



Asset  
Management

# Schwab VIT Balanced Portfolio

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### **Proxy Voting Policies, Procedures and Results**

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 the Schwab Fund's website at [www.schwabassetmanagement.com/schwabfunds\\_prospectus](http://www.schwabassetmanagement.com/schwabfunds_prospectus), the SEC's website at [www.sec.gov](http://www.sec.gov), or by contacting Schwab Funds at 1-877-824-5615.

Information regarding how a fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available, without charge, by visiting Schwab's website at [www.schwabassetmanagement.com/schwabfunds\\_prospectus](http://www.schwabassetmanagement.com/schwabfunds_prospectus) or the SEC's website at [www.sec.gov](http://www.sec.gov).

**Investment Adviser:** Charles Schwab Investment Management, Inc., dba Schwab Asset Management™

# The Investment Environment

For the 12-month reporting period ended December 31, 2022, several key U.S. stock indices posted their largest calendar year drop since the 2008 recession and the Bloomberg US Aggregate Bond Index suffered its worst calendar year performance since its inception in 1976, with longer-term bonds underperforming shorter-term bonds. Inflation spiked, interest rates rose, and economic growth around the world slowed. The ongoing war between Russia and Ukraine and the continuing, albeit uneven, fallout from the COVID-19 pandemic weighed on economies and markets around the world. Oil prices peaked at over \$120 per barrel in early March as sanctions were imposed on Russian imports—and again in June on supply-and-demand imbalances—but retreated through most of the rest of the reporting period, ending it at just over \$80 per barrel. The U.S. dollar strengthened against a basket of international currencies over the reporting period, generally decreasing the returns on overseas investments in U.S. dollar terms. For the reporting period, the S&P 500® Index, a bellwether for the overall U.S. stock market, returned -18.11%. The MSCI EAFE® Index (Net)\*, a broad measure of developed international equity performance, returned -14.45%. Emerging market equities were weaker, with the MSCI Emerging Markets Index (Net)\* returning -20.09%. Among U.S. and international bonds, the Bloomberg US Aggregate Bond Index returned -13.01% and the FTSE non-US Dollar World Government Bond Index returned -22.07%.

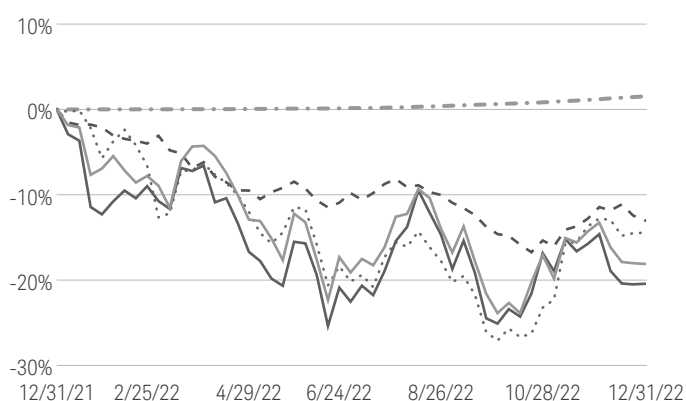
As inflation continued to rise and U.S. Federal Reserve (Fed) monetary policy shifted, bond yields began to climb early in 2022, for the most part maintaining that trajectory through the first three quarters of the year, exerting downward pressure on bond prices. (Bond yields and bond prices typically move in opposite directions.) In the final quarter, longer-term yields became more volatile and prices rebounded slightly, leading to an inversion of certain parts of the yield curve. Over the reporting period, the yield on the 10-year U.S. Treasury rose from 1.52% to 3.88%. Short-term rates also rose sharply, with the yield on the three-month U.S. Treasury climbing from 0.06% to 4.42% over the reporting period, ending the year just slightly off its one-year high.

## ASSET CLASS PERFORMANCE COMPARISON % RETURNS DURING THE 12 MONTHS ENDED DECEMBER 31, 2022

This graph compares the performance of various asset classes.

Final performance figures for the period are in the key below.

- -18.11% **S&P 500® Index:** measures U.S. large-cap stocks
- -20.44% **Russell 2000® Index:** measures U.S. small-cap stocks
- ..... -14.45% **MSCI EAFE® Index (Net)\*:** measures (in U.S. dollars) large-cap stocks in Europe, Australasia and the Far East
- - -13.01% **Bloomberg US Aggregate Bond Index:** measures the U.S. bond market
- - 1.52% **Bloomberg US Treasury Bills 1-3 Month Index:** measures short-term U.S. Treasury obligations



Index figures assume dividends and distributions were reinvested. Index figures do not include trading and management costs, which would lower performance. Indices are unmanaged and cannot be invested in directly. Performance results less than one year are not annualized. Past performance is not an indication of future results.

For index definitions, please see the Glossary.

Data source: Index provider websites and Schwab Asset Management.

Nothing in this report represents a recommendation of a security by the investment adviser.

Management views may have changed since the report date.

\* The net version of the index reflects reinvested dividends net of withholding taxes but reflects no deductions for expenses or other taxes.

## The Investment Environment (continued)

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In the United States, amid fading government stimuli, ongoing supply chain disruptions, persisting inflation, and a widening U.S. trade deficit, gross domestic product (GDP) contracted for the first two quarters of 2022, decreasing at an annualized rate of -1.6% and -0.6% for the first and second quarters, respectively. GDP grew at an annualized rate of 3.2% for the third quarter of 2022, driven primarily by energy exports and consumer spending. Inflation rose steadily in the first half of the year, hitting a 40-year high in June, before declining through the end of the reporting period as certain consumer and energy prices began to recede. The unemployment rate remained low despite inflationary pressures, ending the reporting period at pre-pandemic lows.

Outside the United States, conditions were similar. The eurozone, despite considerable headwinds, managed to maintain positive, albeit waning, GDP growth for the first, second, and third quarters of 2022 on easing COVID-19 restrictions and an increase in tourism in response to pent-up demand. The United Kingdom posted small gains in GDP growth for the first two quarters of 2022, in part driven by increases in COVID-19 testing and tracing and an expansion of its vaccination program but contracted slightly in the third quarter of 2022 on reduced household spending. Among emerging markets, China's GDP growth turned negative for the second quarter as it dealt with numerous headwinds including lockdowns and quarantines, declining domestic consumption, and a severe property downturn, but by the third quarter, GDP growth was again positive, buoyed by a series of policies and stimuli implemented to revive economic activity. India's GDP growth remained positive throughout the reporting period, and was particularly strong in the second quarter, but third-quarter GDP growth waned as high prices and rising interest rates weighed on demand.

Monetary policy around the world varied as central banks responded to the rapidly changing conditions. In the United States, after maintaining the federal funds rate in a range of 0.00% to 0.25% through mid-March 2022, the Fed shifted its stance as inflation continued to rise and indicators of economic activity and employment continued to strengthen. After issuing successively stronger signals that interest rates could begin to rise sooner in 2022 than previously anticipated, the Fed raised the federal funds rate seven times during the reporting period—by 0.25% in mid-March, 0.50% in early May, 0.75% in mid-June, 0.75% in late July, 0.75% in late September, 0.75% in early November, and 0.50% in mid-December. The federal funds rate ended the reporting period in a range of 4.25% to 4.50%. The Fed wrapped up its bond-buying program in March, and in June began to reduce the \$9 trillion in assets held on its balance sheet, vowing to be even more aggressive than during its last round of quantitative tightening between 2017 and 2019. In developed international countries, central banks wrestled with similar issues. After holding its policy rate unchanged since March 2016, at 0.00%, the European Central Bank raised its interest rate four times over the reporting period in an effort to dampen demand and control inflation, which in October rose into double-digits. The Bank of England raised its key official bank rate eight times during the reporting period, bringing borrowing costs to a 14-year high as the Bank of England wrestled with soaring inflation. In contrast, the Bank of Japan continued to uphold its short-term interest rate target of -0.1%, unchanged since 2016, but in late December unexpectedly announced that it would widen the band around the yield target on its 10-year government bond, which pushed the yen higher and effectively marked the end of an extended period in which Japan was the only major developed country to resist raising rates. Monetary policy rates in emerging markets for the most part rose, with a few exceptions. Central banks in India, Indonesia, Brazil, Mexico, and Pakistan all raised their rates multiple times over the reporting period to counteract the impacts of inflation. In contrast, China cut its prime rate twice during the period, in part following a resurgence of COVID-19 cases and a lingering property downturn. Russia, which had raised its benchmark policy rate to 20% in late February amid the broadening fallout of Western sanctions in retaliation against Russia's invasion of Ukraine, subsequently reduced it multiple times by the end of the reporting period.

## Portfolio Management

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**Zifan Tang, Ph.D., CFA**, Senior Portfolio Manager for Schwab Asset Management, is responsible for the co-management of the fund. Prior to joining Schwab in 2012, Ms. Tang was a product manager at Thomson Reuters and from 1997 to 2009 worked as a portfolio manager at Barclays Global Investors (now known as BlackRock).



**Drew Hayes, CFA**, Portfolio Manager for Schwab Asset Management, is responsible for the co-management of the fund. Mr. Hayes has been with Schwab since 2006. Before becoming a portfolio manager, he spent seven years as a senior fixed income specialist for Schwab Wealth Advisory, Inc. Prior to that, he worked as a bond investment specialist for two years and as a registered representative for two years for Charles Schwab & Co., Inc.



**Patrick Kwok, CFA**, Portfolio Manager for Schwab Asset Management, is responsible for the co-management of the fund. Previously, Mr. Kwok served as an associate portfolio manager from 2012 to 2016. Prior to that, he worked as a fund administration manager, where he was responsible for oversight of sub-advisers, trading, cash management, and fund administration supporting the Charles Schwab Trust Bank Collective Investment Trusts and multi-asset Schwab Funds. Prior to joining Schwab Asset Management in 2008, Mr. Kwok spent two years as an asset operations specialist at Charles Schwab Trust Company. He also worked for one year at State Street Bank & Trust as a portfolio accountant and pricing specialist.

# Schwab VIT Balanced Portfolio as of December 31, 2022

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**The Schwab VIT Balanced Portfolio** (the fund) seeks long-term capital appreciation and income. To pursue its goal, the fund aims to provide diversification across major asset classes, including domestic equity securities, international equity securities, real assets, fixed-income securities, and money market investments, as well as diversification across a range of sub-asset classes within the major asset classes.

The fund is considered a “fund-of-funds” in that it gains exposure to these asset classes by primarily investing in affiliated exchange-traded funds (ETFs) from Schwab Funds. The fund may also invest in affiliated mutual funds from Schwab Funds and unaffiliated third-party ETFs and mutual funds. The fund uses the internally calculated VIT Balanced Composite Index (the composite index) as a performance gauge. The components that make up the composite index may vary over time. For index definition, please see the Glossary.

**Market Highlights.** For the 12-month reporting period ended December 31, 2022, several key U.S. stock indices posted their largest calendar year drop since the 2008 recession and the Bloomberg US Aggregate Bond Index suffered its worst calendar year performance since its inception in 1976, with longer-term bonds underperforming shorter-term bonds. Inflation spiked, interest rates rose, and economic growth around the world slowed. The ongoing war between Russia and Ukraine and the continuing, albeit uneven, fallout from the COVID-19 pandemic weighed on economies and markets around the world. Oil prices peaked at over \$120 per barrel in early March as sanctions were imposed on Russian imports—and again in June on supply-and-demand imbalances—but retreated through most of the rest of the reporting period, ending it at just over \$80 per barrel. The U.S. dollar strengthened against a basket of international currencies over the reporting period, generally decreasing the returns on overseas investments in U.S. dollar terms. As inflation continued to rise and U.S. Federal Reserve monetary policy shifted, bond yields began to climb early in 2022, for the most part maintaining that trajectory through the first three quarters of the year, exerting downward pressure on bond prices. (Bond yields and bond prices typically move in opposite directions.)

**Performance.** For the 12-month reporting period ended December 31, 2022, the fund returned -14.71%. The Dow Jones U.S. Total Stock Market Index and the Bloomberg US Aggregate Bond Index, reflecting broad-based U.S. stock and bond market performance, returned -19.53% and -13.01%, respectively. The composite index, described above, returned -14.15%.

**Positioning and Strategies.** The fund’s allocations were broadly in line with those of the composite index.

The fund’s fixed-income exposure detracted the most from the total return of the fund. The Schwab U.S. Aggregate Bond ETF was the largest detractor from the total return of the fund, returning approximately -13% for the reporting period and generally tracking its comparative index component. The Schwab U.S. TIPS ETF and the Schwab Short-Term U.S. Treasury ETF also detracted from the total return of the fund, returning approximately -12% and -4%, respectively, for the reporting period and generally tracking their respective comparative index components.

The fund’s U.S. equity exposure detracted from the total return of the fund. The Schwab U.S. Large-Cap ETF and the Schwab U.S. Small-Cap ETF detracted from the total return of the fund, returning approximately -19% and -20%, respectively, for the reporting period and generally tracking their respective comparative index components.

The fund’s international equity exposure detracted from the total return of the fund. The Schwab International Equity ETF and the Schwab Emerging Markets Equity ETF detracted from the total return of the fund, returning approximately -15% and -18%, respectively, for the reporting period and generally tracking their respective comparative index components. The Schwab International Small-Cap Equity ETF was the smallest detractor from the total return of the fund, returning approximately -22% for the reporting period and generally tracking its comparative index component.

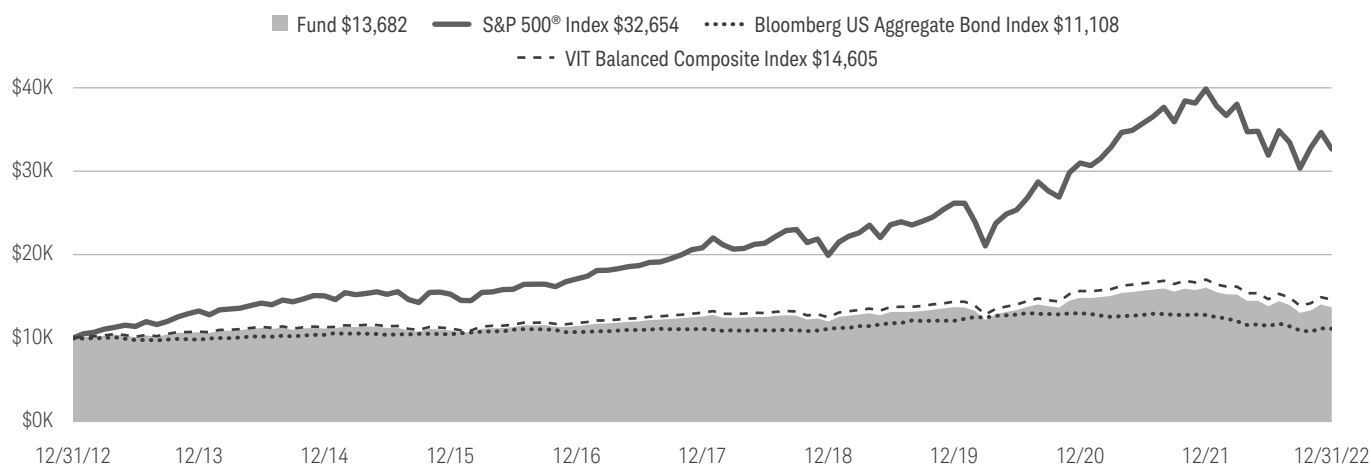
The fund’s real estate exposure, the Schwab U.S. REIT ETF, also detracted from the total return of the fund, returning approximately -25% for the reporting period and generally tracking its comparative index component.

Management views and portfolio holdings may have changed since the report date.

# Performance and Fund Facts as of December 31, 2022

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 performance information current to the most recent month end, please visit [www.schwabassetmanagement.com/schwabfunds\\_prospectus](http://www.schwabassetmanagement.com/schwabfunds_prospectus).

## PERFORMANCE OF HYPOTHETICAL \$10,000 INVESTMENT (DECEMBER 31, 2012 - DECEMBER 31, 2022)<sup>1</sup>



## AVERAGE ANNUAL TOTAL RETURNS<sup>1</sup>

FUND AND INCEPTION DATE	1 YEAR	5 YEARS	10 YEARS
Fund: Schwab VIT Balanced Portfolio (07/25/12)	-14.71%	1.70%	3.18%
S&P 500® Index	-18.11%	9.42%	12.56%
Bloomberg US Aggregate Bond Index	-13.01%	0.02%	1.06%
VIT Balanced Composite Index	-14.15%	2.31%	3.86%
Fund Category: Morningstar Allocation – 30% to 50% Equity <sup>2</sup>	-14.39%	2.28%	4.20%

Fund Expense Ratio<sup>3</sup>: 0.57%

All total return 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 cannot be invested in directly. Performance results less than one year are not annualized.

The components that make up the composite index may vary over time. For index definitions, please see the Glossary.

<sup>1</sup> Fund expenses may have been partially absorbed by the investment adviser and its affiliates. Without these reductions, the fund's returns would have been lower. Fund performance does not reflect the additional fees and expenses imposed by the insurance company under the variable insurance product contract. If those contract fees and expenses were included, the performance would be less than that shown. Please refer to the variable insurance product prospectus for a complete listing of these expenses.

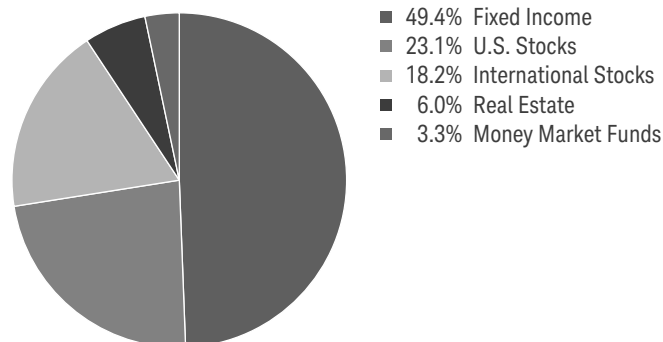
<sup>2</sup> Source for category information: Morningstar, Inc. The Morningstar Category return represents all active and index mutual funds and ETFs within the category as of the report date.

<sup>3</sup> As stated in the prospectus. Includes 0.05% of acquired fund fees and expenses (AFFE), which are indirect expenses incurred by the fund through its investments in the underlying funds. Reflects the total annual operating expenses without contractual fee waivers. For actual expense ratios during the period, not including AFFE, refer to the Financial Highlights section of the financial statements.

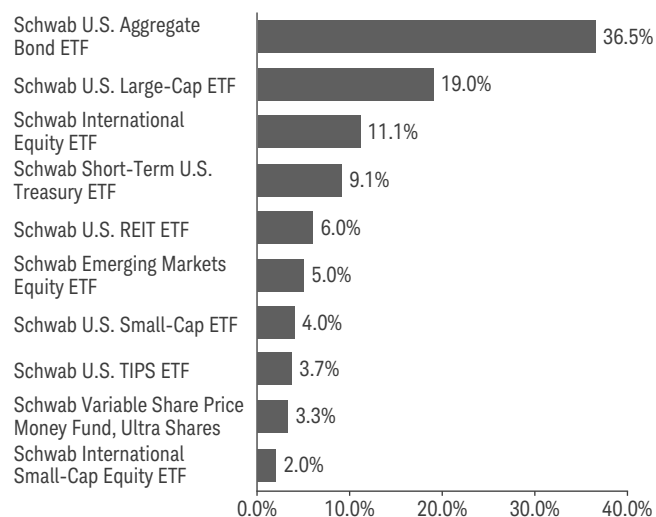
# Performance and Fund Facts as of December 31, 2022 (continued)

STATISTICS	
Number of Holdings	10
Portfolio Turnover Rate	19%

## ASSET CLASS WEIGHTINGS % OF INVESTMENTS<sup>1,2</sup>



## TOP HOLDINGS % OF NET ASSETS<sup>1,3</sup>



Portfolio holdings may have changed since the report date.

<sup>1</sup> The fund intends to primarily invest in affiliated Schwab ETFs and may also invest in affiliated Schwab Funds and unaffiliated third-party ETFs and mutual funds (all such ETFs and mutual funds referred to as “underlying funds”). The fund may also invest directly in equity, fixed-income, or other securities or investments, as appropriate, consistent with its investment objectives, strategies, and policies.

<sup>2</sup> The percentage may differ from the Portfolio Holdings because the above calculation is based on a percentage of total investments, whereas the calculation in the Portfolio Holdings is based on a percentage of net assets.

<sup>3</sup> This list is not a recommendation of any security by the investment adviser.



# Fund Expenses (Unaudited)

## EXAMPLES FOR A \$1,000 INVESTMENT

As a fund shareholder, you may incur two types of costs: (1) transaction costs; and (2) ongoing costs, including management fees, transfer agent fees, and other fund expenses.

The expense examples below are intended to help you understand your ongoing cost (in dollars) of investing in the fund and to compare this cost with the ongoing cost of investing in other mutual funds. These examples are based on an investment of \$1,000 invested for six months beginning July 1, 2022 and held through December 31, 2022.

**The Actual Return** line in the table below provides information about actual account values and actual expenses. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period. To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value ÷ \$1,000 = 8.6), then multiply the result by the number given for the fund under the heading entitled "Expenses Paid During Period."

**The Hypothetical Return** line in the table below provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed return of 5% per year before expenses. Because the return used is not an actual return, it may not be used to estimate the actual ending account value or expenses you paid for the period.

You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only, and do not reflect any transactional costs. Therefore, the hypothetical return lines of the table are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	EXPENSE RATIO (ANNUALIZED) <sup>1,2</sup>	EFFECTIVE EXPENSE RATIO (ANNUALIZED) <sup>3,4</sup>	BEGINNING ACCOUNT VALUE AT 7/1/22	ENDING ACCOUNT VALUE (NET OF EXPENSES) AT 12/31/22 <sup>2</sup>	EXPENSES PAID DURING PERIOD 7/1/22-12/31/22 <sup>2,5</sup>	EFFECTIVE EXPENSES PAID DURING PERIOD 7/1/22-12/31/22 <sup>4,5</sup>
<b>Schwab VIT Balanced Portfolio</b>						
Actual Return	0.53%	0.58%	\$1,000.00	\$ 991.20	\$2.66	\$2.91
Hypothetical 5% Return	0.53%	0.58%	\$1,000.00	\$1,022.53	\$2.70	\$2.96

<sup>1</sup> Based on the most recent six-month expense ratio; may differ from the expense ratio provided in the Financial Highlights.

<sup>2</sup> Excludes acquired fund fees and expenses, which are indirect expenses incurred by the fund through its investments in underlying funds.

<sup>3</sup> Based on the most recent six-month acquired fund fees and expenses and the expense ratio; may differ from the acquired fund fees and expenses and the expense ratio in the prospectus.

<sup>4</sup> Includes acquired fund fees and expenses, which are indirect expenses incurred by the fund through its investments in underlying funds.

<sup>5</sup> Expenses for the fund are equal to its annualized expense ratio, multiplied by the average account value over the period, multiplied by 184 days in the period, and divided by 365 days in the fiscal year.

## Financial Statements

## FINANCIAL HIGHLIGHTS

	1/1/22– 12/31/22	1/1/21– 12/31/21	1/1/20– 12/31/20	1/1/19– 12/31/19	1/1/18– 12/31/18
<b>Per-Share Data</b>					
Net asset value at beginning of period	\$14.99	\$14.04	\$13.25	\$11.82	\$12.58
Income (loss) from investment operations:					
Net investment income (loss) <sup>1</sup>	0.22	0.21	0.20	0.25	0.23
Net realized and unrealized gains (losses)	(2.42)	0.93	0.86	1.42	(0.80)
Total from investment operations	(2.20)	1.14	1.06	1.67	(0.57)
Less distributions:					
Distributions from net investment income	(0.21)	(0.19)	(0.24)	(0.22)	(0.17)
Distributions from net realized gains	(0.25)	(0.00) <sup>2</sup>	(0.03)	(0.02)	(0.02)
Total distributions	(0.46)	(0.19)	(0.27)	(0.24)	(0.19)
Net asset value at end of period	\$12.33	\$14.99	\$14.04	\$13.25	\$11.82
Total return	(14.71%)	8.19%	8.23%	14.24%	(4.63%)
<b>Ratios/Supplemental Data</b>					
Ratios to average net assets:					
Net operating expenses <sup>3</sup>	0.53% <sup>4</sup>	0.52%	0.54%	0.56%	0.55%
Gross operating expenses <sup>3</sup>	0.53% <sup>4</sup>	0.52%	0.54%	0.56%	0.55%
Net investment income (loss)	1.70%	1.42%	1.53%	1.97%	1.87%
Portfolio turnover rate	19%	13%	38%	15%	9%
Net assets, end of period (x 1,000)	\$74,061	\$92,777	\$83,577	\$75,883	\$66,475

<sup>1</sup> Calculated based on the average shares outstanding during the period.

<sup>2</sup> Per-share amount was less than \$0.005.

<sup>3</sup> Ratio excludes acquired fund fees and expenses, which are indirect expenses incurred by the fund through its investments in underlying funds.

<sup>4</sup> Ratio includes less than 0.005% of non-routine proxy expenses.

# Portfolio Holdings

 as of December 31, 2022

This section shows all the securities in the fund's portfolio and their values as of the report date, including a summary of the fund's transactions with its affiliated underlying funds during the period.

The fund files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-PORT Part F. The fund's Form N-PORT Part F is available on the SEC's website at [www.sec.gov](http://www.sec.gov). The fund also makes available its complete schedule of portfolio holdings on the fund's website at [www.schwabassetmanagement.com/schwabfunds\\_prospectus](http://www.schwabassetmanagement.com/schwabfunds_prospectus), typically 60-80 days after the end of the fund's fiscal quarter.

SECURITY	VALUE AT 12/31/21	PURCHASES	SALES	REALIZED GAINS (LOSSES)	NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION)	VALUE AT 12/31/22	BALANCE OF SHARES HELD AT 12/31/22	DISTRIBUTIONS RECEIVED <sup>(a)</sup>
<b>AFFILIATED UNDERLYING FUNDS 99.7% OF NET ASSETS</b>								
<b>U.S. Stocks 23.0%</b>								
<b>Large-Cap 19.0%</b>								
Schwab U.S. Large-Cap ETF	\$17,744,083	\$3,744,631	(\$3,835,442)	\$205,487	(\$3,778,867)	\$14,079,892	311,847	\$231,671
<b>Small-Cap 4.0%</b>								
Schwab U.S. Small-Cap ETF	3,732,787	751,669	(751,128)	(52,979)	(714,895)	2,965,454	73,203	40,988
						17,045,346		
<b>International Stocks 18.1%</b>								
<b>Developed Markets 13.1%</b>								
Schwab International Equity ETF	10,229,845	1,891,515	(2,285,041)	(99,640)	(1,561,491)	8,175,188	253,809	230,404
Schwab International Small-Cap Equity ETF	1,865,262	357,437	(298,177)	(31,304)	(389,991)	1,503,227	47,767	26,774
						9,678,415		
<b>Emerging Markets 5.0%</b>								
Schwab Emerging Markets Equity ETF	4,572,025	729,903	(684,116)	(92,555)	(800,498)	3,724,759	157,362	106,924
						13,403,174		
<b>Real Estate 6.0%</b>								
<b>U.S. REITs 6.0%</b>								
Schwab U.S. REIT ETF	5,680,561	1,141,689	(930,713)	84,925	(1,529,230)	4,447,232	230,546	107,951
<b>Fixed Income 49.3%</b>								
<b>Inflation-Protected Bond 3.7%</b>								
Schwab U.S. TIPS ETF	3,402,978	340,712	(399,249)	(21,186)	(562,227)	2,761,028	53,312	195,534
<b>Intermediate-Term Bond 36.5%</b>								
Schwab U.S. Aggregate Bond ETF	33,519,116	5,121,147	(6,554,560)	(691,165)	(4,380,694)	27,013,844	591,760	729,207
<b>Treasury Bond 9.1%</b>								
Schwab Short-Term U.S. Treasury ETF	8,325,874	998,201	(2,193,190)	(87,003)	(318,454)	6,725,428	139,416	93,368
						36,500,300		
<b>Money Market Funds 3.3%</b>								
Schwab Variable Share Price Money Fund, Ultra Shares, 4.42% <sup>(b)</sup>	2,403,051	40,108	–	–	5	2,443,164	2,442,431	40,318
<b>Total Affiliated Underlying Funds (Cost \$68,305,196)</b>	<b>\$91,475,582</b>	<b>\$15,117,012</b>	<b>(\$17,931,616)</b>	<b>(\$785,420)</b>	<b>(\$14,036,342)</b>	<b>\$73,839,216</b>		<b>\$1,803,139</b>
<b>Total Investments in Securities (Cost \$68,305,196)</b>						<b>\$73,839,216</b>		

<sup>(a)</sup> Distributions received include distributions from net investment income and capital gains, if any, from the underlying funds. Amounts shown are only presented for affiliated underlying funds, which are presented in the corresponding line-item in the Statement of Operations, if applicable (see financial note 2(d) for additional information).

<sup>(b)</sup> The rate shown is the annualized 7-day yield.

## Portfolio Holdings as of December 31, 2022 (continued)

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ETF – Exchange traded fund  
REIT – Real Estate Investment Trust  
TIPS – Treasury Inflation Protected Securities

At December 31, 2022, all of the fund's investment securities were classified as Level 1. Fund investments in underlying mutual funds and ETFs are classified as Level 1, without consideration to the classification level of the investments held by the underlying mutual funds and ETFs, which could be Level 1, Level 2 or Level 3 (see financial note 2(a) for additional information).

# Statement of Assets and Liabilities

As of December 31, 2022

## ASSETS

Investments in securities, at value - affiliated (cost \$68,305,196)	\$73,839,216
Cash	478,942
Receivables:	
Investments sold	580,346
Dividends	13,319
Prepaid expenses	+ 186
<b>Total assets</b>	<b>74,912,009</b>

## LIABILITIES

Payables:	
Investments bought	587,334
Fund shares redeemed	198,588
Investment adviser and administrator fees	30,995
Independent trustees' fees	31
Accrued expenses	+ 34,286
<b>Total liabilities</b>	<b>851,234</b>
<b>Net assets</b>	<b>\$74,060,775</b>

## NET ASSETS BY SOURCE

Capital received from investors	\$68,607,557
Total distributable earnings	+ 5,453,218
<b>Net assets</b>	<b>\$74,060,775</b>

## Net Asset Value (NAV)

<b>Net Assets</b>	÷	<b>Shares Outstanding</b>	=	<b>NAV</b>
\$74,060,775		6,005,552		\$12.33

# Statement of Operations

For the period January 1, 2022 through December 31, 2022

<b>INVESTMENT INCOME</b>	
Dividends received from securities - affiliated	\$1,803,139
Interest received from securities - unaffiliated	+ 4,287
<b>Total investment income</b>	<b>1,807,426</b>
<b>EXPENSES</b>	
Investment adviser and administrator fees	365,137
Professional fees	22,114
Portfolio accounting fees	12,146
Independent trustees' fees	11,637
Shareholder reports	10,075
Custodian fees	1,855
Proxy fees <sup>1</sup>	1,671
Transfer agent fees	637
Other expenses	+ 3,278
<b>Total expenses</b>	<b>- 428,550</b>
<b>Net investment income</b>	<b>1,378,876</b>
<b>REALIZED AND UNREALIZED GAINS (LOSSES)</b>	
Net realized losses on sales of securities - affiliated	(785,420)
Net change in unrealized appreciation (depreciation) on securities - affiliated	+ (14,036,342)
Net realized and unrealized losses	(14,821,762)
Decrease in net assets resulting from operations	(\$13,442,886)

<sup>1</sup> Proxy fees are non-routine expenses (see financial note 4 for additional information).

# Statement of Changes in Net Assets

For the current and prior report periods

<b>OPERATIONS</b>				
	1/1/22-12/31/22		1/1/21-12/31/21	
Net investment income		\$1,378,876		\$1,257,633
Net realized gains (losses)		(785,420)		1,491,073
Net change in unrealized appreciation (depreciation)		+ (14,036,342)		4,105,072
<b>Increase (decrease) in net assets resulting from operations</b>		<b>(\$13,442,886)</b>		<b>\$6,853,778</b>
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>				
Total distributions		<b>(\$2,780,278)</b>		<b>(\$1,172,672)</b>
<b>TRANSACTIONS IN FUND SHARES</b>				
	1/1/22-12/31/22		1/1/21-12/31/21	
	SHARES	VALUE	SHARES	VALUE
Shares sold	799,054	\$10,814,402	1,041,182	\$15,151,379
Shares reinvested	223,495	2,780,278	80,101	1,172,672
Shares redeemed	+ (1,206,933)	(16,087,896)	(883,201)	(12,804,877)
<b>Net transactions in fund shares</b>	<b>(184,384)</b>	<b>(\$2,493,216)</b>	<b>238,082</b>	<b>\$3,519,174</b>
<b>SHARES OUTSTANDING AND NET ASSETS</b>				
	1/1/22-12/31/22		1/1/21-12/31/21	
	SHARES	NET ASSETS	SHARES	NET ASSETS
Beginning of period	6,189,936	\$92,777,155	5,951,854	\$83,576,875
Total increase (decrease)	+ (184,384)	(18,716,380)	238,082	9,200,280
<b>End of period</b>	<b>6,005,552</b>	<b>\$74,060,775</b>	<b>6,189,936</b>	<b>\$92,777,155</b>

# Financial Notes

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## 1. Business Structure of the Fund:

Schwab VIT Balanced Portfolio (the fund) is a series of Schwab Annuity Portfolios (the trust), a no-load, open-end management investment company. The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended (the 1940 Act). The list below shows all the funds in the trust as of the end of the period, including the fund discussed in this report, which is highlighted:

### SCHWAB ANNUITY PORTFOLIOS (ORGANIZED JANUARY 21, 1994)

Schwab Government Money Market Portfolio

Schwab S&P 500 Index Portfolio

**Schwab VIT Balanced Portfolio**

Schwab VIT Balanced with Growth Portfolio

Schwab VIT Growth Portfolio

The fund is a “fund of funds” which primarily invests in affiliated Schwab Exchange-Traded Funds (ETFs). The fund may also invest in affiliated mutual funds from Schwab Funds and unaffiliated third-party ETFs and mutual funds (all such ETFs and mutual funds referred to as “underlying funds”). The fund may also invest directly in equity or fixed-income securities, including bonds, cash equivalents, money market funds and money market investments, to achieve its investment objectives.

The fund in this report offers one share class. Shares are bought and sold at closing net asset value per share (NAV), which is the price for all outstanding shares of the fund. Each share has a par value of 1/1,000 of a cent, and the fund’s Board of Trustees (the Board) may authorize the issuance of as many shares as necessary.

The fund is available exclusively as an investment vehicle for variable annuity and variable life insurance contracts offered by separate accounts of participating life insurance companies, and in the future may be offered to pension and retirement plans qualified under the Internal Revenue Code of 1986, as amended. At December 31, 2022, 100% of the fund’s shares were held through separate accounts of five insurance companies. Subscriptions and redemptions of these insurance separate accounts could have a material impact on the fund.

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

## 2. Significant Accounting Policies:

The following is a summary of the significant accounting policies the fund uses in its preparation of financial statements. The fund follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification *Topic 946 Financial Services – Investment Companies*. The accounting policies are in conformity with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the fund should be read in conjunction with the underlying funds’ financial statements. For more information about the underlying funds’ operations and policies, please refer to those funds’ semiannual and annual reports, which are filed with the U.S. Securities and Exchange Commission (SEC) and are available on the SEC’s website at [www.sec.gov](http://www.sec.gov).

### (a) Security Valuation:

Pursuant to Rule 2a-5 under the 1940 Act, the Board has designated authority to a Valuation Designee, the fund’s investment adviser, to make fair valuation determinations under adopted procedures, subject to Board oversight. The investment adviser has formed a Pricing Committee to administer the pricing and valuation of portfolio securities and other assets and liabilities and to ensure that prices used for internal purposes or provided by third parties reasonably reflect fair value. The Valuation Designee may utilize independent pricing services, quotations from securities and financial instrument dealers and other market sources to determine fair value.

Securities held in the fund’s portfolio are valued every business day. The following valuation policies and procedures are used by the Valuation Designee to value various types of securities:

- **Securities traded on an exchange or over-the-counter:** Traded securities are valued at the closing value for the day, or, on days when no closing value has been reported, at the mean of the most recent bid and ask quotes.
- **Mutual funds:** Mutual funds are valued at their respective NAVs.
- **Cash management sweep time deposits:** Balances held in cash management sweep time deposits are accounted for on a cost basis, which approximates fair value.



# Financial Notes (continued)

## 2. Significant Accounting Policies (continued):

- **Securities for which no quoted value is available:** The Valuation Designee has adopted procedures to fair value the fund's securities when market prices are not "readily available" or are unreliable. For example, a security may be fair valued when it's de-listed or its trading is halted or suspended; when a security's primary pricing source is unable or unwilling to provide a price; or when a security's primary trading market is closed during regular market hours. Fair value determinations are made in good faith in accordance with adopted valuation procedures. The Valuation Designee considers a number of factors, including unobservable market inputs, when arriving at fair value. The Valuation Designee may employ methods such as the review of related or comparable assets or liabilities, related market activities, recent transactions, market multiples, book values, transactional back-testing, disposition analysis and other relevant information. Due to the subjective and variable nature of fair value pricing, there can be no assurance that the fund could obtain the fair value assigned to the security upon the sale of such security.

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the fund discloses the fair value of its investments in a hierarchy that prioritizes the significant inputs to valuation methods used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). If inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the valuation. If it is determined that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and the Valuation Designee's judgment will be required to estimate fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices in active markets for identical investments – Investments whose values are based on quoted market prices in active markets, and whose values are therefore classified as Level 1 prices, include active listed equities and underlying funds. Underlying funds are classified as Level 1 prices, without consideration to the classification level of the underlying securities held.
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) – Investments that trade in markets that are not considered to be active, but whose values are based on quoted market prices, dealer quotations or valuations provided by alternative pricing sources supported by observable inputs are classified as Level 2 prices. These generally include U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, less liquid listed equities, and state, municipal and provincial obligations.
- Level 3 – significant unobservable inputs (including the Valuation Designee's assumptions in determining the fair value of investments) – Investments whose values are classified as Level 3 prices have significant unobservable inputs, as they may trade infrequently or not at all. When observable prices are not readily available for these securities, one or more valuation methods are used for which sufficient and reliable data is available. The inputs used in estimating the value of Level 3 prices may include the original transaction price, quoted prices for similar securities or assets in active markets, completed or pending third-party transactions in the underlying investment or comparable issuers, and changes in financial ratios or cash flows. Level 3 prices may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated in the absence of market information. Assumptions used due to the lack of observable inputs may significantly impact the resulting fair value and therefore the fund's results of operations.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The levels associated with valuing the fund's investments as of December 31, 2022 are disclosed in the Portfolio Holdings.

### (b) Accounting Policies for certain Portfolio Investments (if held):

**Securities Lending:** Under the trust's Securities Lending Program, a fund (lender) may make short-term loans of its securities to another party (borrower) to generate additional revenue for the fund. The borrower pledges collateral in the form of cash, securities issued or fully guaranteed by the U.S. government or foreign governments, or letters of credit issued by a bank. Collateral at the individual loan level is required to be maintained on a daily marked-to-market basis in an amount at least equal to the current value of the securities loaned. The lending agent provides the fund with indemnification against borrower default (the borrower fails to return the security on loan) reducing the risk of loss as a result of default. The cash collateral of securities loaned is currently invested in money market portfolios operating pursuant to Rule 2a-7 under the 1940 Act. The fund bears the risk of loss with

# Financial Notes (continued)

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## 2. Significant Accounting Policies (continued):

respect to the investment of cash collateral. The terms of the securities lending agreement allow the fund or the lending agent to terminate any loan at any given time and the securities must be returned within the earlier of the standard trade settlement period or the specified time period under the relevant securities lending agreement. Securities lending income, as disclosed in the fund's Statement of Operations, if applicable, represents the income earned from the investment of the cash collateral plus any fees paid by borrowers, less the fees paid to the lending agent and broker rebates which are subject to adjustments pursuant to the securities lending agreement. On loans not collateralized by cash, a fee is received from the borrower, and is allocated between the fund and the lending agent. The aggregate fair value of securities loaned will not at any time exceed one-third of the total assets of the fund, including collateral received from the loan. Securities lending fees paid to the unaffiliated lending agents start at 9% of gross lending revenue, with subsequent breakpoints to a low of 5%. In this context, the gross lending revenue equals the income received from the investment of cash collateral and fees paid by borrowers less any rebates paid to the borrowers. Any expenses charged by the cash collateral fund are in addition to these fees. All remaining revenue is retained by the fund, as applicable. No portion of lending revenue is paid to or retained by the investment adviser or any of its affiliates.

As of December 31, 2022, the fund had no securities on loan.

**Cash Management Transactions:** Effective May 23, 2022 Brown Brothers Harriman & Co. (BBH) was replaced by Citibank, N.A as custodian of the fund. The fund no longer subscribes to the BBH Cash Management Service Sweep (CMS Sweep). The BBH CMS Sweep was an investment product that automatically swept the fund's cash balances into overnight offshore time deposits with either the BBH Grand Cayman branch or a branch of a pre-approved commercial bank. This fully automated program allowed the fund to earn interest on cash balances. Excess cash invested with deposit institutions domiciled outside of the U.S., as with any offshore deposit, was subject to sovereign actions in the jurisdiction of the deposit institution including, but not limited to, freeze, seizure or diminution. The fund assumed the risk associated with the repayment of principal and payment of interest on such instruments by the institution with which the deposit was ultimately placed. The fund terminated the CMS Sweep program and cash was returned to the fund prior to terminating services with BBH.

**Cash Investments:** The fund may invest a portion of its assets in cash. Cash includes cash bank balances in an interest-bearing demand deposit account with maturity on demand by the fund.

### (c) Security Transactions:

Security transactions are recorded as of the date the order to buy or sell the security is executed. Realized gains and losses from security transactions are based on the identified costs of the securities involved.

### (d) Investment Income:

Interest income is recorded as it accrues. Dividends and distributions from portfolio securities and underlying funds are recorded on the date they are effective (the ex-dividend date). Any distributions from underlying funds are recorded in accordance with the character of the distributions as designated by the underlying funds.

### (e) Expenses:

Expenses that are specific to the fund are charged directly to the fund. Expenses that are common to more than one fund in the trusts generally are allocated among those funds in proportion to their average daily net assets. The fund bears its share of the acquired fund fees and expenses of the underlying funds, which are indirect expenses incurred by the fund through its investments in the underlying funds. Such expenses are reflected in the net asset values of the underlying funds.

### (f) Distributions to Shareholders:

The fund makes distributions from net investment income and net realized capital gains, if any, once a year. To receive a distribution, you must be a registered shareholder on the record date. Distributions are paid to shareholders on the payable date.

### (g) Accounting Estimates:

The accounting policies described in this report conform to GAAP. 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 and these differences may be material.

# Financial Notes (continued)

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## 2. Significant Accounting Policies (continued):

### (h) Federal Income Taxes:

The fund intends to meet federal income and excise tax requirements for regulated investment companies under subchapter M of the Internal Revenue Code, as amended. Accordingly, the fund distributes substantially all of its net investment income and net realized capital gains, if any, to the participating insurance company's (shareholders) separate accounts each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

### (i) Indemnification:

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

### (j) Regulatory Update:

Effective January 24, 2023, the SEC adopted rule and form amendments to require mutual funds and ETFs to transmit concise and visually engaging streamlined annual and semiannual reports to shareholders that highlight key information deemed important for retail investors to assess and monitor their fund investments. Other information, including financial statements, will no longer appear in a streamlined shareholder report but must be available online, delivered free of charge upon request, and filed on a semiannual basis on Form N-CSR. The rule and form amendments have a compliance date of July 24, 2024. At this time, management is evaluating the impact of these rule and form amendment changes on the content of the current shareholder report and the newly created annual and semiannual streamlined shareholder reports.

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## 3. Risk Factors:

Investing in the fund may involve certain risks, as discussed in the fund's prospectus, including, but not limited to, those described below. Any of these risks could cause an investor to lose money.

**Asset Allocation Risk.** The fund is subject to the risk that the selection of the underlying funds and the allocation of the fund's assets among the various asset classes and market segments may cause the fund to underperform other funds with a similar investment objective.

**Conflicts of Interest Risk.** The investment adviser's authority to select and substitute underlying funds from a variety of affiliated and unaffiliated mutual funds and ETFs may create a conflict of interest because the fees paid to it and its affiliates by some underlying funds are higher than the fees paid by other underlying funds. The investment adviser also may have an incentive to select an affiliated underlying fund for other reasons, including to increase assets under management or to support new investment strategies. In addition, other conflicts of interest may exist where the best interests of the affiliated underlying fund may not be aligned with those of the fund. However, the investment adviser is a fiduciary to the fund and is legally obligated to act in the fund's best interests when selecting underlying funds.

**Market Risk.** Financial markets rise and fall in response to a variety of factors, sometimes rapidly and unpredictably. Markets may be impacted by economic, political, regulatory and other conditions, including economic sanctions and other government actions. In addition, the occurrence of global events, such as war, terrorism, environmental disasters, natural disasters and epidemics may also negatively affect the financial markets. As with any investment whose performance is tied to these markets, the value of an investment in the fund will fluctuate, which means that an investor could lose money over short or long periods.

**Securities Lending Risk.** Securities lending involves the risk of loss of rights in, or delay in recovery of, the loaned securities if the borrower fails to return the security loaned or becomes insolvent.

**ETF Risk.** When the fund invests in an ETF, it will bear a proportionate share of the ETF's expenses. In addition, lack of liquidity in the market for an ETF's shares can result in its value being more volatile than the underlying portfolio of securities.

**Direct Investment Risk.** The fund may invest directly in cash, cash equivalents and equity and fixed-income securities, including money market securities, to maintain its allocations. The fund's direct investment in these securities is subject to the same or similar risks as an underlying fund's investment in the same securities.

**Underlying Fund Investment Risk.** Before investing in the fund, investors should assess the risks associated with the underlying funds in which the fund may invest, which include any combination of the risks described below.

# Financial Notes (continued)

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### 3. Risk Factors (continued):

- **Equity Risk.** The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. In addition, equity markets tend to move in cycles, which may cause stock prices to fall over short or extended periods of time.
- **Market Capitalization Risk.** Securities issued by companies of different market capitalizations tend to go in and out of favor based on market and economic conditions. During a period when securities of a particular market capitalization fall behind other types of investments, an underlying fund's performance could be impacted.
- **Foreign Investment Risk.** An underlying fund's investments in securities of foreign issuers involve certain risks that may be greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory and other conditions; changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); the imposition of economic sanctions or other government restrictions; differing accounting, auditing, financial reporting and legal standards and practices; differing securities market structures; and higher transaction costs. These risks may negatively impact the value or liquidity of an underlying fund's investments, and could impair the underlying fund's ability to meet its investment objective or invest in accordance with its investment strategy. There is a risk that investments in securities denominated in, and/or receiving revenues in, foreign currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency hedged, resulting in the dollar value of an underlying fund's investment being adversely affected.
- **Emerging Markets Risk.** Emerging market countries may be more likely to experience political turmoil or rapid changes in market or economic conditions than more developed countries. Emerging market countries often have less uniformity in accounting, auditing, financial reporting and recordkeeping requirements and greater risk associated with the custody of securities. In addition, the financial stability of issuers (including governments) in emerging market countries may be more precarious than in developed countries. As a result, there may be an increased risk of illiquidity and price volatility associated with an underlying fund's investments in emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar, and, at times, it may be difficult to value such investments.
- **Growth Investing Risk.** Certain of the underlying funds pursue a "growth style" of investing. Growth investing focuses on a company's prospects for growth of revenue and earnings. If a company's earnings or revenues fall short of expectations, its stock price may fall dramatically. Growth stocks also can perform differently from the market as a whole and other types of stocks and can be more volatile than other types of stocks. Since growth companies usually invest a high portion of earnings in their business, they may lack the dividends of value stocks that can cushion stock prices in a falling market. Growth stocks may also be more expensive relative to their earnings or assets compared to value or other stocks.
- **Value Investing Risk.** Certain of the underlying funds may pursue a "value style" of investing. Value investing focuses on companies whose stocks appear undervalued in light of factors such as the company's earnings, book value, revenues or cash flow. If an underlying fund's investment adviser's (or sub-adviser's) assessment of a company's value or prospects for exceeding earnings expectations or market conditions is wrong, the underlying fund could suffer losses or produce poor performance relative to other funds. In addition, "value stocks" can continue to be undervalued by the market for long periods of time.
- **Fixed-Income Risk.** Interest rates rise and fall over time, which will affect an underlying fund's yield and share price. A change in a central bank's monetary policy or economic conditions, among other things, may result in a change in interest rates. A rise in interest rates could cause an underlying fund's share price to fall. The credit quality of a portfolio investment could also cause an underlying fund's share price to fall. An underlying fund could lose money if the issuer or guarantor of a portfolio investment or the counterparty to a derivatives contract fails to make timely principal or interest payments or otherwise honor its obligations. Fixed-income securities may be paid off earlier or later than expected. Either situation could cause an underlying fund to hold securities paying lower-than-market rates of interest, which could hurt an underlying fund's yield or share price. Below investment-grade bonds (junk bonds) involve greater credit risk, are more volatile, involve greater risk of price declines and may be more susceptible to economic downturns than investment-grade securities.
- **Interest Rate Risk.** Interest rates rise and fall over time. As with any investment whose yield reflects current interest rates, an underlying fund's yield will change over time. During periods when interest rates are low, an underlying fund's yield (and total return) also may be low. Changes in interest rates also may affect an underlying fund's share price: a rise in interest rates generally causes an underlying fund's share price to fall. The longer an underlying fund's portfolio duration, the more sensitive to interest rate movements its share price is likely to be. Also, a change in a central bank's monetary policy or economic conditions, among other things, may result in a change in interest rates, which could have sudden and unpredictable effects on the markets and significantly impact the value of fixed-income securities in which the underlying fund invests.

# Financial Notes (continued)

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### 3. Risk Factors (continued):

- **Credit Risk.** A decline in the credit quality of an issuer or guarantor of a portfolio investment could cause an underlying fund to lose money or underperform. An underlying fund could lose money if the issuer or guarantor of a portfolio investment fails to make timely principal or interest payments or otherwise honor its obligations.
- **Prepayment and Extension Risk.** Certain fixed income securities are subject to the risk that the securities may be paid off earlier or later than expected, especially during periods of falling or rising interest rates, respectively. Prepayments of obligations could cause an underlying fund to forgo future interest income on the portion of the security's principal repaid early and force the underlying fund to reinvest that money at the lower prevailing interest rates. Extensions of obligations could cause the fund to exhibit additional volatility and hold securities paying lower-than-market rates of interest. Either case could hurt the underlying fund's performance.
- **U.S. Government Securities Risk.** Some of the U.S. government securities that the underlying funds invest in are not backed by the full faith and credit of the U.S. government, which means they are neither issued nor guaranteed by the U.S. Treasury. Issuers such as the Federal Home Loan Banks (FHLB) maintain limited access to credit lines from the U.S. Treasury. Certain securities, such as obligations issued by the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law. Also, any government guarantees on securities the underlying funds own do not extend to shares of the underlying funds themselves.
- **Real Estate Investment Risk.** An underlying fund in which the fund may invest may have a policy of concentrating its investments in real estate companies and companies related to the real estate industry. As such, an underlying fund is subject to risks associated with the direct ownership of real estate securities and the fund's investment in such an underlying fund is subject to risks associated with the direct ownership of real estate securities and an investment in the underlying fund will be closely linked to the performance of the real estate markets. These risks include, among others, declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds or other limits to accessing the credit or capital markets; defaults by borrowers or tenants, particularly during an economic downturn; and changes in interest rates.
- **Real Estate Investment Trusts (REITs) Risk.** An underlying fund may invest in REITs. An underlying fund's investments in REITs will be subject to the risks associated with the direct ownership of real estate, including fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions. REITs are also subject to certain additional risks. For example, equity REITs may be affected by changes in the value of the underlying properties owned by the trusts, and mortgage REITs may be affected by the quality of any credit extended. Further, REITs may have their investments in relatively few properties, a small geographic area or a single property type. In addition, REITs have their own expenses, and the underlying fund will bear a proportionate share of those expenses.
- **Mortgage-Backed and Mortgage Pass-Through Securities Risk.** Mortgage-backed securities tend to increase in value less than other debt securities when interest rates decline, but are subject to similar or greater risk of decline in fair value during periods of rising interest rates. Certain of the mortgage-backed securities in which an underlying fund may invest are issued or guaranteed by agencies or instrumentalities of the U.S. government but are not backed by the full faith and credit of the U.S. government. There can be no assurance that the U.S. government would provide financial support to its agencies or instrumentalities where it was not obligated to do so which can cause an underlying fund to lose money or underperform. The risks of investing in mortgage-backed securities include, among others, interest rate risk, credit risk, prepayment risk and extension risk. Transactions in mortgage pass-through securities often occur through to-be-announced (TBA) transactions. An underlying fund could lose money or underperform if a TBA counterparty defaults or goes bankrupt.
- **Portfolio Turnover Risk.** Certain of the underlying funds may buy and sell portfolio securities actively. If they do, their portfolio turnover rate and transaction costs will rise, which may lower the underlying fund's performance and may increase the likelihood of capital gains distributions.
- **Liquidity Risk.** An underlying fund may be unable to sell certain securities, such as illiquid securities, readily at a favorable time or price, or the underlying fund may have to sell them at a loss.
- **Derivatives Risk.** An underlying fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. An underlying fund's use of derivatives could reduce the underlying fund's performance, increase volatility, and could cause the underlying fund to lose more than the initial amount invested. In addition, investments in derivatives may involve leverage, which means a small percentage of assets invested in derivatives can have a disproportionately large impact on an underlying fund.

# Financial Notes (continued)

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### 3. Risk Factors (continued):

- **Securities Lending Risk.** Certain underlying funds engage in securities lending, which involves the risk of loss of rights in, or delay in recovery of, the loaned securities if the borrower fails to return the security loaned or becomes insolvent.
- **Management Risk.** An underlying fund may be an actively managed mutual fund. Any actively managed mutual fund is subject to the risk that its investment adviser (or sub-adviser(s)) will make poor security selections. An underlying fund's adviser applies its own investment techniques and risk analyses in making investment decisions for the fund, but there can be no guarantee that they will produce the desired results.
- **Investment Style Risk.** Certain underlying funds seek to track the performance of various segments of the stock market, as measured by their respective indices. Such underlying funds follow these stocks during upturns as well as downturns. Because of their indexing strategy, these underlying funds do not take steps to reduce market exposure or to lessen the effects of a declining market. In addition, because of an underlying fund's expenses, the underlying fund's performance is normally below that of the index. Errors relating to an index may occur from time to time and may not be identified by the underlying fund's index provider for a period of time. In addition, market disruptions could cause delays in an underlying fund's index's rebalancing schedule. Such errors and/or market disruptions may result in losses for an underlying fund.
- **Tracking Error Risk.** An underlying fund may seek to track the performance of its benchmark index, although it may not be successful in doing so. The divergence between the performance of a fund and its benchmark index, positive or negative, is called "tracking error." Tracking error can be caused by many factors and it may be significant.
- **Concentration Risk.** To the extent that an underlying fund's portfolio is concentrated in the securities of issuers in a particular market, industry, group of industries, sector or asset class, the underlying fund may be adversely affected by the performance of those securities, may be subject to increased price volatility and may be more vulnerable to adverse economic, market, political, or regulatory occurrences affecting that market, industry, group of industries, sector or asset class.
- **Commodity Risk.** To the extent that an underlying fund invests in commodity-linked derivative instruments, it may subject the underlying fund to greater volatility than investments in traditional securities. Also, commodity-linked investments may be more volatile and less liquid than the underlying commodity. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and other regulatory and market developments. The use of leveraged commodity-linked derivatives creates an opportunity for increased return, but also creates the possibility for a greater loss.
- **Money Market Fund Risk.** The fund may invest in underlying money market funds that either seek to maintain a stable \$1.00 net asset value ("stable share price money market funds") or that have a share price that fluctuates ("variable share price money market funds"). Although an underlying stable share price money market fund seeks to maintain a stable \$1.00 net asset value, it is possible to lose money by investing in such a money market fund. Because the share price of an underlying variable share price money market fund will fluctuate, when the fund sells the shares it owns they may be worth more or less than what the fund originally paid for them. In addition, neither type of money market fund is designed to offer capital appreciation. Certain underlying money market funds may impose a fee upon the sale of shares or may temporarily suspend the ability to sell shares if such fund's liquidity falls below required minimums.

Please refer to the fund's prospectus for a more complete description of the principal risks of investing in the fund.

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### 4. Affiliates and Affiliated Transactions:

#### Investment Adviser

Charles Schwab Investment Management Inc., dba Schwab Asset Management, a wholly owned subsidiary of The Charles Schwab Corporation, serves as the fund's investment adviser and administrator pursuant to an Investment Advisory and Administration Agreement between the investment adviser and the trust.

For its advisory and administrative services to the fund, the investment adviser is entitled to receive an annual fee, accrued daily and payable monthly, equal to 0.45% of the fund's average daily net assets.

# Financial Notes (continued)

## 4. Affiliates and Affiliated Transactions (continued):

### Expense Limitation

The investment adviser and its affiliates have agreed with the fund, for so long as the investment adviser serves as the investment adviser to the fund, which may only be amended or terminated with approval of the fund's Board, to limit the total annual fund operating expenses charged, excluding interest, taxes and certain non-routine expenses to 0.58%.

The agreement to limit the fund's total expenses charged is limited to the fund's direct operating expenses and, therefore, does not apply to acquired fund fees and expenses, which are indirect expenses incurred by the fund through its investments in the underlying funds.

### Investments in Affiliates

The fund may engage in certain transactions involving related parties. Pursuant to an exemptive order issued by the SEC, the fund may invest in other related ETFs and mutual funds. As of December 31, 2022, the Schwab VIT Balanced Portfolio's ownership percentages of other related funds' shares are:

Schwab Emerging Markets Equity ETF	0.0%*
Schwab International Equity ETF	0.0%*
Schwab International Small-Cap Equity ETF	0.0%*
Schwab Short-Term U.S. Treasury ETF	0.1%
Schwab U.S. Aggregate Bond ETF	0.4%
Schwab U.S. Large-Cap ETF	0.0%*
Schwab U.S. REIT ETF	0.1%
Schwab U.S. Small-Cap ETF	0.0%*
Schwab U.S. TIPS ETF	0.0%*
Schwab Variable Share Price Money Fund, Ultra Shares	0.1%

\* Less than 0.05%

### Interfund Transactions

The fund may engage in transactions with certain other funds in the Fund Complex (for definition refer to the Trustees and Officers section) in accordance with procedures adopted by the Board pursuant to Rule 17a-7 under the 1940 Act. 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/or officers. For the period ended December 31, 2022, the fund's purchases and sales of securities with other funds in the Fund Complex was \$290,151 and \$237,206 respectively, and includes realized losses of \$14,301.

### Interfund Borrowing and Lending

Pursuant to an exemptive order issued by the SEC, the fund may enter into interfund borrowing and lending transactions with other funds in the Fund Complex (for definition refer to the Trustees and Officers section). All loans are for temporary or emergency purposes and the interest rate to be charged will be the average of the overnight repurchase agreement rate and the short-term bank loan rate. All loans are subject to numerous conditions designed to ensure fair and equitable treatment of all participating funds. The interfund lending facility is subject to the oversight and periodic review by the Board. The fund had no interfund borrowing or lending activity during the period.

## 5. Board of Trustees:

The Board may include people who are officers and/or directors of the investment adviser or its affiliates. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The fund did not pay any of these interested persons for their services as trustees, but did pay non-interested persons (independent trustees), as noted on the fund's Statement of Operations. For information regarding the trustees, please refer to the Trustees and Officers table at the end of this report.

# Financial Notes (continued)

## 6. Borrowing from Banks:

During the period, the fund was a participant with other funds in the Fund Complex in a joint, syndicated, committed \$850 million line of credit (the Syndicated Credit Facility), which matured on September 29, 2022. On September 29, 2022, the Syndicated Credit Facility was amended to run for a new 364 day period with the line of credit amount increasing to \$1 billion, maturing on September 28, 2023. Under the terms of the Syndicated Credit Facility, in addition to the interest charged on any borrowings by the fund, the fund paid a commitment fee of 0.15% per annum on the fund's proportionate share of the unused portion of the Syndicated Credit Facility.

During the period, the fund was a participant with other funds in the Fund Complex in a joint, unsecured, uncommitted \$400 million line of credit (the Uncommitted Credit Facility), with State Street Bank and Trust Company, which matured on September 29, 2022. On September 29, 2022, the Uncommitted Credit Facility was amended to run for a new 364 day period with the line of credit amount remaining unchanged, maturing on September 28, 2023. Under the terms of the Uncommitted Credit Facility, the fund pays interest on the amount the fund borrows. There were no borrowings from either line of credit during the period.

The fund also has access to custodian overdraft facilities. The fund may have utilized the overdraft facility and incurred an interest expense, which is disclosed on the fund's Statement of Operations, if any. The interest expense is determined based on a negotiated rate above the current Federal Funds Rate.

## 7. Purchases and Sales of Investment Securities:

For the period ended December 31, 2022, purchases and sales of securities (excluding short-term obligations) were as follows:

PURCHASES OF SECURITIES	SALES OF SECURITIES
\$15,117,012	\$17,931,616

## 8. Federal Income Taxes:

As of December 31, 2022, the tax basis cost of the fund's investments and gross unrealized appreciation and depreciation were as follows:

TAX COST	GROSS UNREALIZED APPRECIATION	GROSS UNREALIZED DEPRECIATION	NET UNREALIZED APPRECIATION (DEPRECIATION)
\$69,361,216	\$10,188,450	(\$5,710,450)	\$4,478,000

As of December 31, 2022, the components of distributable earnings on a tax basis were as follows:

UNDISTRIBUTED ORDINARY INCOME	NET UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS	CAPITAL LOSS CARRYFORWARDS AND OTHER LOSSES	TOTAL
\$1,378,169	\$4,478,000	(\$402,951)	\$5,453,218

The primary difference between book basis and tax basis unrealized appreciation or unrealized depreciation of investments is the tax deferral of losses on wash sales. The tax cost of the fund's investments, disclosed above, have been adjusted from their book amounts to reflect these unrealized appreciation or depreciation differences, as applicable.

Capital loss carryforwards have no expiration and may be used to offset future realized capital gains for federal income tax purposes. As of December 31, 2022, the fund had capital loss carryforwards of \$402,951.

The tax basis components of distributions paid during the current and prior fiscal years were as follows:

CURRENT FISCAL YEAR END DISTRIBUTIONS		PRIOR FISCAL YEAR END DISTRIBUTIONS	
ORDINARY INCOME	LONG-TERM CAPITAL GAINS	ORDINARY INCOME	LONG-TERM CAPITAL GAINS
\$1,333,602	\$1,446,676	\$1,172,672	\$-



## Financial Notes (continued)

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### **8. Federal Income Taxes (continued):**

Distributions paid to shareholders are based on net investment income and net realized gains determined on a tax basis, which may differ from net investment income and net realized gains for financial reporting purposes. These differences reflect the differing character of certain income items and net realized gains and losses for financial statement and tax purposes, and may result in reclassification among certain capital accounts on the financial statements. The fund may also designate a portion of the amount paid to redeeming shareholders as a distribution for tax purposes.

Permanent book and tax basis differences may result in reclassifications between components of net assets as required. The adjustments will have no impact on net assets or the results of operations.

As of December 31, 2022, management has reviewed the tax positions for open periods (for federal purposes, three years from the date of filing and for state purposes, four years from the date of filing) as applicable to the fund, and has determined that no provision for income tax is required in the fund's financial statements. The fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the fiscal year ended December 31, 2022, the fund did not incur any interest or penalties.

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### **9. Subsequent Events:**

Management has determined there are no subsequent events or transactions through the date the financial statements were issued that would have materially impacted the financial statements as presented.

# Report of Independent Registered Public Accounting Firm

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To the Board of Trustees of Schwab Annuity Portfolios and Shareholders of Schwab VIT Balanced Portfolio

## **Opinion on the Financial Statements and Financial Highlights**

We have audited the accompanying statement of assets and liabilities, including the portfolio holdings, of Schwab VIT Balanced Portfolio (the “Fund”), one of the funds constituting Schwab Annuity Portfolios, as of December 31, 2022, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the three years in the period then ended, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of December 31, 2022, and the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended in conformity with accounting principles generally accepted in the United States of America. The financial highlights for each of the two years in the period ended December 31, 2019 were audited by other auditors, whose report, dated February 18, 2020, expressed an unqualified opinion on such financial highlights.

## **Basis for Opinion**

These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2022, by correspondence with the custodian and transfer agent. We believe that our audits provide a reasonable basis for our opinion.

## **Deloitte & Touche LLP**

Denver, Colorado  
February 16, 2023

We have served as the auditor of one or more investment companies in the Schwab Funds Complex since 2020.

## Other Federal Tax Information (unaudited)

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The fund may elect to pass through, under section 853(a) of the Internal Revenue Code, the foreign tax credit of \$35,479 to its shareholders for the fiscal year ended December 31, 2022. The respective foreign source income on the fund is \$360,521.

For corporate shareholders, 18.43% of the fund's dividend distributions paid during the fiscal year ended December 31, 2022, qualify for the corporate dividends received deduction.

Under section 852(b)(3)(C) of the Internal Revenue Code, the fund hereby designates \$1,446,676 as long-term capital gain dividends for the fiscal year ended December 31, 2022.

For the fiscal year ended December 31, 2022, the fund designates 78.78% of dividend income as business interest income under section 163(j) of the Internal Revenue Code.

## Liquidity Risk Management Program (unaudited)

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The fund has adopted and implemented a liquidity risk management program (the “program”) as required by Rule 22e-4 under the Investment Company Act of 1940, as amended. The fund’s Board of Trustees (the “Board”) has designated the fund’s investment adviser, Charles Schwab Investment Management, Inc., dba Schwab Asset Management, as the administrator of the program. Personnel of the investment adviser or its affiliates conduct the day-to-day operation of the program.

Under the program, the investment adviser manages a fund’s liquidity risk, which is the risk that the fund could not meet shareholder redemption requests without significant dilution of remaining shareholders’ interests in the fund. The program is reasonably designed to assess and manage a fund’s liquidity risk, taking into consideration the fund’s investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions; its historical redemption history and shareholder concentrations; and its cash holdings and access to other funding sources, including the custodian overdraft facility and lines of credit. The investment adviser’s process of determining the degree of liquidity of each fund’s investments is supported by third-party liquidity assessment vendors.

The fund’s Board reviewed a report at its meeting held on September 19, 2022 prepared by the investment adviser regarding the operation and effectiveness of the program for the period June 1, 2021, through May 31, 2022, which included individual fund liquidity metrics. No significant liquidity events impacting the fund were noted in the report. In addition, the investment adviser provided its assessment that the program had been operating effectively in managing the fund’s liquidity risk.

# Trustees and Officers

The tables below give information about the trustees and officers of Schwab Annuity Portfolios, which includes the fund covered in this report. The “Fund Complex” includes The Charles Schwab Family of Funds, Schwab Capital Trust, Schwab Investments, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust. The Fund Complex includes 105 funds.

The address for all trustees and officers is 211 Main Street, San Francisco, CA 94105. You can find more information about the trustees and officers in the fund’s Statement of Additional Information, which is available free by calling 1-877-824-5615.

## INDEPENDENT TRUSTEES

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED <sup>1</sup> )	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	OTHER DIRECTORSHIPS
<b>Michael J. Beer</b> 1961 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2022)	Retired. Director, President and Chief Executive Officer (Dec. 2016 – Sept. 2019), Principal Funds (investment management).	105	Director (2016 – 2019), Principal Funds, Inc.
<b>Robert W. Burns</b> 1959 Trustee (Trustee of Schwab Strategic Trust since 2009; The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust since 2016)	Retired/Private Investor.	105	None
<b>Nancy F. Heller</b> 1956 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2018)	Retired.	105	None
<b>David L. Mahoney</b> 1954 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust since 2011; Schwab Strategic Trust since 2016)	Private Investor.	105	Director (2004 – present), Corcept Therapeutics Incorporated Director (2009 – 2021), Adamas Pharmaceuticals, Inc. Director (2003 – 2019), Symantec Corporation
<b>Jane P. Moncreiff</b> 1961 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2019)	Consultant (2018 – present), Fulham Advisers LLC (management consulting); Chief Investment Officer (2009 – 2017), CareGroup Healthcare System, Inc. (healthcare).	105	None

**INDEPENDENT TRUSTEES (CONTINUED)**

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED <sup>1</sup> )	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	OTHER DIRECTORSHIPS
<b>Kimberly S. Patmore</b> 1956 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2016)	Consultant (2008 – present), Patmore Management Consulting (management consulting).	105	None
<b>J. Derek Penn</b> 1957 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2021)	Head of Equity Sales and Trading (2006 – 2018), BNY Mellon (financial services).	105	None

## INTERESTED TRUSTEES

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED <sup>1</sup> )	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY THE TRUSTEE	OTHER DIRECTORSHIPS
<b>Walter W. Bettinger II<sup>2</sup></b> 1960 Chairman and Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust and Schwab Annuity Portfolios since 2008; Schwab Strategic Trust since 2009; Laudus Trust since 2010)	Co-Chairman of the Board (July 2022 – present), Director and Chief Executive Officer (Oct. 2008 – present) and President (Feb. 2007 – Oct. 2021), The Charles Schwab Corporation; President and Chief Executive Officer (Oct. 2008 – Oct. 2021) and Director (May 2008 – Oct. 2021), Charles Schwab & Co., Inc.; Director (Apr. 2006 – present), Charles Schwab Bank, SSB; Director (Nov. 2017 – present), Charles Schwab Premier Bank, SSB; Director (July 2019 – present), Charles Schwab Trust Bank; Director (May 2008 – present), Chief Executive Officer (Aug. 2017 – present) and President (Aug. 2017 – Nov. 2021), Schwab Holdings, Inc.; Director (Oct. 2020 – present), TD Ameritrade Holding Corporation; Director (July 2016 – Oct. 2021), Charles Schwab Investment Management, Inc.	105	Director (2008 – present), The Charles Schwab Corporation
<b>Richard A. Wurster<sup>2</sup></b> 1973 Trustee (Trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2022)	President (Oct. 2021 – present) and Executive Vice President – Schwab Asset Management Solutions (Apr. 2019 – Oct. 2021), The Charles Schwab Corporation; President, Director (Oct. 2021 – present), Executive Vice President – Schwab Asset Management Solutions (July 2019 – Oct. 2021) and Senior Vice President – Advisory (May 2016 – July 2019), Charles Schwab & Co., Inc.; President (Nov. 2021 – present), Schwab Holdings, Inc.; Director (Oct. 2021 – present) and Chief Executive Officer (Nov. 2019 – Jan. 2022), Charles Schwab Investment Management, Inc.; Director, Chief Executive Officer and President (Mar. 2018 – Oct. 2022), Charles Schwab Investment Advisory, Inc.; Chief Executive Officer (July 2016 – Apr. 2018) and President (Mar. 2017 – Apr. 2018), ThomasPartners, Inc.; Chief Executive Officer (July 2016 – Apr. 2018), Windhaven Investment Management, Inc.	105	None

## OFFICERS OF THE TRUST

NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST (TERMS OF OFFICE, AND LENGTH OF TIME SERVED <sup>3</sup> )	PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS
<b>Jonathan de St. Paer</b> 1973 President and Chief Executive Officer (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2018)	Director (Apr. 2019 – present), President (Oct. 2018 – present), Chief Operating Officer (Jan. 2021 – present), and Chief Executive Officer (Apr. 2019 – Nov. 2019), Charles Schwab Investment Management, Inc.; Senior Vice President (June 2020 – Mar. 2022) and Chief Operating Officer (Jan. 2021 – Mar. 2022), Charles Schwab Investment Advisory, Inc.; Chief Executive Officer (Apr. 2019 – present), President (Nov. 2018 – present) and Trustee (Apr. 2019 – Dec. 2020), Schwab Funds, Laudus Trust and Schwab ETFs; Managing Director (May 2022 – present), Senior Vice President (Apr. 2019 – May 2022) and Senior Vice President – Strategy and Product Development (CSIM) (Jan. 2014 – Mar. 2019), Charles Schwab & Co., Inc.
<b>Mark Fischer</b> 1970 Chief Operating Officer (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2013)	Chief Operating Officer (Dec. 2020 – present) and Treasurer and Chief Financial Officer (Jan. 2016 – Dec. 2022), Schwab Funds, Laudus Trust and Schwab ETFs; Chief Financial Officer (Mar. 2020 – present) and Vice President (Oct. 2013 – present), Charles Schwab Investment Management, Inc.
<b>Dana Smith</b> 1965 Treasurer and Chief Financial Officer (Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2023)	Treasurer and Chief Financial Officer (Jan. 2023 – present) and Assistant Treasurer (Dec. 2015 – Dec. 2022), Schwab Funds, Laudus Trust and Schwab ETFs; Vice President (Mar. 2022 – present) and Director (Oct. 2015 – Mar. 2022), Charles Schwab Investment Management, Inc.

**OFFICERS OF THE TRUST (CONTINUED)**NAME, YEAR OF BIRTH, AND POSITION(S) WITH THE TRUST  
(TERMS OF OFFICE, AND LENGTH OF TIME SERVED<sup>3</sup>)

PRINCIPAL OCCUPATIONS DURING THE PAST FIVE YEARS

**Omar Aguilar**

1970

Vice President and Chief Investment Officer  
(Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2011)

Chief Executive Officer (Jan. 2022 – present), Chief Investment Officer (Apr. 2011 – present) and Senior Vice President (Apr. 2011 – Dec. 2021), Charles Schwab Investment Management, Inc.; Director, Chief Executive Officer and President (Oct. 2022 – present), Charles Schwab Investment Advisory, Inc.; Vice President and Chief Investment Officer (June 2011 – present), Schwab Funds, Laudus Trust and Schwab ETFs.

**Brett Wander**

1961

Vice President and Chief Investment Officer  
(Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2011)

Senior Vice President and Chief Investment Officer (Apr. 2011 – present), Charles Schwab Investment Management, Inc.; Vice President and Chief Investment Officer (June 2011 – present), Schwab Funds, Laudus Trust and Schwab ETFs.

**William P. McMahon, Jr.**

1972

Vice President and Chief Investment Officer  
(Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Schwab Strategic Trust and Laudus Trust since 2021)

Senior Vice President and Chief Investment Officer (Jan. 2020 – present), Charles Schwab Investment Management, Inc.; Vice President and Chief Investment Officer (June 2021 – present), Schwab Funds, Laudus Trust and Schwab ETFs; Senior Vice President and Chief Investment Officer – ThomasPartners Strategies (Apr. 2018 – Dec. 2019), Charles Schwab Investment Advisory, Inc.; Senior Vice President and Chief Investment Officer (May 2001 – Apr. 2018), ThomasPartners, Inc.

**Catherine MacGregor**

1964

Chief Legal Officer and Secretary, Schwab Funds and Schwab ETFs  
Chief Legal Officer, Vice President and Clerk, Laudus Trust  
(Officer of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust since 2005; Schwab Strategic Trust since 2009)

Chief Legal Officer (Mar. 2022 – present) and Vice President (Sept. 2005 – present), Charles Schwab Investment Management, Inc.; Managing Director (May 2022 – present) and Vice President (July 2005 – May 2022), Charles Schwab &amp; Co., Inc.; Vice President (Dec. 2005 – present) and Chief Legal Officer and Clerk (Mar. 2007 – present), Laudus Trust; Chief Legal Officer and Secretary (Oct. 2021 – present), Vice President (Nov. 2005 – Oct. 2021) and Assistant Secretary (June 2007 – Oct. 2021), Schwab Funds; Chief Legal Officer and Secretary (Oct. 2021 – present), Vice President and Assistant Secretary (Oct. 2009 – Oct. 2021), Schwab ETFs.

<sup>1</sup> Each Trustee shall hold office until the election and qualification of his or her successor, or until he or she dies, resigns or is removed. The retirement policy requires that each independent trustee retire by December 31 of the year in which the Trustee turns 74 or the Trustee's twentieth year of service as an independent trustee on any trust in the Fund Complex, whichever occurs first.

<sup>2</sup> Mr. Bettinger and Mr. Wurster are Interested Trustees. Mr. Bettinger and Mr. Wurster are Interested Trustees because each owns stock of The Charles Schwab Corporation (CSC), the parent company of Charles Schwab Investment Management, Inc., the investment adviser for the trusts in the Fund Complex, and is an employee of Charles Schwab & Co., Inc. (Schwab), the principal underwriter for The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios and Laudus Trust.

<sup>3</sup> The President, Treasurer and Secretary/Clerk hold office until their respective successors are chosen and qualified or until he or she sooner dies, resigns, is removed or becomes disqualified. Each of the other officers serves at the pleasure of the Board.



# Glossary

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**Bloomberg US Aggregate Bond Index** An index that is a broad-based benchmark measuring the performance of the U.S. investment grade, taxable bond market, including U.S. Treasuries, government-related and corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities, and asset-backed securities that are publicly available for sale in the United States. To be eligible for inclusion in the index, securities must be fixed rate, non-convertible, U.S. dollar-denominated with at least \$300 million or more of outstanding face value and have one or more years remaining to maturity. The index excludes certain types of securities, including tax-exempt state and local government series bonds, structured notes embedded with swaps or other special features, private placements, floating rate securities, inflation-linked bonds and Eurobonds. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month.

**Bloomberg US Treasury 1–3 Year Index** An index which includes all publicly-issued U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than three years, are rated investment grade, and have \$300 million or more of outstanding face value. The securities in the index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. The index excludes state and local government series bonds and coupon issues that have been stripped from bonds. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month.

**Bloomberg US Treasury 3–10 Year Index** An index which includes all publicly-issued U.S. Treasury securities that have a remaining maturity of greater than or equal to three years and less than ten years, are rated investment grade, and have \$300 million or more of outstanding face value. The securities in the index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. The index excludes state and local government series bonds and coupon issues that have been stripped from bonds. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month.

**Bloomberg US Treasury Bills 1–3 Month Index** An index that includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months but more than 1 month, are rated investment grade and have \$300 million or more of outstanding face value. It excludes zero-coupon STRIPS.

**Bloomberg US Treasury Inflation-Linked Bond Index (Series-L)** An index which includes all publicly-issued U.S. Treasury Inflation-Protected Securities (TIPS) that have at least one year remaining to maturity, are rated investment grade and have \$500 million or more of outstanding face value. The TIPS in the index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. The index is market capitalization weighted and the TIPS in the index are updated on the last business day of each month. TIPS are publicly issued, dollar denominated U.S. Government securities issued by the U.S. Treasury that have principal and interest payments linked to an official inflation measure (as measured by the Consumer Price Index, or CPI) and their payments are supported by the full faith and credit of the United States.

**Dow Jones Equity All REIT Capped Index** A float-adjusted market cap weighted index that is designed to measure all equity real estate investment trusts (REITs) in the Dow Jones U.S. Total Stock Market Index, as defined by the S&P Dow Jones Indices REIT/RESI Industry Classification Hierarchy, that meet the minimum float market capitalization (FMC) and liquidity thresholds. The aggregate weight of

all companies weighing more than 4.5% cannot exceed 22.5%, and no single company's weight can exceed 10%. The index is reviewed daily based on each company's capped market capitalization weight. Daily capping is only performed when the sum of companies with weights great than 5% exceeds 25%.

**Dow Jones U.S. Large-Cap Total Stock Market Index** An index that is a subset of the Dow Jones U.S. Total Stock Market Index, and is designed to measure the performance of large-cap U.S. equity securities. The index is a float-adjusted market capitalization weighted index.

**Dow Jones U.S. Select REIT Index** An index that is a float-adjusted market-capitalization weighted index comprised of income-producing commercial and/or residential real estate investment trusts (REITs). The index excludes mortgage REITs, net-lease REITs, real estate finance companies, mortgage brokers and bankers, commercial and residential real estate brokers and estate agents, homebuilders, large landowners and sub-dividers of unimproved land, hybrid REITs, timber REITs and companies that have more than 25% of their assets in direct mortgage investments.

**Dow Jones U.S. Small-Cap Total Stock Market Index** An index that is a subset of the Dow Jones U.S. Total Stock Market Index, and is designed to measure the performance of small-cap U.S. equity securities. The index is a float-adjusted market capitalization weighted index.

**Dow Jones U.S. Total Stock Market Index** An index which includes all U.S. equity issues with readily available prices. The index is a float-adjusted market capitalization weighted index that reflects the shares of securities actually available to investors in the marketplace.

**FTSE Developed ex US Index (Net)** An index that is comprised of large- and mid-capitalization companies in developed countries outside the United States, as defined by the index provider. The index defines the large- and mid-capitalization universe as approximately the top 90% of the eligible universe. The Net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes.

**FTSE Developed Small Cap ex US Liquid Index (Net)** An index comprised of small-capitalization companies in developed countries outside the United States, as defined by the index provider. The index defines the small-capitalization universe as approximately the bottom 10% of the eligible universe with a minimum free float capitalization of \$150 million. The Net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes.

**FTSE Emerging Index (Net)** An index that is comprised of large- and mid-capitalization companies in emerging market countries, as defined by the index provider. The index defines the large- and mid-capitalization universe as approximately the top 90% of the eligible universe. The Net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes.

**FTSE non-US Dollar World Government Bond Index** A market capitalization index that measures the total rate of return performance for the government bonds of 22 countries, excluding the U.S., with a remaining maturity of at least 1 year.

## Schwab VIT Balanced Portfolio

**MSCI EAFE Index (Net)** A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets in Europe, Australasia, and the Far East. The Net version of the index reflects reinvested dividends net of withholding taxes, but reflects no deductions for expenses or other taxes; returns are calculated applying dividend withholding rates applicable to non-resident persons who do not benefit from double taxation treaties.

**MSCI Emerging Markets Index (Net)** A free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global emerging markets. This series approximates the minimum possible dividend reinvestment. The returns are calculated applying dividend withholding rates applicable to non-resident persons who do not benefit from double taxation treaties.

**Russell 2000 Index** An index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

**S&P 500 Index** An index that is designed to measure the performance of 500 leading publicly traded companies from a broad range of industries.

**VIT Balanced Composite Index** A custom blended index developed by Schwab Asset Management based on a comparable portfolio asset allocation and calculated using the following portion allocations effective July 1, 2020: 36.3% Bloomberg US Aggregate Bond Index, 9.0% Bloomberg US Treasury 1-3 Year Index, 4.0% Bloomberg US Treasury Bills 1-3 Month Index, 3.7% Bloomberg US Treasury Inflation-Linked Bond Index (Series-L), 6.0% Dow Jones Equity All REIT Capped Index, 19.0% Dow Jones U.S. Large-Cap Total Stock Market Index, 4.0% Dow Jones U.S. Small-Cap Total Stock Market Index, 5.0% FTSE All Emerging Index (Net), 11.0% FTSE Developed ex US Index

(Net), and 2.0% FTSE Developed Small Cap ex US Liquid Index (Net). From April 29, 2020 through June 30, 2020, the blended index was derived using the following allocations: 36.3% Bloomberg US Aggregate Bond Index, 9.0% Bloomberg US Treasury 1-3 Year Index, 4.0% Bloomberg US Treasury Bills 1-3 Month Index, 3.7% Bloomberg US Treasury Inflation-Linked Bond Index (Series-L), 6.0% Dow Jones U.S. Select REIT Index, 19.0% Dow Jones U.S. Large-Cap Total Stock Market Index, 4.0% Dow Jones U.S. Small-Cap Total Stock Market Index, 5.0% FTSE All Emerging Index (Net), 11.0% FTSE Developed ex US Index (Net), and 2.0% FTSE Developed Small Cap ex US Liquid Index (Net). From June 8, 2016 through April 28, 2020, the blended index was derived using the following allocations: 2% Bloomberg Global Treasury ex-US Capped Index, 34% Bloomberg US Aggregate Bond Index, 15% Bloomberg US Treasury Bills 1-3 Month Index, 2% Bloomberg US Treasury Inflation-Linked Bond Index (Series-L), 3% Bloomberg Commodity Index, 6% Dow Jones U.S. Select REIT Index, 15% Dow Jones U.S. Large-Cap Total Stock Market Index, 4% Dow Jones U.S. Small-Cap Total Stock Market Index, 5% FTSE All Emerging Index (Net), 11% FTSE Developed ex US Index (Net), 2% FTSE Developed Small Cap ex US Liquid Index (Net), and 1% Russell Microcap Index. Prior to June 8, 2016, the composite index was derived using the following allocations: 15% Dow Jones U.S. Large-Cap Total Stock Market Index, 4% Dow Jones U.S. Small-Cap Total Stock Market Index, 1% Russell Microcap Index, 11% FTSE Developed ex US Index (Net), 2% FTSE Developed Small Cap ex US Liquid Index (Net), 5% FTSE Emerging Index (Net), 6% Dow Jones U.S. Select REIT Index, 3% Dow Jones UBS Commodity Index, 2% Bloomberg US Treasury Inflation-Linked Bond Index (Series-L), 12% Bloomberg US Treasury 3-10 Year Index, 2% Bloomberg US Aggregate: Agencies Index, 6% Bloomberg US Credit Index, 13% Bloomberg US Mortgage Backed Securities Index, 2% Bloomberg Global Treasury ex-US Capped Index, 1% Bloomberg High Yield Bond Very Liquid Index, and 15% Bloomberg US Treasury Bills 1-3 Month Index.

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