are:

Ordinary Income	\$63,312
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	\$129
Select Shares	+ 44
Total	\$173

Prior period:

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

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 \$21,736 and \$55,633 at the end of the current period and prior period, respectively.

Schwab Small-Cap Index Fund

Financial Statements

Financial Highlights

Investor Shares	11/1/03– 4/30/04*	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	18.22	13.27	15.98	21.06	17.41	15.39
Income or loss from investment operations:						
Net investment income	0.06	0.11	0.13	0.07	0.07	0.06
Net realized and unrealized gains or losses	0.68	4.98	(2.17)	(2.76)	3.62	2.89
Total income or loss from investment operations	0.74	5.09	(2.04)	(2.69)	3.69	2.95
Less distributions:						
Dividends from net investment income	(0.11)	(0.14)	(0.09)	(0.08)	(0.04)	(0.06)
Distributions from net realized gains	–	–	(0.58)	(2.31)	–	(0.87)
Total distributions	(0.11)	(0.14)	(0.67)	(2.39)	(0.04)	(0.93)
Net asset value at end of period	18.85	18.22	13.27	15.98	21.06	17.41
Total return (%)	4.07 ¹	38.72	(13.66)	(13.66)	21.22	19.96
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.59 ²	0.56	0.49	0.49	0.50 ³	0.49
Gross operating expenses	0.59 ²	0.60	0.60	0.61	0.66	0.79
Net investment income	0.62 ²	0.74	0.77	0.49	0.44	0.33
Portfolio turnover rate	36 ¹	34	44	49	54	41
Net assets, end of period (\$ x 1,000,000)	889	886	722	804	803	452

* Unaudited.

¹ Not annualized.

² Annualized.

³ The ratio of net operating expenses would have been 0.49% if certain non-routine expenses (proxy fees) had not been included.

Financial Highlights

Select Shares	11/1/03– 4/30/04*	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	18.25	13.28	16.00	21.09	17.44	15.41
Income or loss from investment operations:						
Net investment income	0.08	0.14	0.14	0.11	0.11	0.07
Net realized and unrealized gains or losses	0.68	4.99	(2.18)	(2.78)	3.61	2.90
Total income or loss from investment operations	0.76	5.13	(2.04)	(2.67)	3.72	2.97
Less distributions:						
Dividends from net investment income	(0.14)	(0.16)	(0.10)	(0.11)	(0.07)	(0.07)
Distributions from net realized gains	—	—	(0.58)	(2.31)	—	(0.87)
Total distributions	(0.14)	(0.16)	(0.68)	(2.42)	(0.07)	(0.94)
Net asset value at end of period	18.87	18.25	13.28	16.00	21.09	17.44
Total return (%)	4.14 ¹	39.02	(13.62)	(13.56)	21.37	20.14
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.42 ²	0.41	0.38	0.38	0.39 ³	0.38
Gross operating expenses	0.44 ²	0.45	0.45	0.46	0.51	0.65
Net investment income	0.78 ²	0.89	0.88	0.60	0.55	0.44
Portfolio turnover rate	36 ¹	34	44	49	54	41
Net assets, end of period (\$ x 1,000,000)	780	759	638	727	757	447

* Unaudited.

¹ Not annualized.² Annualized.³ The ratio of net operating expenses would have been 0.38% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of April 30, 2004, unaudited

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
- ▷ Security is valued at fair value (see Accounting Policies)

Holdings by Category	Cost (\$x1,000)	Value (\$x1,000)
99.8% Common Stock	1,514,938	1,664,651
0.1% Short-Term Investment	1,234	1,234
0.0% U.S. Treasury Obligation	100	100
99.9% Total Investments	1,516,272	1,665,985
6.1% Collateral Invested for Securities on Loan	102,582	102,582
(6.0)% Other Assets and Liabilities, Net		(100,210)
100.0% Total Net Assets		1,668,357

Security and Number of Shares	Value (\$ x 1,000)
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Common Stock 99.8% of net assets

Aerospace / Defense 0.9%

• Armor Holdings, Inc.	67,800	2,240
• DRS Technologies, Inc.	64,900	1,833
• EDO Corp.	48,900	1,110
▲ Engineered Support Systems, Inc.	62,150	3,022
• ESCO Technologies, Inc.	29,800	1,439
• Esterline Technologies Corp.	52,100	1,290
• GenCorp, Inc.	109,000	1,157
• Teledyne Technologies, Inc.	79,800	1,515
• Veeco Instruments, Inc.	70,570	1,605
		15,211

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

Air Transportation 1.1%

• AAR Corp.	79,000	802
• AirTran Holdings, Inc.	202,800	2,476
• Alaska Air Group, Inc.	64,300	1,423
• America West Holdings Corp., Class B	86,800	859
• Atlantic Coast Airlines Holdings, Inc.	112,300	736
• Aviall, Inc.	78,200	1,294
• Continental Airlines, Inc., Class B	160,300	1,709
• EGL, Inc.	115,300	2,138
• ExpressJet Holdings, Inc.	130,600	1,661
• Frontier Airlines, Inc.	87,200	792
• Mesa Air Group, Inc.	78,100	552
• Northwest Airlines Corp., Class A	209,400	1,968
• SkyWest, Inc.	139,300	2,535
		18,945

Alcoholic Beverages 0.1%

• The Robert Mondavi Corp., Class A	24,400	878
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Apparel 1.6%

• Aeropostale, Inc.	136,350	2,998
• Brown Shoe Co., Inc.	42,700	1,562
• The Buckle, Inc.	50,850	1,389
• K-Swiss, Inc., Class A	85,300	1,664
• Kellwood Co.	64,200	2,533
• Kenneth Cole Productions, Inc., Class A	48,550	1,679
• Oxford Industries, Inc.	38,100	1,485
• Phillips-Van Heusen Corp.	75,200	1,359
• Quiksilver, Inc.	135,200	2,925
• Russell Corp.	78,300	1,302
• Stage Stores, Inc.	45,700	1,794
• Stride Rite Corp.	97,300	1,044
• The Warnaco Group, Inc.	110,000	2,104
• Wolverine World Wide, Inc.	95,400	2,565
		26,403

Automotive Products / Motor Vehicles 1.8%

A.O. Smith Corp., Class B	70,300	2,102
Arctic Cat, Inc.	50,000	1,188

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Bandag, Inc. 45,700	1,990	First Niagra Financial Group, Inc. 202,777	2,555
• CSK Auto Corp. 113,100	2,088	First Republic Bank 34,500	1,314
• Fleetwood Enterprises, Inc. 93,200	1,351	Firstfed America Bancorp, Inc. 45,400	1,112
• Group 1 Automotive, Inc. 54,200	1,873	• FirstFed Financial Corp. 40,100	1,621
• Keystone Automotive Industries, Inc. 37,200	964	Frontier Financial Corp. 44,800	1,485
Lithia Motors, Inc., Class A 36,400	940	Gold Banc Corp., Inc. 95,100	1,556
Modine Manufacturing Co. 82,700	2,274	Hancock Holding Co. 73,434	2,050
• Monaco Coach Corp. 70,000	1,825	Harbor Florida Bancshares, Inc. 57,000	1,580
Sonic Automotive, Inc. 69,800	1,738	Harleysville National Corp. 58,993	1,542
Superior Industries International, Inc. 64,300	2,191	Independent Bank Corp. 36,200	976
• TBC Corp. 52,500	1,467	Integra Bank Corp. 42,870	881
• Tower Automotive, Inc. 139,600	715	Irwin Financial Corp. 67,500	1,596
▲• United Defense Industries, Inc. 125,200	4,338	▲ MAF Bancorp., Inc. 79,725	3,257
Winnebago Industries, Inc. 79,800	2,301	Main Street Banks, Inc. 46,900	1,266
	29,345	Mid-State Bancshares 56,800	1,277
		Midwest Banc Holdings, Inc. 43,300	985
		Movie Gallery, Inc. 78,700	1,528
		National Penn Bancshares, Inc. 59,010	1,774
		NBT Bancorp., Inc. 79,400	1,661
		Net.B@nk, Inc. 113,600	1,226
		Oriental Financial Group 48,615	1,387
		PFF Bancorp, Inc. 41,100	1,539
		PrivateBancorp, Inc. 24,400	1,350
		Prosperity Bancshares, Inc. 50,700	1,175
		Provident Bankshares Corp. 58,694	1,653
		Republic Bancorp, Inc. 155,162	2,019
		Riggs National Corp. 70,900	1,283
		S&T Bancorp, Inc. 63,400	1,802
		• S1 Corp. 170,900	1,377
		Sandy Spring Bancorp, Inc. 35,800	1,281
		Simmons First National Corp., Class A 34,900	907
		▲ Southwest Bancorp of Texas, Inc. 82,700	3,363
		Sterling Bancorp 37,000	1,022
		Sterling Bancshares, Inc. 106,950	1,359
		• Sterling Financial Corp. 49,500	1,634
		Suffolk Bancorp 27,100	892
		Susquehanna Bancshares, Inc. 96,675	2,262
		Texas Regional Bancshares, Inc., Class A 71,419	3,015
		Tompkins Trustco, Inc. 20,200	958
		The Trust Co. of New Jersey 43,500	1,610

Banks 6.6%

Alabama National Bancorp 35,900	1,832
Anchor Bancorp Wisconsin, Inc. 55,300	1,343
BancFirst Corp. 19,300	1,062
BankAtlantic Bancorp, Inc., Class A 132,100	2,067
Boston Private Financial Holdings, Inc. 64,100	1,494
Brookline Bancorp, Inc. 143,800	2,036
Capital City Bank Group, Inc. 32,750	1,269
Capitol Bancorp Ltd. 33,800	845
Chemical Financial Corp. 56,687	1,942
City Holding Co. 41,200	1,261
Community Bank System, Inc. 64,400	1,310
Community Banks, Inc. 30,135	925
Community First Bankshares, Inc. 91,100	2,932
Community Trust Bancorp, Inc. 33,300	972
Corus Bankshares, Inc. 67,500	2,548
Dime Community Bancshares, Inc. 93,175	1,593
First Charter Corp. 71,400	1,474
First Commonwealth Financial Corp. 145,100	2,047
First Federal Capital Corp. 55,400	1,420
First Financial Bancorp 107,030	1,822
First Financial Bancshares, Inc. 36,831	1,516
First Merchants Corp. 45,730	1,067

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Trustco Bank Corp. 179,220	2,260	• Administaff, Inc. 63,900	1,118
UMB Financial Corp. 51,793	2,601	• Advent Software, Inc. 79,000	1,476
Umpqua Holdings Corp. 68,400	1,296	• The Advisory Board Co. 37,400	1,294
United Community Financial Corp. 67,200	825	• Advo, Inc. 72,650	2,281
Unizan Financial Corp. 53,600	1,305	• Agile Software Corp. 128,400	969
USB Holding Co., Inc. 48,100	1,013	• Alderwoods Group, Inc. 99,100	1,217
WesBanco, Inc. 47,000	1,340	• Altiris, Inc. 63,400	1,604
Wintrust Financial Corp. 46,800	2,223	• American Management Systems, Inc. 103,000	1,989
	110,770	• American Superconductor Corp. 67,400	851
Business Machines & Software 2.3%		• AMN Healthcare Services, Inc. 69,633	1,134
• Adaptec, Inc. 263,000	2,057	• Ansys, Inc. 36,200	1,341
• Advanced Digital Information Corp. 155,600	1,643	• aQuantive, Inc. 148,700	1,494
Analogic Corp. 31,400	1,487	• Ariba, Inc. 657,200	1,452
▲ Arbitron, Inc. 73,200	2,727	• Ask Jeeves, Inc. 113,300	4,019
• Artesyn Technologies, Inc. 96,000	884	• Aspen Technology, Inc. 99,600	647
Black Box Corp. 42,500	2,165	• At Road, Inc. 129,600	1,091
• Borland Software Corp. 195,400	1,612	• Barra, Inc. 46,000	1,879
• Cray, Inc. 179,400	1,112	Bowne & Co., Inc. 81,700	1,383
• Enterasys Networks, Inc. 513,600	1,079	• Bright Horizons Family Solutions, Inc. 32,300	1,433
• FindWhat.com 53,000	1,068	▲ CACI International, Inc., Class A 69,700	3,171
• Imagistics International, Inc. 39,500	1,599	• Catalina Marketing Corp. 125,900	2,087
• Intergraph Corp. 87,221	2,199	CDI Corp. 46,900	1,513
• InterVoice, Inc. 84,800	1,056	• Cell Genesys, Inc. 98,200	1,085
• Interwoven, Inc. 99,050	831	▲ Cerner Corp. 85,800	3,674
• Invision Technologies, Inc. 39,900	1,982	• Ciber, Inc. 145,100	1,270
Landamerica Financial Group, Inc. 44,100	1,817	• Clarent Corp. 105,200	3
• LTX Corp. 145,100	1,586	• Connetics Corp. 79,000	1,537
• McData Corp., Class A 286,000	1,524	• CoStar Group, Inc. 43,500	1,715
• Micromuse, Inc. 189,300	1,270	• Cross Country Healthcare, Inc. 76,900	1,268
• MICROS Systems, Inc. 43,000	1,886	• CSG Systems International, Inc. 127,700	2,144
• Omnicell, Inc. 57,800	797	• CuraGen Corp. 123,100	714
• PalmOne, Inc. 112,200	1,831	• Dendrite International, Inc. 97,950	1,679
• PTEK Holdings, Inc. 139,600	1,420	• Digital Insight Corp. 82,200	1,586
• Scansource, Inc. 30,600	1,690	• Digital River, Inc. 77,300	1,991
• Zhone Technologies, Inc. 188,000	636	• Digitas, Inc. 152,800	1,514
	37,958	• Diversa Corp. 106,600	1,015
Business Services 14.8%		• Dot Hill Systems Corp. 107,300	805
• Century Business Services, Inc. 204,415	844	• E.piphany, Inc. 184,300	807
ABM Industries, Inc. 118,400	2,186	• Echelon Corp. 99,800	1,088
		• Eclipsys Corp. 113,700	1,604

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
•eFunds Corp. 114,700	1,842	•MAXIMUS, Inc. 51,700	1,810
•Embarcadero Technologies, Inc. 66,000	852	•Mentor Graphics Corp. 164,500	2,729
•Encysive Pharmaceuticals, Inc. 126,600	1,272	•MicroStrategy, Inc., Class A 30,400	1,460
•Epicor Software Corp. 106,400	1,363	•Mindspeed Technologies, Inc. 237,100	1,219
•eResearch Technology, Inc. 81,400	2,562	•MPS Group, Inc. 251,900	2,756
•Euronet Worldwide, Inc. 66,800	1,298	•MRO Software, Inc. 60,800	810
•Exelixis, Inc. 172,200	1,565	Nautilus Group, Inc. 78,549	1,263
•Exult, Inc. 262,100	1,601	•Navigant Consulting, Inc. 108,800	1,907
•F5 Networks, Inc. 81,800	2,078	•NCO Group, Inc. 75,500	1,714
•FileNet Corp. 91,100	2,502	NDCHHealth Corp. 85,200	1,949
•Forrester Research, Inc. 53,200	923	•NeighborCare, Inc. 105,200	2,434
•FTI Consulting, Inc. 101,900	1,676	•Netegrity, Inc. 86,100	723
G&K Services, Inc., Class A 49,850	1,889	•NetIQ Corp. 125,900	1,619
•Global Imaging Systems, Inc. 53,700	1,859	New England Business Service, Inc. 32,700	1,135
Grey Global Group, Inc. 3,120	2,262	Newcastle Investment Corp. 83,200	2,223
•Harris Interactive, Inc. 139,100	1,014	•NIC, Inc. 144,900	755
•Heidrick & Struggles International, Inc. 45,300	1,125	•Openwave Systems, Inc. 154,700	1,318
•Hewitt Associates, Inc., Class A 73,200	2,263	•Opware, Inc. 195,700	1,433
•Identix, Inc. 207,432	1,319	•Orbital Sciences Corp. 118,900	1,531
•IDT Corp. 49,400	918	•Packeteer, Inc. 79,500	958
•IDX Systems Corp. 68,100	2,159	•Parametric Technology Corp. 642,500	2,943
•InFocus Corp. 97,900	800	•Paxar Corp. 94,235	1,553
•Informatica Corp. 205,300	1,486	•PDI, Inc. 35,600	910
•Infospace, Inc. 75,850	2,480	•Per-Se Technologies, Inc. 77,400	828
•infoUSA, Inc. 129,500	1,177	•Pre-Paid Legal Services, Inc. 42,900	1,073
•Internap Network Services Corp. 595,400	1,000	•Priceline.com, Inc. 90,200	2,186
•Internet Security Systems 121,300	1,612	•Progress Software Corp. 84,400	1,730
•JDA Software Group, Inc. 71,800	943	•ProQuest Co. 68,200	1,821
John H. Harland Co. 67,600	2,083	•QAD, Inc. 82,400	907
•Keane, Inc. 154,200	2,190	▲ R.H. Donnelley Corp. 74,900	3,392
•Korn/Ferry International 90,700	1,359	•RealNetworks, Inc. 386,900	2,225
•Kroll, Inc. 101,600	3,011	•Renaissance Learning, Inc. 74,400	1,681
•Labor Ready, Inc. 100,300	1,268	•Resources Connection, Inc. 55,000	2,217
•Lionbridge Technologies, Inc. 114,300	1,031	•Retek, Inc. 135,400	945
▲ Macrovision Corp. 119,200	2,007	Roto-Rooter, Inc. 24,400	1,181
•Magma Design Automation, Inc. 80,500	1,501	•RSA Security, Inc. 145,100	2,325
•Manhattan Associates, Inc. 72,300	1,943	•SafeNet, Inc. 56,900	1,223
•Mantech International Corp., Class A 77,200	1,938	•Sapient Corp. 297,200	1,664
•Manugistics Group, Inc. 187,300	1,013	•Seachange International, Inc. 67,400	783
		•Secure Computing Corp. 85,000	813

Security and Number of Shares	Value (\$ x 1,000)
• Seebeyond Technology Corp. 207,000	791
• Serena Software, Inc. 95,200	1,692
• SonicWALL, Inc. 169,500	1,214
• SourceCorp 39,800	1,022
• Spartech Corp. 71,500	1,631
• Spherion Corp. 148,000	1,458
• SRA International, Inc., Class A 42,100	1,580
SS&C Technologies, Inc. 45,900	1,060
The Standard Register Co. 70,500	1,039
Startek, Inc. 33,400	1,084
Strayer Education, Inc. 25,600	3,199
• SupportSoft, Inc. 100,400	993
• Symyx Technologies, Inc. 76,000	1,946
• TeleTech Holdings, Inc. 184,400	1,127
• Telik, Inc. 103,100	2,420
• Tetra Technologies, Inc. 52,200	1,248
• Transaction Systems Architects, Inc., Class A 88,300	1,875
▲• Tularik, Inc. 160,000	3,947
▲• United Online, Inc. 154,300	2,561
• URS Corp. 96,900	2,503
• Valueclick, Inc. 182,500	1,891
• Verity, Inc. 93,000	1,153
• Vignette Corp. 632,000	1,100
• Waste Connections, Inc. 68,600	2,763
• Watson Wyatt & Co. Holdings 80,300	2,106
• WebEx Communications, Inc. 103,900	2,332
• webMethods, Inc. 129,000	1,109
• Websense, Inc. 53,900	1,590
• Wind River Systems, Inc. 196,200	1,836
• Wireless Facilities, Inc. 151,600	1,454
• Wynn Resorts Ltd. 83,800	3,346
	246,372

Chemicals 2.1%

A. Schulman, Inc. 72,300	1,446
Amcol International Corp. 70,700	1,189
Arch Chemicals, Inc. 54,200	1,583
Brady Corp., Class A 56,000	2,176
Crompton Corp. 268,200	1,668

Security and Number of Shares	Value (\$ x 1,000)
• Entegris, Inc. 178,000	1,807
• Ethyl Corp. 41,600	775
Ferro Corp. 100,300	2,597
Georgia Gulf Corp. 78,500	2,501
• H.B. Fuller Co. 68,400	1,874
MacDermid, Inc. 73,000	2,364
Millennium Chemicals, Inc. 155,100	2,539
• OM Group, Inc. 68,300	1,738
PolyOne Corp. 221,100	1,512
• Rogers Corp. 38,000	2,269
Rollins, Inc. 109,750	2,606
Tredegar Corp. 92,100	1,224
• Trex Co., Inc. 34,400	1,332
WD-40 Co. 41,700	1,266
	34,466

Construction 1.9%

American Woodmark Corp. 18,900	1,213
▲ Beazer Homes USA, Inc. 32,769	3,226
• Ceradyne, Inc. 39,150	1,117
Eagle Materials, Inc. 52,000	3,416
ElkCorp 48,550	1,346
• EMCOR Group, Inc. 35,200	1,440
Granite Construction, Inc. 100,925	2,003
• Insituform Technologies, Inc., Class A 65,500	1,064
• Integrated Electrical Services, Inc. 87,800	856
M/I Schottenstein Homes, Inc. 33,800	1,442
• Mastec, Inc. 119,400	875
• NCI Building Systems, Inc. 46,700	1,367
• Palm Harbor Homes, Inc. 54,600	1,229
• Quanta Services, Inc. 284,700	1,557
▲ Simpson Manufacturing Co., Inc. 57,200	2,984
• Surebeam Corp., Class A 132,000	1
Texas Industries, Inc. 50,700	1,709
• USG Corp. 104,600	1,488
Walter Industries, Inc. 101,000	1,260
• WCI Communities, Inc. 106,000	2,577
	32,170

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Consumer Durables 1.2%			
• Champion Enterprises, Inc. 160,700	1,750	• Celera Genomics Group – Applera Corp. 177,200	2,089
• Genlyte Group, Inc. 31,500	1,806	• Cepheid, Inc. 89,000	689
• Griffon Corp. 71,300	1,565	• Checkpoint Systems, Inc. 90,500	1,454
Haverty Furniture Cos., Inc. 54,900	992	• ChipPAC, Inc., Class A 236,700	1,451
• Helen of Troy Ltd. 68,400	2,274	• Cirrus Logic, Inc. 203,300	1,267
Kimball International, Inc., Class B 91,700	1,354	▲ CMGI, Inc. 973,300	1,684
▲ La-Z-Boy, Inc. 126,400	2,634	• Coherent, Inc. 71,800	1,755
• Red Robin Gourmet Burgers, Inc. 39,600	1,139	Cohu, Inc. 52,700	922
• Select Comfort Corp. 81,300	1,971	• CommScope, Inc. 142,800	2,500
Thomas Industries, Inc. 40,700	1,374	• Comtech Telecommunications 34,900	565
Toro Co. 58,700	3,413	• Corvis Corp. 1,163,000	1,814
	20,272	• Cox Radio, Inc., Class A 101,300	2,098
Containers 0.2%		• Credence Systems Corp. 154,000	1,716
Greif, Inc., Class A 53,200	1,749	CTS Corp. 88,800	1,159
• Silgan Holdings, Inc. 43,200	1,817	Cubic Corp. 64,200	1,515
	3,566	• Cyberonics 56,800	1,346
Electronics 8.7%		• Daktronics, Inc. 46,500	987
• Actel Corp. 61,100	1,217	• Dionex Corp. 50,300	2,567
Acuity Brands, Inc. 101,500	2,484	• DSP Group, Inc. 69,000	1,710
Agilysys, Inc. 79,500	933	• Dupont Photomasks, Inc. 44,900	929
• Anixter International, Inc. 87,800	2,573	• Electro Scientific Industries, Inc. 67,300	1,376
• Arris Group, Inc. 211,300	1,264	• ESS Technology, Inc. 93,600	1,003
• Artisan Components, Inc. 55,000	1,287	• Exar Corp. 98,500	1,503
• Aspect Communications Corp. 139,100	1,646	• Excel Technology, Inc. 29,500	998
• Asyst Technologies, Inc. 113,700	752	• Faro Technologies, Inc. 33,400	596
• ATMI, Inc. 74,700	1,649	• FEI Co. 80,100	1,600
• Avanex Corp. 317,400	943	• FuelCell Energy, Inc. 114,800	1,892
• Axcels Technologies, Inc. 238,700	2,509	• Genesis Microchip, Inc. 78,700	1,183
Belden, Inc. 63,000	1,102	• Harmonic, Inc. 168,300	1,112
▲ Benchmark Electronics, Inc. 98,750	2,669	• Hollywood Entertainment Corp. 146,400	1,971
• Biolase Technology, Inc. 53,400	688	• Hutchinson Technology, Inc. 62,300	1,532
◆ Bookham Technology Plc 1	—	• Integrated Silicon Solutions, Inc. 81,200	1,115
• Brooks Automation, Inc. 107,324	1,786	• Intermagnetics General Corp. 41,314	1,013
• Bruker BioSciences Corp. 213,200	1,106	• Kopin Corp. 172,700	860
C&D Technologies, Inc. 63,200	980	• Kulicke & Soffa Industries, Inc. 123,900	1,230
• C-COR.net Corp. 102,100	927	▲ Lattice Semiconductor Corp. 271,800	1,935
• Cable Design Technologies Corp. 103,375	882	• Littelfuse, Inc. 52,100	2,001
▲ Cabot Microelectronics Corp. 59,400	1,754	▲ Macromedia, Inc. 163,100	3,360
• CCC Information Services Group, Inc. 65,200	1,050	• Mattson Technology, Inc. 112,000	1,095
		• Mercury Computer Systems, Inc. 52,100	1,167
		Methode Electronics, Class A 88,400	1,002
		• Microsemi Corp. 143,600	1,561

Security and Number of Shares	Value (\$ x 1,000)
•MRV Communications, Inc. 260,100	611
•MTS Systems Corp. 51,900	1,222
•Mykrolis Corp. 99,900	1,454
•Netopia, Inc. 56,600	338
•Newport Corp. 94,000	1,395
•Oplink Communications, Inc. 359,900	691
•Park Electrochemical Corp. 48,950	1,154
•Photon Dynamics, Inc. 40,000	1,240
•Pinnacle Systems, Inc. 164,400	1,294
•Pixelworks, Inc. 109,200	1,952
•Plexus Corp. 105,300	1,514
•Power Integrations, Inc. 72,700	1,791
•Power-One, Inc. 200,700	1,726
•Powerwave Technologies, Inc. 156,400	1,059
•Quantum Corp. 441,000	1,380
•Rayovac Corp. 80,400	2,143
•Remec, Inc. 147,300	927
•Rofin-Sinar Technologies, Inc. 35,100	813
•Rudolph Technologies, Inc. 40,700	654
•ScanSoft, Inc. 246,800	1,199
•Silicon Image, Inc. 174,900	1,782
•Silicon Storage Technology, Inc. 231,100	3,062
•Spectralink Corp. 46,600	587
•Standard Microsystems Corp. 44,600	1,063
•Stratex Networks, Inc. 207,800	679
•Superconductor Technologies, Inc. 161,000	225
•Synaptics, Inc. 60,700	1,005
•Technitrol, Inc. 97,100	2,065
•Tekelec 150,400	2,507
•Terayon Communication Systems Corp. 185,600	538
•THQ, Inc. 92,650	1,718
•Transmeta Corp. 405,200	1,130
•Triquint Semiconductor, Inc. 323,600	1,777
•TTM Technologies, Inc. 100,300	1,114
▲•Varian, Inc. 83,900	3,443
•Viasat, Inc. 63,500	1,396
•Vicor Corp. 100,900	1,402
•Wilson Greatbatch Technologies, Inc. 50,400	1,739
•Zoran Corp. 102,700	1,698
	145,010

Security and Number of Shares	Value (\$ x 1,000)
Energy: Raw Materials 2.9%	
•Atwood Oceanics, Inc. 32,300	1,184
•Berry Petroleum Co., Class A 49,700	1,348
•Cabot Oil & Gas Corp. 78,500	2,802
•CARBO Ceramics, Inc. 36,600	2,367
•Cimarex Energy Co. 101,200	2,792
•Denbury Resources, Inc. 132,000	2,410
•Grey Wolf, Inc. 437,000	1,739
•Hanover Compressor Co. 179,700	2,210
•Headwaters, Inc. 79,300	1,823
•Hydril Co. 54,900	1,398
•KFX, Inc. 129,100	1,303
•Kirby Corp. 58,100	2,004
•McDermott International, Inc. 159,400	1,317
•NL Industries, Inc. 115,200	1,499
•Offshore Logistics, Inc. 55,800	1,225
•Oil States International, Inc. 120,600	1,633
•Penn Virginia Corp. 22,300	1,467
•Plains Resources, Inc. 58,400	1,052
•Prima Energy Corp. 31,900	1,184
•Range Resources Corp. 136,500	1,708
•Seacor Holdings, Inc. 44,250	1,836
•Southwestern Energy Co. 86,200	2,168
•Swift Energy Co. 66,000	1,432
•TC Pipelines L.P. 39,500	1,283
•Unit Corp. 106,000	2,995
•USEC, Inc. 199,000	1,369
•W-H Energy Services, Inc. 67,600	1,242
•World Fuel Services Corp. 26,800	1,134
	47,924

Food & Agriculture 1.4%

•American Italian Pasta Co., Class A 42,800	1,325
•Chiquita Brands International, Inc. 97,000	1,747
•Delta & Pine Land Co. 92,300	2,239
•Farmers Brothers Co. 3,160	1,153
•Fisher Communications, Inc. 21,300	1,074
•Hain Celestial Group, Inc. 84,800	1,679
•Interstate Bakeries 108,100	1,222
•Lance, Inc. 72,100	1,090
•Ralcorp Holdings, Inc. 66,566	2,317
•Sanderson Farms, Inc. 47,800	1,777

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Sensient Technologies Corp. 113,700	2,326	• Digene Corp. 46,500	1,651
• Tejon Ranch Co. 35,900	1,249	• Discovery Laboratories, Inc. 104,900	1,220
• United Natural Foods, Inc. 92,800	2,325	• DJ Orthopedics, Inc. 52,600	1,211
• VistaCare, Inc., Class A 39,300	990	• Encore Medical Corp. 105,900	831
• Wild Oats Markets, Inc. 74,300	1,025	• Enzo Biochem, Inc. 74,261	1,081
	23,538	• Enzo Pharmaceuticals, Inc. 105,500	1,531
Gold 0.0%		• Epix Medical, Inc. 54,600	1,339
Royal Gold, Inc. 51,400	631	• First Horizon Pharmaceutical Corp. 86,600	1,343
Healthcare / Drugs & Medicine 12.1%		• Genesis HealthCare Corp. 49,250	1,152
• aaiPharma, Inc. 68,950	439	• Genta, Inc. 184,600	1,584
▲ Abgenix, Inc. 213,000	3,466	• Geron Corp. 96,900	734
• Advanced Medical Optics, Inc. 70,800	2,233	• Haemonetics Corp. 60,000	1,694
• Advanced Neuromodulation Systems, Inc. 46,400	1,264	• HealthExtras, Inc. 80,700	1,027
• Albany Molecular Research, Inc. 78,300	1,270	• ICU Medical, Inc. 33,800	1,128
• Alexion Pharmaceuticals, Inc. 54,200	1,221	• li-Vi, Inc. 35,400	874
Alpharma, Inc., Class A 126,600	2,751	• Ilex Oncology, Inc. 94,700	2,196
• American Healthways, Inc. 77,100	1,868	• Immucor, Inc. 47,500	1,171
• American Medical Systems Holdings, Inc. 79,900	2,074	• Impax Laboratories, Inc. 140,300	2,920
• AMERIGROUP Corp. 58,300	2,420	• Incyte Corp. 178,800	1,420
• Amsurg Corp. 72,550	1,754	• Inspire Pharmaceuticals, Inc. 78,900	1,297
• Antigenics, Inc. 97,800	933	• Integra LifeSciences Holdings Corp. 65,200	2,086
• Ariad Pharmaceuticals, Inc. 116,000	1,318	• InterMune, Inc. 76,700	1,131
Arrow International, Inc. 105,600	3,160	• Intuitive Surgical, Inc. 81,700	1,319
• Arthrocare Corp. 51,400	1,208	▲ Invacare Corp. 74,900	2,983
• Athrogenics, Inc. 89,000	2,102	• Inveresk Research Group, Inc. 91,800	2,602
• Atrix Labs, Inc. 53,100	1,602	• Inverness Medical Innovations, Inc. 47,900	903
• Beverly Enterprises, Inc. 258,700	1,539	• Isis Pharmaceuticals, Inc. 137,600	1,000
• BioMarin Pharmaceuticals, Inc. 158,300	1,095	• Kindred Healthcare, Inc. 42,400	2,077
• Biosite, Inc. 36,500	1,446	• Kyphon, Inc. 95,200	2,390
Cambrex Corp. 61,900	1,530	Landauer, Inc. 21,900	855
• Centene Corp. 47,650	1,596	• Lexicon Genetics, Inc. 155,600	1,099
• Cima Labs, Inc. 35,900	1,136	▲ LifePoint Hospitals, Inc. 91,400	3,268
• Conmed Corp. 69,900	1,725	• Ligand Pharmaceuticals, Inc., Class B 176,800	3,785
• Corvel Corp. 26,200	814	• Medarex, Inc. 190,600	1,816
• Cubist Pharmaceuticals, Inc. 99,100	985	Mentor Corp. 106,300	3,370
• CV Therapeutics, Inc. 72,000	1,038	• Merit Medical Systems, Inc. 62,054	975
Datascope Corp. 36,600	1,212	▲• MGI Pharma, Inc. 84,200	5,205
• Dendreon Corp. 136,300	1,772	Mine Safety Appliances Co. 89,200	2,417
▲ Diagnostic Products Corp. 69,500	2,965	• Myriad Genetics, Inc. 67,100	1,156

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
•Nabi Biopharmaceuticals 135,800	2,220	▲•Visx, Inc. 117,800	2,579
•Nektar Therapeutics 135,000	2,734	West Pharmaceutical Services, Inc. 36,000	1,397
•Noven Pharmaceuticals, Inc. 55,800	1,096	•Wright Medical Group, Inc. 79,700	2,737
•NPS Pharmaceuticals, Inc. 89,400	2,239	•XOMA Ltd. 205,900	883
•Oakley, Inc. 164,000	2,270		202,227
•Ocular Sciences, Inc. 57,500	1,616		
•Odyssey HealthCare, Inc. 87,550	1,472	Household Products 0.1%	
•4 Onyx Pharmaceuticals, Inc. 82,300	4,059	•Elizabeth Arden, Inc. 59,500	1,303
•Orthodontic Centers of America, Inc. 124,200	891	•Playtex Products, Inc. 151,700	1,124
•Owens & Minor, Inc. 93,000	2,260		2,427
•Parexel International Corp. 64,200	1,254		
▲•6 Pediatrix Medical Group, Inc. 56,300	4,025	Insurance 3.1%	
•Perrigo Co. 169,000	3,645	Alfa Corp. 193,200	2,622
•Pharmacopeia, Inc. 59,100	1,060	•Argonaut Group, Inc. 66,700	1,234
•PolyMedica Corp. 63,300	1,762	Baldwin & Lyons, Inc., Class B 36,100	1,000
•Priority Healthcare Corp., Class B 105,200	2,109	•CNA Surety Corp. 103,500	1,127
•Province Healthcare Co. 118,700	1,898	Commerce Group, Inc. 77,300	3,568
•PSS World Medical, Inc. 162,500	1,818	Delphi Financial Group, Inc., Class A 74,656	2,998
•Regeneron Pharmaceuticals, Inc. 134,600	1,687	FBL Financial Group, Inc., Class A 64,700	1,723
•RehabCare Group, Inc. 39,900	816	•Great American Financial Resources, Inc. 114,250	1,822
▲•8 Resmed, Inc. 80,200	3,952	Harleysville Group, Inc. 72,100	1,370
•Serologicals Corp. 59,100	1,095	Hooper Holmes, Inc. 160,500	884
•Sierra Health Services, Inc. 66,200	2,459	Horace Mann Educators Corp. 103,800	1,620
•Sola International, Inc. 76,600	1,572	Kansas City Life Insurance Co. 29,500	1,180
•Sunrise Senior Living, Inc. 48,100	1,520	Liberty Corp. 45,700	2,052
•SuperGen, Inc. 88,000	723	•Navigators Group, Inc. 31,100	810
•SurModics, Inc. 43,200	967	•Ohio Casualty Corp. 146,900	2,882
•Sybron Dental Specialties, Inc. 92,700	2,711	•Philadelphia Consolidated Holding Co. 52,500	3,031
•Tanox, Inc. 105,900	1,806	Presidential Life Corp. 72,600	1,168
•Thoratec Corp. 136,600	1,859	•ProAssurance Corp. 69,796	2,368
•Transkaryotic Therapies, Inc. 83,500	1,213	RLI Corp. 60,250	2,094
•United Surgical Partners International, Inc. 65,900	2,387	Selective Insurance Group, Inc. 65,300	2,335
•United Therapeutics Corp. 52,700	1,297	State Auto Financial Corp. 95,400	2,677
•US Oncology, Inc. 203,072	3,026	Sterling Financial Corp. 53,250	1,355
•USANA Health Sciences, Inc. 45,800	1,234	•Stewart Information Services Corp. 42,400	1,505
•Ventana Medical Systems, Inc. 41,500	2,054	•Triad Guaranty, Inc. 33,700	1,843
•Vertex Pharmaceuticals, Inc. 189,500	1,637	•UICI 111,700	1,934
•Viasys Healthcare, Inc. 72,900	1,414	United Fire & Casualty Co. 24,800	1,087
▲•Vicuron Pharmaceuticals, Inc. 131,400	2,997		

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• USI Holdings Corp. 113,400	1,718	• BankUnited Financial Corp., Class A 71,300	1,884
Zenith National Insurance Corp. 44,600	1,923	Blackrock, Inc. 43,400	2,700
	51,930	• Boca Resorts, Inc., Class A 96,800	1,694
Media 2.2%		Cash America International, Inc. 69,400	1,485
• Adolor Corp. 93,300	1,499	▲ 10 Cathay Bancorp., Inc. 59,500	3,873
• AMC Entertainment, Inc. 88,800	1,416	Central Pacific Financial Co. 39,700	996
• Applied Films Corp. 36,500	869	Charter Municipal Mortgage Acceptance Co. 103,800	2,033
Banta Corp. 61,300	2,727	• The Commercial Capital Bancorp., Inc. 72,233	1,276
Blockbuster, Inc., Class A 89,100	1,475	Commercial Federal Corp. 102,500	2,630
• CNET Networks, Inc. 344,500	2,935	• CompuCredit Corp. 114,100	1,891
• Consolidated Graphics, Inc. 33,200	1,239	• Corrections Corp. of America 84,800	3,090
• Entravision Communications Corp., Class A 143,400	1,309	CVB Financial Corp. 117,974	2,421
• Gaylord Entertainment Co. 95,300	2,987	▲ Downey Financial Corp. 67,300	3,247
Gray Television, Inc. 108,500	1,608	East-West Bancorp, Inc. 58,200	3,278
• Information Holdings, Inc. 51,700	1,285	• eSpeed, Inc., Class A 75,100	1,322
• Insight Communications Co. 125,100	1,140	Fidelity Bankshares, Inc. 37,200	1,237
• Journal Register Co. 99,900	1,981	• Financial Federal Corp. 44,700	1,399
• Lin TV Corp., Class A 63,900	1,437	First Community Bancorp 37,800	1,291
• Mediacom Communications Corp. 216,500	1,578	First Financial Corp. 33,700	994
• Primedia, Inc. 626,600	1,830	First Financial Holdings, Inc. 31,000	884
Pulitzer, Inc. 23,700	1,199	First Sentinel Bancorp., Inc. 63,291	1,304
Regal Entertainment Group, Class A 128,900	2,809	Glacier Bancorp, Inc. 47,830	1,466
• Salem Communications Corp., Class A 44,400	1,324	Hudson River Bancorp 73,100	1,317
• Sinclair Broadcast Group, Inc., Class A 109,100	1,348	IBERIABANK Corp. 16,700	952
• Spanish Broadcasting System, Class A 91,800	892	Independent Bank Corp. Michigan 48,420	1,212
• Tivo, Inc. 179,800	1,260	• Investment Technology Group, Inc. 105,600	1,513
• Valuevision Media, Inc., Class A 89,200	1,252	▲ La Quinta Corp. 428,400	3,080
	37,399	• LabOne, Inc. 40,900	1,208
Miscellaneous 0.3%		LaBranche & Co., Inc. 144,200	1,409
• Coinstar, Inc. 52,600	907	MB Financial, Inc. 65,100	2,295
• NetFlix, Inc. 124,200	3,141	MCG Capital Corp. 94,000	1,511
• Salix Pharmaceuticals Ltd. 52,800	1,633	• Meritage Corp. 30,500	2,069
	5,681	The Midland Co. 43,700	1,158
Miscellaneous Finance 5.4%		• National Western Life Insurance Co., Class A 8,200	1,192
1st Source Corp. 50,200	1,237	▲ New Century Financial Corp. 85,300	3,619
Amcore Financial, Inc. 59,850	1,696	Northwest Bancorp, Inc. 116,249	2,398
		• Ocwen Financial Corp. 166,500	1,810

Security and Number of Shares	Value (\$ x 1,000)
• Portfolio Recovery Associates, Inc. 37,700	1,007
• Saxon Capital, Inc. 68,900	1,499
Seacoast Financial Services Corp. 61,700	1,995
United Community Banks, Inc. 84,300	2,016
• ① UnitedGlobalCom, Inc., Class A 935,000	6,994
Value Line, Inc. 24,700	1,588
Waypoint Financial Corp. 81,400	2,107
• World Acceptance Corp. 45,800	701
	89,978

Non-Durables & Entertainment 2.8%

• AFC Enterprises, Inc. 67,900	1,528
▲ CEC Entertainment, Inc. 92,850	3,173
Churchill Downs, Inc. 32,700	1,194
• CKE Restaurants, Inc. 138,900	1,458
• Electronics Boutique Holdings Corp. 59,500	1,610
• Handleman Co. 57,500	1,294
• Hibbet Sporting Goods, Inc. 55,350	1,344
IHOP Corp. 50,800	1,887
• Isle of Capri Casinos, Inc. 71,100	1,493
• Jack in the Box, Inc. 87,400	2,367
Landry's Restaurants, Inc. 66,200	2,216
• Leapfrog Enterprises, Inc. 72,100	1,551
Lone Star Steakhouse & Saloon, Inc. 51,600	1,587
• P.F. Chang's China Bistro, Inc. 61,100	2,985
• Papa John's International, Inc. 43,000	1,438
• Penn National Gaming, Inc. 96,100	2,834
• Rare Hospitality International Inc. 81,350	2,227
Riviana Foods, Inc. 35,700	901
Russ Berrie & Co., Inc. 49,100	1,401
• Ryan's Family Steak Houses, Inc. 102,750	1,864
• Sotheby's Holdings, Inc., Class A 150,700	1,958
• The Steak N Shake Co. 67,500	1,272
• Stewart Enterprises, Inc., Class A 254,100	1,855
The Topps Co., Inc. 100,400	897
Triarc Cos., Class B 142,800	1,492
Tupperware Corp. 140,800	2,637
	46,463

Security and Number of Shares	Value (\$ x 1,000)
Non-Ferrous Metals 0.7%	
• Century Aluminum Co. 69,300	1,372
Commercial Metals Co. 68,166	1,786
• Hecla Mining Co. 270,500	1,550
Minerals Technologies, Inc. 48,500	2,845
Reliance Steel & Aluminum Co. 77,375	2,555
Southern Peru Copper Corp. 33,500	972
	11,080

Oil: Domestic 2.4%

• CAL Dive International, Inc. 91,500	2,474
• Comstock Resources, Inc. 83,400	1,697
• Encore Acquisition Co. 73,000	2,172
• Energy Partners Ltd. 79,800	1,117
Frontier Oil Corp. 64,800	1,152
• Global Industries Ltd. 250,100	1,501
Holly Corp. 38,400	1,290
• KCS Energy, Inc. 117,400	1,411
• Magnum Hunter Resources, Inc. 166,700	1,712
• Nuevo Energy Co. 46,900	1,618
• Plains Exploration & Production Co. 97,900	1,929
• Quicksilver Resource, Inc. 59,200	2,572
• Remington Oil & Gas Corp. 64,600	1,415
• Spinnaker Exploration Co. 80,400	2,868
St. Mary Land & Exploration Co. 67,700	2,447
• Stone Energy Corp. 63,340	3,116
• Superior Energy Services, Inc. 180,700	1,878
• Tesoro Petroleum Corp. 158,100	3,211
• Universal Compression Holdings, Inc. 74,800	2,226
Vintage Petroleum, Inc. 154,900	2,334
	40,140

Optical & Photo 0.1%

• August Technology Corp. 42,800	564
• Photonics, Inc. 80,100	1,193
	1,757

Paper & Forest Products 0.7%

• Buckeye Technologies, Inc. 91,700	963
• Carastar Industries, Inc. 69,700	882
Chesapeake Corp. 42,900	974

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Glatfelter 108,400	1,217	• Moog, Inc., Class A 62,050	2,048
Longview Fibre Co. 123,100	1,290	MSC Industrial Direct Co., Class A 98,500	2,823
Potlatch Corp. 69,200	2,621	NACCO Industries, Inc., Class A 14,250	1,212
Rock-Tennessee Co., Class A 86,300	1,286	• Oceaneering International, Inc. 58,200	1,630
Universal Forest Products, Inc. 42,000	1,138	• Plug Power, Inc. 175,800	1,366
Wausau-Mosinee Paper Corp. 125,725	1,764	Regal Beloit 60,000	1,201
	12,135	• Safeguard Scientifics, Inc. 295,800	769
Producer Goods & Manufacturing 5.9%		Sauer-Danfoss, Inc. 114,300	1,714
• Actuant Corp., Class A 56,400	1,928	• Sequa Corp., Class A 23,800	1,162
• Advanced Energy Industries, Inc. 80,100	1,061	• The Shaw Group, Inc. 146,500	1,758
• Aeroflex, Inc. 174,700	2,198	• Sonic Solutions, Inc. 53,100	956
Albany International Corp., Class A 80,483	2,455	Steelcase, Inc., Class A 113,300	1,392
Applied Industrial Technologies, Inc. 47,700	1,254	Stewart & Stevenson Services, Inc. 70,900	1,133
▲ Aptargroup, Inc. 88,000	3,458	Tecumseh Products Co., Class A 43,800	1,703
Baldor Electric Co. 79,220	1,789	Tennant Co. 22,100	877
Barnes Group, Inc. 56,300	1,534	• Triumph Group, Inc. 37,200	1,196
Clarcor, Inc. 60,650	2,670	• Tyler Technologies, Inc. 101,000	953
• Cuno, Inc. 41,400	1,824	• Ultratech Stepper, Inc. 56,100	904
Curtiss-Wright Corp. 49,300	2,322	Valmont Industries, Inc. 58,900	1,207
Federal Signal Corp. 116,900	2,128	Watsco, Inc. 62,500	1,822
Franklin Electric Co., Inc. 25,000	1,506	Watts Water Technologies, Inc., Class A 76,300	1,869
• Gardner Denver, Inc. 46,100	1,209	Woodward Governor Co. 25,600	1,596
Helix Technology Corp. 62,900	1,107		97,988
▲ 7 Hughes Supply, Inc. 71,250	3,982	Railroad & Shipping 0.4%	
▲ IDEX Corp. 79,600	3,761	• Genessee & Wyoming, Inc., Class A 49,500	1,141
• Ionics, Inc. 55,400	1,278	• Kansas City Southern Railway 151,600	2,100
• Jacuzzi Brands, Inc. 181,000	1,582	• RailAmerica, Inc. 79,300	969
• Jarden Corp. 64,300	2,392	Wabtec Corp. 105,421	1,718
JLG Industries, Inc. 104,600	1,547		5,928
Kaydon Corp. 67,700	1,894	Real Property 5.2%	
▲ Kennametal, Inc. 87,400	3,772	• Alexander's, Inc. 12,100	1,887
▲ Kos Pharmaceuticals, Inc. 89,300	3,676	Alexandria Real Estate Equities, Inc. 45,500	2,585
Lennox International, Inc. 141,600	2,366	American Home Mortgage Investment Corp. 90,200	2,140
Libbey, Inc. 33,591	879	AMLI Residential Properties 61,600	1,559
Lincoln Electric Holdings, Inc. 97,600	3,077	Anthracite Capital, Inc. 121,600	1,278
• Lone Star Technologies, Inc. 68,900	1,412	Anworth Mortgage Asset Corp. 97,100	1,133
Manitowoc Co., Inc. 63,762	1,939		
Matthews International Corp., Class A 78,400	2,391		
• Maverick Tube Corp. 101,900	2,306		

Security and Number of Shares	Value (\$ x 1,000)
Bedford Property Investors, Inc. 40,200	1,089
▲ Brandywine Realty Trust 109,000	2,762
Capital Automotive Real Estate Investment Trust 84,100	2,366
Colonial Properties Trust 62,900	2,219
Commercial Net Lease Realty 120,600	2,000
Cornerstone Realty Income Trust, Inc. 136,200	1,026
Corporate Office Properties Trust SBI 71,200	1,449
EastGroup Properties, Inc. 50,100	1,450
Entertainment Properties Trust 47,800	1,599
Equity Inns, Inc. 105,500	865
• FelCor Lodging Trust, Inc. 142,500	1,425
Gables Residential Trust 68,600	2,182
Getty Realty Corp. 59,400	1,278
Glenborough Realty Trust, Inc. 73,800	1,387
Glimcher Realty Trust 84,700	1,791
• Homestore, Inc. 298,100	1,431
IMPAC Mortgage Holdings, Inc. 149,200	2,807
Investors Real Estate Trust 91,900	882
• Jones Lang LaSalle, Inc. 76,100	1,797
Keystone Property Trust 75,100	1,528
Kilroy Realty Corp. 67,500	2,116
Koger Equity, Inc. 64,300	1,347
Kramont Realty Trust 59,400	939
LaSalle Hotel Properties 59,400	1,307
Lexington Corp. Properties Trust 114,700	2,121
LNR Property Corp. 47,300	2,375
Manufactured Home Communities, Inc. 55,600	1,740
• Meristar Hospitality Corp. 166,500	966
MFA Mortgage Investments, Inc. 148,300	1,321
Mid-America Apartment Communities, Inc. 47,300	1,525
National Health Investors, Inc. 64,300	1,541
Novastar Financial, Inc. 57,500	1,866
Parkway Properties, Inc. 26,700	1,060
Post Properties, Inc. 94,200	2,533
PS Business Parks, Inc. 51,400	1,951
RAIT Investment Trust 55,900	1,345
Ramco-Gershenson Properties 40,700	964

Security and Number of Shares	Value (\$ x 1,000)
Redwood Trust, Inc. 44,700	1,942
Saul Centers, Inc. 39,300	983
Senior Housing Properties Trust 153,000	2,287
Sovran Self Storage, Inc. 34,200	1,155
Summit Properties, Inc. 75,600	1,71
Sun Communities, Inc. 44,800	1,566
Tanger Factory Outlet Centers 32,000	1,222
Taubman Centers, Inc. 121,700	2,373
The Town & Country Trust 39,000	912
• Trammell Crow Co. 90,900	1,228
US Restaurant Properties, Inc. 55,700	889
	87,201
Retail 3.6%	
• A.C. Moore Arts & Crafts, Inc. 46,000	1,253
Aaron Rents, Inc. 79,200	2,294
• Big 5 Sporting Goods Corp. 54,600	1,355
Burlington Coat Factory Warehouse Corp. 108,340	2,054
Casey's General Stores, Inc. 121,500	2,012
The Cato Corp., Class A 50,300	1,007
• Central Garden & Pet Co. 43,200	1,664
• Charming Shoppes, Inc. 276,600	1,953
• The Children's Place Retail Stores, Inc. 64,100	1,688
Christopher & Banks Corp. 91,450	1,636
• Cost Plus, Inc. 52,000	1,882
• The Dress Barn, Inc. 70,600	1,187
• Drugstore.com, Inc. 174,400	807
• Duane Reade, Inc. 59,500	993
• The Finish Line, Class A 50,000	1,676
• Guitar Center, Inc. 57,000	2,367
• The Gymboree Corp. 73,400	1,296
• Insight Enterprises, Inc. 113,350	1,897
• Jo-Ann Stores, Inc. 53,610	1,516
Longs Drug Stores Corp. 90,400	1,772
• The Men's Wearhouse, Inc. 90,550	2,308
• Payless Shoesource, Inc. 163,800	2,318
• Petco Animal Supplies, Inc. 36,000	1,057
Ruddick Corp. 112,600	2,297
• School Specialty, Inc. 44,700	1,593
• Sharper Image Corp. 35,700	1,091
• ShopKo Stores, Inc. 72,200	957

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Too, Inc. 82,800	1,452	Tobacco 0.3%	
▲ Tractor Supply Co. 90,400	3,531	Schweitzer-Mauduit International, Inc. 36,600	1,134
▲ United Stationers, Inc. 81,700	3,105	Universal Corp. 59,900	3,009
Weis Markets, Inc. 65,400	2,296	Vector Group Ltd. 94,176	1,558
• West Marine, Inc. 49,500	1,439		5,701
▲ Zale Corp. 62,500	3,495		
	59,248	Travel & Recreation 1.6%	
Steel 0.8%		► American Classic Voyages Co. 52,800	—
• AK Steel Holding Corp. 261,700	1,230	• Argosy Gaming Co. 70,600	2,626
Allegheny Technologies, Inc. 194,400	1,987	• Aztar Corp. 82,600	2,139
Carpenter Technology Corp. 53,800	1,469	Central Parking Corp. 87,300	1,667
• Cleveland-Cliffs, Inc. 25,600	1,213	• Dick's Sporting Goods, Inc. 76,600	2,066
Gibraltar Steel Corp. 47,600	1,171	• Dollar Thrifty Automotive Group, Inc. 59,400	1,565
Quanex Corp. 39,800	1,624	• K2, Inc. 81,900	1,201
Schnitzer Steel Industries, Inc., Class A 49,800	1,308	The Marcus Corp. 73,425	1,190
• Steel Dynamics, Inc. 115,200	2,773	• Multimedia Games, Inc. 66,400	1,479
	12,775	• Prime Hospitality Corp. 107,700	1,082
Telephone 1.3%		• Scientific Games Corp., Class A 150,700	2,719
• Autobyte.com, Inc. 93,200	872	• Shuffle Master, Inc. 58,500	1,916
• Commonwealth Telephone Enterprises, Inc. 53,700	2,237	• Six Flags, Inc. 223,200	1,658
• Ditech Communications Corp. 80,000	1,150	• The Sports Authority, Inc. 60,100	2,304
• Dobson Communications Corp., Class A 275,600	987	• Vail Resorts, Inc. 68,900	1,071
• Equinix, Inc. 34,500	1,014	• WMS Industries, Inc. 72,800	2,056
• Extreme Networks, Inc. 286,600	1,585		26,739
• Finisar Corp. 547,400	969	Trucking & Freight 1.0%	
• General Communication, Inc., Class A 137,600	1,225	Arkansas Best Corp. 59,400	1,544
• Inet Technologies, Inc. 96,000	946	• Forward Air Corp. 51,100	1,701
Inter-Tel, Inc. 60,400	1,446	• Knight Transportation, Inc. 90,700	2,336
▲ Interdigital Communications Corp. 134,100	2,337	• Landstar Systems, Inc. 71,900	3,233
• j2 Global Communications, Inc. 55,200	1,278	• Old Dominion Freight Line 37,800	1,409
• Price Communications Corp. 132,000	2,088	• Pacer International, Inc. 90,100	1,694
• Primus Telecommunications Group, Inc. 214,200	1,193	USF Corp. 65,900	2,191
SureWest Communications 36,000	927	• Wabash National Corp. 78,200	1,987
• Time Warner Telecom, Inc., Class A 122,000	464		16,095
• Utstarcom, Inc. 24,800	654	Utilities: Electric & Gas 2.2%	
	21,372	American States Water Co. 37,650	872
		• Aquila, Inc. 477,000	2,027
		Avista Corp. 117,700	1,989

Security and Number of Shares	Value (\$ x 1,000)
Black Hills Corp. 77,700	2,377
California Water Service Group 41,900	1,195
CH Energy Group, Inc. 37,000	1,713
Cleco Corp. 115,100	2,066
• El Paso Electric Co. 116,100	1,643
The Empire District Electric Co. 56,700	1,180
The Laclede Group, Inc. 45,300	1,250
MGE Energy, Inc. 44,900	1,397
New Jersey Resources Corp. 65,800	2,508
Northwest Natural Gas Co. 62,000	1,823
Otter Tail Corp. 62,100	1,637
PNM Resources, Inc. 97,700	2,851
• Sierra Pacific Resources 282,200	1,998
South Jersey Industries 32,200	1,328
Southwest Gas Corp. 82,300	1,876
UIL Holdings Corp. 34,300	1,549
Unisource Energy Corp. 81,380	1,988
• Veritas DGC, Inc. 81,300	1,661
	36,928

Security Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Short-Term Investment

0.1% of net assets

Bank of America, London Time Deposit		
0.50%, 05/03/04	1,234	1,234

U.S. Treasury Obligation

0.0% of net assets

▲ U.S. Treasury Bill,		
0.91%, 06/17/04	100	100

End of investments.

Security and Number of Shares	Value (\$ x 1,000)
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Collateral Invested for Securities on Loan

6.1% of net assets

Other Investment Companies 6.1%

Securities Lending Investment Fund 102,581,873	102,582
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End of collateral invested for securities on loan.

Statement of

Assets and Liabilities

As of April 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$95,916 of securities of loan)	1,665,985
Collateral invested for securities on loan	102,582
Receivables:	
Fund shares sold	851
Dividends	840
Investments sold	1,956
Income from securities on loan	37
Prepaid expenses	34
Total assets	1,772,285

Liabilities

Collateral invested for securities on loan	102,582
Payables:	
Fund shares redeemed	1,149
Interest expenses	3
Due to brokers for futures	12
Investment adviser and administrator fees	27
Transfer agent and shareholder service fees	16
Accrued expenses	139
Total liabilities	103,928

Net Assets

Total assets	1,772,285
Total liabilities	103,928
Net assets	\$1,668,357

Net Assets by Source

Capital received from investors	1,582,275
Net investment income not yet distributed	2,697
Net realized capital losses	(66,304)
Net unrealized capital gains	149,689

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$888,605		47,149		\$18.85
Select Shares	\$779,752		41,323		\$18.87

Unless stated, all numbers x 1,000.

The fund paid \$1,516,272 for these securities.

Not counting short-term obligations and government securities, the fund's security transactions during the period were:

Purchases	\$615,312
Sales/maturities	\$655,715

The fund's total security transactions with other SchwabFunds® during the period were \$53,451.

These derive from investments and futures. As of the report date, the fund had four open Russell 2000 futures contracts due to expire on June 23, 2003, with an aggregate contract value of \$1,120 and net unrealized losses of \$24.

Federal Tax Data

Portfolio cost	\$1,519,526
Net unrealized gains and losses:	
Gains	\$339,192
Losses	(192,733)
	\$146,459

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

Ordinary income	\$77,47
Long-term capital gains	\$—

Unused capital losses:

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

Statement of

Operations

For November 1, 2003 through April 30, 2004; unaudited. All numbers x 1,000.

Unless stated, all numbers x 1,000.

Investment Income

Dividends	\$10,084
Interest	6
Securities on loan	+ 318
Total investment income	10,408

An additional \$1 was withheld for foreign taxes.

Net Realized Gains and Losses

Net realized gains on investments sold	221,213
Net realized gains on futures contracts	+ 114
Net realized gains	221,327

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

Net Unrealized Gains and Losses

Net unrealized losses on investments	(158,311)
Net unrealized losses on futures contracts	+ (77)
Net unrealized losses	(158,388)

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.

Expenses

Investment adviser and administrator fees	2,548
Transfer agent and shareholder service fees:	
Investor Shares	1,161
Select Shares	401
Trustees' fees	7
Custodian fees	83
Portfolio accounting fees	125
Professional fees	23
Registration fees	29
Shareholder reports	90
Interest expense	2
Other expenses	+ 9
Total expenses	4,478
Expense reduction	- 67
Net expenses	4,411

For the fund's independent trustees only.

This reduction was made by the transfer agent and shareholder service agent (Schwab). It reflects a guarantee by the investment adviser (CSIM) and Schwab to limit the operating expenses of this fund through February 28, 2005, as follows:

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

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

Increase in Net Assets from Operations

Total investment income	10,408
Net expenses	- 4,411
Net investment income	5,997
Net realized gains	221,327
Net unrealized losses	+ (158,388)
Increase in net assets from operations	\$68,936

These add up to a net gain on investments of \$62,939.

Statements of

Changes in Net Assets

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

Operations

	11/1/03-4/30/04	11/1/02-10/31/03
Net investment income	\$5,997	\$11,374
Net realized gains or losses	221,327	(193,979)
Net unrealized gains or losses	+ (158,388)	656,467
Increase in net assets from operations	68,936	473,862

Distributions Paid**Dividends from Net Investment Income**

Investor Shares	5,423	7,507
Select Shares	+ 5,624	7,345
Total dividends from net investment income	\$11,047	\$14,852

Transactions in Fund Shares

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	4,060	\$79,002	6,678	\$101,578
Select Shares	+ 4,058	78,789	6,760	99,820
Total shares sold	8,118	\$157,791	13,438	\$201,398
Shares Reinvested				
Investor Shares	270	\$5,073	522	\$7,085
Select Shares	+ 278	5,234	503	6,844
Total shares reinvested	548	\$10,307	1,025	\$13,929
Shares Redeemed				
Investor Shares	(5,813)	(\$112,882)	(12,997)	(\$188,682)
Select Shares	+ (4,616)	(90,040)	(13,679)	(200,308)
Total shares redeemed	(10,429)	(\$202,922)	(26,676)	(\$388,990)
Net transactions in fund shares	(1,763)	(\$34,824)	(12,213)	(\$173,663)

Shares Outstanding and Net Assets

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	90,235	\$1,645,292	102,448	\$1,359,945
Total increase or decrease	+ (1,763)	23,065	(12,213)	285,347
End of period	88,472	\$1,668,357	90,235	\$1,645,292

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 10/31/03 are:

Ordinary Income	\$14,852
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	\$39	\$70
Select Shares	+ 13	+ 39
Total	\$52	\$109

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 \$2,697 and \$7,747 at the end of 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	6.7%
Growth Portfolio	7.3%
Balanced Portfolio	4.6%
Conservative Portfolio	1.7%

Schwab Annuity Portfolios

Growth Portfolio II	0.4%
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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 4/30/04) 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., Charles Schwab & Co., Inc. Charles Schwab Investment Management, Inc., Charles Schwab Holdings (UK); CEO, Director, Charles Schwab Holdings, Inc.; Chair, CEO Schwab (SIS) Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, Siebel Systems (software), Xsign, Inc. (electronic payment systems); Trustee, Stanford University. <i>Until 5/04:</i> Director, The Gap, Inc. (clothing retailer). <i>Until 2003:</i> Co-CEO, The Charles Schwab Corp. <i>Until 2002:</i> Director, Audiobase, Inc. (Internet audio solutions). <i>Until 5/02:</i> Director, Vodaphone AirTouch PLC (telecommunications). <i>Until 7/01:</i> Director, The Charles Schwab Trust Co.; 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.

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	2003 (all trusts).	Vice Chair, 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} 2/22/55	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.; SVP, 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.

² Effective June 8, 2004, Jeffrey Lyons resigned as trustee from each of the trusts.

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, 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, Laudus Trust, Laudus Variable Insurance Trust. <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 (corporate 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, Apton Corp. (bio-pharmaceuticals). Trustee, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Corp. (network equipment); Public Governor, Laudus Trust, Laudus Variable Insurance Trust; Member, executive committee, Pacific Stock & Options Exchange. <i>Until 2003</i> : Trustee, Tenera, Inc. (services and software). <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); Trustee, Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products, tools and hardware); Member, audit committee, Northern Border Partners, L.P. (energy). <i>Until 2002</i> : Director, Pennzoil-Quaker State Co. (oil and gas).
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 investment trust).
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

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."

An individual bond is subject to the credit risk of the issuer. Changes in interest rates can affect a bond's market value prior to call or maturity. There is no guarantee that a bond's yield to call or maturity will provide a positive return over the rate of inflation.

bond fund A bond fund is subject to the same credit, interest rate, and inflation risks as bonds. In addition, a bond fund incurs ongoing fees and expenses. A bond fund's net asset value will fluctuate with the price of the underlying bonds and the portfolio turnover activity; return of principal is not guaranteed.

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.

Notes

Notes

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Schwab Total Stock Market Index Fund

Financial Statements

Financial Highlights

Investor Shares	11/1/03– 4/30/04*	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	17.48	14.35	16.62	22.49	20.87	20.00
Income or loss from investment operations:						
Net investment income	0.09	0.16	0.16	0.15	0.16	0.07
Net realized and unrealized gains or losses	1.01	3.14	(2.27)	(5.87)	1.56	0.80
Total income or loss from investment operations	1.10	3.30	(2.11)	(5.72)	1.72	0.87
Less distributions:						
Dividends from net investment income	(0.16)	(0.17)	(0.16)	(0.15)	(0.10)	—
Net asset value at end of period	18.42	17.48	14.35	16.62	22.49	20.87
Total return (%)	6.35 ²	23.24	(12.86)	(25.55)	8.23	4.35 ²
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.56 ³	0.53	0.40	0.40	0.41 ⁴	0.40 ³
Gross operating expenses	0.56 ³	0.59	0.62	0.65	0.67	0.91 ³
Net investment income	1.03 ³	1.18	1.11	0.94	0.76	0.92 ³
Portfolio turnover rate	0 ^{2,5}	3	2	2	2	1 ²
Net assets, end of period (\$ x 1,000,000)	564	469	263	224	218	136

* Unaudited.

¹ Commencement of operations.

² Not annualized.

³ Annualized.

⁴ The ratio of net operating expenses would have been 0.40% if certain non-routine expenses (proxy fees) had not been included.

⁵ Portfolio turnover rate was less than 1%.

Financial Highlights

Select Shares	11/1/03– 4/30/04*	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	17.52	14.37	16.65	22.52	20.89	20.00
Income or loss from investment operations:						
Net investment income	0.10	0.20	0.19	0.18	0.17	0.07
Net realized and unrealized gains or losses	1.02	3.14	(2.29)	(5.87)	1.56	0.82
Total income or loss from investment operations	1.12	3.34	(2.10)	(5.69)	1.73	0.89
Less distributions:						
Dividends from net investment income	(0.19)	(0.19)	(0.18)	(0.18)	(0.10)	—
Net asset value at end of period	18.45	17.52	14.37	16.65	22.52	20.89
Total return (%)	6.41 ²	23.50	(12.81)	(25.40)	8.30	4.45 ²
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.39 ³	0.36	0.27	0.27	0.28 ⁴	0.27 ³
Gross operating expenses	0.41 ³	0.44	0.47	0.50	0.52	0.74 ³
Net investment income	1.20 ³	1.35	1.24	1.07	0.89	1.05 ³
Portfolio turnover rate	0 ^{2,5}	3	2	2	2	1 ²
Net assets, end of period (\$ x 1,000,000)	514	429	264	257	262	149

* Unaudited.

¹ Commencement of operations.² Not annualized.³ Annualized.⁴ The ratio of net operating expenses would have been 0.27% if certain non-routine expenses (proxy fees) had not been included.⁵ Portfolio turnover rate was less than 1%.

Portfolio Holdings as of April 30, 2004, unaudited

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)	Value (\$x1,000)
99.3% Common Stock	1,045,219	1,069,956
0.7% Short-Term Investment	7,865	7,865
0.0% U.S. Treasury Obligation	425	425
0.0% Rights	130	9
0.0% Preferred Stock	4	4
0.0% Warrants	286	1
100.0% Total Investments	1,053,929	1,078,260
8.2% Collateral Invested for Securities on Loan	88,539	88,539
(8.2)% Other Assets and Liabilities, Net		(88,682)
100.0% Total Net Assets		1,078,117

Security and Number of Shares **Value**
(\$ x 1,000)

Common Stock 99.3% of net assets

Aerospace / Defense 1.5%

• Aerosonic Corp.	300	2
• Armor Holdings, Inc.	3,000	99
The Boeing Co.	68,800	2,938
Crane Co.	5,000	154
• DRS Technologies, Inc.	1,382	39
EDO Corp.	900	20
Engineered Support Systems, Inc.	2,475	120

Security and Number of Shares	Value (\$ x 1,000)
• EnPro Industries, Inc.	920 18
• ESCO Technologies, Inc.	1,400 68
• Esterline Technologies Corp.	2,900 72
GenCorp, Inc.	2,500 27
General Dynamics Corp.	15,700 1,470
Goodrich Corp.	8,404 242
Heico Corp., Class A	2,486 31
Kaman Corp., Class A	1,300 16
• KVH Industries, Inc.	1,300 18
• L-3 Communications Holdings, Inc.	6,600 408
Lockheed Martin Corp.	37,052 1,767
Northrop Grumman Corp.	15,016 1,490
Raytheon Co.	32,400 1,045
Rockwell Automation, Inc.	15,700 513
Rockwell Collins, Inc.	13,100 423
• SatCon Technology Corp.	900 2
• Teledyne Technologies, Inc.	12,157 231
Textron, Inc.	11,800 651
• Timco Aviation Services, Inc.	80 —
• Transtechnology Corp.	500 4
• Trimble Navigation Ltd.	5,700 143
United Technologies Corp.	42,034 3,626
• Veeco Instruments, Inc.	3,500 80
	15,717

Air Transportation 1.0%

• AAR Corp.	2,500	25
• AirTran Holdings, Inc.	5,800	71
• Alaska Air Group, Inc.	1,900	42
• AMR Corp.	12,000	136
• ATA Holdings Corp.	1,200	9
• Atlantic Coast Airlines Holdings, Inc.	1,600	11
• Aviall, Inc.	2,500	41
• Continental Airlines, Inc., Class B	5,000	53
Delta Air Lines, Inc.	8,500	53
• EGL, Inc.	4,150	77
• ExpressJet Holdings, Inc.	3,000	38
FedEx Corp.	28,263	2,032
• Hawk Corp., Class A	1,800	8
• JetBlue Airways Corp.	5,475	152
• Kellstrom Industries, Inc.	600	—
• MAIR Holdings, Inc.	1,100	10

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Mesa Air Group, Inc. 1,300	9	Saucony, Inc., Class B 1,900	40
• Northwest Airlines Corp., Class A 6,500	61	• Skechers USA, Inc., Class A 6,500	80
Sabre Holdings Corp. 12,401	293	• Stage Stores, Inc. 1,200	47
SkyWest, Inc. 4,000	73	• Steven Madden Ltd. 1,800	34
Southwest Airlines Co. 60,725	867	Stride Rite Corp. 2,900	31
United Parcel Service, Inc., Class B 91,480	6,417	Superior Uniform Group, Inc. 1,600	26
	10,478	Tandy Brands Accessories, Inc. 1,000	13
Alcoholic Beverages 0.4%		• Tarrant Apparel Group 1,700	4
Adolph Coors Co., Class B 2,500	164	• Timberland Co., Class A 1,400	88
Anheuser-Busch Cos., Inc. 65,000	3,331	• Unifi, Inc. 1,900	5
Brown-Forman Corp., Class B 9,912	464	VF Corp. 15,000	692
• Constellation Brands, Inc., Class A 8,800	292	Wolverine World Wide, Inc. 5,200	140
• National Beverage Corp. 7,400	67		5,783
• The Robert Mondavi Corp., Class A 2,500	90	Automotive Products / Motor Vehicles 1.2%	
	4,408	A.O. Smith Corp., Class B 1,300	39
Apparel 0.5%		• Aftermarket Technology Corp. 2,511	38
Brown Shoe Co., Inc. 3,300	121	• American Axle & Manufacturing Holdings, Inc. 5,300	204
The Buckle, Inc. 1,000	27	ArvinMeritor, Inc. 4,900	101
• Carter's, Inc. 2,500	75	Bandag, Inc. 3,200	139
• Casual Male Corp. 1,100	—	BorgWarner, Inc. 2,700	221
• Coach, Inc. 13,504	575	Carlisle Cos., Inc. 3,600	213
• Columbia Sportswear Co. 4,350	232	Cascade Corp. 4,400	92
• Finlay Enterprises, Inc. 1,000	19	• Collins & Aikman Corp. 1,400	9
• Guess?, Inc. 2,700	42	Cooper Tire & Rubber Co. 6,400	137
Haggar Corp. 1,200	24	• CSK Auto Corp. 3,500	65
• Hampshire Group Ltd. 1,000	30	Cummins, Inc. 3,900	233
Jones Apparel Group, Inc. 12,156	445	Dana Corp. 40,800	823
K-Swiss, Inc., Class A 2,400	47	Danaher Corp. 12,000	1,110
Kellwood Co. 2,900	115	Delphi Corp. 45,600	465
Kenneth Cole Productions, Inc., Class A 3,100	107	Donaldson Co., Inc. 8,800	241
Liz Claiborne, Inc. 18,600	653	• Dura Automotive Systems, Inc., Class A 12,100	152
• Maxwell Shoe Co., Inc., Class A 1,000	23	Eaton Corp. 12,600	748
Nike, Inc., Class B 20,700	1,489	Federal Screw Works 250	9
Oshkosh B'Gosh, Inc., Class A 1,200	28	Ford Motor Co. 148,736	2,285
Phillips-Van Heusen Corp. 1,800	33	General Motors Corp. 45,386	2,152
Polo Ralph Lauren Corp. 3,500	121	Gentex Corp. 2,300	90
• Quiksilver, Inc. 2,000	43	Genuine Parts Co. 13,500	483
Reebok International Ltd. 8,000	291	Goodyear Tire & Rubber Co. 10,000	87
Russell Corp. 2,600	43	• Group 1 Automotive, Inc. 1,400	48

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Harley-Davidson, Inc. 25,500	1,436	Bank of Hawaii Corp. 3,500	153
• Keystone Automotive Industries, Inc. 1,800	47	The Bank of New York Co., Inc. 62,000	1,807
Lear Corp. 5,800	352	Bank One Corp. 90,200	4,453
Lithia Motors, Inc., Class A 700	18	BankAtlantic Bancorp, Inc., Class A 2,200	34
• MarineMax, Inc. 800	23	Banknorth Group, Inc. 12,174	373
• Midas, Inc. 1,300	24	BB&T Corp. 43,886	1,514
Modine Manufacturing Co. 3,700	102	Berkshire Bancorp, Inc. 1,200	68
• Monaco Coach Corp. 1,200	31	Boston Private Financial Holdings, Inc. 2,129	50
• Monro Muffler Brake, Inc. 1,050	25	Brookline Bancorp, Inc. 2,405	34
Myers Industries, Inc. 2,346	33	Bryn Mawr Bank Corp. 1,400	29
• Navistar International Corp. 4,400	199	BSB Bancorp, Inc. 900	34
Oshkosh Truck Corp. 4,500	230	Camden National Corp. 700	21
Polaris Industries, Inc. 3,200	137	Capital City Bank Group, Inc. 1,500	58
• Rush Enterprises, Inc., Class B 500	7	• Capital Crossing Bank 1,000	49
Sonic Automotive, Inc. 1,400	35	Capitol Bancorp Ltd. 1,500	38
Standard Motor Products, Inc. 2,000	29	Capitol Federal Financial 6,920	223
• Stoneridge, Inc. 1,700	26	Cascade Bancorp 2,655	45
Superior Industries International, Inc. 800	27	Cavalry Bancorp, Inc. 500	8
• TBC Corp. 1,100	31	CCBT Financial Cos., Inc. 200	7
Thor Industries, Inc. 2,000	56	• Central Coast Bancorp 1,464	26
Titan International, Inc. 800	7	Century Bancorp, Inc., Class A 800	26
• Tower Automotive, Inc. 2,300	12	Chemical Financial Corp. 1,318	45
United Auto Group, Inc. 1,000	31	Chittenden Corp. 1,818	55
• United Defense Industries, Inc. 900	31	Citizens Banking Corp. Michigan 2,090	64
• UQM Technologies, Inc. 1,500	5	Citizens South Banking Corp. 1,000	13
Visteon Corp. 5,451	59	City Holding Co. 1,800	55
Winnebago Industries, Inc. 2,600	75	City National Corp. 3,100	191
	13,272	The Colonial BancGroup, Inc. 10,100	174
Banks 7.2%		Columbia Bancorp 700	20
ABC Bancorp 1,500	29	Columbia Banking Systems, Inc. 1,859	42
Abigail Adams National Bancorp 500	8	Comerica, Inc. 13,496	697
Alabama National Bancorp 1,600	82	Commerce Bancorp, Inc. N.J. 5,660	323
AmSouth Bancorp. 28,403	625	Commerce Bancshares, Inc. 12,093	543
Anchor Bancorp Wisconsin, Inc. 3,100	75	Community Bank System, Inc. 1,400	28
Arrow Financial Corp. 963	28	Community First Bankshares, Inc. 2,000	64
Associated Banc-Corp. 5,146	211	Community Trust Bancorp, Inc. 2,261	66
BancFirst Corp. 500	28	Compass Bancshares, Inc. 11,400	437
Bancorpsouth, Inc. 7,612	154	Corus Bankshares, Inc. 1,000	38
Bank Mutual Corp. 6,168	65	Cullen/Frost Bankers, Inc. 3,300	143
⑨ Bank of America Corp. 164,259	13,221	Dime Community Bancshares, Inc. 3,375	58

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Doral Financial Corp. 9,900	325	Independent Bank Corp. 1,000	27
Exchange National Bancshares, Inc. 750	23	Integra Bank Corp. 1,225	25
Fifth Third Bancorp 45,588	2,446	Interchange Financial Services Corp. 1,050	24
First Bancorp Puerto Rico 2,100	77	• Internet Capital Group, Inc. 7,000	2
First Busey Corp., Class A 1,000	27	Irwin Financial Corp. 3,700	88
First Charter Corp. 3,500	72	J.P. Morgan Chase & Co. 167,080	6,282
First Citizens BancShares, Inc., Class A 300	37	KeyCorp, Inc. 34,300	1,019
First Commonwealth Financial Corp. 2,100	30	Lakeland Financial Corp. 1,100	34
First Federal Capital Corp. 2,500	64	M&T Bank Corp. 8,962	762
First Financial Bancorp 1,839	31	MAF Bancorp., Inc. 1,648	67
First Financial Bancshares, Inc. 1,500	62	Main Street Banks, Inc. 1,000	27
First Horizon National Corp. 10,800	475	MainSource Financial Group, Inc. 1,575	34
First M & F Corp. 1,000	34	Marshall & Ilsley Corp. 19,150	704
First Merchants Corp. 1,041	24	MASSBANK Corp. 1,500	53
First Midwest Bancorp, Inc. Illinois 3,125	105	Mellon Financial Corp. 35,800	1,061
• First National Bankshares of Florida, Inc. 5,939	109	Mercantile Bankshares Corp. 5,574	239
First Niagra Financial Group, Inc. 3,104	39	Merchants Bancshares, Inc. 750	21
First Oak Brook Bancshares, Inc. 1,500	44	Mid-State Bancshares 3,500	79
First of Long Island Corp. 2,000	93	Midwest Banc Holdings, Inc. 1,300	30
First Republic Bank 1,300	50	Movie Gallery, Inc. 4,025	78
Firstfed America Bancorp, Inc. 2,000	49	Nara Bancorp, Inc. 2,000	58
• FirstFed Financial Corp. 2,900	117	National City Corp. 49,100	1,702
FirstMerit Corp. 7,300	172	National Commerce Financial Corp. 17,450	464
FNB Corp. 2,639	52	National Penn Bancshares, Inc. 906	27
Franklin Financial Corp. Tennessee 700	22	NBT Bancorp., Inc. 1,400	29
Frontier Financial Corp. 700	23	Net.B@nk, Inc. 3,300	36
Fulton Financial Corp. 8,150	168	NewMil Bancorp, Inc. 1,000	29
GA Financial, Inc. 1,100	38	North Fork Bancorp., Inc. 11,000	408
Gold Banc Corp., Inc. 1,400	23	North Valley Bancorp 1,500	25
Great Southern Bancorp, Inc. 700	35	Northern Trust Corp. 18,500	782
Greater Bay Bancorp 5,406	153	OceanFirst Financial Corp. 1,050	23
Hancock Holding Co. 2,100	59	Old National Bancorp. 5,947	142
Harbor Florida Bancshares, Inc. 1,100	30	Omega Financial Corp. 1,000	33
Harleysville National Corp. 1,102	29	Oriental Financial Group 1,512	43
Hibernia Corp., Class A 16,900	368	Park National Corp. 805	93
Home Federal Bancorp 800	22	Patriot Bank Corp. 550	15
Horizon Financial Corp. 2,156	36	Pennfed Finance Services, Inc. 2,000	60
Hudson City Bancorp, Inc. 19,100	646	Peoples Bank-Bridgeport 5,500	232
Hudson United Bancorp 5,740	205	Peoples Financial Corp. 3,000	54
Huntington Bancshares, Inc. 18,290	391	PFF Bancorp, Inc. 1,120	42

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
PNC Financial Services Group, Inc. 22,200	1,179	Trustco Bank Corp. 2,857	36
Popular, Inc. 13,400	563	Trustmark Corp. 4,300	114
Prosperity Bancshares, Inc. 2,400	56	U.S. Bancorp 156,031	4,001
Provident Bankshares Corp. 2,382	67	UCBH Holdings, Inc. 4,700	174
Provident Financial Group, Inc. 4,600	181	UMB Financial Corp. 1,787	90
Quaker City Bancorp, Inc. 1,250	68	Umpqua Holdings Corp. 343	7
Regions Financial Corp. 16,900	587	Union Bankshares Corp. 700	22
Republic Bancorp, Inc. 5,669	74	Union Planters Corp. 15,950	443
Republic Bancorp, Inc., Class A 1,575	30	UnionBanCal Corp. 22,600	1,208
Riggs National Corp. 2,000	36	United Bankshares, Inc. 4,400	132
S&T Bancorp, Inc. 1,400	40	Unizan Financial Corp. 1,371	33
• S1 Corp. 12,930	104	USB Holding Co., Inc. 1,777	37
Sandy Spring Bancorp, Inc. 2,900	104	Valley National Bancorp 6,757	175
Seacoast Banking Corp. of Florida 1,980	39	Wachovia Corp. 106,036	4,851
Second Bancorp., Inc. 900	27	Washington Trust Bancorp, Inc. 1,000	26
Shore Bancshares, Inc. 500	15	Wells Fargo & Co. 137,577	7,768
• Silicon Valley Bancshares 2,200	76	WesBanco, Inc. 3,200	91
Simmons First National Corp., Class A 1,000	26	West Coast Bancorp 1,200	26
Sky Financial Group, Inc. 7,376	176	Westamerica Bancorp. 1,700	83
The South Financial Group, Inc. 5,500	152	WestCorp., Inc. 4,707	208
SouthTrust Corp. 26,054	810	Whitney Holding Corp. 4,450	182
Southwest Bancorp of Texas, Inc. 1,500	61	Wilmington Trust Corp. 5,700	198
Southwest Bancorp, Inc. 3,300	54	Wintrust Financial Corp. 1,800	85
State Bancorp, Inc. 840	19	WSFS Financial Corp. 1,000	48
State Street Corp. 25,500	1,244	Zions Bancorp. 7,700	435
Sterling Bancorp 1,523	42		77,799
Sterling Bancshares, Inc. 2,100	27		
• Sterling Financial Corp. 2,926	97		
Suffolk Bancorp 2,400	79		
• Sun Bancorp, Inc. N.J. 3,307	65		
SunTrust Banks, Inc. 23,200	1,579		
Susquehanna Bancshares, Inc. 2,700	63		
SY Bancorp, Inc. 1,400	31		
Synovus Financial Corp. 24,600	587		
TCF Financial Corp. 6,800	337		
Texas Regional Bancshares, Inc., Class A 1,551	65		
Timberland Bancorp, Inc. 1,000	22		
Tompkins Trustco, Inc. 770	36		
TriCo Bancshares 200	7		
The Trust Co. of New Jersey 3,000	111		

Business Machines & Software 7.4%

• 3Com Corp. 17,900	110
• 3D Systems Corp. 1,400	17
• Adaptec, Inc. 5,700	45
Adobe Systems, Inc. 17,500	723
• Advanced Digital Information Corp. 2,600	27
Analogic Corp. 5,200	246
• Apple Computer, Inc. 31,200	803
• Arbitron, Inc. 2,120	79
• Artesyn Technologies, Inc. 1,100	10
• Ascential Software Corp. 2,912	49
Autodesk, Inc. 8,400	281
• Avici Systems, Inc. 375	4
• Avocent Corp. 13,963	448
• BEA Systems, Inc. 30,400	347

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Black Box Corp. 5,200	265	•Maxtor Corp. 17,748	116
•BMC Software, Inc. 19,000	329	•McData Corp., Class A 2,617	14
•Borland Software Corp. 3,000	25	Microchip Technology, Inc. 16,475	462
•Cisco Systems, Inc. 556,469	11,613	•Micromuse, Inc. 2,900	19
•Cognitronics Corp. 2,600	10	•MICROS Systems, Inc. 5,500	241
•Compuware Corp. 19,900	152	▲② Microsoft Corp. 872,760	22,666
•Converse Technology, Inc. 13,400	219	•MIPS Technology, Inc., Class A 1,100	7
•Concurrent Computer Corp. 3,000	6	•MSC Software Corp. 1,800	17
•CoSine Communications, Inc. 730	4	•NCR Corp. 11,900	532
•Dell, Inc. 206,800	7,178	•Network Appliance, Inc. 27,500	512
Diebold, Inc. 5,300	244	•Novell, Inc. 25,600	247
•Digital Lightwave, Inc. 1,300	1	•Oracle Corp. 420,000	4,712
•EMC Corp. 194,186	2,167	•PalmOne, Inc. 1,569	26
•Enterasys Networks, Inc. 8,500	18	•PalmSource, Inc. 2,500	52
Fair Isaac Corp. 7,744	261	•Peregrine Systems, Inc. 144	3
•Flow International Corp. 900	2	Pitney Bowes, Inc. 20,000	875
•Foundry Networks, Inc. 9,300	105	•Precis, Inc. 1,200	4
•Gateway, Inc. 11,800	57	•Printronix, Inc. 2,400	33
•General Binding Corp. 500	7	•Read-Rite Corp. 1,180	—
•Hanger Orthopedic Group, Inc. 5,400	88	•Roxio, Inc. 724	3
Hewlett-Packard Co. 246,916	4,864	•Sandisk Corp. 11,000	254
IKON Office Solutions, Inc. 8,500	95	•Scansource, Inc. 600	33
•Imagistics International, Inc. 2,840	115	► Seagate Escrow Security 7,500	2
•Immersion Corp. 800	4	•Siebel Systems, Inc. 25,100	258
•Input/Output, Inc. 3,400	27	•Silicon Graphics, Inc. 4,800	9
•Integrated Device Technology, Inc. 4,200	56	•SoftBrands, Inc. 671	1
•Intellisync Corp. 1,500	4	•Storage Technology Corp. 14,400	378
•Intergraph Corp. 9,700	245	► StorageNetworks, Inc. 2,100	—
•Interland, Inc. 510	2	•Sun Microsystems, Inc. 248,230	968
International Business Machines Corp. 136,850	12,066	•Sybase, Inc. 19,036	326
•InterVoice, Inc. 1,678	21	•Tech Data Corp. 5,300	180
•Interwoven, Inc. 5,925	50	•The Titan Corp. 6,381	123
•Invision Technologies, Inc. 1,500	75	Total System Services, Inc. 16,300	362
Iomega Corp. 12,400	63	•Ultimate Electronics, Inc. 400	2
•Juniper Networks, Inc. 33,065	723	•Unisys Corp. 25,600	334
Landamerica Financial Group, Inc. 5,800	239	•Versata, Inc. 9	—
•Lantronix, Inc. 1,900	3	•Vitria Technology, Inc. 925	3
•Lawson Software, Inc. 8,000	57	•Xerox Corp. 63,200	849
•Lexmark International, Inc., Class A 10,900	986	•Zhone Technologies, Inc. 1,000	3
•LTX Corp. 1,900	21		

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Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Business Services 5.3%			
•4Kids Entertainment, Inc. 3,500	76	•Barra, Inc. 3,250	133
Aaron Rents, Inc., Class A 1,450	37	•BearingPoint, Inc. 7,100	71
ABM Industries, Inc. 4,900	90	•BindView Development Corp. 1,700	5
•Actuate Corp. 2,300	8	•The BISYS Group, Inc. 9,000	131
•Administaff, Inc. 2,800	49	•Blue Coat Systems, Inc. 340	15
•Advent Software, Inc. 4,100	77	•Blue Martini Software, Inc. 285	1
•The Advisory Board Co. 1,000	35	•Bottomline Technologies, Inc. 2,000	19
Advo, Inc. 4,050	127	Bowne & Co., Inc. 4,200	71
•Aether Systems, Inc. 1,100	4	•Braun Consulting, Inc. 1,300	4
•Affiliated Computer Services, Inc., Class A 12,000	582	•Bright Horizons Family Solutions, Inc. 1,300	58
•Affymetrix, Inc. 2,300	70	The Brink's Co. 5,600	155
•Agile Software Corp. 1,900	14	•BroadVision, Inc. 1,090	4
•Akamai Technologies, Inc. 8,938	106	•Brocade Communications Systems, Inc. 21,000	112
•The Allied Defense Group, Inc. 500	10	•BSQUARE Corp. 1,600	2
•Allied Waste Industries, Inc. 26,600	335	•CACI International, Inc., Class A 4,100	187
Ambassadors International, Inc. 1,700	22	•Career Education Corp. 8,614	551
•America Online Latin America, Inc., Class A 2,500	2	•Carreker Corp. 3,700	27
•American Locker Group, Inc. 500	6	•Casella Waste Systems, Inc., Class A 2,500	36
•American Management Systems, Inc. 4,200	81	•Catalina Marketing Corp. 5,900	98
•American Superconductor Corp. 700	9	•Catapult Communications Corp. 1,600	30
•AMN Healthcare Services, Inc. 4,110	67	CDI Corp. 3,700	119
•Analysts International Corp. 2,400	7	CDW Corp. 6,800	425
Angelica Corp. 2,500	58	•Cell Genesys, Inc. 1,500	17
•Ansoft Corp. 2,300	32	•Cendant Corp. 80,220	1,900
•answerthink, Inc. 1,700	12	•Centra Software, Inc. 2,400	6
•Ansys, Inc. 1,700	63	•Ceridian Corp. 19,500	417
•Anteon International Corp. 2,000	62	•Cerner Corp. 1,700	73
•Apollo Group, Inc., Class A 14,550	1,322	Certegy, Inc. 4,150	149
Aramark Corp., Class B 9,300	266	•Charles River Associates, Inc. 2,500	81
•Arena Pharmaceuticals, Inc. 800	5	•Checkfree Corp. 5,400	162
•Ariba, Inc. 9,200	20	•Chindex International, Inc. 2,200	22
•Art Technology Group, Inc. 2,200	3	•ChoicePoint, Inc. 6,900	303
•Artistdirect, Inc. 1,000	—	•Chordiant Software, Inc. 1,100	4
•Ask Jeeves, Inc. 4,400	156	•Ciber, Inc. 1,900	17
•Aspen Technology, Inc. 6,000	39	•Cintas Corp. 12,850	578
•At Road, Inc. 4,400	37	•Citrix Systems, Inc. 20,000	381
•Atari, Inc. 1,600	5	•Clarent Corp. 1,545	—
Automatic Data Processing, Inc. 48,100	2,107	•Clarus Corp. 1,200	13
		•Click Commerce, Inc. 320	2
		•Closure Medical Corp. 3,400	88

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
•Cognizant Technology Solutions Corp. 5,300	229	•Dun & Bradstreet Corp. 16,000	836
•Com21, Inc. 1,400	—	•Dyax Corp. 2,000	28
•Comarco, Inc. 500	4	•E.piphany, Inc. 2,100	9
•Commerce One, Inc. 730	1	•Earthlink, Inc. 11,850	109
Computer Associates International, Inc. 47,226	1,266	•eBay, Inc. 52,924	4,224
•Computer Sciences Corp. 16,238	664	•Echelon Corp. 3,700	40
•Concord Communications, Inc. 1,600	20	•Eclipsys Corp. 1,800	25
•Connetics Corp. 3,400	66	•Edgewater Technology, Inc. 767	5
•Convergys Corp. 10,500	152	•Education Management Corp. 5,900	209
•Copart, Inc. 6,550	124	•eFunds Corp. 5,002	80
•Corillian Corp. 2,000	9	Electronic Data Systems Corp. 39,100	715
•Corinthian Colleges, Inc. 9,200	282	•eLoyalty Corp. 190	1
•Corio, Inc. 1,400	4	•Embarcadero Technologies, Inc. 2,900	37
•Cornell Cos., Inc. 2,100	25	•Encysive Pharmaceuticals, Inc. 2,600	26
•Corporate Executive Board Co. 2,700	139	•Engage, Inc. 4,900	—
•Correctional Services Corp. 2,000	5	Ennis Business Forms, Inc. 4,500	67
•CoStar Group, Inc. 800	32	•Entrust, Inc. 2,800	13
Courier Corp. 4,200	171	•EPIQ Systems, Inc. 1,550	22
•Covansys Corp. 5,000	70	•ePresence, Inc. 2,700	11
•Credit Acceptance Corp. 2,400	34	Equifax, Inc. 11,800	289
•Cross Country Healthcare, Inc. 1,600	26	•eResearch Technology, Inc. 3,750	118
•Cross Media Marketing Corp. 1,391	—	•Exelixis, Inc. 1,800	16
•CSG Systems International, Inc. 5,400	91	•Exponent, Inc. 3,000	75
•CuraGen Corp. 2,100	12	•Exult, Inc. 4,100	25
•CycleLogic, Inc. 2	—	•Ezenia!, Inc. 1,000	—
•Daleen Technologies, Inc. 800	—	•F5 Networks, Inc. 3,300	84
•Datastream Systems, Inc. 1,300	9	Factset Research Systems, Inc. 2,500	99
Deluxe Corp. 3,800	157	•Falcon Products, Inc. 1,500	7
•Dendrite International, Inc. 3,600	62	•FalconStor Software, Inc. 1,200	8
•DeVry, Inc. 4,800	138	•Fargo Electronics, Inc. 2,000	19
•Digimarc Corp. 3,500	40	•FileNet Corp. 3,800	104
•Digital Insight Corp. 2,300	44	•First Consulting Group, Inc. 1,800	10
•Digital River, Inc. 2,100	54	First Data Corp. 71,932	3,265
•Digitalthink, Inc. 1,300	3	•Firstwave Technologies, Inc. 1,000	3
•Digitas, Inc. 4,000	40	•Fiserv, Inc. 15,300	559
•Diversa Corp. 1,100	10	•Five Star Quality Care, Inc. 135	1
•Divine, Inc., Class A 161	—	•Forrester Research, Inc. 4,100	71
•DoubleClick, Inc. 10,737	87	•Freemarkets, Inc. 3,300	23
•DST Systems, Inc. 8,100	358	Friedman Billings Ramsey Group, Inc., Class A 12,080	224
		•FTI Consulting, Inc. 2,700	44

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
G&K Services, Inc., Class A 3,700	140	•Interpublic Group of Cos., Inc. 31,144	489
•Gartner, Inc., Class A 9,000	107	•Intrado, Inc. 3,600	62
•Genaissance Pharmaceuticals, Inc. 1,800	7	•Intuit, Inc. 16,715	710
•Genencor International, Inc. 14,000	203	•Invitrogen Corp. 3,629	262
•GenesisIntermedia, Inc. 1,200	—	•Iron Mountain, Inc. 6,525	297
•Gentiva Health Services, Inc. 3,250	48	•The IT Group, Inc. 1,900	—
•Genuity, Inc., Class A 280	—	•ITT Educational Services, Inc. 6,000	242
•Geoworks Corp. 800	—	Jack Henry & Associates, Inc. 6,300	115
•Global Imaging Systems, Inc. 2,100	73	•Jacobs Engineering Group, Inc. 3,800	159
Global Payments, Inc. 8,520	409	•JDA Software Group, Inc. 2,000	26
•GP Strategies Corp. 1,500	10	John H. Harland Co. 3,500	108
Grey Global Group, Inc. 200	145	•Kana Software, Inc. 528	1
GTECH Holdings Corp. 4,700	286	•Keane, Inc. 3,960	56
H&R Block, Inc. 21,300	961	•Keith Cos., Inc. 3,000	43
•HA-LO Industries, Inc. 2,100	—	Kelly Services, Inc., Class A 3,200	95
•Hall, Kinion & Associates, Inc. 900	4	•Kinder Morgan Management LLC 3,151	117
•Heidrick & Struggles International, Inc. 3,100	77	•Korn/Ferry International 3,600	54
•Hewitt Associates, Inc., Class A 7,000	216	•Kroll, Inc. 1,900	56
•Hudson Highland Group, Inc. 360	11	•Kronos, Inc. 1,875	68
•Hyperion Solutions Corp. 2,850	109	•Lamar Advertising Co. 6,700	275
•I-Many, Inc. 1,300	2	•Learning Tree International, Inc. 1,400	22
•iBEAM Broadcasting Corp. 290	—	•Liberate Technologies 5,900	17
•ICOS Corp. 2,700	86	•Lightbridge, Inc. 2,200	14
•ICT Group, Inc. 500	6	•LookSmart Ltd. 2,400	5
•Identix, Inc. 1,600	10	•Luminex Corp. 800	8
•IDT Corp. 4,200	78	•Macrovision Corp. 3,100	52
•IDX Systems Corp. 4,000	127	•Magma Design Automation, Inc. 1,700	32
•iGate Corp. 1,300	7	•Management Network Group, Inc. 2,400	7
IMS Health, Inc. 19,300	487	•Manhattan Associates, Inc. 1,300	35
•InFocus Corp. 1,600	13	Manpower, Inc. 6,991	328
•Infonet Services Corp., Class B 11,200	21	•Manugistics Group, Inc. 2,300	12
•Informatica Corp. 6,700	49	•MAPICS, Inc. 1,000	8
•Inforte Corp. 3,700	40	•Mapinfo Corp. 525	6
•Infospace, Inc. 3,872	127	•Marimba, Inc. 7,000	57
•infoUSA, Inc. 2,300	21	•Matria Healthcare, Inc. 1,200	23
•Innodata Corp. 2,400	8	•Matrixone, Inc. 1,700	10
•Interactive Intelligence, Inc. 1,000	5	•MAXIMUS, Inc. 1,700	60
•Intercept, Inc. 1,500	22	•Maxygen, Inc. 1,500	16
•Internap Network Services Corp. 4,600	8	•MCSI, Inc. 1,248	—
•Internet Security Systems 4,600	61	•Mechanical Technology, Inc. 1,800	10

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Medical Staffing Network Holdings, Inc. 1,300	10	• Nuance Communications, Inc. 1,000	5
• MemberWorks, Inc. 4,500	133	• NYFIX, Inc. 750	4
• Mentor Graphics Corp. 5,700	95	• Omnicom Group, Inc. 14,300	1,137
• Mercury Interactive Corp. 3,300	140	• On Assignment, Inc. 1,700	9
• Meta Group, Inc. 1,100	6	• OneSource Information Services, Inc. 3,800	33
• MetaSolv, Inc. 2,800	8	• Onyx Software Corp. 350	1
• Metricom, Inc. 1,400	—	• Openwave Systems, Inc. 5,271	45
• Metro One Telecommunications 4,400	8	• Opnet Technologies, Inc. 3,600	53
• Michael Baker Corp. 500	6	• Opsware, Inc. 800	6
• MicroStrategy, Inc., Class A 856	41	• Option Care, Inc. 1,500	22
• Microvision, Inc. 900	8	• Orbital Sciences Corp. 2,600	34
• Millenium Cell, Inc. 2,200	5	• Pac-West Telecomm, Inc. 1,900	2
• Mindspeed Technologies, Inc. 7,598	39	• Packeteer, Inc. 1,100	13
• Moldflow Corp. 300	3	• Paradigm Genetics, Inc. 400	—
• Monster Worldwide, Inc. 9,800	251	• Parametric Technology Corp. 9,700	44
• MPS Group, Inc. 8,100	89	• Paxar Corp. 2,300	38
• MRO Software, Inc. 3,900	52	• Paychex, Inc. 29,900	1,115
• Multi-Color Corp. 750	14	• PC-Tel, Inc. 1,400	16
• Napro Biotherapeutics, Inc. 1,200	3	• PDI, Inc. 2,900	74
• Nassda Corp. 500	3	• Pec Solutions, Inc. 1,000	12
• National Instruments Corp. 5,675	173	• Pegasus Solutions, Inc. 3,900	42
• National Processing, Inc. 3,200	79	• PeopleSoft, Inc. 29,693	501
• Nautilus Group, Inc. 4,125	66	• Per-Se Technologies, Inc. 10,000	107
• Navigant Consulting, Inc. 2,500	44	• Perot Systems Corp., Class A 9,100	121
• NCO Group, Inc. 2,701	61	• Phoenix Technologies Ltd. 1,300	7
• NDCHealth Corp. 1,900	43	• Pixar, Inc. 5,600	382
• NeighborCare, Inc. 12,500	289	• PLATO Learning, Inc. 1,433	13
• Neoforma, Inc. 1,500	20	• Polycom, Inc. 9,200	176
• Neon Systems, Inc. 2,400	8	• Pomeroy IT Solutions, Inc. 2,100	29
• NeoRx Corp. 400	1	• Portal Software, Inc. 1,220	7
• Netcentives, Inc. 2,000	—	• Pre-Paid Legal Services, Inc. 3,600	90
• Netegrity, Inc. 1,500	13	• PRG-Schultz International, Inc. 2,500	12
• NetIQ Corp. 7,704	99	• Priceline.com, Inc. 1,483	36
• Netratings, Inc. 3,000	36	• Progress Software Corp. 4,200	86
• Netscout Systems, Inc. 1,800	12	• ProQuest Co. 1,700	45
• Netsolve, Inc. 1,600	15	• ProsoftTraining 900	1
• Network Associates, Inc. 11,945	187	• QRS Corp. 1,450	8
• Network Commerce, Inc. 140	—	• Quality Systems, Inc. 900	39
• New England Business Service, Inc. 2,300	80	• Quest Software, Inc. 5,000	56
• Newcastle Investment Corp. 2,200	59	• Quintus Corp. 1,500	1
• NMS Communications Corp. 1,500	12		

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Quixote Corp. 1,300	25	• SportsLine.com, Inc. 2,300	2
• Quovadx, Inc. 2,600	6	• SPSS, Inc. 3,200	46
• R.H. Donnelley Corp. 2,000	91	SS&C Technologies, Inc. 11,100	256
• Radiant Systems, Inc. 1,300	6	The Standard Register Co. 4,100	60
• RealNetworks, Inc. 6,000	35	Startek, Inc. 1,400	45
• Red Hat, Inc. 7,100	161	• Stericycle, Inc. 2,200	105
• Redback Networks, Inc. 8,076	44	• Stratasys, Inc. 1,350	28
• Register.com 1,296	7	Strayer Education, Inc. 700	87
• RemedyTemp, Inc., Class A 1,200	15	• SumTotal Systems, Inc. 463	3
• Renaissance Learning, Inc. 2,100	47	• Sungard Data Systems, Inc. 23,900	623
Republic Services, Inc. 17,700	510	• SupportSoft, Inc. 4,800	47
• Resources Connection, Inc. 600	24	• Sycamore Networks, Inc. 18,200	67
• Retek, Inc. 3,843	27	• Sylvan Learning Systems, Inc. 4,700	166
The Reynolds & Reynolds Co., Class A 5,000	143	• Symantec Corp. 28,400	1,279
• Robert Half International, Inc. 7,500	205	• Symyx Technologies, Inc. 1,300	33
• Ross Systems, Inc. 1,000	18	• Synopsys, Inc. 13,684	366
Roto-Rooter, Inc. 1,200	58	• Synplicity, Inc. 1,200	9
RPC, Inc. 3,400	44	Syntel, Inc. 2,500	50
• RSA Security, Inc. 5,000	80	Talx Corp. 1,700	40
• Rural Cellular Corp., Class A 1,200	10	• Telecommunication Systems, Inc., Class A 1,300	7
• Saba Software, Inc. 500	2	• TeleTech Holdings, Inc. 5,000	31
• SafeNet, Inc. 2,770	60	• Tetra Tech, Inc. 12,031	200
• Sagent Technology, Inc. 1,500	—	• Tetra Technologies, Inc. 3,700	88
• Sapient Corp. 9,100	51	• TIBCO Software, Inc. 16,000	120
• Seachange International, Inc. 3,350	39	• Tier Technologies, Inc., Class B 500	5
• Secure Computing Corp. 3,200	31	• Transaction Systems Architects, Inc., Class A 5,200	110
• Seebeyond Technology Corp. 3,100	12	• TransAxis, Inc. 17	—
• Selectica, Inc. 1,900	8	• TRC Cos., Inc. 1,350	22
• Sequenom, Inc. 1,600	3	• Trizetto Group, Inc. 5,900	40
• Serena Software, Inc. 4,600	82	• Tularik, Inc. 5,100	126
The ServiceMaster Co. 22,900	278	• Tumbleweed Communications Corp. 2,000	8
• SFBC International, Inc. 1,000	37	• Unify Corp. 1,200	1
• Sirius Satellite Radio, Inc. 1,200	4	• United Online, Inc. 6,150	102
• Sitel Corp. 2,800	8	• Universal Access Global Holdings, Inc. 145	—
• Sonic Foundry, Inc. 600	1	• Universal Electronics, Inc. 2,200	31
• SONICblue, Inc. 2,600	—	• UNOVA, Inc. 5,600	98
• SonicWALL, Inc. 4,900	35	• URS Corp. 4,200	109
• SourceCorp 3,600	93	• Usinternetworking, Inc. 1,100	—
Spartech Corp. 4,200	96	• VA Software Corp. 1,427	3
• Spherion Corp. 1,830	18		

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Valueclick, Inc. 6,000	62	Air Products & Chemicals, Inc. 17,700	882
• Vastera, Inc. 2,000	8	Airgas, Inc. 5,000	111
• Ventiv Health, Inc. 2,233	31	Albemarle Corp. 4,500	132
• Verint Systems, Inc. 2,500	67	Amcol International Corp. 5,000	84
• VeriSign, Inc. 20,875	337	Arch Chemicals, Inc. 2,700	79
• Veristry Ltd. 4,500	34	• Bio-Rad Laboratories, Inc., Class A 1,000	59
• Veritas Software Corp. 35,024	934	Brady Corp., Class A 700	27
• Verity, Inc. 4,100	51	Cabot Corp. 5,200	176
• Verso Technologies, Inc. 1,363	2	Calgon Carbon Corp. 2,300	14
• Vertel Corp. 900	—	• Celgene Corp. 3,000	155
Viad Corp. 14,500	362	Crompton Corp. 8,924	55
• The viaLink Co. 700	—	• Cytec Industries, Inc. 7,400	291
• Viewpoint Corp. 2,000	5	Dow Chemical Co. 76,266	3,027
• Vignette Corp. 8,948	16	E.I. du Pont de Nemours & Co. 80,695	3,466
• Volt Information Sciences, Inc. 2,100	54	Eastman Chemical Co. 5,600	238
• Waste Connections, Inc. 1,000	40	Ecolab, Inc. 21,500	641
• Waste Industries USA, Inc. 1,500	16	• Entegris, Inc. 6,000	61
Waste Management, Inc. 48,100	1,366	• Ethyl Corp. 2,000	37
• WatchGuard Technologies, Inc. 1,800	13	Ferro Corp. 4,200	109
• Watson Wyatt & Co. Holdings 4,600	121	• Foamex International, Inc. 2,600	10
• Wave Systems Corp., Class A 1,800	2	Georgia Gulf Corp. 3,300	105
• WebEx Communications, Inc. 2,500	56	Great Lakes Chemical Corp. 3,600	90
• WebMD Corp. 19,426	171	• H.B. Fuller Co. 2,000	55
• webMethods, Inc. 1,921	17	Hawkins, Inc. 1,900	23
• Websense, Inc. 2,500	74	• Hercules, Inc. 8,500	94
• Weight Watchers International, Inc. 8,700	339	IMC Global, Inc. 9,500	119
• Westaff, Inc. 2,000	5	Kronos Worldwide, Inc. 1,437	45
• Wind River Systems, Inc. 3,160	30	Lubrizol Corp. 3,400	108
• Wireless Facilities, Inc. 1,800	17	Lyondell Chemical Co. 4,600	75
• Witness Systems, Inc. 2,100	30	MacDermid, Inc. 3,800	123
• WorldGate Communications, Inc. 2,000	3	• Matrixx Initiatives, Inc. 1,700	17
• Wynn Resorts Ltd. 4,000	160	Millennium Chemicals, Inc. 5,400	88
• Xybernaut Corp. 1,400	2	• Monsanto Co. 21,645	749
• Yahoo!, Inc. 53,072	2,678	Oil-Dri Corp. of America 400	7
• Zamba Corp. 2,000	1	Olin Corp. 4,820	83
• Zix Corp. 900	14	• OM Group, Inc. 3,400	86
	56,916	• Omnova Solutions, Inc. 1,000	5
		• Oxigene, Inc. 900	7
Chemicals 1.4%		Penford Corp. 2,700	44
A. Schulman, Inc. 2,300	46	PolyOne Corp. 3,200	22
Aceto Corp. 7,875	108	PPG Industries, Inc. 14,100	836
• AEP Industries, Inc. 400	5	Praxair, Inc. 25,700	939

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Rogers Corp. 300	18	• Integrated Electrical Services, Inc. 1,800	18
Rohm & Haas Co. 26,753	1,037	KB Home 3,900	269
Rollins, Inc. 4,450	106	Lafarge North America, Inc. 6,200	274
RPM International, Inc. 9,600	145	Lennar Corp., Class A 14,490	679
Sigma-Aldrich Corp. 6,300	357	• Levitt Corp., Class A 550	13
Stepan Co. 1,200	29	M/I Schottenstein Homes, Inc. 1,800	77
Tredegear Corp. 2,600	35	Martin Marietta Materials, Inc. 4,200	182
• Trex Co., Inc. 500	19	Masco Corp. 35,800	1,003
• Uniroyal Technology Corp. 1,100	—	• Mastec, Inc. 5,350	39
Valspar Corp. 4,200	208	MDC Holdings, Inc. 1,464	90
WD-40 Co. 1,600	49	• NCI Building Systems, Inc. 2,900	85
Wellman, Inc. 5,400	44	• NVR, Inc. 500	225
• Zoltek Cos., Inc. 1,500	10	• Palm Harbor Homes, Inc. 2,700	61
	15,590	• Performance Technologies, Inc. 1,600	21
Construction 0.8%		Pulte Homes, Inc. 11,372	559
American Woodmark Corp. 500	32	• Quanta Services, Inc. 8,900	49
Ameron International Corp. 3,400	102	The Ryland Group, Inc. 3,400	268
Apogee Enterprises, Inc. 2,000	22	• SBA Communications Corp. 1,300	5
• Armstrong Holdings, Inc. 1,600	2	The Sherwin-Williams Co. 10,500	400
Beazer Homes USA, Inc. 851	84	• Simpson Manufacturing Co., Inc. 1,600	83
Brookfield Homes Corp. 3,500	113	• Socket Communications, Inc. 800	2
Building Material Holding Corp. 4,000	66	Standard-Pacific Corp. 2,400	121
• Cavco Industries, Inc. 205	8	The Stanley Works 6,600	281
Centex Corp. 8,200	393	• Surebeam Corp., Class A 2,711	—
Craftmade International, Inc. 2,800	64	• Technical Olympic USA, Inc. 1,500	49
D.R. Horton, Inc. 18,453	531	Texas Industries, Inc. 1,000	34
• Dominion Homes, Inc. 500	14	• Toll Brothers, Inc. 5,600	222
• Dycom Industries, Inc. 5,399	127	United Mobile Homes, Inc. 1,600	23
Eagle Materials, Inc. 3,381	222	• USG Corp. 3,900	55
ElkCorp 3,450	96	Vulcan Materials Co. 9,400	435
• EMCOR Group, Inc. 900	37	Walter Industries, Inc. 1,900	24
Florida Rock Industries, Inc. 2,325	92	• WCI Communities, Inc. 3,800	92
Fluor Corp. 5,600	214	• WESCO International, Inc. 4,800	69
• Global Power Equipment Group, Inc. 1,000	7	• West Corp. 4,500	110
Granite Construction, Inc. 4,850	96	• Westell Technologies, Inc., Class A 2,560	19
• Hovnanian Enterprises, Inc., Class A 6,200	223	• Yankee Candle Co., Inc. 3,700	100
• Huttig Building Products, Inc. 811	5		8,607
• Insituform Technologies, Inc., Class A 1,300	21	Consumer Durables 0.4%	
		• Applca, Inc. 3,100	35
		Black & Decker Corp. 7,100	411
		• Champion Enterprises, Inc. 2,200	24

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Chromcraft Revington, Inc. 1,300	18	• Mobile Mini, Inc. 600	11
Compz International, Inc. 800	11	• Mod-Pac Corp. 500	4
Ethan Allen Interiors, Inc. 4,200	175	• Mod-Pac Corp., Class B 125	1
Flexsteel Industries, Inc. 600	13	• Owens-Illinois, Inc. 16,200	226
Furniture Brands International, Inc. 4,700	132	• Packaging Dynamics Corp. 260	3
• Gemstar – TV Guide International, Inc. 21,160	118	• Pactiv Corp. 12,400	285
• Genlyte Group, Inc. 1,600	92	• Sealed Air Corp. 8,500	417
• Griffon Corp. 2,200	48	• Silgan Holdings, Inc. 2,900	122
Haverty Furniture Cos., Inc. 4,200	76	Sonoco Products Co. 4,100	102
• Helen of Troy Ltd. 2,000	67		1,912
Hillenbrand Industries, Inc. 5,800	392		
• Interface, Inc., Class A 3,300	28	Electronics 5.6%	
Isco, Inc. 200	3	• ACT Manufacturing, Inc. 900	—
Kimball International, Inc., Class B 3,600	53	• ACT Teleconferencing, Inc. 1,100	3
La-Z-Boy, Inc. 5,800	121	• Actel Corp. 1,100	22
Leggett & Platt, Inc. 16,200	366	Acuity Brands, Inc. 17,200	421
Maytag Corp. 7,100	198	• Acxiom Corp. 25,700	595
• MITY Enterprises, Inc. 600	11	• Adaptive Broadband Corp. 1,000	—
• Mohawk Industries, Inc. 4,819	372	• ADC Telecommunications, Inc. 28,220	71
National Presto Industries, Inc. 400	16	• ADE Corp. 3,100	55
Newell Rubbermaid, Inc. 21,400	506	• Adelphia Communications, Class A 6,301	5
• Recoton Corp. 500	—	• Advanced Fibre Communications, Inc. 3,500	58
• Restoration Hardware, Inc. 1,700	10	• Advanced Micro Devices, Inc. 26,500	377
• Salton, Inc. 1,100	10	• Advanced Power Technology, Inc. 1,500	15
Skyline Corp. 100	4	• Agere Systems, Inc., Class A 70,116	158
• SLI, Inc. 1,600	—	• Agilent Technologies, Inc. 39,317	1,062
Stanley Furniture Co., Inc. 2,600	104	Agilysys, Inc. 1,600	19
Sturm Ruger & Co., Inc. 1,100	12	• Airnet Communications Corp. 1,300	1
Thomas Industries, Inc. 3,200	108	• Alliance Fiber Optic Products, Inc. 2,100	2
Toro Co. 800	47	• Alliance Semiconductor Corp. 1,200	7
• United Rentals, Inc. 5,900	101	• Alliant Techsystems, Inc. 2,437	144
Virco Manufacturing Corp. 1,170	8	• Altera Corp. 30,400	608
• Water Pik Technologies, Inc. 195	3	• American Physicians Capital, Inc. 2,500	58
Whirlpool Corp. 7,500	491	American Power Conversion Corp. 16,600	310
	4,184	• American Science & Engineering, Inc. 500	7
		• American Technical Ceramics Corp. 500	4
Containers 0.2%		• AMIS Holdings, Inc. 2,500	36
Ball Corp. 6,300	416	• Amkor Technology, Inc. 14,400	116
Bemis Co. 6,400	173	• Amphenol Corp., Class A 8,800	278
• Crown Holdings, Inc. 3,600	30	• Anadigics, Inc. 1,150	5
Greif, Inc., Class A 3,700	122		

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Analog Devices, Inc. 30,200	1,287	• CCC Information Services Group, Inc. 13,100	211
• Anaren, Inc. 3,300	49	• Celera Genomics Group – Applera Corp. 5,600	66
• Andrew Corp. 10,925	185	• Celestica, Inc. 937	16
• Anixter International, Inc. 3,300	97	• Ceva, Inc. 433	3
• Applied Materials, Inc. 135,498	2,470	Chase Corp. 100	1
• Applied Micro Circuits Corp. 12,238	54	• Checkpoint Systems, Inc. 4,600	74
• Arris Group, Inc. 2,600	16	• ChipPAC, Inc., Class A 6,600	40
• Arrow Electronics, Inc. 12,000	303	• Chronimed, Inc. 600	5
• Artisan Components, Inc. 1,100	26	• CIENA Corp. 17,294	72
• Aspect Communications Corp. 4,200	50	• Cirrus Logic, Inc. 3,800	24
• Astronics Corp. 1,250	7	• ClearOne Communications, Inc. 1,000	5
• Asyst Technologies, Inc. 1,700	11	• CMGI, Inc. 14,086	24
• Atmel Corp. 37,900	221	• Coherent, Inc. 1,800	44
• ATMI, Inc. 1,400	31	Cohu, Inc. 1,100	19
• Audiovox Corp., Class A 1,600	24	• CommScope, Inc. 4,900	86
• Avanex Corp. 2,100	6	• Computer Network Technology Corp. 1,100	7
• Avid Technology, Inc. 1,100	53	• Comtech Telecommunications 1,450	23
• Avnet, Inc. 11,288	244	• Conexant Systems, Inc. 25,046	109
AVX Corp. 7,500	106	• Corvis Corp. 13,000	20
• Aware, Inc. 1,100	4	• Cox Radio, Inc., Class A 4,600	95
• Axcelis Technologies, Inc. 7,044	74	• Credence Systems Corp. 1,700	19
• AXT, Inc. 800	2	• Cree, Inc. 2,900	54
Badger Meter, Inc. 1,000	42	CTS Corp. 5,800	76
BEI Technologies, Inc. 3,700	78	Cubic Corp. 1,200	28
Bel Fuse, Inc., Class A 1,200	35	• Cyberonics 3,700	88
Belden, Inc. 3,300	58	• Cymer, Inc. 1,700	54
• Bell Microproducts, Inc. 1,000	7	• Cypress Semiconductor Corp. 8,500	119
• Benchmark Electronics, Inc. 10,050	272	• Daktronics, Inc. 5,600	119
• BioVeris Corp. 3,800	47	• DDi Corp. 8	—
◆ Bookham Technology PLC 3,364	5	• Diodes, Inc. 2,850	62
Boston Acoustics, Inc. 1,300	14	• Dionex Corp. 1,200	61
• Broadcom Corp., Class A 23,700	895	• DSP Group, Inc. 3,300	82
• Brooks Automation, Inc. 1,364	23	• Ducommun, Inc. 4,300	101
• Bruker BioSciences Corp. 2,100	11	• Dupont Photomasks, Inc. 1,900	39
C&D Technologies, Inc. 4,500	70	• Dynamics Research Corp. 1,200	20
• C-COR.net Corp. 4,600	42	• Electro Rent Corp. 5,100	52
• Cable Design Technologies Corp. 4,200	36	• Electro Scientific Industries, Inc. 1,300	27
• Cabot Microelectronics Corp. 660	19	• Electroglas, Inc. 900	4
• Cadence Design Systems, Inc. 11,600	149	• Electronics for Imaging 3,400	86
• California Amplifier, Inc. 1,000	8		
• Captaris, Inc. 2,200	12		

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
•Emcore Corp. 1,500	4	Intersil Corp., Class A 9,864	195
•EMS Technologies, Inc. 1,000	18	•Itron, Inc. 1,500	32
•Emulex Corp. 5,900	98	ITT Industries, Inc. 6,200	492
•Energizer Holdings, Inc. 6,333	274	•Ixia 5,200	46
•Energy Conversion Devices, Inc. 600	7	•IXYS Corp. 900	8
•Entrada Networks, Inc. 75	—	•Jabil Circuit, Inc. 15,400	406
•ESS Technology, Inc. 3,100	33	•JDS Uniphase Corp. 112,424	342
•Exar Corp. 4,300	66	Keithley Instruments, Inc. 3,200	67
•Excel Technology, Inc. 600	20	•Kemet Corp. 6,700	83
•Fairchild Semiconductor International, Inc., Class A 8,600	167	•KLA-Tencor Corp. 15,000	625
•FEI Co. 1,500	30	•Kopin Corp. 2,500	12
•First Virtual Communications, Inc. 240	—	•Kulicke & Soffa Industries, Inc. 4,400	44
•Flir Systems, Inc. 2,400	113	•Lam Research Corp. 9,100	201
•FormFactor, Inc. 2,500	44	•Lattice Semiconductor Corp. 4,600	33
Frequency Electronics, Inc. 500	7	•LeCroy Corp. 900	17
•FSI International, Inc. 1,300	8	•Lightpath Technologies, Inc., Class A 75	—
•FuelCell Energy, Inc. 1,200	20	Linear Technology Corp. 25,000	891
•General Cable Corp. 2,200	17	•Littelfuse, Inc. 4,500	173
•Genus, Inc. 500	2	•Logicvision, Inc. 1,000	3
•Gerber Scientific, Inc. 1,900	11	•Loral Space & Communications 1,390	1
•Getty Images, Inc. 4,600	251	•LSI Logic Corp. 29,964	223
•Glenayre Technologies, Inc. 2,300	5	•Lucent Technologies, Inc. 301,923	1,017
•GTC Biotherapeutics, Inc. 1,800	3	•Macromedia, Inc. 4,500	93
Harman International Industries, Inc. 6,800	516	•Mattson Technology, Inc. 4,100	40
•Harmonic, Inc. 6,342	42	Maxim Integrated Products, Inc. 27,453	1,263
Harris Corp. 7,000	315	•Maxwell Technologies, Inc. 1,000	15
•Harvard Bioscience, Inc. 500	4	•Measurement Specialties, Inc. 700	13
Hearst-Argyle Television, Inc. 3,700	97	•MEMC Electronic Materials, Inc. 16,300	130
•Herley Industries, Inc. 4,000	83	•Mercury Computer Systems, Inc. 3,600	81
•HI/FN, Inc. 800	7	•Mestek, Inc. 700	13
•Hollywood Entertainment Corp. 4,300	58	•Metawave Communications Corp. 1,900	—
•Hutchinson Technology, Inc. 17,100	420	Methode Electronics, Class A 3,600	41
•Illumina, Inc. 1,500	11	•Micron Technology, Inc. 49,500	674
•Integrated Circuit Systems, Inc. 5,400	128	•Microsemi Corp. 7,000	76
•Integrated Silicon Solutions, Inc. 3,400	47	•Microtune, Inc. 2,200	7
⑧ Intel Corp. 523,032	13,458	•MKS Instruments, Inc. 1,700	33
•Intelli-Check, Inc. 500	3	Mocon, Inc. 600	5
•Interactive Data Corp. 20,700	346	Molex, Inc. 16,125	480
•Intermagnetics General Corp. 1,371	34	•Monolithic System Technology, Inc. 1,200	9
•International Rectifier Corp. 4,100	163	Motorola, Inc. 189,155	3,452
		•MRV Communications, Inc. 4,307	10

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
MTS Systems Corp. 4,500	106	• Remec, Inc. 2,500	16
• Mykrolis Corp. 3,021	44	• Rex Stores Corp. 1,875	27
• Nanogen, Inc. 1,500	9	• RF Micro Devices, Inc. 13,700	101
• Nanometrics, Inc. 300	4	Richardson Electronics Ltd. 1,300	14
• National Semiconductor Corp. 14,600	596	• Rofin-Sinar Technologies, Inc. 1,900	44
• Netopia, Inc. 2,100	13	• Rudolph Technologies, Inc. 500	8
• Newport Corp. 4,200	62	• Sanmina-SCI Corp. 41,316	414
• Novellus Systems, Inc. 11,171	323	• SBS Technologies, Inc. 1,700	25
• Novoste Corp. 1,600	5	• ScanSoft, Inc. 1,204	6
• Nvidia Corp. 7,000	144	Scientific-Atlanta, Inc. 11,900	385
• Omnivision Technologies, Inc. 2,800	62	• SCM Microsystems, Inc. 1,200	8
• Oplink Communications, Inc. 4,600	9	• Seagate Technology 6,000	75
• Optical Communication Products, Inc. 500	1	• Semitool, Inc. 4,300	47
• OSI Systems, Inc. 3,700	84	• Semtech Corp. 3,200	67
• P-Com Inc. 520	—	• Silicon Image, Inc. 2,000	20
Park Electrochemical Corp. 3,600	85	• Silicon Laboratories, Inc. 5,000	236
• Parkervision, Inc. 400	2	• Silicon Storage Technology, Inc. 7,000	93
• Paxson Communications Corp. 1,900	6	• Siliconix, Inc. 8,100	314
• Pemstar, Inc. 1,600	5	• Sipex Corp. 1,600	9
• Pericom Semiconductor Corp. 1,400	15	• Sirenza Microdevices, Inc. 1,300	5
PerkinElmer, Inc. 8,977	173	• Skyworks Solutions, Inc. 5,689	49
• Photon Dynamics, Inc. 3,400	105	• Solectron Corp. 64,320	315
• Pinnacle Systems, Inc. 1,800	14	• Somera Communications, Inc. 1,900	3
• Pixelworks, Inc. 1,600	29	• Spectralink Corp. 1,000	13
• Planar Systems, Inc. 3,700	45	• Spherix, Inc. 500	3
• Plantronics, Inc. 4,000	152	• Standard Microsystems Corp. 3,600	86
• Plexus Corp. 1,700	24	• Stratex Networks, Inc. 2,800	9
• PLX Technology, Inc. 1,300	17	• Superconductor Technologies, Inc. 1,600	2
• Powell Industries, Inc. 1,000	16	• Superior Telecom, Inc. 1,124	—
• Power Integrations, Inc. 1,400	34	• Supertex, Inc. 1,400	21
• Power-One, Inc. 6,000	52	Symbol Technologies, Inc. 19,437	233
• Powerwave Technologies, Inc. 3,200	22	• Symmetricom, Inc. 8,450	68
• Proxim Corp., Class A 5,412	8	• Synaptics, Inc. 3,500	58
• QLogic Corp. 7,022	190	• Taser International, Inc. 6,000	194
Qualcomm, Inc. 63,800	3,985	• Technitrol, Inc. 4,000	85
• Quantum Corp. 5,500	17	• Tekelec 8,700	145
• QuickLogic Corp. 900	3	Tektronix, Inc. 8,300	246
• Radisys Corp. 3,700	69	• TelCove 4,638	—
• Rambus, Inc. 8,200	153	• Tellabs, Inc. 32,800	286
Raven Industries, Inc. 1,400	45	• Teradyne, Inc. 15,559	317
• Rayovac Corp. 2,800	75	• Terayon Communication Systems Corp. 2,800	8

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
•Tessco Technologies, Inc. 900	13	Energy: Raw Materials 1.8%	
•Tessera Technologies, Inc. 3,000	53	Alliance Resource Partners L.P. 1,700	66
•Texas Instruments, Inc. 140,897	3,537	Anadarko Petroleum Corp. 19,530	1,046
•Therma-Wave, Inc. 1,000	3	Apache Corp. 28,372	1,188
•Thermo Electron Corp. 26,550	775	APCO Argentina, Inc. 200	7
•Thomas & Betts Corp. 7,300	175	Arch Coal, Inc. 3,500	107
•THQ, Inc. 1,950	36	•Atwood Oceanics, Inc. 1,200	44
•Three-Five Systems, Inc. 1,099	6	Baker Hughes, Inc. 28,300	1,038
•Tollgrade Communications, Inc. 3,600	44	Berry Petroleum Co., Class A 2,000	54
•Transmeta Corp. 4,500	13	•BJ Services Co. 11,800	525
•Transwitch Corp. 3,100	5	Buckeye Partners L.P. 3,400	134
•Tripath Technology, Inc. 1,800	5	Burlington Resources, Inc. 17,000	1,144
•Triquint Semiconductor, Inc. 5,310	29	Cabot Oil & Gas Corp. 14,400	514
•Troy Group, Inc. 2,000	6	CARBO Ceramics, Inc. 3,000	194
•TTM Technologies, Inc. 4,400	49	•Cimarex Energy Co. 3,122	86
•Tweeter Home Entertainment Group, Inc. 1,100	8	•Cooper Cameron Corp. 3,300	160
•United Industrial Corp. 1,200	25	•CREDO Petroleum Corp. 1,800	27
•Unitil Corp. 600	16	•Denbury Resources, Inc. 4,900	89
•Valence Technology, Inc. 1,400	6	Devon Energy Corp. 18,680	1,143
•Varian Semiconductor Equipment Associates, Inc. 1,500	49	ENSCO International, Inc. 11,200	307
•Varian, Inc. 5,800	238	Enterprise Products Partners L.P. 17,000	356
•Viasat, Inc. 3,500	77	EOG Resources, Inc. 11,400	561
•Vicor Corp. 4,200	58	•Evergreen Resources, Inc. 1,600	64
•Virage Logic Corp. 1,400	11	•FMC Technologies, Inc. 4,591	125
•Vishay Intertechnology, Inc. 11,781	205	•Forest Oil Corp. 4,450	117
•Vitesse Semiconductor Corp. 6,986	30	►Friede Goldman Halter, Inc. 1,855	—
•Waters Corp. 8,700	375	•Grant Prideco, Inc. 3,600	55
•Western Digital Corp. 15,700	127	•Grey Wolf, Inc. 5,800	23
•Western Wireless Corp., Class A 5,200	108	Halliburton Co. 36,700	1,094
•Wilson Greatbatch Technologies, Inc. 1,100	38	•Hanover Compressor Co. 5,600	69
•WJ Communications, Inc. 2,300	7	•Headwaters, Inc. 2,500	57
•Xicor, Inc. 1,000	15	Helmerich & Payne, Inc. 4,800	130
•Xilinx, Inc. 27,600	928	•Hydril Co. 2,500	64
•YDI Wireless, Inc. 100	—	Inergy L.P. 2,000	46
•Zebra Technologies Corp., Class A 4,250	311	Joy Global, Inc. 8,600	226
•Zoran Corp. 1,761	29	•Key Energy Services, Inc. 10,300	110
	60,159	•Kirby Corp. 3,800	131
		Lufkin Industries, Inc. 500	16
		Massey Energy Co. 6,000	140
		Natural Resource Partners L.P. 2,000	74
		NL Industries, Inc. 5,300	69

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Noble Corp. 10,100	375	• Chiquita Brands International, Inc. 10,000	180
• Noble Energy, Inc. 3,500	161	• Coca-Cola Bottling Co. Consolidated 400	21
• Occidental Petroleum Corp. 30,600	1,444	• The Coca-Cola Co. 197,200	9,972
• Offshore Logistics, Inc. 3,600	79	• Coca-Cola Enterprises, Inc. 37,200	1,004
• Oil States International, Inc. 3,600	49	• ConAgra Foods, Inc. 43,293	1,251
• Parker Drilling Co. 2,800	9	• Consolidated-Tomoka Land Co. 900	34
• Peabody Energy Corp. 3,800	178	• Corn Products International, Inc. 7,800	331
• Penn Virginia Resource Partners L.P. 2,500	84	• Dean Foods Co. 8,613	289
• Plains All American Pipeline L.P. 4,600	150	• Del Monte Foods Co. 8,931	99
• Plains Resources, Inc. 4,000	72	• Delta & Pine Land Co. 2,000	49
• Range Resources Corp. 5,400	68	• Eden Bioscience Corp. 1,000	1
• Reliant Energy, Inc. 22,625	188	• Embrex, Inc. 1,300	16
• Rowan Cos., Inc. 3,400	76	• Fleming Cos., Inc. 3,400	—
• Schlumberger Ltd. 47,500	2,780	• Flowers Foods, Inc. 19,515	478
• Seacor Holdings, Inc. 1,250	52	• Fresh Brands, Inc. 1,800	16
• Smith International, Inc. 7,400	405	• Fresh Del Monte Produce, Inc. 4,200	98
• Swift Energy Co. 2,500	54	• General Mills, Inc. 31,300	1,526
• TC Pipelines L.P. 2,400	78	• Green Mountain Coffee Roasters, Inc. 900	19
• Tidewater, Inc. 2,700	76	• Griffen Land & Nurseries, Inc. 300	8
• Tom Brown, Inc. 3,200	153	• H.J. Heinz Co. 27,900	1,066
• Unit Corp. 2,400	68	• Hain Celestial Group, Inc. 1,406	28
• USEC, Inc. 3,000	21	• Hershey Foods Corp. 10,700	951
• Valero Energy Corp. 11,149	711	• Hormel Foods Corp. 6,500	198
• W-H Energy Services, Inc. 900	17	• Ingles Markets, Inc., Class A 300	3
• Weatherford International Ltd. 10,600	461	• Interstate Bakeries 3,200	36
• Western Gas Resources, Inc. 2,000	109	• J & J Snack Foods Corp. 3,200	122
• Westmoreland Coal Co. 3,500	68	• The J.M. Smuckers Co. 2,438	128
• World Fuel Services Corp. 3,000	127	• John B. Sanfilippo & Son 5,000	157
• Xanser Corp. 1,400	3	• Kellogg Co. 34,400	1,476
	19,516	• Kraft Foods, Inc., Class A 17,500	576
		• Lance, Inc. 1,900	29
Food & Agriculture 3.6%		• Lesco, Inc. 500	7
• 7-Eleven, Inc. 5,000	80	• Lindsay Manufacturing Co. 800	19
• American Italian Pasta Co., Class A 1,000	31	• Marsh Supermarkets, Inc., Class B 1,000	13
• The Andersons, Inc. 1,500	28	• Maui Land & Pineapple Co., Inc. 800	26
• Archer-Daniels-Midland Co. 51,458	904	• McCormick & Co., Inc. 8,300	284
• Aurora Foods, Inc. 2,500	—	• MGP Ingredients, Inc. 1,700	46
• Bridgford Foods Corp. 300	2	• Monterey Pasta Co. 700	3
• Bunge Ltd. 6,800	252	• Nash Finch Co. 1,700	35
• Cadiz, Inc. 84	1	• Neogen Corp. 625	11
• Campbell Soup Co. 35,400	978		

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• The Pantry, Inc. 400	8	Healthcare / Drugs & Medicine 13.0%	
• Peet's Coffee & Tea, Inc. 1,800	39	• 1-800 Contacts, Inc. 500	9
The Pepsi Bottling Group, Inc. 20,700	606	• aaiPharma, Inc. 4,300	27
PepsiAmericas, Inc. 13,200	264	Abbott Laboratories 125,705	5,534
PepsiCo, Inc. 138,300	7,536	• Abgenix, Inc. 7,100	116
• Performance Food Group Co. 1,900	67	• Abiomed, Inc. 800	9
Pilgrim's Pride Corp., Class B 1,400	32	• Accredo Health, Inc. 2,841	110
• Ralcorp Holdings, Inc. 6,700	233	• Aclara BioSciences, Inc. 2,400	10
Rocky Mountain Chocolate Factory, Inc. 1,500	15	• Advanced Medical Optics, Inc. 2,400	76
Sanderson Farms, Inc. 5,250	195	• Advanced Neuromodulation Systems, Inc. 1,050	29
Sara Lee Corp. 64,378	1,486	• AeroGen, Inc. 640	2
• The Scotts Co., Class A 2,800	185	• Alaris Medical Systems, Inc. 5,000	97
Seaboard Corp. 200	65	• Albany Molecular Research, Inc. 1,600	26
Sensient Technologies Corp. 2,300	47	• Align Technology, Inc. 8,700	151
• Smart & Final, Inc. 2,700	31	• Alkermes, Inc. 3,100	48
• Smithfield Foods, Inc. 6,300	168	Allergan, Inc. 9,400	828
• Spartan Stores, Inc. 500	2	• Alliance Imaging, Inc. 1,800	7
Standard Commercial Corp. 1,100	20	• Alliance Pharmaceutical Corp. 220	—
Supervalu, Inc. 18,087	557	• Allscripts Healthcare Solutions, Inc. 1,900	18
Sysco Corp. 52,036	1,990	Alpharma, Inc., Class A 3,700	80
Tasty Baking Co. 500	5	• Amedisys, Inc. 2,500	75
• Tejon Ranch Co. 674	23	• America Service Group, Inc. 3,300	121
Tootsie Roll Industries, Inc. 2,255	79	• American Healthways, Inc. 3,100	75
Tyson Foods, Inc., Class A 27,840	522	• American Medical Systems Holdings, Inc. 3,900	101
• United Natural Foods, Inc. 2,600	65	• AMERIGROUP Corp. 900	37
• VistaCare, Inc., Class A 1,000	25	AmerisourceBergen Corp. 7,824	453
• Wild Oats Markets, Inc. 3,800	52	• Amgen, Inc. 104,868	5,901
Wm. Wrigley Jr. Co. 16,600	1,024	• Amsurg Corp. 4,800	116
• Zapata Corp. 1,000	59	• Amylin Pharmaceuticals, Inc. 2,300	52
	38,282	• Andrx Corp. 6,400	146
Gold 0.2%		• Anthem, Inc. 14,417	1,277
Barrick Gold Corp. 5,565	107	• Antigenics, Inc. 1,400	13
• Glamis Gold Ltd. 11,100	160	• Apton Corp. 800	4
• Golden Cycle Gold Corp. 600	8	• Apogent Technologies, Inc. 7,100	230
• Meridian Gold, Inc. 6,600	66	Applied Biosystems Group —	
Newmont Mining Corp. 34,651	1,296	Applera Corp. 16,500	306
Royal Gold, Inc. 3,100	38	• Apria Healthcare Group, Inc. 10,500	303
	1,675	• Arqule, Inc. 8,800	58
		Arrow International, Inc. 6,400	191

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Arthrocare Corp. 1,400	33	• Community Health Systems, Inc. 7,100	183
• Aspect Medical Systems, Inc. 3,700	62	• Conmed Corp. 1,700	42
• Atrix Labs, Inc. 1,400	42	• Cooper Cos., Inc. 2,200	119
• AVANIR Pharmaceuticals, Class A 1,900	3	• Corixa Corp. 1,802	11
• Avant Immunotherapeutics, Inc. 3,000	8	• Corvel Corp. 1,900	59
• Avigen, Inc. 900	4	• Covance, Inc. 5,800	196
• Barr Laboratories, Inc. 8,781	364	• Coventry Health Care, Inc. 14,400	602
• Bausch & Lomb, Inc. 3,400	214	• CryoLife, Inc. 750	4
• Baxter International, Inc. 50,118	1,586	• CTI Molecular Imaging, Inc. 2,000	30
• Beckman Coulter, Inc. 5,100	285	• Cubist Pharmaceuticals, Inc. 1,900	19
• Becton Dickinson & Co. 20,300	1,026	• Curis, Inc. 3,140	14
• Beverly Enterprises, Inc. 8,800	52	• CV Therapeutics, Inc. 1,100	16
• BioCryst Pharmaceuticals, Inc. 1,400	12	• Cygnus, Inc. 600	—
• Biogen Idec, Inc. 27,125	1,600	• Cytogen Corp. 230	3
• BioMarin Pharmaceuticals, Inc. 1,800	12	• Cytoc Corp. 7,800	167
• Biomet, Inc. 20,125	795	• D&K Healthcare Resources, Inc. 3,200	44
• Biopure Corp. 1,200	2	• Dade Behring Holdings, Inc. 2,600	120
• Biosite, Inc. 1,400	55	• Datascope Corp. 2,500	83
• Biosource International, Inc. 1,500	12	• DaVita, Inc. 16,500	843
• Bone Care International, Inc. 1,400	35	• Deltagen, Inc. 2,200	—
• Boston Scientific Corp. 67,800	2,793	• Dendreon Corp. 1,400	18
• Bradley Pharmaceuticals, Inc. 1,700	45	• Dentsply International, Inc. 6,550	317
• Bristol-Myers Squibb Co. 156,550	3,929	• Diagnostic Products Corp. 1,700	73
• C.R. Bard, Inc. 4,000	425	• Digene Corp. 1,400	50
• Caliper Life Sciences, Inc. 700	5	• DJ Orthopedics, Inc. 3,000	69
• Cambrex Corp. 3,400	84	• Direct Corp. 2,000	8
• Cardinal Health, Inc. 36,160	2,649	• Dynacq Healthcare, Inc. 3,616	20
• Caremark Rx, Inc. 37,090	1,255	• Edwards Lifesciences Corp. 3,900	134
• Cell Therapeutics, Inc. 1,400	12	• Eli Lilly & Co. 90,400	6,672
• Centene Corp. 500	17	• Emisphere Technologies, Inc. 800	4
• Cephalon, Inc. 3,500	199	• Endo Pharmaceutical Holdings, Inc. 10,500	251
• Cerus Corp. 500	2	• Enpath Medical, Inc. 3,000	34
• Charles River Laboratories International, Inc. 4,400	202	• Entremed, Inc. 1,200	4
• Chattem, Inc. 1,200	32	• Enzo Biochem, Inc. 1,697	25
• Chiron Corp. 15,100	701	• Enzon Pharmaceuticals, Inc. 4,400	64
• Cholestech Corp. 1,700	17	• Eon Labs, Inc. 2,400	158
• ChromaVision Medical Systems, Inc. 1,100	1	• Express Scripts, Inc. 6,300	487
• CIPHERGEN Biosystems, Inc. 1,700	12	• Eyetech Pharmaceuticals, Inc. 2,500	89
• CNS, Inc. 5,000	53	• First Health Group Corp. 8,700	145
• Collagenex Pharmaceuticals, Inc. 3,000	31	• First Horizon Pharmaceutical Corp. 3,400	53

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Forest Laboratories, Inc. 27,500	1,773	• Inveresk Research Group, Inc. 4,200	119
• Gen-Probe, Inc. 3,400	113	• Isis Pharmaceuticals, Inc. 1,900	14
• Gene Logic, Inc. 1,300	5	• IVAX Corp. 14,750	314
• Genelabs Technologies, Inc. 800	2	⑩ Johnson & Johnson 241,370	13,041
• Genentech, Inc. 18,200	2,235	• Kendle International, Inc. 2,700	22
• Genesis HealthCare Corp. 6,250	146	• Kindred Healthcare, Inc. 2,312	113
• Genta, Inc. 2,900	25	• Kinetic Concepts, Inc. 2,500	121
• Genzyme Corp. 15,232	664	• King Pharmaceuticals, Inc. 18,516	319
• Geron Corp. 1,000	8	• Kosan Biosciences, Inc. 2,500	35
• Gilead Sciences, Inc. 14,060	855	• KV Pharmaceutical Co., Class A 2,700	65
Guidant Corp. 25,816	1,627	• Kyphon, Inc. 3,000	75
• Guilford Pharmaceuticals, Inc. 1,200	8	• Laboratory Corp. of America Holdings 12,800	509
• Haemonetics Corp. 3,700	104	Landauer, Inc. 1,100	43
HCA, Inc. 39,100	1,589	• Large Scale Biology Corp. 2,400	5
Health Management Associates, Inc., Class A 15,900	368	• Lexicon Genetics, Inc. 6,900	49
• Health Net, Inc. 16,600	422	• LifePoint Hospitals, Inc. 2,300	82
Healthcare Services Group 3,750	59	• Ligand Pharmaceuticals, Inc., Class B 2,300	49
• HealthExtras, Inc. 1,900	24	• Lincare Holdings, Inc. 7,100	247
• HealthTronics Surgical Services, Inc. 3,500	25	• Magellan Health Services, Inc. 3,007	97
• Henry Schein, Inc. 2,300	162	Manor Care, Inc. 8,000	260
• Hologic, Inc. 2,600	52	• Maxim Pharmaceuticals, Inc. 2,400	19
• Human Genome Sciences, Inc. 5,100	62	McKesson Corp. 22,900	752
• Humana, Inc. 18,900	308	• Med-Design Corp. 1,200	3
• ICU Medical, Inc. 550	18	• Medarex, Inc. 3,000	29
• IDEXX Laboratories, Inc. 2,500	153	• Medcath Corp. 1,500	23
• li-Vi, Inc. 1,900	47	• Medco Health Solutions, Inc. 21,138	748
• ImClone Systems, Inc. 4,435	297	• Medical Action Industries, Inc. 2,500	48
• Immucor, Inc. 1,125	28	• Medicines Co. 1,700	56
• Immunogen, Inc. 1,500	13	Medicis Pharmaceutical Corp., Class A 3,400	146
• Immunomedics, Inc. 2,400	12	• Medimmune, Inc. 17,375	421
• IMPAC Medical Systems, Inc. 3,000	73	• Medis Technologies Ltd. 1,110	14
• Impax Laboratories, Inc. 1,600	33	• MedQuist, Inc. 3,217	44
• Inamed Corp. 13,950	821	Medtronic, Inc. 98,474	4,969
• Incyte Corp. 2,600	21	Mentor Corp. 3,000	95
• Indevus Pharmaceuticals, Inc. 1,800	13	Merck & Co., Inc. 180,052	8,462
• Inspire Pharmaceuticals, Inc. 1,300	21	Meridian Bioscience, Inc. 5,000	55
• Integra LifeSciences Holdings Corp. 1,100	35	• Merit Medical Systems, Inc. 2,222	35
• InterMune, Inc. 1,100	16	• MGI Pharma, Inc. 1,900	117
• Intuitive Surgical, Inc. 1,050	17	• Millennium Pharmaceuticals, Inc. 11,956	179
Invacare Corp. 2,000	80		

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
•MIM Corp. 1,500	11	•Pharmacoepia, Inc. 1,300	23
•Mine Safety Appliances Co. 2,700	73	•Pharmacyclics, Inc. 1,100	13
•Molecular Devices Corp. 8,100	159	•Pharmion Corp. 2,500	54
•Molina Healthcare, Inc. 2,500	89	•PolyMedica Corp. 4,400	122
•Mylan Laboratories, Inc. 45,000	1,031	•Pozen, Inc. 1,300	15
•Myogen, Inc. 2,500	29	•Praecis Pharmaceuticals, Inc. 1,600	9
•Myriad Genetics, Inc. 1,400	24	•Priority Healthcare Corp., Class B 2,000	40
•Nabi Biopharmaceuticals 2,800	46	•Protein Design Labs, Inc. 4,100	100
•National Healthcare Corp. 600	18	•Province Healthcare Co. 4,825	77
•Nature's Sunshine Products, Inc. 4,000	58	•PSS World Medical, Inc. 5,800	65
•NBTY, Inc. 16,000	595	•QMed, Inc. 500	5
•Nektar Therapeutics 2,200	45	•Quest Diagnostics 7,410	625
•Neose Technologies, Inc. 500	5	•Regeneration Technologies, Inc. 1,700	16
•Neurocrine Biosciences, Inc. 1,400	92	•Regeneron Pharmaceuticals, Inc. 1,900	24
•Neurogen Corp. 800	8	•RehabCare Group, Inc. 4,000	82
•Northfield Laboratories, Inc. 1,100	17	•Renal Care Group, Inc. 4,700	233
•Noven Pharmaceuticals, Inc. 5,500	108	•Res-Care, Inc. 4,500	61
•NPS Pharmaceuticals, Inc. 1,000	25	•Resmed, Inc. 2,000	99
•Nutraceutical International Corp. 5,000	116	•Respironics, Inc. 1,900	100
•Nuvelo, Inc. 300	3	•Sangamo Biosciences, Inc. 1,200	8
•Oakley, Inc. 6,700	93	•Savient Pharmaceuticals, Inc. 2,300	9
•Ocular Sciences, Inc. 1,500	42	•Schering-Plough Corp. 80,950	1,354
•Odyssey HealthCare, Inc. 2,250	38	•Select Medical Corp. 7,500	142
•Omnicare, Inc. 7,500	311	•Sepracor, Inc. 6,600	316
•Onyx Pharmaceuticals, Inc. 1,800	89	•Serologicals Corp. 1,200	22
•OraSure Technologies, Inc. 1,500	13	•Sierra Health Services, Inc. 11,700	435
•Orchid BioSciences, Inc. 280	2	•Sola International, Inc. 2,700	55
•Orthodontic Centers of America, Inc. 2,112	15	•SonoSite, Inc. 1,600	34
•Oscient Pharmaceuticals Corp. 2,100	12	•Specialty Laboratories 700	7
•OSI Pharmaceuticals, Inc. 1,690	125	•St. Jude Medical, Inc. 14,800	1,129
•Owens & Minor, Inc. 2,000	49	•Steris Corp. 6,100	135
•Oxford Health Plans, Inc. 21,700	1,181	•Stryker Corp. 16,800	1,662
•Pacificare Health Systems, Inc. 18,800	672	•Sunrise Senior Living, Inc. 4,900	155
•Pain Therapeutics, Inc. 2,600	19	•Sunrise Technologies International, Inc. 1,700	—
•Parexel International Corp. 2,400	47	•SuperGen, Inc. 900	7
•Patterson Dental Co. 5,300	391	•Sybron Dental Specialties, Inc. 4,633	136
•Pediatrix Medical Group, Inc. 3,000	215	•Symbion, Inc. 2,500	41
•Perrigo Co. 7,300	157	•Tanox, Inc. 4,900	84
④Pfizer, Inc. 617,552	22,084	•Techne Corp. 3,800	148
•Pharmaceutical Product Development, Inc. 5,000	148	•Tenet Healthcare Corp. 36,650	431
•Pharmaceutical Resources, Inc. 1,900	77	•Theragenics Corp. 2,500	13

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Third Wave Technologies, Inc. 1,800	9	Household Products 1.9%	
• Thoratec Corp. 2,636	36	Alberto-Culver Co., Class B 4,950	233
• Titan Pharmaceuticals, Inc. 800	3	Avon Products, Inc. 19,500	1,638
• TL Administration Corp. 900	—	Church & Dwight Co., Inc. 3,300	148
• Transgenomic, Inc. 1,200	2	Clorox Co. 27,000	1,398
• Transkaryotic Therapies, Inc. 3,400	49	Colgate-Palmolive Co. 42,500	2,460
• Triad Hospitals, Inc. 6,044	206	The Estee Lauder Cos., Inc., Class A 10,300	471
• Trimeris, Inc. 500	7	The Gillette Co. 81,400	3,331
• TriPath Imaging, Inc. 2,600	22	Inter Parfums, Inc. 675	15
• Tripos, Inc. 6,000	35	International Flavors & Fragrances, Inc. 4,400	160
• United Surgical Partners International, Inc. 1,400	51	Nu Skin Enterprises, Inc., Class A 6,500	154
UnitedHealth Group, Inc. 52,506	3,228	▲ Procter & Gamble Co. 104,200	11,019
Universal Health Services, Class B 4,000	176		21,027
• Urologix, Inc. 1,800	22	Insurance 4.7%	
• US Oncology, Inc. 7,700	115	21st Century Holding Co. 1,000	20
• US Physical Therapy, Inc. 3,500	50	21st Century Insurance Group 7,200	97
• USANA Health Sciences, Inc. 1,000	27	Aetna, Inc. 14,800	1,225
• Utah Medical Products, Inc. 2,500	64	AFLAC, Inc. 40,100	1,693
Valeant Pharmaceuticals International 5,400	125	Alfa Corp. 4,800	65
• Varian Medical Systems, Inc. 4,700	403	• Alleghany Corp. 216	57
• Vaxgen, Inc. 3,100	47	• Allmerica Financial Corp. 4,900	170
• VCA Antech, Inc. 2,700	110	The Allstate Corp. 56,374	2,588
• Ventana Medical Systems, Inc. 1,200	59	AMBAC Financial Group, Inc. 10,250	707
• Vertex Pharmaceuticals, Inc. 3,144	27	American Financial Group, Inc. 5,500	169
• Viasys Healthcare, Inc. 3,982	77	⑦ American International Group, Inc. 212,222	15,206
• Vical, Inc. 1,600	8	• American Medical Security Group, Inc. 5,600	143
• Viropharma, Inc. 1,000	2	American National Insurance Co. 1,300	122
• Visx, Inc. 3,100	68	• AmerUs Group Co. 1,900	73
Vital Signs, Inc. 1,900	61	AON Corp. 25,500	665
• Watson Pharmaceuticals, Inc. 7,732	275	• Arch Capital Group Ltd. 1,400	56
• WellPoint Health Networks, Inc. 12,680	1,416	• Argonaut Group, Inc. 2,400	44
West Pharmaceutical Services, Inc. 3,300	128	Arthur J. Gallagher & Co. 6,800	219
• Wright Medical Group, Inc. 1,700	58	Baldwin & Lyons, Inc., Class B 750	21
Wyeth 106,900	4,070	Brown & Brown, Inc. 5,500	215
• XOMA Ltd. 2,400	10	Chubb Corp. 16,547	1,142
• Young Innovations, Inc. 2,000	70	CIGNA Corp. 10,300	664
• Zimmer Holdings, Inc. 20,300	1,621	Cincinnati Financial Corp. 12,810	525
• Zymogenetics, Inc. 2,000	32	• Clark, Inc. 1,700	31
	139,847		

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• CNA Financial Corp. 18,200	499	Odyssey Re Holdings Corp. 2,900	69
• CNA Surety Corp. 2,200	24	• Ohio Casualty Corp. 3,000	59
Commerce Group, Inc. 1,600	74	Old Republic International Corp. 16,350	380
Crawford & Co., Class B 1,600	8	• Penn Treaty American Corp. 600	1
Delphi Financial Group, Inc., Class A 4,515	181	Penn-America Group, Inc. 1,400	17
EMC Insurance Group, Inc. 1,200	30	• Philadelphia Consolidated Holding Co. 1,000	58
Erie Indemnity Co., Class A 5,500	254	The Phoenix Cos., Inc. 4,500	57
FBL Financial Group, Inc., Class A 2,090	56	PMA Capital Corp., Class A 700	5
Fidelity National Financial, Inc. 16,017	586	The PMI Group, Inc. 8,100	349
First American Corp. 7,800	212	Presidential Life Corp. 1,000	16
First United Corp. 2,200	50	• Principal Financial Group, Inc. 25,400	897
• FPIC Insurance Group, Inc. 400	9	• ProAssurance Corp. 1,670	57
Fremont General Corp. 2,000	43	The Progressive Corp. 23,300	2,039
• Great American Financial Resources, Inc. 2,800	45	Protective Life Corp. 5,500	198
Harleysville Group, Inc. 1,800	34	Prudential Financial, Inc. 45,500	1,999
Hartford Financial Services Group, Inc. 24,400	1,490	Radian Group, Inc. 9,202	428
HCC Insurance Holdings, Inc. 2,100	67	Reinsurance Group of America, Inc. 5,100	198
Hilb, Rogal & Hamilton Co. 2,000	72	RLI Corp. 2,800	97
Hooper Holmes, Inc. 4,600	25	Safeco Corp. 10,000	438
Horace Mann Educators Corp. 1,800	28	Safety Insurance Group, Inc. 1,000	22
Independence Holding Co. 1,500	54	SCPIE Holdings, Inc. 700	6
• Infinity Property & Casualty Corp. 2,500	78	Selective Insurance Group, Inc. 1,200	43
Jefferson-Pilot Corp. 10,100	501	• SNTL Corp. – Litigation Trust Certificates 1,300	—
Liberty Corp. 1,000	45	St. Paul Cos., Inc. 46,050	1,873
Lincoln National Corp. 15,100	678	Stancorp Financial Group, Inc. 2,500	155
Loews Corp. 15,000	870	State Auto Financial Corp. 1,300	36
Manulife Financial Corp. 26,551	976	Sterling Financial Corp. 1,250	32
• Markel Corp. 300	88	• Stewart Information Services Corp. 3,700	131
Marsh & McLennan Cos., Inc. 43,000	1,939	Torchmark Corp. 10,600	552
MBIA, Inc. 13,750	810	Transatlantic Holdings, Inc. 5,150	461
Mercury General Corp. 5,400	275	• Triad Guaranty, Inc. 1,700	93
Metlife, Inc. 62,000	2,139	• UICI 2,500	43
MGIC Investment Corp. 9,300	685	United Fire & Casualty Co. 500	22
• MIIX Group, Inc. 2,400	—	Unitrin, Inc. 5,600	222
• Mony Group, Inc. 1,500	46	UnumProvident Corp. 23,914	372
• National Medical Health Card Systems, Inc. 800	22	• USI Holdings Corp. 4,500	68
Nationwide Financial Services, Inc., Class A 1,300	45	W.R. Berkley Corp. 10,200	413
• Navigators Group, Inc. 1,500	39	• WellChoice, Inc. 2,500	106
NYMAGIC, Inc. 2,100	54	Zenith National Insurance Corp. 1,100	47
			51,107

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Media 4.0%			
• Acme Communications, Inc. 1,900	13	• Gaylord Entertainment Co. 2,625	82
• Adolor Corp. 1,700	27	• GC Cos., Inc. 500	—
• Advanced Marketing Services, Inc. 3,400	34	Gray Television, Inc. 5,600	83
• AMC Entertainment, Inc. 5,400	86	Gray Television, Inc., Class A 2,500	35
• America's Car Mart, Inc. 2,500	65	Harte-Hanks, Inc. 8,100	194
• American Tower Corp., Class A 17,000	212	Hollinger International, Inc. 7,300	146
Banta Corp. 2,700	120	• Information Holdings, Inc. 2,200	55
Belo Corp., Class A 9,400	268	• Insight Communications Co. 5,200	47
Blockbuster, Inc., Class A 6,900	114	• Integrity Media, Inc. 2,000	13
• Cablevision Systems Corp., NY Group, Class A 18,800	410	• InterActiveCorp 52,117	1,661
Cadmus Communications Corp. 3,900	55	John Wiley & Sons, Class A 3,800	116
• Carmike Cinemas, Inc. 2,500	94	Journal Communications, Inc. 5,000	88
• Charter Communications, Inc., Class A 20,300	81	• Journal Register Co. 3,200	63
• Citadel Broadcasting Corp. 2,500	43	Knight-Ridder, Inc. 5,700	441
Clear Channel Communications, Inc. 49,721	2,063	Lee Enterprises, Inc. 2,500	119
• CNET Networks, Inc. 9,983	85	• Lifeline Systems, Inc. 4,600	91
• Comcast Corp., Class A 68,336	2,057	• Lin TV Corp., Class A 3,300	74
• Comcast Corp., Special Class A 42,800	1,241	• Lynch Interactive Corp. 900	27
• Consolidated Graphics, Inc. 3,900	146	• Martha Stewart Living Omnimedia, Class A 3,900	40
• Cox Communications, Inc., Class A 47,135	1,541	McClatchy Co., Class A 7,200	511
• Crown Media Holdings, Inc., Class A 6,000	53	The McGraw-Hill Cos., Inc. 17,300	1,364
• Cumulus Media, Inc., Class A 5,100	107	Media General, Inc., Class A 2,000	144
• DAG Media, Inc. 2,500	11	• Mediacom Communications Corp. 7,600	55
• Daily Journal Corp. 500	17	Meredith Corp. 6,000	306
• DGSE Cos., Inc. 700	2	• Merrimac Industries, Inc. 600	5
• The DIRECTV Group, Inc. 73,476	1,315	• Metro-Goldwyn-Mayer, Inc. 13,134	276
Dow Jones & Co., Inc. 9,000	415	• Moscow CableCom Corp. 1,400	11
The E.W. Scripps Co., Class A 6,000	633	• Network Equipment Technologies, Inc. 5,000	43
• EchoStar Communications Corp., Class A 21,300	707	New York Times Co., Class A 13,200	605
• Emmis Communications Corp., Class A 4,300	101	• Nexstar Broadcasting Group, Inc. 4,500	55
• Entercom Communications Corp. 3,000	137	• PanAmSat Corp. 15,400	355
• Entravision Communications Corp., Class A 5,000	46	• Playboy Enterprises, Inc., Class B 4,500	59
• Fox Entertainment Group, Inc., Class A 33,750	940	Pulitzer, Inc. 3,000	152
Gannett Co., Inc. 21,000	1,820	• Quipp, Inc. 900	14
		R.R. Donnelley & Sons Co. 17,000	500
		• Radio One, Inc., Class A 9,500	181
		• Radio Unica Communications Corp. 300	—
		The Reader's Digest Association, Inc., Class A 7,300	105
		Regal Entertainment Group, Class A 4,200	92

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Saga Communications, Inc., Class A 3,750	71	• Accredited Home Lenders Holding Co. 2,500	73
• Salem Communications Corp., Class A 900	27	▶ Actrade Financial Technologies Ltd. 1,000	—
• Scholastic Corp. 2,200	62	Advanta Corp., Class A 7,400	119
• Sinclair Broadcast Group, Inc., Class A 4,800	59	• Affiliated Managers Group, Inc. 1,800	88
• The Source Interlink Cos., Inc. 5,000	54	Alliance Capital Management Holding L.P. 5,200	173
• The Sportsman's Guide, Inc. 5,000	102	Allied Capital Corp. 11,015	261
Thomas Nelson, Inc. 3,300	86	Amcore Financial, Inc. 1,200	34
• Time Warner, Inc. 368,252	6,194	American Capital Strategies Ltd. 5,100	134
• Tivo, Inc. 4,500	32	American Express Co. 105,150	5,147
Tribune Co. 26,900	1,288	• AmeriCredit Corp. 12,300	199
• Univision Communications, Inc., Class A 25,510	864	• Ameritrade Holding Corp. 34,300	420
• Valassis Communications, Inc. 5,900	182	Asta Funding, Inc. 2,000	32
• Valuevision Media, Inc., Class A 1,400	20	Astoria Financial Corp. 7,000	241
Viacom, Inc., Class B 141,512	5,469	Bank of the Ozarks, Inc. 2,800	67
The Walt Disney Co. 164,650	3,792	• Bankunited Financial Corp., Class A 2,200	58
Washington Post, Class B 600	552	Banner Corp. 1,200	31
• Westwood One, Inc. 7,200	213	• Bay View Capital Corp. 5,061	11
• XM Satellite Radio Holdings, Inc., Class A 15,300	367	The Bear Stearns Cos., Inc. 13,620	1,092
	42,701	• Berkshire Hathaway, Inc., Class A 96	8,965
Miscellaneous 0.6%		Berkshire Hills Bancorp, Inc. 1,400	47
3M Co. 65,000	5,621	Blackrock, Inc. 400	25
▶ ANC Rental Corp. 3,037	—	• Boca Resorts, Inc., Class A 4,300	75
• AT&T Latin America Corp., Class A 2,100	—	• BOK Financial Corp. 3,437	134
▶ Breakaway Solutions, Inc. 1,400	—	• BP Prudhoe Bay Royalty Trust 2,200	62
• Coinstar, Inc. 5,200	90	Camco Financial Corp. 700	10
• The Geo Group, Inc. 3,800	89	• Capital Corp. of the West 1,050	39
• i2 Technologies, Inc. 15,300	17	Capital One Financial Corp. 17,600	1,153
▶ Jupiter Media Metrix, Inc. 1,673	—	Cash America International, Inc. 2,500	53
• NetFlix, Inc. 6,000	152	Cathay Bancorp., Inc. 1,600	104
• Nucentrix Broadband Networks, Inc. 2,100	5	Central Pacific Financial Co. 900	23
▶ Scient, Inc. 624	—	■ The Charles Schwab Corp. 108,620	1,118
	5,974	Charter Financial Corp. 900	32
Miscellaneous Finance 8.1%		Charter Municipal Mortgage Acceptance Co. 3,900	76
1st Source Corp. 1,571	39	Charter One Financial, Inc. 17,625	588
• A.B. Watley Group, Inc. 1,300	—	Chesterfield Financial Corp. 1,500	42
A.G. Edwards, Inc. 5,900	216	Chicago Mercantile Exchange 1,800	211
		CIT Group, Inc. 16,100	553
		▲ Citigroup, Inc. 417,436	20,075
		Citizens First Bancorp, Inc. 700	16

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Coastal Bancorp, Inc. 800	33	IBERIABANK Corp. 700	40
Coastal Financial Corp. 2,509	37	Independence Community Bank Corp. 6,600	240
• The Commercial Capital Bancorp, Inc. 3,333	59	Independent Bank Corp. Michigan 1,636	41
Commercial Federal Corp. 2,300	59	IndyMac Bancorp, Inc. 3,400	109
• CompuCredit Corp. 4,400	73	• Instinet Group, Inc. 1,200	8
• Corrections Corp. of America 3,828	140	International Bancshares Corp. 1,877	100
Countrywide Financial Corp. 25,800	1,530	Interpool, Inc. 1,200	20
• Cross Timbers Royalty Trust 1,500	42	• Investment Technology Group, Inc. 4,750	68
CVB Financial Corp. 3,382	69	Investors Financial Services Corp. 5,500	214
Downey Financial Corp. 2,000	97	• ITLA Capital Corp. 700	30
• DVI, Inc. 1,200	—	Janus Capital Group, Inc. 19,200	292
• E*TRADE Group, Inc. 30,035	341	Jefferies Group, Inc. 4,100	140
East-West Bancorp, Inc. 1,300	73	• Knight Trading Group, Inc. 9,700	113
Eaton Vance Corp. 5,800	212	• La Quinta Corp. 13,000	93
• eSpeed, Inc., Class A 3,300	58	• LabOne, Inc. 2,100	62
Fannie Mae 77,900	5,353	LaBranche & Co., Inc. 2,400	23
Federated Investors, Inc., Class B 9,950	293	Legg Mason, Inc. 4,200	387
Fidelity Bankshares, Inc. 1,933	64	Lehman Brothers Holdings, Inc. 21,372	1,569
• Financial Federal Corp. 3,300	103	Leucadia National Corp. 5,136	253
Financial Industries Corp. 700	8	• Local Financial Corp. 2,000	44
First Financial Corp. 600	18	• Mail-Well, Inc. 1,300	5
First Financial Holdings, Inc. 1,400	40	MB Financial, Inc. 1,800	63
First Indiana Corp. 1,375	25	MBNA Corp. 102,650	2,503
First Place Financial Corp. 2,900	48	MCG Capital Corp. 4,700	76
First Sentinel Bancorp., Inc. 2,300	47	McGrath RentCorp 800	25
Flagstar Bancorp., Inc. 4,500	92	• Meritage Corp. 1,000	68
Flushing Financial Corp. 3,300	57	Merrill Lynch & Co., Inc. 77,300	4,192
Franklin Resources, Inc. 20,600	1,130	Metris Cos., Inc. 3,000	21
Freddie Mac 55,500	3,241	• MicroFinancial, Inc. 1,900	6
Gabelli Asset Management, Inc., Class A 700	28	The Midland Co. 1,800	48
Glacier Bancorp, Inc. 3,050	94	Moody's Corp. 13,300	858
Golden West Financial Corp. 11,900	1,251	Morgan Stanley 87,800	4,512
Goldman Sachs Group, Inc. 38,900	3,764	MutualFirst Financial, Inc. 2,000	46
• Golf Trust of America, Inc. L.P. 2,400	6	• National Financial Partners Corp. 2,500	78
GreenPoint Financial Corp. 12,150	474	• National Western Life Insurance Co., Class A 300	44
• Hawthorne Financial Corp. 1,050	35	New Century Financial Corp. 3,600	153
Heritage Financial Corp. 700	14	New York Community Bancorp, Inc. 22,697	569
Hudson River Bancorp 3,200	58	• NextCard, Inc. 2,600	—
• Hugoton Royalty Trust 3,300	72	• North American Scientific, Inc. 700	6
		Northrim BanCorp, Inc. 2,500	54

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Northway Financial, Inc. 200	7	Waypoint Financial Corp. 4,151	107
Northwest Bancorp, Inc. 5,000	103	Webster Financial Corp. 3,012	131
Nuveen Investments, Inc., Class A 6,300	161	•Wellsford Real Properties, Inc. 1,400	26
Oak Hill Financial, Inc. 1,000	32	Wesco Financial Corp. 200	79
•Ocwen Financial Corp. 5,920	64	Westwood Holdings Group, Inc. 285	5
PAB Bankshares, Inc. 700	9	•WFS Financial, Inc. 4,100	183
Pacific Capital Bancorp. 2,133	78	White Mountains Insurance Group, Inc. 200	103
Partners Trust Financial Group, Inc. 1,700	46	Willow Grove Bancorp, Inc. 1,596	26
The Peoples Holding Co. 750	24	•World Acceptance Corp. 2,500	38
•Piper Jaffray Cos. 1,450	70		87,380
PMC Commercial Trust 1,500	20		
•Portfolio Recovery Associates, Inc. 2,000	53	Non-Durables & Entertainment 1.4%	
Provident Financial Holdings 750	18	•The 3DO Co. 262	—
•Providian Financial Corp. 23,900	290	•A.T. Cross Co., Class A 2,400	14
R&G Financial Corp., Class B 2,550	79	Action Performance Cos., Inc. 1,100	17
Raymond James Financial, Inc. 6,900	173	•Activision, Inc. 11,175	168
Resource America, Inc., Class A 2,000	39	•AFC Enterprises, Inc. 1,000	22
Santander BanCorp 4,260	128	•American Greetings Corp., Class A 8,500	174
•Saxon Capital, Inc. 3,500	76	Applebee's International, Inc. 5,275	205
Seacoast Financial Services Corp. 1,973	64	Bob Evans Farms, Inc. 2,200	67
SEI Investments Co. 9,700	286	Boyd Gaming Corp. 5,300	125
•Siebert Financial Corp. 2,900	14	•Boys Collection Ltd. 2,200	6
SLM Corp. 37,300	1,429	•Brinker International, Inc. 6,900	265
Southern Financial Bancorp, Inc. 253	11	•Buca, Inc. 1,100	7
Sovereign Bancorp., Inc. 25,936	518	CBRL Group, Inc. 3,300	124
State Financial Services Corp., Class A 2,000	59	•CEC Entertainment, Inc. 2,025	69
Student Loan Corp. 1,700	241	•Centillum Communications, Inc. 1,000	4
SWS Group, Inc. 1,141	19	•Championship Auto Racing Teams, Inc. 1,000	—
T. Rowe Price Group, Inc. 10,700	549	•The Cheesecake Factory 1,925	82
•Tarragon Realty Investors, Inc. 2,948	41	Churchill Downs, Inc. 900	33
TF Financial Corp. 700	21	•CKE Restaurants, Inc. 1,800	19
United Community Banks, Inc. 3,750	90	Darden Restaurants, Inc. 13,300	301
•UnitedGlobalCom, Inc., Class A 31,000	232	•Dave and Buster's, Inc. 1,700	32
Value Line, Inc. 300	19	•Department 56, Inc. 3,300	53
W Holding Co., Inc. 7,803	133	Dover Motorsports, Inc. 1,400	6
W.P. Carey & Co. LLC 4,100	111	•Drew Industries, Inc. 2,500	93
Waddell & Reed Financial, Inc., Class A 7,250	161	•Electronic Arts, Inc. 25,200	1,276
Washington Federal, Inc. 7,220	169	•Electronics Boutique Holdings Corp. 1,300	35
Washington Mutual, Inc. 73,578	2,898	•Enesco Group, Inc. 1,100	14

Portfolio Holdings continued

110 See *financial notes*.

Security and Number of Shares	Value (\$ x 1,000)
Oil: Domestic 1.4%	
Amerada Hess Corp. 6,400	455
Ashland, Inc. 7,000	335
• CAL Dive International, Inc. 1,500	41
Chesapeake Energy Corp. 13,600	187
• Comstock Resources, Inc. 4,500	92
ConocoPhillips 56,098	4,000
Consol Energy, Inc. 5,800	166
Crosstex Energy L.P. 2,000	52
Diamond Offshore Drilling, Inc. 9,300	210
• Enbridge Energy Management LLC 1,084	48
• Encore Acquisition Co. 1,500	45
• Energy Partners Ltd. 1,700	24
Frontier Oil Corp. 3,600	64
• Global Industries Ltd. 4,400	26
• Gulf Island Fabrication, Inc. 2,800	63
• Gulfmark Offshore, Inc. 1,600	24
• Harvest Natural Resources, Inc. 6,000	99
Holly Corp. 2,000	67
• Houston Exploration Co. 5,400	242
Kaneb Services LLC 1,466	40
Kerr-McGee Corp. 10,519	515
Magellan Midstream Partners 1,200	62
• Magnum Hunter Resources, Inc. 1,750	18
Marathon Oil Corp. 29,000	973
Markwest Energy Partners L.P. 500	19
• Meridian Resource Corp. 3,100	20
Murphy Oil Corp. 8,500	582
• Nabors Industries Ltd. 11,817	524
• National-Oilwell, Inc. 5,569	155
• Newfield Exploration Co. 3,700	195
• Nuevo Energy Co. 2,300	79
• OYO Geospace Corp. 300	5
Pacific Energy Partners L.P. 3,500	89
Patina Oil & Gas Corp. 6,250	174
• Patterson-UTI Energy, Inc. 6,600	239
• Pioneer Natural Resources Co. 10,900	357
• Plains Exploration & Production Co. 2,520	50
Pogo Producing Co. 6,300	311
• Premcor, Inc. 2,600	90
• Pride International, Inc. 10,200	172

Security and Number of Shares	Value (\$ x 1,000)
• Quicksilver Resource, Inc. 1,400	61
• Remington Oil & Gas Corp. 3,900	85
• Spinnaker Exploration Co. 3,400	121
St. Mary Land & Exploration Co. 3,700	134
• Stone Energy Corp. 976	48
Sunoco Logistics Partners L.P. 2,000	66
Sunoco, Inc. 5,500	346
• Superior Energy Services, Inc. 4,900	51
• Syntroleum Corp. 4,000	26
TEPPCO Partners L.P. 4,000	150
• Tesoro Petroleum Corp. 4,800	97
• Transmontaigne, Inc. 1,600	8
• Transocean, Inc. 25,231	701
• Ultra Petroleum Corp. 6,500	213
• Universal Compression Holdings, Inc. 2,900	86
Unocal Corp. 20,007	721
Valero L.P. 1,600	78
• Varco International, Inc. 7,140	148
Vintage Petroleum, Inc. 10,500	158
• Westport Resources Corp. 5,725	196
XTO Energy, Inc. 19,457	519
	14,922

Oil: International 2.9%

• ATP Oil & Gas Corp. 1,600	11
ChevronTexaco Corp. 86,817	7,944
▲ ③ Exxon Mobil Corp. 531,816	22,629
GlobalSantaFe Corp. 19,155	505
	31,089

Optical & Photo 0.2%

• APA Optics, Inc. 1,000	3
• August Technology Corp. 1,300	17
• BMC Industries, Inc. 2,100	—
• Corning, Inc. 107,507	1,186
CPI Corp. 400	6
• Drexler Technology Corp. 1,000	15
Eastman Kodak Co. 26,000	671
• Fischer Imaging Corp. 500	2
Imation Corp. 2,000	78
• Ingram Micro, Inc., Class A 13,400	160

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Lexar Media, Inc. 5,400	50	• American Standard Cos., Inc. 4,800	505
• Meade Instruments Corp. 800	3	Ametek, Inc. 4,200	111
• Photonics, Inc. 1,400	21	Applied Industrial Technologies, Inc. 2,900	76
• Polaroid Corp. 3,800	—	Aptargroup, Inc. 2,200	86
• Robotic Vision Systems, Inc. 200	1	• Astec Industries, Inc. 500	9
• StockerYale, Inc. 500	1	Avery Dennison Corp. 9,700	623
• Zomax, Inc. 2,000	8	• AZZ, Inc. 700	11
• Zygo Corp. 500	5	Baldor Electric Co. 3,800	86
	2,227	Barnes Group, Inc. 700	19
Paper & Forest Products 0.8%		• BE Aerospace, Inc. 1,100	7
Boise Cascade Corp. 6,400	216	BHA Group Holdings, Inc. 1,500	48
Bowater, Inc. 2,300	96	• Blount International, Inc. 1,200	14
• Buckeye Technologies, Inc. 1,200	13	Blyth, Inc. 4,800	156
Chesapeake Corp. 1,000	23	Briggs & Stratton Corp. 3,000	210
CSS Industries, Inc. 900	30	• Cantel Medical Corp. 2,381	39
Deltic Timber Corp. 700	24	• Capstone Turbine Corp. 2,600	7
Georgia-Pacific Corp. 44,365	1,557	Caterpillar, Inc. 28,700	2,231
International Paper Co. 35,304	1,423	CIRCOR International, Inc. 3,750	73
• Kadant, Inc. 1	—	Clarcor, Inc. 1,700	75
Kimberly-Clark Corp. 40,639	2,660	Cognex Corp. 2,900	92
• Louisiana-Pacific Corp. 4,800	113	• Columbus McKinnon Corp. 2,400	15
MeadWestvaco Corp. 11,674	305	Cooper Industries Ltd., Class A 7,200	395
Packaging Corp. of America 6,000	132	• Cuno, Inc. 1,300	57
Potlatch Corp. 13,400	508	Curtiss-Wright Corp. 800	38
Rayonier, Inc. 1,592	62	• CyberCare, Inc. 900	—
Rock-Tennessee Co., Class A 2,000	30	• Daisytek International Corp. 1,700	—
• Smurfit-Stone Container Corp. 10,900	187	Deere & Co. 19,200	1,306
Temple-Inland, Inc. 4,400	272	• DiamondCluster International, Inc., Class A 1,000	10
Wausau-Mosinee Paper Corp. 4,700	66	Dover Corp. 16,700	669
Weyerhaeuser Co. 16,750	992	• DT Industries, Inc. 1,200	—
	8,709	• Duratek, Inc. 4,000	52
Producer Goods & Manufacturing 4.6%		Emerson Electric Co. 35,000	2,108
• Aeon, Inc. 4,075	81	• Evergreen Solar, Inc. 1,000	3
• Actuant Corp., Class A 2,840	97	• The Fairchild Corp., Class A 3,100	15
• Advanced Energy Industries, Inc. 3,900	52	Fastenal Co. 6,600	362
• Aeroflex, Inc. 5,400	68	Federal Signal Corp. 2,800	51
• AGCO Corp. 3,762	72	• Fisher Scientific International, Inc. 4,900	287
Alamo Group, Inc. 500	8	• Flowserve Corp. 3,900	83
Albany International Corp., Class A 3,918	119	• FMC Corp. 3,100	133
		• Foster Wheeler Ltd. 2,500	3

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Franklin Electric Co., Inc. 1,900	114	• Merix Corp. 3,700	58
• Gardner Denver, Inc. 2,700	71	• Micrel, Inc. 6,800	83
▲ ① General Electric Co. 826,066	24,741	• Middleby Corp. 3,500	177
The Gorman-Rupp Co. 2,300	60	• Milacron, Inc. 2,300	9
Graco, Inc. 7,012	198	• Millipore Corp. 5,100	267
• GrafTech International Ltd. 2,100	19	• Modtech Holdings, Inc. 1,000	7
Hardinge, Inc. 1,800	22	• Moog, Inc., Class A 3,525	116
Harsco Corp. 3,100	135	MSC Industrial Direct Co., Class A 4,300	123
Helix Technology Corp. 1,100	19	NACCO Industries, Inc., Class A 1,300	111
Herman Miller, Inc. 5,700	150	• NATCO Group, Inc., Class A 1,200	9
• Hexcel Corp. 2,000	17	NN, Inc. 1,800	21
HON Industries, Inc. 4,000	148	Nordson Corp. 4,000	138
Honeywell International, Inc. 68,962	2,385	• Oceaneering International, Inc. 3,800	106
Hubbell, Inc., Class B 3,800	171	Pall Corp. 10,900	259
Hughes Supply, Inc. 1,300	73	• Park-Ohio Holdings Corp. 2,600	29
• Ibis Technology Corp. 800	6	Parker Hannifin Corp. 8,500	470
IDEX Corp. 2,100	99	Penn Engineering & Manufacturing Corp. 1,000	17
Illinois Tool Works, Inc. 25,850	2,229	Pentair, Inc. 3,500	209
Ingersoll-Rand Co., Class A 13,700	884	• Plug Power, Inc. 2,248	17
• Ionics, Inc. 400	9	• Possis Medical, Inc. 1,100	28
• Jacuzzi Brands, Inc. 2,000	17	Precision Castparts Corp. 5,151	232
• Jarden Corp. 1,650	61	• Presstek, Inc. 1,100	12
JLG Industries, Inc. 1,800	27	Regal Beloit 3,200	64
Johnson Controls, Inc. 15,000	823	• Research Frontiers, Inc. 800	8
• Juno Lighting, Inc. 1,429	46	Robbins & Myers, Inc. 1,400	31
Kaydon Corp. 3,300	92	Roper Industries, Inc. 1,500	73
Kennametal, Inc. 4,000	173	• Safeguard Scientifics, Inc. 3,300	9
Knappe & Vogt Manufacturing Co. 2,200	29	Sauer-Danfoss, Inc. 3,800	57
• Kos Pharmaceuticals, Inc. 700	29	• Sequa Corp., Class A 2,800	137
• Ladish Co., Inc. 1,300	12	• The Shaw Group, Inc. 2,000	24
Lawson Products, Inc. 2,000	70	Snap-On, Inc. 4,000	135
Lennox International, Inc. 5,271	88	• SPX Corp. 8,610	382
Libbey, Inc. 1,500	39	Standex International Corp. 3,000	81
Lincoln Electric Holdings, Inc. 3,900	123	Steelcase, Inc., Class A 3,500	43
• Lone Star Technologies, Inc. 1,700	35	Stewart & Stevenson Services, Inc. 1,000	16
• Magnetek, Inc. 1,500	10	• Strattec Security Corp. 1,500	96
Manitowoc Co., Inc. 1,300	40	Tecumseh Products Co., Class A 3,200	124
• Material Sciences Corp. 4,000	39	Teleflex, Inc. 4,300	196
Matthews International Corp., Class A 1,900	58	Tennant Co. 2,100	83
• Maverick Tube Corp. 1,000	23	• Tenneco Automotive, Inc. 1,980	27

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Terex Corp. 3,700	122	Investment Corp. 2,000	47
The Timken Co. 7,300	161	American Land Lease, Inc. 1,700	33
Trinity Industries, Inc. 1,100	33	American Mortgage Acceptance Co. 1,500	20
• Triumph Group, Inc. 1,200	39	• American Real Estate Partners L.P. 3,800	64
• Ultratech Stepper, Inc. 1,300	21	• American Realty Investors, Inc. 1,037	8
Valhi, Inc. 8,600	105	• American Retirement Corp. 700	3
Valmont Industries, Inc. 2,400	49	AMLI Residential Properties 1,000	25
W.W. Grainger, Inc. 7,300	383	Annaly Mortgage Management, Inc. 9,400	163
Watsco, Inc. 3,400	99	Anthracite Capital, Inc. 4,900	52
Watts Water Technologies, Inc., Class A 1,500	37	Anworth Mortgage Asset Corp. 1,000	12
Woodward Governor Co. 500	31	Apartment Investment & Management Co., Class A 7,400	208
X-Rite, Inc. 2,000	27	Archstone-Smith Trust 15,285	419
York International Corp. 3,800	149	Arden Realty, Inc. 5,500	155
	49,286	AvalonBay Communities, Inc. 6,100	303
Railroad & Shipping 0.4%		• Avatar Holdings, Inc. 700	27
Alexander & Baldwin, Inc. 5,600	177	Bedford Property Investors, Inc. 2,900	79
Burlington Northern Santa Fe Corp. 30,300	991	Boston Properties, Inc. 7,400	348
CSX Corp. 17,100	526	Brandywine Realty Trust 3,000	76
Florida East Coast Industries, Class A 3,600	131	BRE Properties, Class A 5,000	159
GATX Corp. 4,000	94	Burnham Pacific Properties, Inc. 2,400	—
• General Maritime Corp. 3,000	60	Camden Property Trust 2,300	97
• Greenbrier Cos., Inc. 1,600	27	Capital Automotive Real Estate Investment Trust 3,300	93
• Kansas City Southern Railway 5,050	70	Capstead Mortgage Corp. 2,240	29
Maritrans, Inc. 2,500	38	CarrAmerica Realty Corp. 5,400	154
Norfolk Southern Corp. 31,400	748	• Catellus Development Corp. 7,189	155
• OMI Corp. 6,500	65	CBL & Associates Properties, Inc. 2,200	111
Overseas Shipholding Group 3,700	121	Centerpoint Properties Trust 1,800	130
• SCS Transportation, Inc. 4,100	94	Chelsea Property Group, Inc. 4,000	204
Union Pacific Corp. 19,500	1,149	Colonial Properties Trust 2,500	88
Wabtec Corp. 2,828	46	Commercial Net Lease Realty 3,320	55
	4,337	Cornerstone Realty Income Trust, Inc. 2,200	17
Real Property 1.7%		Corporate Office Properties Trust SBI 3,500	71
• Alexander's, Inc. 700	109	Correctional Properties Trust 1,600	42
Alexandria Real Estate Equities, Inc. 2,500	142	Cousins Properties, Inc. 2,700	76
AMB Property Corp. 7,300	221	Crescent Real Estate Equity Co. 7,400	114
American Financial Realty Trust 3,500	52	Developers Diversified Realty Corp. 7,612	249
American Home Mortgage		Duke Realty Corp. 10,490	306
		EastGroup Properties, Inc. 900	26

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Entertainment Properties Trust 2,700	90	The Macerich Co. 5,200	218
Equity Inns, Inc. 2,700	22	Mack-Cali Realty Corp. 5,900	220
Equity Office Properties Trust 32,738	824	Maguire Properties, Inc. 3,000	68
Equity One, Inc. 6,600	108	Manufactured Home Communities, Inc. 3,000	94
Equity Residential 21,200	582	• Meristar Hospitality Corp. 2,200	13
Essex Property Trust, Inc. 2,600	158	MFA Mortgage Investments, Inc. 5,500	49
Federal Realty Investment Trust 5,200	193	Mid-America Apartment Communities, Inc. 2,500	81
• FelCor Lodging Trust, Inc. 5,700	57	The Mills Corp. 5,400	219
First Industrial Realty Trust 2,600	88	National Health Investors, Inc. 3,100	74
Forest City Enterprises, Inc., Class A 5,200	273	National Health Realty, Inc. 2,300	38
Gables Residential Trust 3,500	111	Nationwide Health Properties, Inc. 5,100	92
General Growth Properties, Inc. 18,600	504	New Plan Excel Realty Trust 8,500	191
Getty Realty Corp. 2,000	43	Novastar Financial, Inc. 2,000	65
Glenborough Realty Trust, Inc. 2,900	55	Omega Healthcare Investors, Inc. 2,784	26
Glimcher Realty Trust 3,800	80	Pan Pacific Retail Properties, Inc. 2,201	97
Health Care Property Investors, Inc. 10,648	254	Parkway Properties, Inc. 500	20
Health Care Real Estate Investment Trust, Inc. 2,700	86	Pennsylvania Real Estate Investment Trust 2,500	81
Healthcare Realty Trust, Inc. 2,400	86	Plum Creek Timber Co., Inc. 15,047	445
Heritage Property Investment Trust 4,000	102	Post Properties, Inc. 2,200	59
Highwoods Properties, Inc. 3,100	70	Prentiss Properties Trust 2,700	87
Home Properties, Inc. 2,500	93	• Price Legacy Corp. 60	1
• Homestore, Inc. 4,200	20	ProLogis 15,074	443
Hospitality Properties Trust 6,000	234	PS Business Parks, Inc. 3,000	114
• Host Marriott Corp. 25,400	302	Public Storage, Inc. 10,900	456
HRPT Properties Trust 13,500	129	RAIT Investment Trust 3,300	79
IMPAC Mortgage Holdings, Inc. 4,800	90	Ramco-Gershenson Properties 1,400	33
Innkeepers USA Trust 1,500	11	Realty Income Corp. 2,300	88
iStar Financial, Inc. 9,390	334	Reckson Associates Realty Corp. 5,300	126
• Jones Lang LaSalle, Inc. 2,300	54	Redwood Trust, Inc. 2,500	109
Keystone Property Trust 1,300	26	Regency Centers Corp. 5,700	216
Kilroy Realty Corp. 2,300	72	The Rouse Co. 7,900	342
Kimco Realty Corp. 9,350	400	Saul Centers, Inc. 2,100	53
Koger Equity, Inc. 2,700	57	Senior Housing Properties Trust 4,950	74
Kramont Realty Trust 1,400	22	• Shelbourne Properties I 500	5
LaSalle Hotel Properties 1,000	22	• Shelbourne Properties III 500	3
Lexington Corp. Properties Trust 3,000	55	Shurgard Storage Centers, Inc., Class A 3,000	100
Liberty Property Trust 8,300	303	Simon Property Group, Inc. 17,400	839
LNR Property Corp. 1,200	60	SL Green Realty Corp. 4,200	171
LTC Properties, Inc. 2,800	44		

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Sovran Self Storage, Inc. 800	27	• Big Lots, Inc. 11,100	157
The St. Joe Co. 5,300	208	• BJ's Wholesale Club, Inc. 6,100	148
Summit Properties, Inc. 3,300	75	Blair Corp. 1,500	39
Sun Communities, Inc. 3,000	105	Borders Group, Inc. 9,000	216
Tanger Factory Outlet Centers 800	31	• Brightpoint, Inc. 1,650	18
Taubman Centers, Inc. 4,100	80	• Brookstone, Inc. 7,425	148
Thornburg Mortgage, Inc. 5,300	137	Burlington Coat Factory Warehouse Corp. 2,500	47
The Town & Country Trust 1,000	23	• Carmax, Inc. 3,923	102
• Trammell Crow Co. 2,800	38	Casey's General Stores, Inc. 5,100	84
Trizec Properties, Inc. 12,700	182	The Cato Corp., Class A 1,200	24
United Dominion Realty Trust, Inc. 9,400	169	• Central Garden & Pet Co. 1,600	62
Universal Health Realty Income 900	23	• Charming Shoppes, Inc. 7,700	54
Urstadt Biddle Properties, Inc. 500	7	• Chico's FAS, Inc. 6,650	271
Urstadt Biddle Properties, Inc., Class A 1,000	14	• The Children's Place Retail Stores, Inc. 1,800	47
US Restaurant Properties, Inc. 1,000	16	Christopher & Banks Corp. 2,650	47
Ventas, Inc. 5,800	128	Circuit City Stores, Inc. 12,500	146
Vornado Realty Trust 10,500	530	Claire's Stores, Inc. 16,000	326
Washington Real Estate Investment Trust 3,100	84	• Coldwater Creek, Inc. 4,075	84
Weingarten Realty Investment 7,975	231	• Cole National Corp. 1,300	33
	18,453	• Cost Plus, Inc. 700	25
Retail 6.2%		• Costco Wholesale Corp. 36,100	1,352
• 1-800-Flowers.com, Inc., Class A 3,700	37	CVS Corp. 31,000	1,198
• 99 Cents Only Stores 3,066	61	DEB Shops, Inc. 1,600	37
• A.C. Moore Arts & Crafts, Inc. 1,400	38	Dillards, Inc., Class A 6,000	101
Aaron Rents, Inc. 2,500	72	Dollar General Corp. 27,775	521
• Abercrombie & Fitch Co., Class A 8,300	261	• Dollar Tree Stores, Inc. 8,650	233
• Advance Auto Parts, Inc. 6,360	274	• The Dress Barn, Inc. 5,500	92
Albertson's, Inc. 30,468	712	• Duane Reade, Inc. 700	12
• Alloy, Inc. 3,100	15	• Duckwall-ALCO Stores, Inc. 1,800	30
• Amazon.com, Inc. 33,700	1,465	Family Dollar Stores, Inc. 7,700	247
• American Eagle Outfitters, Inc. 5,050	130	Federated Department Stores, Inc. 22,400	1,098
• AnnTaylor Stores Corp. 6,550	265	• The Finish Line, Class A 1,800	60
• Arden Group, Inc., Class A 600	44	Foot Locker, Inc. 14,100	338
• Asbury Automotive Group, Inc. 4,100	66	• Footstar, Inc. 600	3
• Autonation, Inc. 21,600	368	Fred's, Inc. 3,262	61
• AutoZone, Inc. 8,900	779	Friedman's, Inc., Class A 6,500	33
• Barnes & Noble, Inc. 7,400	221	• GameStop Corp., Class A 500	9
• Bed, Bath & Beyond, Inc. 23,700	880	The Gap, Inc. 71,400	1,572
Best Buy Co., Inc. 26,150	1,419	• Genesco, Inc. 4,300	96

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Goody's Family Clothing, Inc. 5,000	62	• Saks, Inc. 16,900	243
• Great Atlantic & Pacific Tea Co. 2,200	18	• School Specialty, Inc. 1,600	57
• Guitar Center, Inc. 1,700	71	Sears, Roebuck & Co. 21,200	849
• The Gymboree Corp. 3,100	55	• Shoe Carnival, Inc. 1,200	16
Home Depot, Inc. 184,500	6,493	• ShopKo Stores, Inc. 8,900	118
• HOT Topic, Inc. 6,300	140	Spiegel, Inc., Class A 5,000	—
• Insight Enterprises, Inc. 4,650	78	• Staples, Inc. 41,200	1,061
J.C. Penney Co., Inc. Holding Co. 22,600	765	Talbots, Inc. 5,700	199
• Jo-Ann Stores, Inc. 3,795	107	Target Corp. 74,600	3,235
• Kirkland's, Inc. 1,000	18	Tiffany & Co. 13,000	507
• Kohl's Corp. 19,300	807	TJX Cos., Inc. 40,400	993
• Kroger Co. 55,800	976	• Too, Inc. 1,742	31
Limited Brands, Inc. 42,144	870	• Toys 'R' Us, Inc. 18,300	283
• Linens 'N Things, Inc. 4,800	156	• Tractor Supply Co. 4,000	156
Longs Drug Stores Corp. 4,300	84	• Tuesday Morning Corp. 2,500	74
Lowe's Cos., Inc. 63,700	3,316	Unifirst Corp. 3,900	115
The May Department Stores Co. 24,000	739	• United Stationers, Inc. 2,900	110
• The Men's Wearhouse, Inc. 2,400	61	• Urban Outfitters, Inc. 3,200	148
Michaels Stores, Inc. 4,900	245	▲ 6 Wal-Mart Stores, Inc. 349,100	19,899
• The Neiman Marcus Group, Inc., Class A 2,700	131	Walgreen Co. 81,900	2,824
• Nobel Learning Communities, Inc. 500	3	Weis Markets, Inc. 1,700	60
Nordstrom, Inc. 10,300	367	• West Marine, Inc. 1,100	32
• O'Reilly Automotive, Inc. 2,200	99	• The Wet Seal, Inc., Class A 3,075	17
• Office Depot, Inc. 26,000	455	• Whitehall Jewellers, Inc. 1,800	16
• Pacific Sunwear of California 9,975	214	Whole Foods Market, Inc. 6,100	488
• Party City Corp. 3,800	63	• Williams-Sonoma, Inc. 9,200	299
• Pathmark Stores, Inc. 3,900	33	• Winmark Corp. 1,200	33
• Payless Shoesource, Inc. 2,406	34	Winn-Dixie Stores, Inc. 16,800	128
• PC Connection, Inc. 3,000	20	• Zale Corp. 1,260	70
Pep Boys-Manny, Moe & Jack 2,500	69		67,284
• Petco Animal Supplies, Inc. 2,500	73	Steel 0.1%	
PETsMART, Inc. 7,600	211	• AK Steel Holding Corp. 4,027	19
Pier 1 Imports, Inc. 3,900	81	Allegheny Technologies, Inc. 6,350	65
• Pricesmart, Inc. 200	1	Ampco-Pittsburgh Corp. 2,800	36
RadioShack Corp. 14,100	434	Carpenter Technology Corp. 2,500	68
• Rent-A-Center, Inc. 5,250	154	Gibraltar Steel Corp. 2,500	62
• Retail Ventures, Inc. 700	5	Intermet Corp. 4,100	17
• Rite Aid Corp. 40,400	198	• International Steel Group, Inc. 2,500	73
Ross Stores, Inc. 13,400	409	Nucor Corp. 5,500	327
Ruddick Corp. 3,100	63	Quanex Corp. 2,500	102
• Safeway, Inc. 33,400	767	Roanoke Electric Steel Corp. 800	11

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Ryerson Tull, Inc. 1,600	19	• Inet Technologies, Inc. 4,700	46
Schnitzer Steel Industries, Inc., Class A 1,650	43	• Inter-Tel, Inc. 6,000	144
• Steel Dynamics, Inc. 4,200	101	• Interdigital Communications Corp. 4,500	78
Steel Technologies, Inc. 3,700	71	• ITC Deltacom, Inc. 1	—
United States Steel Corp. 9,900	283	• ITXC Corp. 1,600	4
Worthington Industries, Inc. 7,200	130	• j2 Global Communications, Inc. 2,000	46
	1,427	• Level 3 Communications, Inc. 53,000	150
Telephone 3.3%		• Liberty Media Corp., Class A 216,239	2,366
Adtran, Inc. 7,000	172	• McLeodUSA, Inc., Class A Escrow 21,892	—
• Alamosa Holdings, Inc. 8,000	58	• Net2Phone, Inc. 1,600	6
• Alaska Communications Systems Group, Inc. 2,700	19	• Network Plus Corp. 2,000	—
Alltel Corp. 23,935	1,205	• Nextel Communications, Inc., Class A 88,900	2,121
Applied Signal Technology, Inc. 2,100	57	• Nextel Partners, Inc., Class A 12,700	169
AT&T Corp. 63,947	1,097	• North Pittsburgh Systems, Inc. 3,500	63
• AT&T Wireless Services, Inc. 219,734	3,034	• Novatel Wireless, Inc. 160	2
Atlantic Tele-Network, Inc. 1,300	41	• NTL, Inc. 6,000	341
• Avaya, Inc. 35,385	484	• NWH, Inc. 2,500	47
BellSouth Corp. 148,450	3,831	• Occam Networks, Inc. 1,900	—
• Carrier Access Corp. 2,500	27	• OmniSky Corp. 2,900	—
• Centennial Communications Corp. 8,000	48	• Pegasus Communications Corp. 3,160	63
CenturyTel, Inc. 10,500	303	• PentaStar Communications, Inc. 600	—
• Cincinnati Bell, Inc. 18,568	73	• Price Communications Corp. 3,855	61
• Citizens Communications Co. 22,400	292	• Primus Telecommunications Group, Inc. 7,500	42
• Commonwealth Telephone Enterprises, Inc. 9,400	392	• Qwest Communications International, Inc. 118,337	476
• Computer Access Technology Corp. 800	4	• RCN Corp. 2,300	1
• Copper Mountain Networks, Inc. 5,200	51	• SBC Communications, Inc. 268,212	6,678
• Covad Communications Group, Inc. 7,000	14	• Sonus Networks, Inc. 19,400	74
• Crown Castle International Corp. 20,900	292	• Sprint Corp. (FON Group) 114,250	2,044
CT Communications, Inc. 4,500	56	• Sunrise Telecom, Inc. 2,000	6
• CTC Communications Group, Inc. 1,550	—	• Talk America Holdings, Inc. 5,000	45
D&E Communications, Inc. 4,000	55	• Telephone & Data Systems, Inc. 4,300	284
• Ditech Communications Corp. 4,100	59	• Time Warner Telecom, Inc., Class A 4,500	17
• Equinix, Inc. 2,565	75	• Turnstone Systems, Inc. 1,600	—
• Extreme Networks, Inc. 4,500	25	• U.S. Cellular Corp. 6,100	209
• Finisar Corp. 7,900	14	• U.S. Wireless Corp. 400	—
• Global Crossing Ltd. 2,500	18	• Ulticom, Inc. 4,800	45
• Goamerica, Inc. 1,800	—	• Utstarcom, Inc. 1,200	32
Hickory Tech Corp. 6,100	65	• Verizon Communications, Inc. 224,286	8,464
• ID Systems, Inc. 3,000	27	• Warwick Valley Telephone Co. 2,100	52
			36,064

Security and Number of Shares	Value (\$ x 1,000)
Tobacco 1.0%	
Altria Group, Inc. 165,300	9,154
• M & F Worldwide Corp. 1,200	15
R.J. Reynolds Tobacco Holdings, Inc. 7,332	475
Schweitzer-Mauduit International, Inc. 5,800	180
Universal Corp. 1,800	90
UST, Inc. 12,700	473
Vector Group Ltd. 1,227	20
	10,407

Travel & Recreation 0.9%	
• Alliance Gaming Corp. 3,000	75
• Ambassadors Group, Inc. 1,700	40
• Amerco, Inc. 900	25
• American Classic Voyages Co. 900	—
• Ameristar Casinos, Inc. 1,700	54
• Argosy Gaming Co. 1,600	60
• Aztar Corp. 1,900	49
• Bally Total Fitness Holding Corp. 1,300	5
Brunswick Corp. 13,900	571
• Caesars Entertainment, Inc. 24,300	322
Callaway Golf Co. 5,600	95
Carnival Corp. 50,000	2,134
Cedar Fair L.P. 5,300	165
Central Parking Corp. 1,600	31
Choice Hotels International, Inc. 3,400	153
• Dick's Sporting Goods, Inc. 1,000	27
• Dollar Thrifty Automotive Group, Inc. 3,500	92
Dover Downs Gaming & Entertainment, Inc. 1,480	17
• Empire Resorts, Inc. 500	7
Extended Stay America, Inc. 8,800	171
Harrah's Entertainment, Inc. 9,900	527
Hilton Hotels Corp. 30,426	532
• Interstate Hotels & Resorts, Inc. 82	—
• K2, Inc. 1,700	25
• Laidlaw International, Inc. 8,200	114
• Lakes Entertainment, Inc. 900	20
Mandalay Resort Group 4,100	236
The Marcus Corp. 4,600	75

Security and Number of Shares	Value (\$ x 1,000)
Marine Products Corp. 270	5
Marriott International, Inc., Class A 18,700	882
• MGM MIRAGE 12,300	563
• MTR Gaming Group, Inc. 2,300	20
• Multimedia Games, Inc. 1,500	33
• Navigant International, Inc. 4,300	81
• Prime Hospitality Corp. 4,300	43
• Rent-Way, Inc. 3,200	30
Royal Caribbean Cruises Ltd. 15,300	620
• Scientific Games Corp., Class A 6,500	117
• Shuffle Master, Inc. 1,875	61
• Six Flags, Inc. 7,500	56
Speedway Motorsports, Inc. 2,300	69
• The Sports Authority, Inc. 370	14
Starwood Hotels & Resorts Worldwide, Inc. 17,730	705
Station Casinos, Inc. 4,650	210
• Stellent, Inc. 1,100	8
• Vail Resorts, Inc. 3,800	59
• WMS Industries, Inc. 1,500	42
	9,240

Trucking & Freight 0.3%	
Arkansas Best Corp. 1,100	29
BancTrust Financial Group, Inc. 1,100	19
C.H. Robinson Worldwide, Inc. 7,500	308
CNF, Inc. 4,500	164
• Consolidated Freightways Corp. 2,700	—
Expeditors International Washington, Inc. 8,100	326
• Forward Air Corp. 3,600	120
Heartland Express, Inc. 4,471	110
• J.B. Hunt Transport Services, Inc. 6,500	206
• Knight Transportation, Inc. 1,800	46
• Landstar Systems, Inc. 7,600	342
• Old Dominion Freight Line 1,800	67
Overnite Corp. 2,500	60
Paccar, Inc. 14,100	796
• Pacer International, Inc. 2,800	53
Ryder Systems, Inc. 6,400	235
• Swift Transportation Co., Inc. 5,970	101
USF Corp. 1,300	43

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
• Wabash National Corp. 2,500	63	Equitable Resources, Inc. 4,400	207
Werner Enterprises, Inc. 5,832	117	Exelon Corp. 27,237	1,823
• Yellow Roadway Corp. 2,594	88	FirstEnergy Corp. 25,717	1,006
	3,293	Florida Public Utilities Co. 1,066	22
Utilities: Electric & Gas 2.9%		FPL Group, Inc. 14,700	935
• The AES Corp. 50,096	434	Great Plains Energy, Inc. 9,000	281
AGL Resources, Inc. 4,300	123	Green Mountain Power Corp. 3,800	97
• Allegheny Energy, Inc. 8,000	110	Hawaiian Electric Industries, Inc. 2,600	129
Allete, Inc. 8,200	283	Idacorp, Inc. 4,200	125
Alliant Energy Corp. 9,300	231	KeySpan Corp. 13,400	484
Ameren Corp. 15,100	660	Kinder Morgan, Inc. 10,700	644
American Electric Power Co., Inc. 31,320	953	The Laclede Group, Inc. 3,300	91
American States Water Co. 950	22	MDU Resources Group, Inc. 10,950	245
Aqua America, Inc. 3,671	75	MGE Energy, Inc. 400	12
Atmos Energy Corp. 1,800	44	National Fuel Gas Co. 5,800	142
Avista Corp. 3,800	64	New Jersey Resources Corp. 1,650	63
• BayCorp Holdings Ltd. 6	—	• NewPower Holdings, Inc. 3,800	3
Black Hills Corp. 1,400	43	Nicor, Inc. 3,000	102
• Calpine Corp. 12,300	53	NiSource, Inc. 22,864	461
Cascade Natural Gas Corp. 3,500	72	Northeast Utilities, Inc. 10,124	186
Centerpoint Energy, Inc. 23,600	255	Northwest Natural Gas Co. 3,200	94
Central Vermont Public Service Corp. 2,700	54	• NRG Energy, Inc. 6,500	141
CH Energy Group, Inc. 1,900	88	NSTAR 3,867	187
Cinergy Corp. 15,100	573	NUI Corp. 2,500	42
Cleco Corp. 3,400	61	OGE Energy Corp. 6,500	156
• CMS Energy Corp. 5,000	42	Oneok, Inc. 7,400	155
Consolidated Edison, Inc. 17,000	701	Otter Tail Corp. 1,100	29
Constellation Energy Group, Inc. 16,800	646	Peoples Energy Corp. 3,200	134
• Covanta Energy Corp. 2,100	—	Pepco Holdings, Inc. 5,000	95
• Distributed Energy Systems Corp. 1,400	5	• PG&E Corp. 34,900	960
Dominion Resources, Inc. 26,610	1,698	Piedmont Natural Gas Co. 1,600	65
DPL, Inc. 11,452	202	Pinnacle West Capital Corp. 6,800	266
DTE Energy Co. 13,801	539	PNM Resources, Inc. 2,000	58
Duke Energy Corp. 74,300	1,565	PPL Corp. 15,000	643
Duquesne Light Holdings, Inc. 6,100	114	Progress Energy, Inc. 18,659	798
Edison International 58,700	1,374	Public Service Enterprise Group, Inc. 19,000	815
El Paso Corp. 51,387	360	Puget Energy, Inc. 7,500	165
• El Paso Electric Co. 2,800	40	Questar Corp. 8,100	287
Energen Corp. 2,600	108	SCANA Corp. 7,905	272
Energy East Corp. 12,214	288	Sempra Energy 19,175	609
Entergy Corp. 18,200	994	• Sierra Pacific Resources 4,476	32

Security and Number of Shares	Value (\$ x 1,000)
The Southern Co. 58,900	1,694
• Southern Union Co. 3,010	59
Southwest Gas Corp. 3,600	82
TECO Energy, Inc. 5,600	71
Texas Genco Holdings, Inc. 2,680	95
TXU Corp. 26,400	901
• U.S. Energy Systems, Inc. 600	1
UGI Corp. 5,100	161
UIL Holdings Corp. 6,200	280
Unisource Energy Corp. 4,600	112
Vectren Corp. 5,766	139
Westar Energy, Inc. 5,700	116
WGL Holdings, Inc. 3,000	85
Williams Cos., Inc. 42,360	436
Wisconsin Energy Corp. 8,400	264
WPS Resources Corp. 2,400	110
Xcel Energy, Inc. 31,695	530
	31,071

Preferred Stock

0.0% of net assets

Real Property 0.0%

Commercial Net Lease Realty 147	4
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Warrants

0.0% of net assets

Air Transportation 0.0%

Timco Aviation Services expires 02/28/07 160	—
-------------------------------------------------	---

Business Machines & Software 0.0%

MicroStrategy, Inc. expires 06/24/04 57	—
--------------------------------------------	---

Business Services 0.0%

Redback Networks, Inc. expires 01/02/11 81	—
Redback Networks, Inc. expires 01/02/11 85	1
	1

Security and Number of Shares	Value (\$ x 1,000)
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Electronics 0.0%

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

Healthcare / Drugs & Medicine 0.0%

Magellan Health Services, Inc. expires 01/05/11 7	—
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Non-Ferrous Metals 0.0%

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

0.0% of net assets

Business Machines & Software 0.0%

• Comdisco Holding Co. 4,700	2
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Business Services 0.0%

• Cell Pathways, Inc. expires 06/12/08 1,600	—
• Information Resources, Inc. 2,500	7
	7

Telephone 0.0%

• WilTel Communications, Inc. 4,800	—
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Short-Term Investment

0.7% of net assets

Provident Institutional Temp Fund 7,865,111	7,865
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Security Rate, Maturity Date	Face Amount (\$ x 1,000)
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U.S. Treasury Obligation

0.0% of net assets

▲ U.S. Treasury Bill, 0.92%, 06/17/04 425	425
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End of investments.

Portfolio Holdings continued

Security Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Collateral Invested for Securities on Loan
8.2% of net assets

Commercial Paper & Other Corporate Obligations 4.4%

American Express Credit Corp. 1.07%, 05/13/04	3,510	3,510
Bank of America 1.05%, 09/20/04	1,382	1,382
Canadian Imperial Bank Corp. 1.72%, 05/25/05	299	299
1.06%, 05/28/04	2,911	2,911
1.04%, 01/31/05	3,687	3,686
Concord Minutemen Capital Corp. 1.04%, 05/20/04	1,860	1,859
Credit Lyonnais 1.08%, 09/30/04	2,637	2,637
Crown Point Funding Corp. 1.04%, 05/10/04	720	719
Fairway Finance Corp. 1.04%, 05/13/04	153	153
Foreningssparbanken AB 1.06%, 05/17/04	7,696	7,695
General Electric Capital Corp. 1.06%, 05/10/04	3,709	3,711
Societe Generale 1.14%, 05/03/04	5,061	5,060
Svenska Handelsbanken 1.39%, 10/27/04	3,127	3,127
Westdeutsche Landesbank AG 1.05%, 09/23/04	2,936	2,936
1.05%, 09/29/04	3,183	3,182
1.05%, 10/12/04	4,228	4,227
		47,094

Security Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Short-Term Investment 0.6%

Deutsche Bank, Time Deposit 1.04%, 05/03/04	6,473	6,473
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Security and Number of Shares**Other Investment Companies 3.2%**

Institutional Money Market Trust 34,972,366		34,972
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End of collateral invested for securities on loan.

Statement of

Assets and Liabilities

As of April 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$84,157 of securities on loan)	\$1,078,260
Collateral invested for securities on loan	88,539
Receivables:	
Fund shares sold	1,170
Interest	5
Dividends	1,090
Income from securities on loan	16
Prepaid expenses	+ 56
Total assets	1,169,136

Liabilities

Collateral invested for securities on loan	88,539
Payables:	
Fund shares redeemed	328
Investments bought	1,984
Due to brokers for futures	56
Investment adviser and administrator fees	16
Transfer agent and shareholder service fees	10
Accrued expenses	+ 86
Total liabilities	91,019

Net Assets

Total assets	1,169,136
Total liabilities	– 91,019
Net assets	\$1,078,117

Net Assets by Source

Capital received from investors	1,071,820
Net investment income not yet distributed	3,510
Net realized capital losses	(21,449)
Net unrealized capital gains	24,236

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$563,884		30,620		\$18.42
Select Shares	\$514,233		27,873		\$18.45

Unless stated, all numbers x 1,000.

The fund paid \$1,053,929 for these securities.

Not counting short-term obligations and government securities, the fund's security transactions during the period were:

Purchases	\$130,616
Sales/maturities	\$4,525

The fund's total security transactions with other SchwabFunds® during the period were \$169.

These derive from investments and futures. As of the report date, the fund had nine open S&P 500 futures contracts due to expire on June 18, 2004, with an aggregate contract value of \$2,489 and net unrealized losses of \$24 and thirteen open Russell 2000 futures due to expire on June 23, 2004 with an aggregate contract value of \$3,639 and net unrealized losses of \$71.

Federal Tax Data

Portfolio cost	\$1,055,473
Net unrealized gains and losses:	
Gains	\$188,045
Losses	+ (165,258)
	\$22,787

As of October 31, 2003:

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

Statement of

Operations

For November 1, 2003 through April 30, 2004; unaudited. All numbers x 1,000.

Unless stated, all numbers x 1,000.

Investment Income

Dividends	\$8,003
Interest	30
Securities on loan	+ 97
Total investment income	8,130

Net Realized Gains and Losses

Net realized gains on investments sold	634
Net realized gains on futures contracts	+ 495
Net realized gains	1,129

Net Unrealized Gains and Losses

Net unrealized gains on investments	51,772
Net unrealized losses on futures contracts	+ (281)
Net unrealized gains	51,491

Expenses

Investment adviser and administrator fees	1,327
Transfer agent and shareholder service fees:	
Investor Shares	663
Select Shares	247
Trustees' fees	6
Custodian fees	41
Portfolio accounting fees	77
Professional fees	20
Registration fees	43
Shareholder reports	56
Interest expense	1
Other expenses	+ 15
Total expenses	2,496
Expense reduction	- 48
Net expenses	2,448

Increase in Net Assets from Operations

Total investment income	8,130
Net expenses	- 2,448
Net investment income	5,682
Net realized gains	1,129
Net unrealized gains	+ 51,491
Increase in net assets from operations	\$58,302

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 \$3 from the investment adviser (CSIM) and \$45 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 28, 2005, as follows:

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

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

These add up to a net gain on investments of \$52,620

Statements of

Changes in Net Assets

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

Operations

	11/1/03-4/30/04	11/1/02-10/31/03
Net investment income	\$5,682	\$8,702
Net realized gains or losses	1,129	(5,294)
Net unrealized gains	+ 51,491	155,552
Increase in net assets from operations	58,302	158,960

Distributions Paid

Dividends from net investment income		
Investor Shares	4,835	3,195
Select Shares	+ 4,522	3,512
Total dividends from net investment income	\$9,357	\$6,707

Transactions in Fund Shares

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	6,433	\$119,062	12,774	\$194,287
Select Shares	+ 5,826	106,725	11,399	172,567
Total shares sold	12,259	\$225,787	24,173	\$366,854
Shares Reinvested				
Investor Shares	237	\$4,213	209	\$2,984
Select Shares	+ 222	3,956	203	2,911
Total shares reinvested	459	\$8,169	412	\$5,895
Shares Redeemed				
Investor Shares	(2,913)	(\$53,895)	(4,461)	(\$68,649)
Select Shares	+ (2,670)	(49,477)	(5,507)	(85,326)
Total shares redeemed	(5,583)	(\$103,372)	(9,968)	(\$153,975)
Net transactions in fund shares	7,135	\$130,584	14,617	\$218,774

Shares Outstanding and Net Assets

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	51,358	\$898,588	36,741	\$527,561
Total increase	+ 7,135	179,529	14,617	371,027
End of period	58,493	\$1,078,117	51,358	\$898,588

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 10/31/03 are:

Ordinary Income	\$6,707
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	\$44
Select Shares	+ 25
Total	\$69

Prior period:

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

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 \$3,510 and \$7,185 at the end of the current period and prior period, respectively.

Schwab International Index Fund

Financial Statements

Financial Highlights

Investor Shares	11/1/03– 4/30/04*	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	12.74	10.47	12.22	17.13	17.93	14.21
Income or loss from investment operations:						
Net investment income	0.11	0.23	0.21	0.15	0.20	0.19
Net realized and unrealized gains or losses	1.35	2.25	(1.82)	(4.81)	(0.85)	3.66
Total income or loss from investment operations	1.46	2.48	(1.61)	(4.66)	(0.65)	3.85
Less distributions:						
Dividends from net investment income	(0.23)	(0.21)	(0.14)	(0.25)	(0.15)	(0.13)
Net asset value at end of period	13.97	12.74	10.47	12.22	17.13	17.93
Total return (%)	11.61 ¹	24.24	(13.34)	(27.58)	(3.69)	27.31
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.69 ²	0.65	0.58	0.58	0.59 ³	0.58
Gross operating expenses	0.72 ²	0.74	0.76	0.75	0.82	0.99
Net investment income	1.64 ²	2.01	1.70	1.14	1.60	1.24
Portfolio turnover rate	1 ¹	7	13	18	16	5
Net assets, end of period (\$ x 1,000,000)	541	494	443	519	637	447

* Unaudited.

¹ Not annualized.

² Annualized.

³ The ratio of net operating expenses would have been 0.58% if certain non-routine expenses (proxy fees) had not been included.

Select Shares	11/1/03– 4/30/04*	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	12.75	10.47	12.23	17.14	17.96	14.23
Income or loss from investment operations:						
Net investment income	0.12	0.25	0.21	0.16	0.27	0.18
Net realized and unrealized gains or losses	1.35	2.26	(1.82)	(4.80)	(0.91)	3.70
Total income or loss from investment operations	1.47	2.51	(1.61)	(4.64)	(0.64)	3.88
Less distributions:						
Dividends from net investment income	(0.25)	(0.23)	(0.15)	(0.27)	(0.18)	(0.15)
Net asset value at end of period	13.97	12.75	10.47	12.23	17.14	17.96
Total return (%)	11.68 ¹	24.50	(13.31)	(27.45)	(3.65)	27.49
Ratios/Supplemental Data (%)						
Ratios to average net assets:						
Net operating expenses	0.50 ²	0.49	0.47	0.47	0.48 ³	0.47
Gross operating expenses	0.57 ²	0.59	0.61	0.60	0.67	0.86
Net investment income	1.83 ²	2.19	1.81	1.25	1.71	1.57
Portfolio turnover rate	1 ¹	7	13	18	16	5
Net assets, end of period (\$ x 1,000,000)	680	629	536	616	700	449

* Unaudited.

¹ Not annualized.² Annualized.³ The ratio of net operating expenses would have been 0.47% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of April 30, 2004, unaudited

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)	Value (\$x1,000)
99.1% Foreign		
Common Stock	1,037,463	1,208,745
0.4% Foreign		
Preferred Stock	2,719	4,456
0.0% Warrants	724	635
0.0% Rights	—	20
99.5% Total Investments	1,040,906	1,213,856
16.4% Collateral Invested for Securities on Loan	199,784	199,784
(15.9)% Other Assets and Liabilities, Net		(193,440)
100.0% Total Net Assets		1,220,200

Security and Number of Shares	Value (\$ x 1,000)
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Foreign Common Stock 99.1% of net assets**Australia 3.9%**

Amcor Ltd.	170,097	853
AMP Ltd.	250,773	1,045
Australia & New Zealand Banking Group Ltd.	358,594	4,809
BHP Billiton Ltd.	727,139	6,023
Coles Myer Ltd.	218,165	1,319
Commonwealth Bank of Australia	245,112	5,532
Foster's Group Ltd.	374,154	1,321
Insurance Australia Group Ltd.	337,549	1,185
Macquarie Bank Ltd.	41,612	1,041
Macquarie Infrastructure Group	386,221	767
National Australia Bank Ltd.	296,328	6,307
• News Corp. Ltd.	292,452	2,697

Security and Number of Shares	Value (\$ x 1,000)
QBE Insurance Group Ltd. 125,449	1,056
Rio Tinto Ltd. 60,818	1,429
Suncorp-Metway Ltd. 107,619	1,041
Telstra Corp. Ltd. 416,897	1,439
Wesfarmers Ltd. 80,774	1,667
Westpac Banking Corp. 346,721	4,375
Woodside Petroleum Ltd. 101,251	1,209
Woolworths Ltd. 202,146	1,723
	46,838

Belgium 0.8%

Dexia	121,918	2,005
Electrabel SA	6,048	1,986
Fortis	201,153	4,379
Solvay SA	12,932	1,084
		9,454

Canada 5.2%

Alcan, Inc.	62,405	2,501
Bank of Montreal	99,813	3,767
Bank of Nova Scotia	198,704	5,079
Barrick Gold Corp.	99,691	1,894
BCE, Inc.	65,656	1,317
• Biovail Corp.	27,400	520
Bombardier, Inc., Class B	279,400	1,227
Brascan Corp.	31,900	1,079
Canadian Imperial Bank of Commerce	71,216	3,479
Canadian National Railway Co.	58,674	2,206
Canadian Natural Resources Ltd.	25,900	1,420
Canadian Pacific Railway Ltd.	32,300	716
Enbridge, Inc.	33,700	1,229
EnCana Corp.	91,017	3,561
George Weston Ltd.	11,500	767
Imperial Oil Ltd.	24,010	1,050
• Inco Ltd.	37,300	1,064
Loblaw Cos. Ltd.	21,098	901
Magna International, Inc., Class A	16,447	1,301
Manulife Financial Corp.	91,650	3,379
National Bank of Canada	36,900	1,194
• Nortel Networks Corp.	784,900	2,962
Petro-Canada	43,200	1,904
Placer Dome, Inc.	83,200	1,150

Security and Number of Shares	Value (\$ x 1,000)
Power Corp. of Canada 29,502	1,164
Power Financial Corp. 26,300	1,067
Royal Bank of Canada 127,717	5,660
Sun Life Financial Services of Canada, Inc. 122,164	3,229
Suncor Energy, Inc. 81,600	1,940
Talisman Energy, Inc. 25,625	1,453
Thomson Corp. 40,000	1,270
TransCanada Corp. 94,561	1,867
	63,317

Denmark 0.6%

AP Moller-Maersk A/S 224	1,411
Danske Bank A/S 103,537	2,327
Novo-Nordisk A/S, Class B 50,724	2,410
TDC A/S 23,628	803
	6,951

France 10.9%

Accor SA 37,106	1,562
Air Liquide SA 19,987	3,500
• Alcatel SA, Class A 245,737	3,662
Arcelor SA 74,513	1,238
Aventis SA 134,970	10,282
AXA 281,489	5,929
BNP Paribas 157,814	9,478
Bouygues 42,044	1,436
• Cap Gemini SA 21,739	769
Carrefour SA 112,519	5,221
Cie Generale D'Optique Essilor International SA 19,882	1,163
Compagnie de Saint-Gobain 60,643	3,062
Credit Agricole SA 67,809	1,673
European Aeronautic Defense & Space Co. 61,447	1,554
• France Telecom SA 209,724	5,061
Groupe Danone 24,586	4,120
L'oreal 66,705	5,030
Lafarge SA 33,456	2,787
Lagardere S.C.A. 24,730	1,490
LVMH Moet-Hennessy Louis Vuitton SA 44,980	3,170
Michelin (C.G.D.E.), Class B 28,839	1,350
Pernod-Ricard 11,468	1,448

Security and Number of Shares	Value (\$ x 1,000)
Peugeot SA 37,097	1,993
Pinault-Printemps-Redoute SA 12,173	1,256
Renault SA 34,255	2,556
Sanofi-Synthelabo SA 73,956	4,699
Schneider Electric SA 40,373	2,720
• Societe Generale, Class A 65,700	5,474
• Societe Television Francaise 1 26,048	805
• STMicroelectronics NV 117,296	2,586
Suez SA 155,587	3,118
• Total Fina Elf SA 126,170	23,337
Veolia Environnement 52,576	1,398
Vinci SA 13,931	1,356
• Vivendi Universal SA 177,845	4,475
♦ Vivendi Universal SA 54,392	1,345
	132,103

Germany 7.1%

Adidas-Salomon AG 9,200	1,063
Allianz AG 54,188	5,750
Altana AG 12,100	770
BASF AG 108,135	5,579
Bayer AG 128,045	3,489
• Bayerische Hypo-und Vereinsbank AG 66,874	1,161
Commerzbank AG 88,400	1,524
DaimlerChrysler AG 168,370	7,547
Deutsche Bank AG 103,176	8,503
Deutsche Boerse AG 19,400	1,067
Deutsche Post AG 75,227	1,658
• Deutsche Telekom AG 487,262	8,411
E.ON AG 118,150	7,832
• Infineon Technologies AG 75,100	962
Linde AG 14,312	783
Metro AG 29,214	1,295
Muenchener Rueckversicherungs AG 30,394	3,287
RWE AG 69,676	3,024
SAP AG 40,624	6,160
Schering AG 33,246	1,748
Siemens AG 157,090	11,346
ThyssenKrupp AG 63,966	1,110
Volkswagen AG 46,293	2,039
	86,108

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)
Hong Kong / China 1.2%	
Cheung Kong Holdings Ltd. 299,000	2,291
CLP Holdings Ltd. 387,080	2,060
Hang Seng Bank Ltd. 154,700	1,964
Hong Kong & China Gas Co. 718,400	1,234
HongKong Electric Holdings 277,756	1,221
Hutchison Whampoa Ltd. 413,800	2,785
Sun Hung Kai Properties Ltd. 265,694	2,282
Swire Pacific Ltd., Class A 190,000	1,242
	15,079

Italy 3.2%

Alleanza Assicurazioni SPA 100,995	1,117
Assicurazioni Generali SPA 185,554	4,893
Banca Intesa SPA 709,107	2,346
Banco Popolare di Verona e Novara 75,422	1,255
Enel SPA 429,348	3,423
ENI-Ente Nazionale Idrocarburi SPA 514,100	10,452
Mediaset SPA 110,368	1,211
Mediobanca SPA 95,210	1,104
Riunione Adriatica di Sicurtà SPA 60,519	1,108
Sanpaolo IMI SPA 189,885	2,215
• Telecom Italia SPA 1,132,740	2,641
• TIM SPA 753,178	4,298
UniCredito Italiano SPA 722,614	3,370
	39,433

Japan 19.2%

Advantest Corp. 13,000	988
Aeon Co. Ltd. 48,000	2,105
Ajinomoto Co., Inc. 111,000	1,299
Asahi Glass Co. Ltd. 146,000	1,545
Asahi Kasei Corp. 250,000	1,366
Bridgestone Corp. 126,000	2,133
Canon, Inc. 162,000	8,500
Chubu Electric Power Co., Inc. 122,100	2,545
Dai Nippon Printing Co. Ltd. 117,000	1,775
Denso Corp. 92,000	1,938
East Japan Railway Co. 653	3,337
Eisai Co. Ltd. 37,000	945

Security and Number of Shares	Value (\$ x 1,000)
Fanuc Ltd. 24,300	1,489
Fuji Photo Film Co. Ltd. 92,000	2,960
Fujisawa Pharmaceutical Co. Ltd. 47,000	1,092
• Fujitsu Ltd. 326,000	2,266
Honda Motor Co. Ltd. 152,700	6,130
Hoya Corp. 21,600	2,337
Ito-Yokado Co. Ltd. 68,000	2,828
• Itochu Corp. 273,000	1,155
Japan Tobacco, Inc. 126	1,007
JFE Holdings, Inc. 94,000	2,108
The Kansai Electric Power Co. 130,000	2,275
Kao Corp. 109,000	2,603
KDDI Corp. —	3
Keyence Corp. 5,900	1,417
• Kintetsu Corp. 305,830	1,097
Kirin Brewery Co. Ltd. 127,000	1,259
Komatsu Ltd. 193,000	1,100
Konica Minolta Holdings, Inc. 81,000	1,122
Kyocera Corp. 31,500	2,606
Kyushu Electric Power Co. 82,400	1,419
Matsushita Electric Industrial Co. Ltd. 403,912	5,933
Millea Holdings, Inc. 284	4,040
Mitsubishi Corp. 198,000	1,888
Mitsubishi Electric Corp. 303,000	1,532
Mitsubishi Estate Co. Ltd. 190,000	2,247
Mitsubishi Heavy Industries Ltd. 565,000	1,556
Mitsubishi Tokyo Financial Group, Inc. 787	7,003
Mitsui & Co. Ltd. 239,000	1,971
Mitsui Fudosan Co. Ltd. 142,000	1,563
Mitsui Sumitomo Insurance Co. Ltd. 247,000	2,326
• Mizuho Financial Group, Inc. 1,155	5,463
Murata Manufacturing Co. Ltd. 43,900	2,880
NEC Corp. 269,000	2,113
Nikko Cordial Corp. 240,000	1,366
Nintendo Co. Ltd. 19,700	1,860
Nippon Oil Corp. 250,000	1,377
Nippon Steel Corp. 1,020,000	2,135
Nippon Telegraph & Telephone Corp. 1,053	5,534

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Nissan Motor Co. Ltd. 486,000	5,412	Yamanouchi Pharmaceutical Co. Ltd. 59,000	1,967
Nitto Denko Corp. 28,000	1,555	Yamato Transport Co. Ltd. 78,000	1,185
Nomura Holdings, Inc. 345,000	5,602		234,778
NTT Data Corp. 284	1,112		
NTT DoCoMo, Inc. 3,463	6,872	Netherlands 5.4%	
OJI Paper Co. Ltd. 165,000	1,030	ABN – Amro Holdings NV 298,017	6,481
Olympus Corp. 43,000	834	Aegon NV 259,846	3,401
Omron Corp. 43,000	1,048	Akzo Nobel NV 51,942	1,893
Osaka Gas Co. Ltd. 394,000	1,093	• ASML Holding NV 93,364	1,486
Pioneer Corp. 31,000	885	DSM NV 16,462	789
Ricoh Co. Ltd. 118,000	2,352	Heineken NV 39,259	1,657
Rohm Co. Ltd. 21,000	2,620	ING Groep NV 340,404	7,296
Sankyo Co. Ltd. 72,000	1,334	• Koninklijke Ahold NV 138,958	1,076
Sanyo Electric Co. Ltd. 309,000	1,400	Koninklijke Philips Electronics NV 255,925	6,970
Secom Co. Ltd. 38,500	1,650	Reed Elsevier NV 117,871	1,656
Sekisui House Ltd. 94,000	997	⑧ Royal Dutch Petroleum Co. 408,067	19,846
Seven-Eleven Japan Co. 78,000	2,651	Royal KPN NV 360,914	2,600
Sharp Corp. 184,000	3,318	TPG NV 67,143	1,448
Shin-Etsu Chemical Co. Ltd. 68,900	2,785	Unilever NV 110,002	7,246
Shionogi & Co. Ltd. 61,000	960	VNU NV 47,654	1,333
The Shizuoka Bank Ltd. 116,000	990	Wolters Kluwer NV 55,267	931
SMC Corp. 11,000	1,261		66,109
Softbank Corp. 41,000	1,858		
Sompo Japan Insurance, Inc. 160,000	1,443	Singapore 0.6%	
Sony Corp. 168,500	6,520	DBS Group Holdings Ltd. 217,778	1,830
Sumitomo Corp. 137,000	1,052	Oversea-Chinese Banking Corp. 185,000	1,316
Sumitomo Electric Industries Ltd. 131,000	1,211	Singapore Press Holdings Co. Ltd. 74,666	922
Sumitomo Mitsui Financial Group, Inc. 764	5,774	Singapore Telecommunications Ltd. 1,180,696	1,624
Takeda Chemical Industries Ltd. 166,200	6,702	United Overseas Bank Ltd. 237,000	1,908
TDK Corp. 22,000	1,571		7,600
Tohoku Electric Power Co. 83,700	1,345		
The Tokyo Electric Power Co., Inc. 230,300	4,936	Spain 3.7%	
Tokyo Electron Ltd. 28,000	1,705	Altadis SA 57,998	1,639
Tokyo Gas Co. Ltd. 507,000	1,879	Banco Bilbao Vizcaya Argentaria SA 587,573	7,755
Toppan Printing Co. Ltd. 122,000	1,434	Banco Popular Espanol 29,001	1,600
Toshiba Corp. 566,000	2,600	Banco Santander Central Hispano SA 834,597	8,964
⑨ Toyota Motor Corp. 530,500	19,181	Endesa SA 173,742	3,185
• UFJ Holdings, Inc. 686	4,243	Gas Natural SDG SA 376,722	925
West Japan Railway Co. 225	875		

Portfolio Holdings continued

Security and Number of Shares	Value (\$ x 1,000)	Security and Number of Shares	Value (\$ x 1,000)
Iberdrola SA 149,580	2,950	BAA PLC 211,384	1,949
Inditex SA 47,334	1,029	BAE Systems PLC 605,069	2,251
Repsol YPF SA 178,984	3,770	Barclays PLC 1,294,064	11,669
Telefonica SA 932,829	13,877	BG Group PLC 679,151	3,923
	45,694	BHP Billiton PLC 472,369	3,774
		BOC Group PLC 97,556	1,568
		Boots Group PLC 162,117	1,757
Sweden 1.8%		① BP PLC 4,327,143	37,408
Electrolux AB, Series B 61,579	1,217	British American Tobacco PLC 301,717	4,575
Hennes & Mauritz AB, Series B 98,150	2,403	British Land Co. PLC 100,943	1,163
Nordea AB 453,696	3,058	British Sky Broadcasting PLC 246,398	2,910
Sandvik AB 44,107	1,435	• BT Group PLC 1,675,638	5,304
Skandinaviska Enskilda Banken, Series A 85,410	1,241	• Cable & Wireless PLC 485,728	1,064
Svenska Cellulosa AB, Series B 35,963	1,410	Cadbury Schweppes PLC 396,080	3,150
Svenska Handelsbanken AB, Series A 112,602	2,174	Carnival PLC 30,775	1,379
• Telefonaktiebolaget LM Ericsson, Class B 2,846,579	7,713	Centrica PLC 861,673	3,339
Volvo AB, Series B 40,445	1,384	Compass Group PLC 440,157	2,771
	22,035	Diageo PLC 614,379	8,242
		Dixons Group PLC 356,181	981
Switzerland 8.2%		Emap PLC 52,220	801
• ABB Ltd. 204,408	1,151	Friends Provident PLC 333,413	834
Adecco SA, Registered 26,587	1,188	④ GlaxoSmithKline PLC 1,165,815	24,126
• Ciba Specialty Chemicals AG 14,322	994	GUS PLC 205,342	2,844
Compagnie Financiere Richemont AG, Series A 102,430	2,635	Hanson Plc 150,209	1,145
Credit Suisse Group 231,120	8,146	HBOS PLC 747,598	9,685
Holcim Ltd. 30,865	1,594	Hilton Group PLC 287,543	1,267
⑦ Nestle SA, Registered 79,293	20,059	③ HSBC Holdings PLC 2,119,648	30,372
⑥ Novartis AG, Registered 465,877	20,768	Imperial Tobacco Group PLC 142,051	3,146
Roche Holdings - Genus 138,238	14,500	Intercontinental Hotels Group PLC 149,688	1,399
Serono SA, Series B 1,193	715	ITV PLC 564,218	1,236
Swiss Reinsurance, Registered 65,184	4,288	J. Sainsbury PLC 268,529	1,326
Swisscom AG, Registered 5,043	1,565	Kingfisher PLC 442,761	2,224
Syngenta AG 20,323	1,626	Land Securities Group PLC 95,357	1,853
UBS AG, Registered 231,176	16,430	Legal & General Group PLC 1,220,030	2,023
• Zurich Financial Services AG 28,547	4,513	Lloyds TSB Group PLC 1,097,042	8,200
	100,172	Man Group PLC 57,326	1,716
		Marks & Spencer Group PLC 443,141	2,171
United Kingdom 27.3%		National Grid Transco PLC 616,442	4,676
Amvescap PLC 119,189	786	Next PLC 57,431	1,421
AstraZeneca PLC 333,267	15,585	Pearson PLC 158,738	1,852
Aviva PLC 444,350	4,342	Prudential PLC 382,001	3,001

Security and Number of Shares	Value (\$ x 1,000)
Reckitt Benckiser PLC 111,099	2,888
Reed Elsevier PLC 261,955	2,439
Rentokil Initial PLC 364,152	1,214
Reuters Group PLC 267,194	1,767
Rio Tinto PLC 206,808	4,537
Rolls-Royce Group PLC 14,830,900	15
Rolls-Royce Group PLC 296,618	1,218
⑩ Royal Bank of Scotland Group PLC 547,776	16,446
SABMiller PLC 162,857	1,767
Sage Group PLC 246,979	757
Scottish & Newcastle PLC 145,929	1,063
Scottish & Southern Energy PLC 173,758	2,103
Scottish Power PLC 382,227	2,598
Severn Trent Water PLC 70,101	973
Shell Transport & Trading Co. PLC 1,886,367	13,013
Smith & Nephew PLC 175,479	1,781
Smiths Group PLC 107,917	1,337
Tesco PLC 1,445,671	6,377
Unilever PLC 548,778	5,177
United Utilities PLC 124,590	1,190
② Vodafone Group PLC 13,328,748	32,382
Wm. Morrison Supermarkets 215,328	914
Wolseley PLC 111,522	1,634
WPP Group PLC 230,860	2,276
	333,074

Foreign Preferred Stock

0.4% of net assets

Australia 0.3%

News Corp. Ltd. 398,140	3,407
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Germany 0.1%

Henkel KGaA 12,100	1,049
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Security and Number of Shares	Value (\$ x 1,000)
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Warrants

0.0% of net assets

France 0.0%

• Casino Guichard Perrachon SA, expires 12/15/05 1,026	1
• France Telecom-CVG Equant NV, expires 06/29/04 35,326	634
	635

United States 0.0%

• NTL, Inc., Series A, expires 01/13/11 48	—
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Rights

0.0% of net assets

Sweden 0.0%

• Electrolux AB, expires 06/01/04 61,579	20
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End of investments.

Collateral Invested for Securities on Loan

16.4% of net assets

Other Investment Companies 16.4%

Securities Lending Investment Fund 199,784,171	199,784
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End of collateral invested for securities on loan.

Statement of

Assets and Liabilities

As of April 30, 2004; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value (including \$190,008 of securities on loan)	\$1,213,856	
Collateral invested for securities on loan	199,784	
Foreign currency	30	
Receivables:		
Fund shares sold	354	
Dividends	6,891	
Investments sold	229	
Income from securities on loan	248	
Dividend tax reclaim	509	
Prepaid expenses	+	27
Total assets		1,421,928

Liabilities

Collateral invested for securities on loan	199,784	
Cash overdraft	695	
Payables:		
Fund shares redeemed	732	
Interest expense	2	
Withholding taxes	331	
Investment adviser and administrator fees	24	
Transfer agent and shareholder service fees	10	
Accrued expenses	+	150
Total liabilities		201,728

Net Assets

Total assets	1,421,928	
Total liabilities	-	201,728
Net assets		\$1,220,200

Net Assets by Source

Capital received from investors	1,352,144	
Net investment income not yet distributed	9,119	
Net realized capital losses	(313,930)	
Net unrealized capital gains	172,867	

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$540,677		38,700		\$13.97
Select Shares	\$679,523		48,655		\$13.97

Unless stated, all numbers x 1,000.

The fund paid \$1,040,906 for these securities. Not counting short-term obligations and government securities, the fund's security transactions during the period were:

Purchases	\$6,690
Sales/maturities	\$33,070

The fund paid \$30 for these currencies.

Federal Tax Data

Portfolio cost	\$1,045,873
Net unrealized gains and losses:	
Gains	\$254,877
Losses	+ (86,894)
	\$167,983

As of October 31, 2003:

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

Statement of

Operations

For November 1, 2003 through April 30, 2004; unaudited. All numbers x 1,000.

Investment Income

Dividends	\$13,821
Interest	10
Securities on loan	+ 334
Total investment income	14,165

Net Realized Gains and Losses

Net realized losses on investments sold	(6,723)
Net realized gains on foreign currency transactions	+ 48
Net realized losses	(6,675)

Net Unrealized Gains and Losses

Net unrealized gains on investments	126,487
Net unrealized losses on foreign currency transactions	+ (118)
Net unrealized gains	126,369

Expenses

Investment adviser and administrator fees	2,435
Transfer agent and shareholder service fees:	
Investor Shares	673
Select Shares	339
Trustees' fees	5
Custodian fees	205
Portfolio accounting fees	90
Professional fees	20
Registration fees	21
Shareholder reports	67
Interest expense	2
Other expenses	+ 11
Total expenses	3,868
Expense reduction	- 314
Net expenses	3,554

Increase in Net Assets from Operations

Total investment income	14,165
Net expenses	- 3,554
Net investment income	10,611
Net realized losses	(6,675)
Net unrealized gains	+ 126,369
Increase in net assets from operations	\$130,305

Unless stated, all numbers x 1,000.

An additional \$1,675 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 \$179 from the investment adviser (CSIM) and \$135 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 28, 2005, as follows:

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

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

These add up to a net gain on investments of \$119,694.

Statements of

Changes in Net Assets

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

Operations

	11/1/03-4/30/04	11/1/02-10/31/03
Net Investment income	\$10,611	\$21,074
Net realized losses	(6,675)	(37,839)
Net unrealized gains	+ 126,369	241,954
Increase in net assets from operations	130,305	225,189

Distributions Paid

Dividends from net investment income		
Investor Shares	9,070	9,001
Select Shares	+ 12,466	11,662
Total dividends from net investment income	\$21,536	\$20,663

Transactions in Fund Shares

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	VALUE	SHARES	VALUE
Shares Sold				
Investor Shares	3,779	\$52,590	5,440	\$59,471
Select Shares	+ 3,897	54,352	8,086	86,648
Total shares sold	7,676	\$106,942	13,526	\$146,119
Shares Reinvested				
Investor Shares	629	\$8,293	815	\$8,329
Select Shares	+ 884	11,650	1,072	10,936
Total shares reinvested	1,513	\$19,943	1,887	\$19,265
Shares Redeemed				
Investor Shares	(4,435)	(\$61,681)	(9,803)	(\$105,853)
Select Shares	+ (5,500)	(76,711)	(10,942)	(119,750)
Total shares redeemed	(9,935)	(\$138,392)	(20,745)	(\$225,603)
Net transactions in fund shares	(746)	(\$11,507)	(5,332)	(\$60,219)

Shares Outstanding and Net Assets

	11/1/03-4/30/04		11/1/02-10/31/03	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	88,101	\$1,122,938	93,433	\$978,631
Total increase or decrease	+ (746)	97,262	(5,332)	144,307
End of period	87,355	\$1,220,200	88,101	\$1,122,938

Unless stated, all numbers x 1,000.

The tax-basis components of distributions for the period ended 10/31/03 were:

Ordinary Income	\$20,663
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	\$33
Select Shares	+ 14
Total	\$47

Prior period:

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

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 \$9,119 and \$20,044 at the end of 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	11.3%
Growth Portfolio	10.2%
Balanced Portfolio	6.5%
Conservative Portfolio	2.4%

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 4/30/04 (\$ × 1,000)	Average borrowing* (\$ × 1,000)	Weighted average interest rate* (%)
Schwab S&P 500 Fund	—	8,866	1.37
Schwab 1000	—	1,742	1.34
Schwab Small-Cap Index Fund	—	1,110	1.49
Schwab Total Stock Market Index Fund	—	7,006	1.40
Schwab International Index Fund	695	593	1.52

* 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.

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 4/30/04) 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., Charles Schwab & Co., Inc. Charles Schwab Investment Management, Inc., Charles Schwab Holdings (UK); CEO, Director, Charles Schwab Holdings, Inc.; Chair, CEO Schwab (SIS) Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, Siebel Systems (software), Xsign, Inc. (electronic payment systems); Trustee, Stanford University. <i>Until 5/04:</i> Director, The Gap, Inc. (clothing retailer). <i>Until 2003:</i> Co-CEO, The Charles Schwab Corp. <i>Until 2002:</i> Director, Audiobase, Inc. (Internet audio solutions). <i>Until 5/02:</i> Director, Vodaphone AirTouch PLC (telecommunications). <i>Until 7/01:</i> Director, The Charles Schwab Trust Co.; 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.

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	2003 (all trusts).	Vice Chair, 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} 2/22/55	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.; SVP, 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.

² Effective June 8, 2004, Jeffrey Lyons resigned as trustee from each of the trusts.

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, 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, Laudus Trust, Laudus Variable Insurance Trust. <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 (corporate 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). Trustee, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Corp. (network equipment); Public Governor, Laudus Trust, Laudus Variable Insurance Trust; Member, executive committee, Pacific Stock & Options Exchange. <i>Until 2003</i> : Trustee, Tenera, Inc. (services and software). <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); Trustee, Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products, tools and hardware); Member, audit committee, Northern Border Partners, L.P. (energy). <i>Until 2002</i> : Director, Pennzoil-Quaker State Co. (oil and gas).
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 investment trust).
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

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."

An individual bond is subject to the credit risk of the issuer. Changes in interest rates can affect a bond's market value prior to call or maturity. There is no guarantee that a bond's yield to call or maturity will provide a positive return over the rate of inflation.

bond fund A bond fund is subject to the same credit, interest rate, and inflation risks as bonds. In addition, a bond fund incurs ongoing fees and expenses. A bond fund's net asset value will fluctuate with the price of the underlying bonds and the portfolio turnover activity; return of principal is not guaranteed.

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.

Notes

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a clearly defined investment approach and using disciplined management strategies. The list at right shows all currently available SchwabFunds®.

Whether you're an experienced investor or just starting out, SchwabFunds® can help you achieve your financial goals. An investor should consider a fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the fund's prospectus. Please call 1-800-435-4000 for a prospectus and brochure for any SchwabFund®. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

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

Internet¹

www.schwab.com

Schwab by Phone™²

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

TeleBroker®

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

Mail

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

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

Proxy Voting Policies and Procedures

A description of the proxy voting policies and procedures used to determine how to vote proxies on behalf of the funds is available without charge, upon request, by visiting Schwab's web site at www.schwab.com/schwabfunds, the SEC's web site at <http://www.sec.gov>, or by contacting SchwabFunds at 1-800-435-4000.

The SchwabFunds Family®

Stock Funds

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

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 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack Conservative Portfolio™

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