

SECURITIES AND EXCHANGE COMMISSION

FORM 485APOS

Post-effective amendments [Rule 485(a)]

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FILER

SCHWAB CAPITAL TRUST

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As filed with the Securities and Exchange Commission on July 12, 1995
File Nos. 33-62470 and 811-07704

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
Post-Effective Amendment No. 5 /X/

and

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
Amendment No. 7 /X/

SCHWAB CAPITAL TRUST

(Exact Name of Registrant as Specified in Charter)

101 Montgomery Street, San Francisco, California 94104

(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code:
(415) 627-7000

Elizabeth G. Sawi, President
Schwab Capital Trust
101 Montgomery Street, San Francisco, California 94104

(Name and Address of Agent for Service)

Copies of communications to:

Martin E. Lybecker, Esq.	Frances Cole, Esq.
Ropes & Gray	Charles Schwab Investment Management, Inc.
1001 Pennsylvania Avenue, N.W.	101 Montgomery Street
Washington, D.C. 20004	San Francisco, CA 94104

It is proposed that this filing will become effective (check appropriate box)

- / / Immediately upon filing pursuant to paragraph (b)
- / / On (date) pursuant to paragraph (b)
- / / 60 days after filing pursuant to paragraph (a)(1)
- / / On (date) pursuant to paragraph (a)(1)
- /X/ 75 days after filing pursuant to paragraph (a)(2)
- / / On (date) pursuant to paragraph (a)(2) of Rule 485

if appropriate, check appropriate box:

- / / This post-effective amendment designates a new effective date for a previously filed post-effective amendment.

DECLARATION PURSUANT TO RULE 24f-2: Pursuant to Rule 24f-2 under the Investment Company Act of 1940, as amended, Registrant has registered an indefinite number or amount of its shares of beneficial interest under the Securities Act of 1933, as amended. The Rule 24f-2 Notice for Registrant's fiscal year ending October 31, 1994 was filed on December 16, 1994.

Total No. of Pages 177 Exhibit Index Appears at 135

PART A

SCHWAB CAPITAL TRUST

The information required by Items 1 through 9 for Schwab Small-Cap Index Fund(TM) and Schwab International Index Fund(TM), two separate portfolios of Registrant, is hereby incorporated by reference to the Prospectuses for these portfolios filed with the Securities and Exchange Commission under Rule 497(e) on June 30, 1995.

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CROSS REFERENCE SHEET

SCHWAB CAPITAL TRUST:
 SCHWAB ASSET DIRECTOR-HIGH GROWTH
 SCHWAB ASSET DIRECTOR-BALANCED GROWTH
 SCHWAB ASSET DIRECTOR-CONSERVATIVE GROWTH

<TABLE>
 <CAPTION>

Part A Item -----	Prospectus Caption -----
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Synopsis	Key Features of the Funds; Matching the Funds to Your Investment Needs
Condensed Financial Information	Financial Highlights
General Description of Registrant	Matching the Funds to Your Investment Needs; Investment Objective and Policies
Management of the Fund	Management Functions and Responsibilities
Capital Stock and Other Securities	Important Information About Your Investment
Purchase of Securities Being Offered	Important Information About Your Investment
Redemption or Repurchase	Investing in Our Funds
Pending Legal Proceedings	Inapplicable

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READING THIS PROSPECTUS. Explanations of all italicized terms in this Prospectus are included in the Glossary at the end of this Prospectus. References to "you"

and "your" in this Prospectus refer to prospective investors or shareholders, while references to "us" or "our" refer to the three Funds.

LIKE ALL MUTUAL FUNDS, THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SCHWAB ASSET DIRECTOR FUNDS

ASSET DIRECTOR-HIGH GROWTH
ASSET DIRECTOR-BALANCED GROWTH
ASSET DIRECTOR-CONSERVATIVE GROWTH

SCHWAB ASSET DIRECTOR-HIGH GROWTH, SCHWAB ASSET DIRECTOR-BALANCED GROWTH AND SCHWAB ASSET DIRECTOR-CONSERVATIVE GROWTH (THE "FUNDS") are a family of three asset allocation funds which provide diversification among major investment categories. Each seeks to meet its investment objective by investing in a different mix of stocks, bonds, and cash-equivalents. All three Funds are designed to provide exposure to the growth potential of the stock market in varying degrees. Each Fund is a diversified investment portfolio of Schwab Capital Trust (the "Trust"), a no-load management investment company (mutual fund).

ABOUT THIS PROSPECTUS: THIS PROSPECTUS PROVIDES YOU WITH CONCISE INFORMATION THAT YOU SHOULD KNOW BEFORE YOU DECIDE IF THE FUNDS PROVIDE THE INVESTMENT OPPORTUNITY YOU ARE LOOKING FOR. READ IT CAREFULLY, AND RETAIN IT FOR FUTURE REFERENCE. You can find more detailed information in the Statement of Additional Information, dated September , 1995. That Statement has been filed with the Securities and Exchange Commission ("SEC") and is incorporated in this Prospectus by reference (which means that it is legally considered part of this Prospectus even though it's not printed here). The prospectus is available electronically by using our Internet address: <http://www.schwab.com>. You can get a free paper copy of this Prospectus or the Statement of Additional Information by calling Schwab at 800-2 NO-LOAD, or by writing Schwab at 101 Montgomery Street, San Francisco, California 94104.

TO PLACE ORDERS AND FOR ACCOUNT INFORMATION: Contact your local Charles Schwab & Co., Inc. ("Schwab") office, or call 800-2 NO-LOAD.

PROSPECTUS , 1995

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KEY FEATURES OF THE FUNDS

STRATEGY: Each Fund invests in a diversified mix of stocks, bonds, and cash-equivalents. Research shows that the greatest impact on investment returns is due to the asset allocation decision (the mix of stocks, bonds, and cash-equivalents) rather than market timing or individual stock and bond selection. A study of the performance of pension funds indicated that over 90% of the performance was determined by asset mix.*

The primary difference among the Funds is the proportion invested in stocks. Each Fund targets a different mix of investments as described below. This mix will vary within defined ranges based on the Investment Manager's and the Sub-Adviser's long-term outlook for financial markets. For more detailed information, see "Investment Objectives and Policies."

*Financial Analysts Journal; Brinson, Singer, Beebower; May-June 1991

SCHWAB ASSET DIRECTOR-HIGH GROWTH

INVESTMENT OBJECTIVE: to provide you with high capital growth with less volatility than an all-stock portfolio. This Fund provides the greatest exposure to various stock categories, including domestic large and small company stocks and international stocks.

[PIE CHART 1]

<TABLE>	TARGET MIX -----	Defined ranges -----
<S>	<C>	<C>
STOCKS	80%	65%-95%
Large Companies	40%	
Small Companies	20%	
International	20%	
CASH	5%	
BONDS	15%	

SCHWAB ASSET DIRECTOR-BALANCED GROWTH

INVESTMENT OBJECTIVE: to provide you with maximum total return, including both capital growth and income. This Fund represents a more balanced exposure approach to stocks and bonds.

[PIE CHART 2]

<TABLE>	TARGET MIX -----	Defined ranges -----
<S>	<C>	<C>
STOCKS	60%	50%-70%
Large Companies	30%	
Small Companies	15%	
International	15%	
CASH	5%	
BONDS	35%	

SCHWAB ASSET DIRECTOR-CONSERVATIVE GROWTH

INVESTMENT OBJECTIVE: to provide you with income and more growth potential than an all-bond portfolio. This Fund's stock component is designed to help offset inflation.

[PIE CHART 3]

<TABLE>	TARGET MIX -----	Defined ranges -----
<S>	<C>	<C>
STOCKS	40%	30%-50%
Large Companies	20%	
Small Companies	10%	
International	10%	
CASH	5%	
BONDS	55%	

For more detailed information on the three Funds, see "Investment Objectives and Policies."

MANAGEMENT. The Investment Manager, Charles Schwab Investment Management, Inc., currently manages the mutual funds in the SchwabFunds Family(TM), a family of 18 mutual funds with over \$27 billion in assets as of June 15, 1995. The Sub-Adviser, Symphony Asset Management Inc. is a wholly-owned subsidiary of BARRA, Inc. BARRA, established in 1975, provides innovative analytical models, software, and services designed to enable its more than 800 clients in 30 countries to make superior investment decisions. Symphony presently acts as Sub-Adviser to one other investment company and manages over \$600 million of institutional and private account assets. For more detailed information, see "Organization and Management of Our Funds."

MARKET PERFORMANCE. For the twenty years ended 1994, the asset categories to be used by the Funds have provided the following average annual returns*:

Large company stocks (S & P 500) 14.6%

Small company stocks (CRSP 6-7-8)	19.6%
International stocks (MSCI EAFE)	16.3%
Bonds (Long-term Governments)	9.4%
Cash equivalents (30 day T-bills)	7.3%

*Source: Ibbotson & Associates. See Glossary for definitions of the various indices. Indices do not include fees such as those charged by the Funds. Past performance of indices does not necessarily reflect future performance results of the Funds.

LOW COST INVESTING. You pay no sales fees or charges when you buy or sell shares of the Funds. Additionally, the Funds were designed with operating expenses below the industry average, which helps provide more competitive returns. The Investment Manager and Schwab guarantee that each Fund's total fund operating expenses will not exceed 0.89% through December 31, 1996. The industry average for asset allocation funds is 1.43%*. For more detailed information, see "Investing in Our Funds" and "Operating Fees and Expenses."

[BAR GRAPH]

<TABLE>	
<S>	<C>
Schwab Asset Director Funds	0.89%
Average Asset Allocation Fund	1.43%
</TABLE>	

* Source: Morningstar Investment Services, Inc., April, 1995

SHAREHOLDER SERVICES. Schwab's professional representatives are available toll-free 24 hours a day at 800-2 NO-LOAD to service your account, or you can visit or call your local Schwab office during regular business hours. Schwab also enables you to execute your trading requests through electronic products and services such as StreetSmart(TM), The Equalizer(R), and Telebroker(R). See "Investing in the Funds."

CONVENIENT REPORTING. You receive one consolidated account statement for all of your account activity, including all of your mutual fund activity.

FREE AUTOMATIC INVESTMENT PLAN. Schwab's free Automatic Investment Plan allows you to make regular investments in amounts and at intervals that you select. For more information, see "Schwab Automatic Investment Plan" in this Prospectus.

RETIREMENT PLANS. Schwab offers tax-advantaged retirement plans for which the Funds may be a particularly appropriate investment. For more information, see "Tax-Advantaged Retirement Plans" in this Prospectus.

MATCHING THE FUNDS TO YOUR INVESTMENT NEEDS

This family of three asset allocation funds provides diversification among major investment categories. Each seeks to meet its investment objective by investing in a different mix of stocks, bonds, and cash-equivalents. All three Funds are designed to provide exposure to the growth potential of the stock market with varying degrees of volatility due to the different allocations. For more detailed information, see "Investment Objectives and Policies."

An investor's strategy might include investing in one or a combination of these Funds to match their investment time horizon and risk tolerance.

SCHWAB ASSET DIRECTOR-HIGH GROWTH may be appropriate for you if you have a long-term investment horizon and want the growth potential from stock investments. You should be comfortable with the risks of the stock market, but do not want the volatility of an all-stock investment.

SCHWAB ASSET DIRECTOR-BALANCED GROWTH may be appropriate for you if you have an intermediate-term investment horizon and want a more balanced approach to your investment. You should want the growth potential from stock investments but are willing to achieve it more slowly and with less volatility than that provided by Schwab Asset Director-High Growth.

SCHWAB ASSET DIRECTOR-CONSERVATIVE GROWTH may be appropriate for you if you have a short-term investment horizon but still want some exposure to the stock market. You should want returns that keep pace with inflation but want to limit volatility to the extent possible.

RISKS CONSIDERATIONS: The Funds seek to reduce overall risk by diversifying investments among major asset categories and sub-categories. However, depending on the Investment Manager's asset allocation decisions with regard to the mix of stocks, bonds and cash equivalents, shareholders in the Funds may be exposed to

the risks associated with each. Stock risk is the possibility that stock prices in general or particular will decline over short or even extended periods. Small-cap and International

stocks will typically be included in the mix and pose special risks. Bond risk is the potential for decline in the market value of bonds due to interest rate changes or the ability of an issuer to meet its obligations. Diversification among asset categories will not necessarily protect the Funds from loss. The Funds may engage in certain derivative transactions; their characteristics and limitations on their use are more fully described in "Investment Techniques Used By Our Funds." There are many types of derivative transactions with varying degrees of potential return and risk.

Please refer to the "Investment Techniques Used by Our Funds" section in this Prospectus for a more detailed discussion of the risks associated with particular types of investments.

EXPENSES

SHAREHOLDER TRANSACTION EXPENSES are the fees and charges you pay for buying or selling shares of a fund. You pay no sales fees or charges when you buy or sell shares of our Funds.

ANNUAL FUND OPERATING EXPENSES include management fees paid to the Investment Manager, transfer agency fees, and other expenses. These expenses cover, for example, services such as investment research and management of the Funds, maintaining shareholder records, and issuing shareholder statements. Each Fund pays its own annual operating expenses from its income and assets, and they are factored into the dividends paid to shareholders and into the price of the Funds' shares. As a shareholder, you are not charged any of these fees directly.

<TABLE>
<CAPTION>

	High Growth Fund	Balanced Fund	Conservative Fund
	-----	-----	-----
<S>	<C>	<C>	<C>
SHAREHOLDER TRANSACTION EXPENSES			
Sales charge on purchases and reinvested dividends	None	None	None
Deferred sales charge or redemption fees	None	None	None
Exchange fees	None	None	None
ANNUAL FUND OPERATING EXPENSES (as a percentage of average net assets)			
Management fee (after fee reduction) (1)	0.49%	0.49%	0.49%
12b-1 fees	None	None	None
Other expenses (after fee reduction) (2)	0.40%	0.40%	0.40%
	----	----	----
TOTAL FUND OPERATING EXPENSES (3,4)	0.89%	0.89%	0.89%

</TABLE>

(1) This amount reflects a reduction by the Investment Manager, which is guaranteed through at least December 31, 1996. If there were no such reduction, the maximum management fee would be 0.74% of the average daily net assets of each Fund.

(2) "Other Expenses" are based on estimated amounts for the current fiscal year for each Fund.

(3) This amount reflects the guarantee by Schwab and the Investment Manager that, through at least December 31, 1996, the total operating expenses of each Fund will not exceed 0.89% of its average daily net assets. If there were no such reduction, the estimated maximum total operating expenses would be 1.14% of

the average daily net assets of each Fund.

(4) Schwab currently imposes no fees for opening and maintaining a Schwab brokerage account. Effective October 1, 1995, a quarterly fee of \$7.50 will be charged to Schwab brokerage and custodial accounts with balances below \$1,000 and \$500, respectively. This fee will be waived if there has been one commissionable trade within the last six months, or if there are combined account balances of at least \$10,000. Schwab imposes no fees for opening and maintaining a Schwab One(R) account with a minimum balance of \$5,000. Schwab One accounts with balances below \$5,000 are subject to a monthly fee of \$5.00 if there have been fewer than two commissionable trades within the last 12 months. Schwab Individual Retirement Accounts with balances of \$10,000 or more by September 15, 1995 are not charged Schwab's \$29 annual IRA account fee for the life of the account. Schwab Keogh plans are currently charged an annual fee of \$45.

EXAMPLES. You would pay the following expenses on a \$1,000 investment in the Funds assuming: (1) 5% annual return; and (2) redemption at the end of each period.

<TABLE>
<CAPTION>

	1 Year	3 Years
	-----	-----
<S>	<C>	<C>
Growth Fund	\$9	\$28
Balanced Fund	\$9	\$28
Conservative Fund	\$9	\$28

THIS IS AN EXAMPLE ONLY AND DOES NOT REPRESENT PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THE EXPENSES SHOWN IN THE EXAMPLE. This example reflects the guarantee by Schwab and the Investment Manager that, through at least December 31, 1996, total operating expenses for each of the Funds will not exceed 0.89% of their average daily net assets. Please remember that, while this

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example assumes a 5% annual return on investment, each Fund's actual returns may be more or less than the 5% used in this example.

The purpose of the table above is to help you understand the various costs and expenses you will bear directly or indirectly when you invest in the Funds. (See "Organization and Management of Our Funds - Operating Fees and Expenses.")

INVESTING IN OUR FUNDS

HOW TO BUY SHARES

NEW INVESTORS TO SCHWAB need to open a Schwab account by completing and signing an account application. Mail it, together with your check, to the address indicated on the application. You may also open your account in person as described in the table on this page.

EXISTING SCHWAB INVESTORS must have funds in their Schwab account in order to buy shares in the Fund. Orders to buy shares received by Schwab's Mutual Fund Transfer Agency Department by 4 p.m. (Eastern time) will be executed on that day. Orders received after that time will be executed on the next Business Day. Schwab will charge your Schwab brokerage account a \$15 service fee for any check returned because of insufficient or uncollected funds, or because of a stop payment order.

Schwab also enables you to execute your trading requests through electronic products and services such as StreetSmart(TM), The Equalizer(R), and Telebroker(R).

Within your Schwab account, you have access to other investments available at Schwab, such as stocks, bonds and other mutual funds. Additionally, the Securities Investor Protection Corporation (known as "SIPC") will provide account protection up to \$500,000 for your securities, including shares in each Fund, that you hold in a Schwab account. However, SIPC account protection does not protect you from any loss of principal due to market or economic conditions.

<TABLE>

<CAPTION>

FUND MINIMUMS

<S>	<C>
FUND INITIAL PURCHASE:	
Brokerage account	\$1,000
Retirement account	\$ 500
FUND ADDITIONAL PURCHASE:	
Brokerage account	\$ 100
Retirement account	\$ 100
Automatic investment plan	\$ 100
FUND MINIMUM BALANCE:	
Brokerage account	\$1,000
Retirement account	\$ 500

</TABLE>

Schwab reserves the right to waive these minimums from time to time and for clients of Schwab Institutional, a division of Schwab.

SPECIAL SUBSCRIPTION OFFERING

The distributor, Charles Schwab & Co., Inc., is soliciting subscriptions for shares of the Funds during an initial offering period, which is currently scheduled to end November 16, 1995, subject to extension by the Funds and the distributor. Shares are being offered at the initial net asset value of \$10 per share. The Funds and their distributor reserve the right to withdraw, cancel, or modify the offering without notice and to refuse any order in whole or in part. The Funds expect to commence continuous offerings of their shares immediately following the settlement of the subscription offerings.

Each Fund, in its sole discretion and without prior notice to you, reserves the right to reject orders to buy shares, to change the minimum investment requirements, and to withdraw or suspend any part of the offering made by this Prospectus. All orders to buy shares must be accepted by the Fund, and orders are not binding until the Fund confirms or accepts them in writing.

HOW TO BUY SHARES

Whether by phone, mail, electronically or in person, the following information is always needed:

1. your Schwab brokerage account number.
2. the name of the Fund you wish to buy.
3. the amount you wish to invest.

BY PHONE

- - Call 800-2 NO-LOAD (800-266-5623)
- - Place a buy order for your account.

BY MAIL

- - Include a letter of instruction with the information requested above, signed by one of the registered account holders in the exact form specified on the account.
- - Make your check payable to Charles Schwab & Co., Inc.
- - Mail to 101 Montgomery Street, San Francisco, CA 94104 or your local Schwab office.

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- - Once your letter is mailed it is irrevocable and may not be modified or canceled.

ELECTRONICALLY

- - Refer to product information on StreetSmart(TM), The Equalizer(R), and Telebroker(R) for details.

IN PERSON

- - Deposit your check at your local Schwab office. For the Schwab office nearest you, call 800-2 NO-LOAD.

BY WIRE

- - Contact your local Schwab office for instructions.

AUTOMATICALLY

- - Use Schwab Automatic Investment Plan.
- - Sign up for this service when opening your account.

Schwab's Automatic Investment Plan allows you to make periodic investments in non-money market SchwabFunds(R) (and certain other funds available through Schwab) automatically and conveniently. You can make automatic investments in any amount, from \$100 to \$50,000, once you meet the Fund's investment minimum. Automatic investments are made from your Schwab account and you may select from using the uninvested cash in your Schwab account and/or by using the proceeds of redemption of shares of the Schwab Money Fund linked to your Schwab account, or by using the Schwab MoneyLink(R) Transfer Service. For more detailed information about this service, or to establish your automatic investment plan, call your local Schwab office or 800-2 NO-LOAD, 24 hours a day.

TAX-ADVANTAGED RETIREMENT PLANS. Schwab offers tax-advantaged retirement plans for which the Funds may be a particularly appropriate investment. Schwab's retirement plans allow participants to defer taxes while helping them build their retirement savings. The Schwab IRA is a retirement plan with a wide choice of investments offering people with earned income the opportunity to compound earnings on a tax-deferred basis. The Schwab Keogh is a tax-advantaged plan for self-employed individuals and their employees that permits the employer to make annual tax-deductible contributions of up to \$30,000. Schwab also offers Corporate Retirement Plans to help a company attract and retain valuable employees. Call your local Schwab office or 800-2 NO-LOAD, 24 hours a day for more information.

HOW TO SELL OR EXCHANGE YOUR SHARES

You can sell your shares in the Fund at any time, in person, by telephone, or by mail. Your shares will be sold at the next share price (net asset value) calculated after your order is received and accepted by Schwab's Mutual Fund Transfer Agency Department. Orders received and accepted by Schwab's Mutual Fund Transfer Agency Department on any Business Day before 4:00 p.m. Eastern Time, will receive that day's closing price. Orders received and accepted after that time will receive the closing price on the following Business Day. When you sell your shares, you may receive more or less than the amount you invested.

The exchange privilege allows you to exchange your SchwabFunds(R) shares for shares of any other SchwabFunds class or series available to investors in your state. Thus, you can conveniently modify your investments if your goals or market conditions change. An exchange will involve the sale of shares at the net asset value next determined after receipt by Schwab's Mutual Fund Transfer Agency Department of an exchange request (on the same day as your request was received, if it was received by 4:00 p.m. Eastern time and on the next Business Day if the request was received after that time) and the purchase of shares in another fund at the net asset value of that fund next determined after sale of the shares involved in the exchange. An exchange of shares will be treated as a sale of the shares for federal income tax purposes. Note that you must meet the minimum investment requirements applicable to the shares you wish to receive in an exchange. The Funds reserve the right on 60 days' written notice to modify, limit or terminate the exchange privilege.

HOW TO SELL OR EXCHANGE SHARES

Whether by phone, mail, electronically or in person, the following information is always needed:

When Selling Shares:

1. your Schwab brokerage account number.
2. the name of the Fund from which you wish to sell shares.
3. the number of shares you wish to sell.

When Exchanging Shares:

1. your Schwab brokerage account number.
2. the number of shares you want to exchange.
3. the name of the Fund from which you wish to exchange shares.
4. the name of the Fund into which shares are to be exchanged.

BY PHONE

- - Call 800-2 NO-LOAD (800-266-5623)
- - Place a sell or exchange request for your account.

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BY MAIL

- - Include a letter of instruction with the information requested above, signed by one of the registered account holders in the exact form specified on the account.
- - Mail to 101 Montgomery Street, San Francisco, CA 94104 or your local Schwab office.
- - Once your letter is mailed, it is irrevocable and may not be modified or canceled.

ELECTRONICALLY

- - Refer to product information on StreetSmart(TM), The Equalizer(R), and Telebroker(R) for details.

IN PERSON

- - Place your sell or exchange request at your local Schwab office.
- - For the Schwab office nearest you, call 800-2 NO-LOAD.

We will follow reasonable procedures to confirm that your telephone instructions are genuine. If we do not follow reasonable procedures to confirm that your telephone order is genuine, we may be liable for any losses you may suffer from unauthorized or fraudulent orders. These procedures may include requiring a form of personal identification, providing written confirmation of your telephone instructions, and tape recording all telephone transactions. You should be aware that telephone transactions may be difficult to implement during periods of drastic economic or market changes. If you experience difficulties in reaching us by telephone you can mail your orders or place them in person as set forth below.

Payment for shares will be credited directly to your Schwab account no later than 3 Business Days after Schwab's Mutual Fund Transfer Agency Department receives your sell instructions in proper form. Proceeds will then be held there or mailed to you depending on the account standing instructions you have selected. For information on how to wire funds from your Schwab account to your bank, contact your local Schwab office for additional information.

If you purchased shares by check, your sales proceeds may be held in you Schwab account until your check clears (which may take up to 15 days). Depending on the type of Schwab account you have, your money may earn interest during any holding period.

The Fund may suspend redemption rights or postpone payments when trading on the New York Stock Exchange is restricted, the Exchange is closed for any reason other than its customary weekend or holiday closings, emergency circumstances as determined by the SEC exist, or for such other circumstances as the SEC may permit. The Fund may also elect to invoke a 7 day period for cash settlement of individual redemption requests in excess of \$250,000 or 1% of the Fund's net assets, whichever is less. (See "Purchase and Redemption of Shares" in the Statement of Additional Information.)

INVESTMENT OBJECTIVES AND POLICIES

THE SCHWAB ASSET DIRECTOR FUNDS are a family of three asset allocation funds which provide diversification among major investment categories. Each seeks to meet its investment objective by investing in a different mix of stocks, bonds, and cash-equivalents. All three funds are designed to provide exposure to the growth potential of the stock market in varying degrees.

Target mixes among asset categories and the defined ranges within which the allocations will vary have been established for each Fund. There are no defined ranges for asset sub-categories (i.e., large company stocks) which may make up all or none of an investment category. The Investment Manager will allocate assets among categories, emphasizing investment in the most attractive category. The Sub-Adviser produces an outlook for financial markets and using a Tactical Asset Allocation Model measuring the relative attractiveness of each asset category. Some types of investments can fall into more than one asset category. The Funds may also make other investments that do not fall within the asset categories. The investment objectives stated below are fundamental to each Fund. Because any investment involves risk, we cannot guarantee achieving these objectives.

SCHWAB ASSET DIRECTOR-HIGH GROWTH

The investment objective of Schwab Asset Director-High Growth is to provide you with high capital growth with less risk than an all stock portfolio. This Fund provides the greatest exposure to various stock categories, including domestic large and small company stocks, and international stocks.

Schwab Asset Director-High Growth's target mix, as well as the defined ranges for the different asset categories are as follows:

	TARGET MIX	DEFINED RANGES
	---	-----
<S>	<C>	<C>
STOCKS	80%	65% - 95%
Large company stocks	40%	
Small company stocks	20%	

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	<C>	<C>
<S>		
International stocks	20%	
BONDS	15%	0% - 30%
CASH EQUIVALENTS	5%	0% - 35%

SCHWAB ASSET DIRECTOR-BALANCED GROWTH

The investment objective of Schwab Asset Director-Balanced Growth is to provide you with maximum total return, including both capital growth and income. This Fund represents a more balanced exposure approach to stocks and bonds.

Schwab Asset Director-Balanced Growth's target mix, as well as the defined ranges for the different asset categories are as follows:

	TARGET MIX	DEFINED RANGES
	---	-----
<S>	<C>	<C>
STOCKS	60%	50% - 70%
Large company stocks	30%	
Small company stocks	15%	
International stocks	15%	
BONDS	35%	25% - 45%
CASH EQUIVALENTS	5%	0% - 25%

SCHWAB ASSET DIRECTOR-CONSERVATIVE GROWTH

The investment objective of Schwab Asset Director-Conservative Growth is to provide you with income and more growth potential than an all bond fund. This Fund's stock component is designed to help offset inflation.

The Schwab Asset Director-Conservative Growth Fund's target mix, as well as the defined ranges for the different asset categories are as follows:

	TARGET MIX	DEFINED RANGES
	---	-----
<S>	<C>	<C>
STOCKS	40%	30% - 50%
Large company stocks	20%	
Small company stocks	10%	
International stocks	10%	

BONDS	55%	45% - 65%
CASH EQUIVALENTS	5%	0% - 25%

INVESTMENT TECHNIQUES USED BY OUR FUNDS

Our Funds will invest in stocks, bonds, and short-term instruments in varying proportions, according to the Funds' target mixes and defined ranges.

STOCK ALLOCATION: The common stocks the Funds invest in will be a diversified portfolio within each asset sub-category (large company, small company, and international company) as specified in the investment objectives. Common stocks represent an ownership, or equity, interest in a company. Although common stocks have a history of long-term growth in value, their prices tend to fluctuate in the short-term.

LARGE COMPANY STOCKS: The Funds' large company allocation will be invested in a representative sample of the stocks which comprise the Standard & Poor's 500 Index(R).

SMALL COMPANY STOCKS: The Funds' small company allocation will be invested in a representative sample of stocks selected from a universe consisting of the second 1,000 largest U.S. operating corporations, as measured by market capitalization. Small company stocks have historically been characterized by greater total returns, greater volatility of returns, and lower dividend yields than large company stocks.

INTERNATIONAL STOCKS are those issued by companies domiciled or based outside the United States. The Funds' international allocation will be invested in a representative sample of stocks selected from a universe consisting of the 350 largest non-U.S. operating corporations, as measured by market capitalization. These investments will be denominated in a foreign currency, and the value of the Funds' investments will be affected by changes in currency exchange rates versus the U.S. dollar in addition to normal market fluctuations. The rate of exchange between the U.S. dollar and other currencies is determined by the forces of supply and demand in the foreign exchange market, by changes in interest rates, as well as by political and economic factors. Other risks and considerations of international investing include: differences in accounting, auditing and financial reporting standards; generally higher transaction costs on foreign portfolio transactions; small trading volumes and generally lower liquidity of foreign stock markets, which may result in greater price volatility; foreign withholding taxes payable on the Funds' security holdings, which may reduce dividend income payable to shareholders; the possibility of expropriation, nationalization or confiscatory taxation; adverse changes in investment or exchange control regulations; political instability which could affect U.S. investment in foreign countries; and potential restrictions on the flow of international capital.

BOND ALLOCATION: Bond investments for the Funds will primarily consist of United States Government obligations, highly rated corporate debt obligations, and highly rated asset-backed securities. The debt securities

in which the Funds invest are: 1) obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities, including bills, notes, bonds, discount notes, stripped government securities, and other debt securities. Not all obligations issued or guaranteed by U.S. Government agencies are backed by the full faith and credit of the United States; 2) domestic and foreign issues of corporate debt obligations having floating or fixed rates of interest; 3) asset-backed securities, including mortgage-related securities. Asset-backed securities are secured by company receivables, home equity loans, truck and auto loans, leases, and credit card receivables. The collateral backing asset-backed securities cannot be foreclosed upon. Mortgage-backed securities are securities collateralized by pools of mortgage loans and are assembled by various governmental agencies and organizations, such as GNMA, FNMA, and FHLMC. When interest rates decline, there is increased likelihood that the mortgages underlying a mortgage-backed security will pre-pay, resulting in the loss of any unamortized premium paid for the securities and the probability of having to reinvest the proceeds at lower rates; and 4) repurchase agreements collateralized by eligible investments. The corporate debt obligations or the asset-backed obligations the Funds invest in will be rated in one of the three highest categories (A or better) by a nationally recognized statistical rating organization ("NRSRO").

The market value of the Funds' debt investments will change in response to interest rate changes and other factors. During periods of falling interest rates, the values of outstanding debt securities generally rise and conversely, during periods of rising interest rates, the values of such securities generally decline. While securities with longer maturities tend to produce higher yields, the prices of longer maturity securities are also subject to greater market fluctuations as a result of changes in interest rates. Changes by NRSRO's in the rating of any debt security and in the ability of an issuer to make payments of interest and principal also affect the value of these investments. Except under condition of default, changes in the value of portfolio securities will not affect cash income derived from these securities but will affect the Funds' net asset value.

CASH ALLOCATION: The Funds may invest in the following types of U.S. dollar denominated short-term money market instruments that the Investment Manager has determined to present moderate credit risk:

1. Bank certificates of deposit, time deposits or bankers acceptances of banks having capital, surplus and undivided profits in excess of \$100 million.
2. Commercial paper rated in one of the two highest rating categories by a nationally recognized statistical rating organization, or commercial paper or notes of issuers with an unsecured debt issue outstanding currently rated in one of the two highest rating categories by any nationally recognized statistical rating organization where the obligation is on the same or a higher level of priority and collateralized to the same extent as the rated issue.
3. Obligations of, or guaranteed by, the United States or Canadian governments, their agencies or instrumentalities.
4. Repurchase agreements involving obligations that are suitable for investment under the categories set forth above.

OTHER ASSETS. The Funds may also make other investments that do not fall within the asset classes described above. These may include warrants, convertible securities, preferred stocks, real-estate related investments, precious metal related investments, American and European Depository Receipts, and stocks and bonds issued in developing countries. In addition, the Funds may invest in other securities, in the future, not presently contemplated or which are not currently available. These additional investments must be consistent with the Funds' investment objectives and legally permissible investments for the Funds.

ADJUSTING INVESTMENT EXPOSURE. Each Fund may use various techniques to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates, commodity prices, or other factors that affect security values. These techniques may involve derivative transactions such as buying and selling options and futures contracts, entering into currency exchange contracts and forward contracts, or swap agreements. The Funds may also sell securities short if at the time of the short sale the Fund owns or has the right to own securities equivalent in kind and amount to the securities sold short at no additional cost. The Investment Manager can use these practices to adjust the risk and return characteristics of a Fund's portfolio of investments. If the Investment Manager judges market conditions incorrectly or employs a strategy that does not correlate well with the Funds' investments, these techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These techniques may increase the volatility of the Funds and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty to the transaction does not perform as promised.

ILLIQUID SECURITIES. Each Fund may purchase illiquid securities, provided that no more than 10% of a Fund's net assets valued at the time of the transaction are invested in such securities.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. Each Fund may purchase securities on a "when-issued" or "delayed delivery" basis. When-issued or delayed delivery securities are securities purchased for future delivery at a stated price and yield. Generally, a Fund will not pay for such securities or start earning interest on them until the Fund receives them. Securities purchased on a when-issued or delayed delivery basis are recorded as an asset. The value of such securities may change as the general level of interest rates change.

REPURCHASE AGREEMENTS. Each of our Funds may engage in repurchase agreements. By entering into a repurchase agreement, a Fund acquires ownership of a security from a broker-dealer or bank that agrees to repurchase the security at a mutually agreed upon time and price. The repurchase price is higher than the purchase price, thereby determining the yield during the Fund's holding period. In the event of a bankruptcy or other default of a repurchase agreement counterparty, a Fund might have expenses in enforcing its rights, and could experience losses, including a decline in the value of the underlying securities and loss of income.

BORROWING POLICY. The Funds may not borrow money except for temporary purposes to meet redemption requests that could not otherwise be met without immediately selling portfolio securities. A Fund may borrow an amount up to one-third of the value of a Fund's total assets and may pledge up to 10% of the Fund's net assets to secure such borrowings. No Fund may borrow for leverage purposes. This borrowing policy is fundamental to each Fund.

SECURITIES LENDING: Each Fund may lend up to 33 1/3% of its portfolio securities to broker/dealers as a means of increasing income. These loans must be fully collateralized at all times. As with any collateralized loan, there are risks of delay in recovery or even losses of rights in the assets loaned should the borrower fail financially.

DIVERSIFICATION. The Funds are subject to the following limitation, which applies to all investments by the Funds other than securities issued or guaranteed by the U.S. Government, its agencies and instrumentalities: none of the Funds may invest more than 5% of the value of its total assets in the securities of one issuer, except that each Fund may invest up to 25% of the value of its assets without regard to this 5% limitation.

INVESTMENT COMPANIES. Our Funds may also purchase shares of other investment companies, including those managed by the Investment Manager. These purchases will be subject to the limitations imposed by the 1940 Act, and we will only make these purchases after obtaining any required regulatory approvals. Investment in other mutual funds may cause you to bear duplicate fees for investment management and other services. To avoid your paying duplicate fees, the Investment Manager of the Funds will not charge any management fees on assets of the Funds that are invested in other SchwabFunds.

TURNOVER. The Investment Manager anticipates that the Funds' annual turnover rate will not exceed 100%.

IMPORTANT INFORMATION ABOUT YOUR INVESTMENT

DIVIDENDS AND OTHER DISTRIBUTIONS

DISTRIBUTION OPTIONS

When you first buy shares in our Funds, you may choose one of the three following distribution options:

1. AUTOMATIC REINVESTMENT: We will reinvest all distributions in additional shares of the Fund. This option will be selected automatically unless you specify another option.
2. CASH DIVIDENDS/REINVESTED CAPITAL GAINS: Income dividends will be paid in cash and capital gains will be reinvested in additional shares.
3. ALL CASH: Income dividends and any capital gains distributions will both be paid in cash.

Distributions will be reinvested at the net asset value next determined after their record date. Cash distributions will be credited to your Schwab account on the date distributions are payable, and will be held there or mailed to you, depending on the standing instructions applicable to your account.

To change the distribution option you have selected, call your local Schwab office or 800-2 NO-LOAD.

The Funds intend to distribute substantially all of their net investment income each year, as determined by the Board of Trustees. Net investment income dividends will be paid on the following schedule: Schwab Asset Director-High

Growth and Schwab Asset Director-Balanced Growth: annually in December; Schwab Asset Director-Conservative Growth: quarterly in March, June, September, and December. Net capital gains, if any, will be distributed annually in December by all three Funds. All distributions will be automatically reinvested in additional shares of the Funds unless the shareholder elects otherwise.

INCOME TAX INFORMATION

The following is only a very brief summary of some of the federal income tax consequences that affect the Funds and shareholders. Therefore, it is important that you consult with advisers about your own tax situation.

Each Fund intends to qualify as a regulated investment company under the Code. In order to qualify, we will distribute to our shareholders on a current basis substantially all of our investment company taxable income and our capital gain net income (if any), and we will meet certain other requirements. As a regulated investment company, we will pay no federal income taxes to the extent that we distribute our earnings to our shareholders. Income received by the Funds from sources within certain foreign countries, however, may be subject to foreign income taxes withheld at the source.

Dividends paid by the Funds from net investment income and distributions from the Funds' net short-term capital gains in excess of any net long-term capital losses, whether received in cash or reinvested, generally will be taxable to shareholders as ordinary income. Distributions received from the Funds designated as long-term capital gains (net of capital losses), whether received in cash or reinvested, will generally be taxable as long-term capital gains without regard to the length of time a shareholder owned shares in the Funds.

We will provide you with a record of all dividends, distributions, purchases, and sales on your regular Schwab brokerage account statement. At least once a year we will notify you of the federal income tax consequences of all distributions made that year to your account.

HOW WE DETERMINE THE PRICE OF YOUR SHARES

The price of a share of each Fund is its net asset value, which we determine each Business Day at the close of trading on the New York Stock Exchange, generally at 4:00 p.m., Eastern time. We determine the price of a share by adding the total assets of each Fund, subtracting any liabilities attributable to that Fund, and then dividing the resulting number by the number of shares outstanding.

The Funds value their portfolio securities based on their market value, where quotations are readily available. The value of other assets for which no quotations are readily available (including any restricted securities) are valued at fair value as determined in good faith by the Investment Manager pursuant to Board of Trustees guidelines. Securities may be valued on the basis of prices provided by pricing services when such prices are believed to reflect fair market value.

HOW THE FUNDS REPORT PERFORMANCE

From time to time the Funds may advertise their total return. Performance figures are based upon historical results and are not intended to indicate future performance.

A Fund's total return measures its overall change in value over a period, including share price movements, and assumes all dividends and capital gains have been reinvested. Average annual total return reflects the hypothetical annually compounded return mandated by the SEC. Other reported total return figures may differ in that they may report non-standard periods or represent aggregate or cumulative return over a stated length of time.

ANNUAL REPORT AND SEMI-ANNUAL REPORT MAILINGS. Twice a year, each Fund will provide a report to all shareholders describing the performance of the Funds and outlining the investments. In order to reduce mailing costs, we consolidate these shareholder mailings by household. If a household has multiple accounts and the same address of record for all the accounts, we will send mailings for all accounts at that address in a single package. If you do not want this consolidation of mailings to apply to your account, please write to SchwabFunds(R) at the address on the front of this prospectus. To request a free copy of a Fund's Annual Report (or Semi-Annual Report), call your local Schwab office or call 800-2 NO-LOAD.

ORGANIZATION AND MANAGEMENT OF OUR FUNDS

MANAGEMENT FUNCTIONS AND RESPONSIBILITIES

GENERAL OVERSIGHT OF OUR FUNDS. The Board of Trustees and officers meet regularly to review the Funds' investments, performance, expenses and other business affairs.

THE INVESTMENT MANAGER. The Investment Manager, Charles Schwab Investment Management, Inc., is responsible for the overall management of the Funds' business affairs, subject to the authority of the trustees and officers of Schwab Capital Trust. The Investment Manager makes all portfolio selection decisions, places all orders for the Funds' securities transactions, and has primary responsibility for the management of the Funds' investment portfolios. The Investment Manager, founded in 1989, is a wholly owned subsidiary of The Charles Schwab Corporation and is the investment adviser and administrator of the SchwabFunds(R) mutual funds. As of June 15, 1995, the SchwabFunds(R) had aggregate net assets in excess of \$27 billion.

Geri Hom is the portfolio manager for the equity portions of the Asset Director Funds. She joined Schwab in March 1995 as Portfolio Manager - Equities and currently manages the three Schwab index funds with \$900 million in assets. For four years prior to joining Schwab, she was a Principal for Wells Fargo Nikko Investment Advisors. She was Vice President and Manager of the Domestic Equity Portfolio Management Group for Wells Fargo Nikko for seven years prior to that.

Andrea Regan is the portfolio manager for the bond portions of the Asset Director Funds. She joined Schwab in January 1991 and is currently Portfolio Manager-Fixed Income. She currently manages three money market funds and two bond funds with assets of \$3 billion. Prior to joining Schwab, she was Vice President and Manager of Trading for Merus Capital Management, the investment management division of the Bank of California.

Stephen B. Ward, Schwab's Senior Vice President and Chief Investment Officer, also participates in the management of each Funds' portfolios. Prior to April 1991, Mr. Ward was Vice President and Portfolio Manager for Federated Investors.

THE SUB-ADVISER. The Investment Manager has retained Symphony Asset Management Inc. to serve as Sub-Adviser to the Funds. As Sub-Adviser, Symphony will recommend to the Investment Manager the asset mix within the defined range for each Fund. Symphony employs a Tactical Asset Allocation model to measure relative values among asset categories. Using this model Symphony recommends asset allocations it believes will provide the highest returns for a given level of risk. Symphony does not recommend the purchase or sale of individual securities.

Symphony was established in 1994 as a wholly-owned subsidiary of BARRA, Inc. BARRA, founded in 1975, provides innovative analytical models, software, and services that enable its more than 800 clients in 30 countries to make superior investment decisions. BARRA's software and services analyze equity, fixed income, currency, and other financial markets. Symphony presently serves as Sub-Adviser to one other investment company and manages directly and indirectly over \$600 million in institutional and private account assets.

The Sub-Adviser's primary investment officer is Praveen Gottipalli. Since May 1994, he has been Symphony's Director of Investments. For more than five years prior to that, he was Director of the Active Strategies Group of BARRA, Inc.

TRANSFER AGENT AND SHAREHOLDER SERVICES. Schwab serves as the Shareholder Services Agent and Transfer Agent for the Funds. Schwab was established in 1971 and is America's largest discount broker. Schwab provides low-cost securities brokerage and related financial services to approximately 2.5 million active customer accounts and has over 200 branch offices. Schwab also offers convenient access to financial information services and provides products and services that help investors make investment decisions. Schwab is a wholly-owned subsidiary of The Charles Schwab Corporation. Charles R. Schwab is the founder, Chairman and Chief Executive Officer, and a director of The Charles Schwab Corporation and, as of March 1, 1995, the beneficial owner of approximately 23.3% of the outstanding shares of that corporation. Mr. Schwab may be deemed to be a controlling person of Schwab and the Investment Manager.

OPERATING FEES AND EXPENSES

For investment management services, under the terms of its Investment Advisory and Administration Agreement with the Trust, the Investment Manager receives a graduated annual fee payable monthly from each Fund of 0.74% of each Funds'

average daily net assets not in excess of \$1 billion, 0.69% of such net assets over \$1 billion, but not more than \$2 billion, and 0.64% of such net assets over \$2 billion.

The Investment Manager pays the Sub-Adviser an annual fee, payable monthly, of 0.____% of each Funds' average daily net assets. The Sub-Adviser does not receive compensation directly from the Funds.

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The Investment Manager and Schwab guarantee that, through at least December 31, 1996, the management fee for each of the Funds will not exceed 0.49% of its average daily net assets, and total operating expenses of each of the Funds will not exceed 0.89% of their average daily net assets. The following expenses are not included as "operating expenses" for purposes of this guarantee: interest expenses, taxes, foreign taxes withheld, and capital items such as costs of purchase or sale of portfolio securities, including brokerage fees or commissions. The effect of this voluntary expense limitation is to maintain or increase the Funds' total return to shareholders.

For its services as Transfer Agent, Schwab receives an annual fee of 0.05% of the average daily net assets of each Fund. In addition, for shareholder services provided, Schwab receives an annual fee of 0.20% of the average daily net assets of each Fund.

Schwab serves as the distributor for the Funds but receives no compensation for this service.

OTHER EXPENSES. The Trust pays the expenses of the Funds' operations, including the fees and expenses for independent auditors, legal counsel, custodians, and the cost of maintaining books and records of account, taxes, registration fees, and the fees and expenses of qualifying the Trust and its shares for distribution under federal and state securities laws, and industry association membership dues.

The Trust generally allocates these expenses among the individual investment portfolios or series ("Series") of the Trust, including the Funds. This allocation is based on the relative net assets of each Series at the time the expenses are incurred. However, expenses directly attributable to a particular series are charged to that series.

PORTFOLIO BROKERAGE. When placing orders for the Funds' securities transactions, the Investment Manager will use its judgment to obtain the best price and execution. The full range and quality of brokerage services available are considered in making these determinations. For securities transactions in which Schwab is not a principal, the Investment Manager may use Schwab to execute the Funds' transactions when it reasonably believes that commissions (or prices) charged and transaction quality will be at least comparable to those available from other qualified brokers or dealers.

OTHER INFORMATION ON THE OPERATION OF OUR FUNDS

The Trust was organized as a business trust under the laws of Massachusetts on May 7, 1993 and may issue an unlimited number of shares of beneficial interest in one or more Series or classes. Currently shares of five Series are offered.

The Board of Trustees may authorize the issuance of shares of additional Series or classes, if it deems it desirable. Shares within each Series have equal, noncumulative voting rights, and have equal rights as to dividends, assets, and liquidation.

ANNUAL SHAREHOLDER MEETINGS. The Trust is not required to hold annual meetings and does not intend to do so except in connection with certain matters, such as a change in a Fund's fundamental policies, election of Trustees, or approval of a new investment advisory agreement. In addition, a Trustee may be elected or removed by shareholders at a special meeting called upon written request of shareholders owning in the aggregate at least 10% of the outstanding shares of the Trust.

YOUR VOTING RIGHTS. If we were to make changes to a Fund's management or fundamental policies, you would be asked to vote as a shareholder because shareholders have voting rights on these matters. If a meeting is held and you cannot attend, you can vote by proxy. Before the meeting, the Fund will send you proxy materials that explain the issues to be decided and include a voting card for you to mail back. Shareholders are entitled to one vote for each share

owned. Unless permitted by the 1940 Act, shareholders will vote by Series and not in the aggregate.

For example, when voting to approve an investment advisory agreement for a Series, only shareholders of that Series may vote; when voting to elect Trustees, shareholders of all the Series vote in the aggregate.

GLOSSARY OF IMPORTANT TERMS

ANNUALIZED: calculated to represent a year; a statement produced by calculating financial results covering less than a year to show what might happen when the results are hypothetically extended to cover an entire year.

BOND: a debt obligation that requires the issuer to pay a fixed sum of money each year (the interest payments) until maturity, the date on which the bond comes due and the principal (the amount borrowed) must be paid. Floating or variable rate bonds have an interest rate that rises or falls if general interest rates or some other security (such as Treasury bills) rises or falls.

BUSINESS DAY: any day both the Federal Reserve Bank of New York and the New York Stock Exchange are open for business. A Business Day normally begins at 9 a.m. Eastern time when the Exchange opens, and usually ends at 4 p.m. Eastern time when the Exchange closes.

CAPITAL GAIN OR LOSS: the increase or decrease in the value of a security over the original purchase price. A gain is realized when the security that has increased in value is sold. An unrealized gain or loss occurs when the value of a security increases or decreases but the security is not sold. If a security is held for more than 12 months and then sold at a profit, that profit is a realized long-term capital gain. If it is sold at a profit after being held for less than 12 months, that profit is a realized short-term capital gain.

CASH EQUIVALENTS: securities convertible into cash in a very short time period

CODE: The Internal Revenue Code of 1986, as amended.

COMMERCIAL PAPER: unsecured debt obligations issued by businesses and sold at a discount but redeemed at par within 2 to 270 days.

CRSP 6-7-8: an index calculated by the Center for Research on Securities Prices, University of Chicago, comprised of all publicly traded stocks whose market capitalization falls within deciles 6, 7, and 8 of the market capitalization of all stocks listed on the New York Stock Exchange.

DISTRIBUTION: payment the fund makes to shareholders. There are two kinds of distributions: dividends, or the profits (after expenses) from the fund's investments, and capital gains distributions.

DIVERSIFIED: under the 1940 Act, a diversified fund generally may not invest more than 5% of its assets in the securities of any one issuer, and may not hold more than 10% of the voting shares of any one issuer. Certain minor exceptions apply to this policy, which are described in the Statement of Additional Information.

FUNDAMENTAL: a policy which can not be changed without the approval of a majority of the shareholders of a Fund.

INVESTMENT MANAGER: Charles Schwab Investment Management, Inc.

LARGE COMPANY STOCKS: The stocks of companies with the largest market capitalization's - market capitalizations of about \$1.5 billion and up.

MSCI EAFE: Morgan Stanley Capital International Europe, Australia, Far East stock index.

MATURITY: the date on which the principal of a debt obligation such as a bond comes due and must be repaid.

MONEY MARKET INSTRUMENT: Short-term liquid debt such as Treasury bills and commercial paper, which is sold at a discount but redeemed at par. See Commercial Paper.

NET ASSET VALUE (NAV): on a per share basis, the value of one share in a fund.

This value is determined by adding the total fund assets, subtracting all liabilities, and then dividing the resulting number by the number of shares outstanding.

1940 ACT: the Investment Company Act of 1940, as amended.

NONCUMULATIVE VOTING RIGHTS: the right of a shareholder to vote only the number of shares owned at the time of voting.

OPEN-END FUND: also called a mutual fund; an investment company in which people invest by buying its shares, thereby pooling their money and allowing the fund to invest in a number of securities. The fund distributes the profits from these investments, after expenses, to the fund's shareholders. Although shares in the fund are sold publicly, they are not traded on an open exchange because the fund will buy and sell shares to meet investor demand. Since the company is not limited as to the number of shares it can issue, the company's capitalization is not fixed but open.

PAR: for a stock, par is the value assigned to the stock at the time it is issued. It does not reflect either the intrinsic value of the security nor its market value. For a bond, par is the price at which the bond will be redeemed at its date of maturity, and the value on which the calculation of interest payments is based.

PORTFOLIO: the total stocks, bonds, and other securities held by an individual investor, a mutual fund, or a financial institution.

RISK: the possibility of losing all or part of your investment, that the value of your investment will decrease, or that you will receive little or no return on your investment.

S & P 500: an index of 500 stocks selected, calculated, and published by Standard & Poors, Inc.

SCHWAB: Charles Schwab & Co., Inc. 101 Montgomery Street, San Francisco, CA 94104.

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SECURITIES AND EXCHANGE COMMISSION (SEC): established by Congress to administer the Securities Act of 1933, the Investment Company Act of 1940, and other securities-related laws.

SHORT-TERM: with respect to a fund's portfolio investments, maturing in 397 days or less.

SMALL COMPANY STOCKS: stocks of companies whose market capitalization is within a dollar range usually well below that of large companies, or in the lower portion of a list ranking companies by market capitalization. (i.e., the second 1,000 largest companies according to their market capitalization)

SUB-ADVISER: Symphony Asset Management, Inc., 555 California Street - Suite #2975, San Francisco, California 94104

TACTICAL ASSET ALLOCATION MODEL: a value-oriented strategy used to measure the relative values among asset categories to determine the asset allocation which seeks the highest reward for a given level of risk.

T-BILLS: debt securities issued by the U.S. Government having a maturity of less than one year.

TRANSFER AGENT: Charles Schwab & Co., Inc., 101 Montgomery Street, San Francisco, CA 94104.

TRUST: Schwab Capital Trust

VOLATILITY: a measure of the magnitude and frequency of changes in securities values. Statistically, volatility is the measure of the spread of the prices or yields around the mean of the prices or yields.

YIELD: the rate at which dividends or interest are paid by a security. The yield is calculated as a percentage of the security's current market price. A stock selling for \$80 per share and paying dividends of \$6.40 is yielding 8 percent ($\$6.40/\$80=.08$). Likewise, a bond with a par or face value of \$1,000 and a 9 percent interest rate selling for \$600 is yielding 15 percent ($\$90/\$600=.15$).

Interest on a bond is always based on the par or face value of the bond, while the yield or return is based on the market price.

NO ONE HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY STATEMENTS ABOUT THIS OFFERING NOT CONTAINED IN THIS PROSPECTUS. IF ANYONE GIVES ANY OTHER INFORMATION OR MAKES ANY OTHER REPRESENTATIONS, DO NOT RELY ON SUCH INFORMATION OR REPRESENTATIONS AS HAVING BEEN AUTHORIZED BY THE TRUST OR ITS DISTRIBUTOR.

THIS PROSPECTUS IS NOT AN OFFER IN ANY STATE IN WHICH SUCH AN OFFER MAY NOT LAWFULLY BE MADE, NOR IS IT AN OFFER TO ANY PERSON TO WHOM SUCH AN OFFER MAY NOT LAWFULLY BE MADE.

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CROSS REFERENCE SHEET

SCHWAB CAPITAL TRUST

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Investment Advisory and Other Services	Management of the Trust
Brokerage Allocation and Other Practices	Portfolio Transactions and Turnover
Capital Stock and Other Securities	General Information
Purchase, Redemption and Pricing of Securities Being Offered	Share Price Calculation; Purchase and Redemption of Shares
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STATEMENT OF ADDITIONAL INFORMATION

Schwab Capital Trust
101 Montgomery Street, San Francisco, CA 94104

SEPTEMBER____, 1995

This Statement of Additional Information is not a prospectus. It should be read in conjunction with the Prospectuses, dated February 28, 1995, as amended June 30, 1995, for Schwab International Index Fund(TM) (the "International Index Fund"), and Schwab Small-Cap Index Fund(TM) (the "Small-Cap Index Fund"), and the joint Prospectus dated September____, 1995 for Schwab Asset Director-High Growth Fund, Schwab Asset Director-Balanced Growth Fund and Schwab Asset Director-Conservative Growth Fund (the "Asset Director Funds"), five separately managed investment portfolios (collectively the "Funds") of Schwab Capital Trust (the "Trust"). To obtain a copy of any of these Prospectuses, please contact Charles Schwab & Co., Inc. ("Schwab") at 800-2 NO-LOAD, 24 hours a day or 101 Montgomery Street, San Francisco, CA 94104.

SchwabFunds (R)
800-2 NO-LOAD

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The investment objective of the International Index Fund is to track the price and dividend performance (total return) of the Schwab International Index(TM) , (the "International Index"), an index created to represent the performance of common stocks and other equity securities issued by large publicly traded companies from countries around the world with major developed securities markets, excluding the United States.

SMALL-CAP INDEX FUND

The investment objective of the Small-Cap Index Fund is to attempt to track the price and dividend performance (total return) of the Schwab Small-Cap Index(TM) (the "Small-Cap Index"), an index created to represent the performance of the second 1,000 publicly traded common stocks issued by United States companies, ranked by market capitalization (share price times the number of shares outstanding).

SCHWAB ASSET DIRECTOR-HIGH GROWTH

The investment objective of the Schwab Asset Director-High Growth Fund is to provide high capital growth with less risk than an all-stock portfolio. This Fund provides the greatest exposure to various stock categories, including domestic large and small company stocks, and international stocks.

SCHWAB ASSET DIRECTOR-BALANCED GROWTH

The investment objective of the Schwab Asset Director-Balanced Growth Fund is to provide the shareholder with maximum total return, including both capital growth and income. This Fund represents a more balanced exposure approach to stocks and bonds.

SCHWAB ASSET DIRECTOR-CONSERVATIVE GROWTH

The investment objective of the Schwab Asset Director-Conservative Growth Fund is to provide the shareholder with income and more growth potential than an all-bond portfolio. This Fund's stock component is designed to help offset inflation.

The investment objectives stated above for each of the Funds, along with certain investment restrictions adopted by the Funds, are fundamental and cannot be changed without approval by holders of a majority of the Funds' outstanding voting shares, as defined in the Investment Company Act of 1940 (the "1940 Act").

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INVESTMENT SECURITIES

FOREIGN INVESTMENTS

The International Index Fund and the Asset Director Funds expect to invest in stocks of foreign issuers. The International Index Fund will invest primarily in such stocks. Investing in foreign issuers involves certain special considerations, including those set forth below, which are not typically associated with investing in U.S. issuers. Since investments in the

securities of foreign issuers are usually made and held in foreign currencies, and since the International Index Fund and the Asset Director Funds may hold cash in foreign currencies, they may be affected favorably or unfavorably by changes in currency rates and in exchange control regulations and may incur costs in connection with conversions between various currencies. The rate of exchange between the U.S. dollar and other currencies is determined by the forces of supply and demand in the foreign exchange market as well as by political and economic factors.

Since foreign companies are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies, there may be less publicly available information about a foreign company than about a U.S. company. Volume and liquidity in most markets are less than in the U.S. and securities of many foreign companies are less liquid and more volatile than securities of comparable U.S. companies. Fixed commissions on foreign securities exchanges are generally higher than negotiated commissions on U.S. exchanges, although the International Index Fund and the Asset Director Funds endeavors to achieve the most favorable net results on their portfolio transactions. There is generally less government supervision and regulation of foreign securities exchanges, brokers, dealers and listed companies than in the U.S., thus increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities.

Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Such delays in settlement could result in temporary periods when a portion of the assets of the International Index Fund and the Asset Director Funds are uninvested and no return is earned thereon. The inability to make intended security purchases due to settlement problems could cause the International Index Fund and the Asset Director Funds to miss attractive investment opportunities. Losses to the International Index Fund and the Asset Director Funds arising out of the inability to fulfill a contract to sell such securities, could result in potential liability to the International Index Fund and Asset Director Funds.

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In addition, with respect to those countries in which the International Index Fund and the Asset Director Funds may invest or other countries which may have a significant impact on the companies in which the International Index Fund and the Asset Director Funds may invest, there is the possibility of expropriation or confiscatory taxation, political or social instability, diplomatic developments, change of government or war which could affect the International Index Fund's and the Asset Director Funds' investments. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position.

Each of the Asset Director Funds may invest up to 5% of its total assets in companies located in developing countries. Compared to the United States and other developed countries, developing countries may have relatively unstable governments, economies based on only a few industries, and securities markets which trade a small number of securities. Prices on these exchanges tend to be volatile and, in the past, securities in these countries have offered greater potential for gain (as well as loss) than securities of companies located in developed countries.

Hong Kong. In addition to the risks discussed above, it is impossible to currently foresee what risk, if any, may exist to the International Index Fund's and the Asset Director Funds' investments as a result of the planned

1997 incorporation of the British Crown Colony of Hong Kong into the People's Republic of China. Shareholders should note that the risks discussed above may increase depending on political and economic developments as the scheduled time for the change in government in Hong Kong draws nearer.

DEPOSITORY RECEIPTS

Each of the Asset Director Funds may invest up to 5% of its total assets in American Depository Receipts and European Depository Receipts (ADRs and EDRs) which are receipts representing ownership of share of a foreign-based issuer held in trust by a bank or similar financial institution. These are designed for U.S. and European securities markets as alternatives to purchasing underlying securities in their corresponding national markets and currencies. ADRs and EDRs can be sponsored or unsponsored. Sponsored ADRs and EDRs are certificates in which a bank or financial institution participates with a custodian. Issuers of unsponsored ADRs and EDRs are not contractually obligated to disclose material information in the United States. Therefore, there may not be a correlation between such information and the market value of the unsponsored ADR or EDR.

OPTIONS ON SECURITIES

Writing Covered Options. The Funds may write (sell) covered call and put options on any securities in which they may invest. The Funds may purchase and write such options on securities that are

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listed on domestic or foreign securities exchanges or traded in the over-the-counter market. All call options written by the Funds are covered, which means that the Funds will own the securities subject to the option so long as the option is outstanding. The purpose of writing covered call options is to realize greater income than would be realized on portfolio securities transactions alone. However, in writing covered call options for additional income, the Funds may forego the opportunity to profit from an increase in the market price of the underlying security.

All put options written by the Funds will be covered, which means that each of the Funds will have deposited with its custodian cash, U.S. government securities or other high-grade debt securities (i.e., securities rated in one of the top three categories by Moody's Investor Service ("Moody's") or Standard & Poor's Corporation ("S&P"), or, if unrated, determined by the Funds' Investment Manager to be of comparable credit quality) with a value at least equal to the exercise price of the put option. The purpose of writing such options is to generate additional income for the Funds. However, in return for the option premium, the Funds accept the risk that they may be required to purchase the underlying securities at a price in excess of the securities market value at the time of purchase.

The Funds may terminate their obligations under a written call or put option by purchasing an option identical to the one it has written. Such purchases are referred to as "closing purchase transactions."

Purchasing Options. The Funds may purchase put and call options on any securities in which they may invest or options on any securities index based on securities in which they may invest. The Funds would also be able to enter into closing sale transactions in order to realize gains or minimize losses on options they have purchased.

The writer of an option may have no control over when the underlying securities must be sold, in the case of a call option, or purchased, in the case of a put option, since, with regard to certain options the writer may be assigned an exercise notice at any time prior to the termination of the obligation. Whether or not an option expires unexercised, the writer retains

the amount of the premium. This amount may, in the case of a covered call option, be offset by a decline in the market value of the underlying security during the option period. If a call option is exercised, the writer experiences a profit or loss from the sale of the underlying security. If a put option is exercised, the writer must fulfill its obligation to purchase the underlying security at the exercise price, which will usually exceed the then market value of the underlying security.

The purchase of a call option would entitle the Funds, in return for the premium paid, to purchase specified securities at a specified price during the

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option period. The Funds would ordinarily realize a gain if, during the option period, the value of such securities exceeded the sum of the exercise price, the premium paid and transaction costs, otherwise the Funds would realize either no gain or a loss on the purchase of the call option.

Risks Associated With Options Transactions. There is no assurance that a liquid secondary market on a domestic or foreign options exchange will exist for any particular exchange-traded option or at any particular time. If the Funds are unable to effect a closing purchase transaction with respect to covered options they have written, the Funds will not be able to sell the underlying securities or dispose of assets held in a segregated account until the options expire or are exercised. Similarly, if the Funds are unable to effect a closing sale transaction with respect to options they have purchased, they would have to exercise the options in order to realize any profit and will incur transaction costs upon the purchase or sale of underlying securities.

Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transaction or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation (the "OCC") may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), although outstanding options on that exchange that had been issued by the OCC as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

The Funds may purchase and sell both options that are traded on U.S. and foreign exchanges and options traded over-the-counter with broker-dealers who make markets in these options. The ability to terminate over-the-counter options is more limited than with exchange-traded options and may involve the risk that broker-dealers participating in such transactions will not fulfill their obligations. Until such time as the staff of the Securities and Exchange Commission (the "SEC") changes its position, the Funds will treat purchased over-the-counter options and all assets used to cover written over-the-counter options as illiquid securities, except that with respect to options written with primary dealers in the U.S. government securities pursuant to an agreement requiring a closing purchase transaction at a formula price, the amount of illiquid securities may be calculated with reference to a formula approved by the staff of the SEC. Each of the Asset Director Funds will write or purchase an option only where the market value of that option, when aggregated with the market value of all other options transactions made on

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behalf of the Fund does not exceed 5% of the Fund's total assets.

FOREIGN CURRENCY TRANSACTIONS

Forward Foreign Currency Exchange Contracts. The International Index Fund and the Asset Director Funds may enter into forward foreign currency exchange contracts in several circumstances. The International Index Fund and the Asset Director Funds may engage in foreign currency exchange transactions to protect against uncertainty in the level of future exchange rates. The International Index Fund and the Asset Director Funds expect to engage in foreign currency exchange transactions in connection with the purchase and sale of portfolio securities (so-called "transaction hedging") and to protect the value of specific portfolio positions ("position hedging").

For transaction hedging purposes, the International Index Fund and the Asset Director Funds enter into foreign currency transactions with respect to specific receivables or payables of the funds arising in connection with the purchase or sale of portfolio securities. By transaction hedging, the International Index Fund and the Asset Director Funds will attempt to protect against a possible loss resulting from an adverse change in the relationship between the U.S. dollar and the applicable foreign currency during the period between the date on which the security is purchased or sold, and the date on which such payments are made or received. When engaging in position hedging, the International Index Fund and the Asset Director Funds enter into foreign currency exchange transactions to protect against a decline in the values of the foreign currencies in which portfolio securities are denominated (or against an increase in the value of currency for securities which the International Index Fund and the Asset Director Funds expect to purchase).

When engaging in portfolio and/or transaction hedging, the International Index Fund and the Asset Director Funds may purchase or sell foreign on a spot (or cash) basis at the prevailing spot rate, and may also enter into contracts to purchase or sell foreign currencies at a future date ("forward contracts") and purchase and sell foreign currency futures contracts ("futures contracts"). The International Index Fund and the Asset Director Funds may also purchase exchange-listed and over-the-counter call and put options on futures contracts and on foreign currencies. A put option on a futures contract gives the International Index Fund and the Asset Director Funds the right to assume a short position in the futures contract until expiration of the option. A put option on currency gives the International Index Fund and the Asset Director Funds the right to sell a currency at an exercise price until the expiration of the option. A call option on a futures contract gives the International Index Fund and the Asset Director Funds the right to assume a long position in the futures contract until the expiration of the option. A call option on currency gives the International Index Fund and the Asset Director Funds the right to purchase a currency at the

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exercise price until the expiration of the option.

Hedging transactions involve costs and may result in losses, and the International Index Fund and the Asset Director Funds' ability to engage in hedging transactions may be limited by tax considerations. Transaction and position hedging do not eliminate fluctuations in the underlying prices of the securities which the fund owns or expects to purchase or expects to purchase or sell. They simply establish a rate of exchange which one can achieve at some future point in time. Additionally, although these techniques tend to minimize the risk of loss due to decline in the value of the hedged currency, they tend to limit any potential gain which might result from an increase in the value of such currency.

Although the contracts are not presently regulated by the Commodity Futures Trading Commission (the "CFTC"), the CFTC may in the future assert authority to regulate these contracts. In such event, the International Index Fund's and the Asset Director Funds' ability to utilize forward foreign currency exchange contracts may be restricted.

Each of the Asset Director Funds will enter into a forward foreign currency exchange contract only when the market value of such contract, when aggregated with the market value of all other such contracts held by the Fund does not exceed 5% of the Fund's total assets.

The International Index Fund and the Asset Director Funds generally will not enter into a forward contract with a term of greater than one year.

While the International Index Fund and the Asset Director Funds will enter into forward contracts to reduce currency exchange rate risks, transactions in such contracts involve certain other risks. Thus, while the International Index Fund and the Asset Director Funds may benefit from such transactions, unanticipated changes in currency prices may result in a poorer overall performance for the International Index Fund and the Asset Director Funds than if it had not engaged in any such transactions. Moreover, there may be imperfect correlation between the International Index Fund's and the Asset Director Funds' portfolio holdings of securities denominated in a particular currency and forward contracts entered into by the International Index Fund and the Asset Director Funds. Such imperfect correlation may cause the International Index Fund and the Asset Director Funds to sustain losses which will prevent the International Index Fund and the Asset Director Funds from achieving a complete hedge or expose the International Index Fund and the Asset Director Funds to risk of foreign exchange loss.

Writing and Purchasing Currency Call and Put Options. The International Index Fund and the Asset Director Funds may write covered put and call options and purchase put and call options on foreign currencies for the purpose of protecting against declines in the dollar value of

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portfolio securities and against increases in the dollar cost of securities to be acquired. A call option written by the International Index Fund and the Asset Director Funds obligates the International Index Fund and the Asset Director Funds to sell specified currency to the holder of the option at a specified price at any time before the expiration date. A put option written by the International Index Fund and the Asset Director Funds would obligate the International Index Fund and the Asset Director Funds to purchase specified currency from the option holder at a specified time before the expiration date. The writing of currency options involves a risk that the International Index Fund and the Asset Director Funds will, upon exercise of the option, be required to sell currency subject to a call at a price that is less than the currency's market value or be required to purchase currency subject to a put at a price that exceeds the currency's market value.

The International Index Fund and the Asset Director Funds may terminate their obligations under a call or put option by purchasing an option identical to the one it has written. Such purchases are referred to as "closing purchase transactions." The International Index Fund and the Asset Director Funds would also be able to enter into closing sale transactions in order to realize gains or minimize losses on options purchased by the International Index Fund and the Asset Director Funds.

The purchase of a call option would entitle the International Index Fund and the Asset Director Funds, in return for the premium paid, to purchase specified currency at a specified price during the option period. The International Index Fund and the Asset Director Funds would ordinarily realize a gain or a loss on the purchase of the call option.

The purchase of a put option would entitle the International Index Fund and the Asset Director Funds, in exchange for the premium paid, to sell specific currency at a specified price during the option period. The purchase of protective puts is designed merely to offset or hedge against a decline in the dollar value of the International Index Fund's and the Asset Director Funds' portfolio securities due to currency exchange rate fluctuations. The International Index Fund and the Asset Director Funds would ordinarily realize a gain, if, during the option period, the value of the underlying currency decreased below the exercise price sufficiently to more than cover the premium and transaction costs; otherwise the International Index Fund and the Asset Director Funds would realize either no gain or a loss on the purchase of the put option. Gains and losses on the purchase of protective put options would tend to be offset by countervailing changes in the value of the underlying currency.

Special Risks Associated With Options on Foreign Currency. An exchange traded option position may be closed out only on an options exchange which provides a secondary market for an option of the same series. Although the International Index Fund and the Asset Director Funds will generally purchase or

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write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option, or at any particular time. For some options, no secondary market on an exchange may exist. In such event, it might not be possible to effect closing transactions in particular options, with the result that the International Index Fund and the Asset Director Funds would have to exercise its options in order to realize any profit and would incur transaction costs upon the sale of underlying securities pursuant to the exercise of put options. If the International Index Fund and the Asset Director Funds as a covered call option writer is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying currency (or security denominated in that currency) until the option expires or it delivers the underlying currency upon exercise.

There is no assurance that higher than anticipated trading activity or other unforeseen events might not, at times, render certain of the facilities of the OCC inadequate, and thereby result in the institution by an exchange of special procedures which may interfere with the timely execution of customers' orders.

The International Index Fund and the Asset Director Funds will purchase and write over-the-counter options only to the extent consistent with its limitations on investments in illiquid securities, as described in the Prospectuses. Trading in over-the-counter options is subject to the risk that the other party will be unable or unwilling to close-out purchasing and writing activities.

FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

To hedge against changes in interest rates, securities prices or currency exchange rates, the Funds may purchase and sell various kinds of futures contracts. The Funds may also enter into closing purchase and sale transactions with respect to any such contracts and options. The futures contracts may be based on various securities (such as U.S. government

securities), securities indices, foreign currencies and other financial instruments and indices. The Funds will engage in futures and related option transactions only for bona fide hedging or other appropriate risk management purposes as defined below. All futures contracts entered into by the Funds are traded on U.S. exchanges or boards of trade that are licensed and regulated by the CFTC or on foreign exchanges.

Futures Contracts. A futures contract may generally be described as an agreement between two parties to buy and sell particular financial instruments for an agreed upon price during a designated month (or to deliver the final cash settlement price, in the case of a contract relating to an index or otherwise not calling for physical delivery at the end of trading in the contract).

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When interest rates are rising or securities prices are falling, the Funds can seek, through the sale of futures contracts, to offset a decline in the value of its current portfolio securities. When rates are falling or prices are rising, the Funds, through the purchase of futures contracts, can attempt to secure better rates or prices than might later be available in the market when they affect anticipated purchases. Similarly, the International Index Fund and the Asset Director Funds can sell futures contracts on a specified currency to protect against a decline in the value of such currency and its portfolio securities which are denominated in such currency. The International Index Fund and the Asset Director Funds can purchase futures contracts on foreign currency to fix the price in U.S. dollars of a security denominated in such currency that the International Index Fund and the Asset Director Funds has acquired or expects to acquire.

Although futures contracts by their terms generally call for the actual delivery or acquisition of underlying securities or the cash value of the index, in most cases the contractual obligation is fulfilled before the date of the contract without having to make or take such delivery. The contractual obligation is offset by buying (or selling, as the case may be) on a commodities exchange an identical futures contract calling for delivery in the same month. Such a transaction, which is effected through a member of an exchange, cancels the obligation to make or take delivery of the securities or the cash value of the index underlying the contractual obligations. The Funds may incur brokerage fees when it purchases or sells futures contracts.

Positions taken in the futures markets are not normally held to maturity, but are instead liquidated through offsetting transactions which may result in a profit or a loss. While the Funds' futures contracts on securities or currency will usually be liquidated in this manner, the Funds may instead make or take delivery of the underlying securities or currency whenever it appears economically advantageous for them to do so. A clearing corporation associated with the exchange on which futures on securities or currency are traded guarantees that, if still open, the sale or purchase will be performed on the settlement date.

Hedging Strategies With Futures. Hedging by use of futures contracts seeks to establish more certainty than would otherwise be possible with respect to the effective price, rate of return or currency exchange rate on portfolio securities or securities that the Funds own or propose to acquire. Such futures contracts may include contracts for the future delivery of securities held by the Funds or securities with characteristics similar to those of the Funds' portfolio securities. Similarly, the International Index Fund and the Asset Director Funds may sell futures contracts on currency in which its portfolio securities are denominated or in one currency to hedge against fluctuations in the value of securities denominated in a different currency if there is an established historical pattern of correlation between

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the two currencies. If, in the opinion of the Funds' Investment Manager, there is a sufficient degree of correlation between price trends for the Funds' portfolio securities and futures contracts based on other financial instruments, securities indices or other indices, the Funds may also enter into such futures contracts as part of their hedging strategy. Although under some circumstances, prices of securities in the Funds' portfolio may be more or less volatile than prices of such futures contracts, the Funds' Investment Manager will attempt to estimate the extent of this difference in volatility based on historical patterns and to compensate for it by having the Funds enter into a greater or lesser number of futures contracts or by attempting to achieve only a particular hedge against price changes affecting the Funds' portfolio securities. When hedging of this character is successful, any depreciation in the value of the portfolio securities will substantially be offset by appreciation in the value of the futures position. On the other hand, any unanticipated appreciation in the value of the Funds' portfolio securities would be substantially offset by a decline in the value of the futures position.

On other occasions, the Funds may take "long" positions by purchasing such futures contracts. This would be done, for example, when the Funds anticipate the subsequent purchase of particular securities when they have the necessary cash, but expects the prices or currency exchange rates then available in the applicable market to be less favorable than prices that are currently available.

Options on Futures Contracts. The acquisition of put and call options on futures contracts will give the Funds the right (but not the obligation), for a specified price, to sell or to purchase, respectively, the underlying futures contract at any time during the option period. As the purchaser of an option on a futures contract, the Funds obtain the benefit of the futures position if prices move in a favorable direction but limit their risk of loss in the event of an unfavorable price movement to the loss of the premium and transaction costs.

The writing of a call option on a futures contract generates a premium which may partially offset a decline in the value of the Funds' assets. By writing a call option, the Funds become obligated, in exchange for the premium, to sell a futures contract, which may have a value lower than the exercise price. Thus, the loss incurred by the Funds in writing options on futures is potentially unlimited and may exceed the amount of the premium received. The Funds will incur transaction costs in connection with the writing of options on futures.

The holder or writer of an option on a futures contract may terminate its position by selling or purchasing an offsetting option on the same series. There is no guarantee that such closing transactions can be effected. The Funds' ability to establish and close out positions on such options will be subject to the development and maintenance of a liquid market.

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The Funds may use options on futures contracts solely for bona fide hedging or other appropriate risk management purposes as defined below.

Other Considerations. The Funds will engage in futures and related options transactions only for bona fide hedging or other appropriate risk management purposes in accordance with CFTC regulations which permit principals of an investment company registered under the 1940 Act to engage in such transactions without registering as commodity pool operators. "Appropriate risk management purposes" means activities in addition to bona fide hedging which the CFTC deems appropriate for operators of entities, including registered investment companies, that are excluded from the definition of commodity pool operator. The Funds are not permitted to engage in speculative futures trading. The Funds will determine that the price fluctuations in the futures contracts and options on futures used for hedging purposes are substantially related to price fluctuations in securities held by the Funds or which they expect to purchase. Except as stated below, the Funds' futures transactions will be entered into for traditional hedging purposes--i.e.,

futures contracts will be sold to protect against a decline in the price of securities, or the currency will be purchased to protect the Fund against an increase in the price of securities, or the currency in which they are denominated. As evidence of this hedging intent, the Funds expect that on 75% or more of the occasions on which it takes a long futures (or option) position (involving the purchase of futures contracts), the Funds will have purchased, or will be in the process of purchasing, equivalent amounts of related securities (or assets denominated in the related currency) in the cash market at the time when the futures (or option) position is closed out. However, in particular cases, when it is economically advantageous for the Funds to do so, a long futures position may be terminated (or an option may expire) without the corresponding purchase of securities or other assets. As an alternative to literal compliance with the bona fide hedging definition, a CFTC regulation permits the Funds to elect to comply with a different test, under which (i) the Funds' futures positions will be used as part of its portfolio management strategy and will be incidental to its activities in the underlying cash market and (ii) the underlying commodity value of such positions will not exceed the sum of (a) cash or cash equivalents segregated for this purpose, (b) cash proceeds on existing investments due within 30 days, and (c) accrued profits on such futures or options positions.

Each of the Funds will engage in transactions in futures contracts and related options only to the extent such transactions are consistent with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") for maintaining its qualification as a regulated investment company for federal income tax purposes.

The Funds may not purchase or sell futures contracts or purchase or sell related options, except for closing purchase

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or sale transactions, if (i) immediately thereafter the sum of the amount of margin deposits on the Funds' outstanding futures and related options positions and the amount of premiums paid for outstanding options on futures would exceed 5% of the market value of that Fund's total assets or (ii) in the case of each of the Asset Director Funds, immediately thereafter the market value of the futures contract or related option, when aggregated with the market value of all other positions, on such securities held by the Fund would exceed 5% of the Fund's total assets. These transactions involve brokerage costs, require margin deposits and, in the case of futures contracts and options obligating the Funds to purchase securities or currencies, require the Funds to segregate assets to cover such contracts and options.

While transactions in futures contracts and options on futures may reduce certain risks, such transactions themselves entail certain other risks. Thus, while the Funds may benefit from the use of futures and options on futures, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the Funds than if they had not entered into any futures contracts or options transactions. In the event of an imperfect correlation between a futures position and portfolio position which is intended to be protected, the desired protection may not be obtained and the Funds may be exposed to risk of loss.

Perfect correlation between the Funds' futures positions and portfolio positions may be difficult to achieve. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in foreign currencies because the value of such securities is likely to fluctuate as a result of independent factors not related to currency fluctuations.

SWAPS

Each of the Asset Director Funds may enter into swaps on various securities (such as U.S. government securities), securities indexes, interest rates, prepayment rates, foreign currencies or other financial instruments or indexes, in order to protect the value of the Asset Director Funds from

interest rate fluctuations and to hedge against fluctuations in the floating rate market in which the Asset Director Funds' investments are traded, for both hedging and non-hedging purposes. While swaps are different from futures contracts (and options on futures contracts) in that swap contracts are individually negotiated with specific counterparties, the Asset Director Funds will use swap contracts for purposes similar to the purposes for which they use options, futures, and options on futures. Those uses of swap contracts (i.e., risk management and hedging) present the Funds with risks and opportunities similar to those associated with options contracts, futures contracts, and options on futures. See "Futures Contracts and Options on Futures Contracts" in this Statement.

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The Asset Director Funds may enter into these transactions to manage their exposure to changing interest rates and other market factors. Some transactions may reduce each Asset Director Funds' exposure to market fluctuations while others may tend to increase market exposure.

The use of swaps involves investment techniques and risks different from and potentially greater than those associated with ordinary fund securities transactions. If the Investment Manager is incorrect in its expectations of market values, interest rates, or currency exchange rates, the investment performance of the Asset Director Funds would be less favorable than it would have been if this investment technique were not used. The Asset Director Funds will only invest in swaps up to 5% of each Fund's total assets.

PREFERRED STOCK

The Funds may invest in preferred stock. Preferred stock has priority as to income and generally as to assets of the issuer, however, income is usually limited to a definitive percentage regardless of the issuer's earnings. Preferred stock usually has limited voting rights. The Asset Director Funds will only invest in preferred stock up to 5% of each Fund's total assets.

CONVERTIBLE SECURITIES

Each of the Asset Director Funds may invest up to 5% of its total assets in securities that are convertible into common stock, including convertible bonds, convertible preferred stocks, and warrants.

Convertible bonds are issued with lower coupons than nonconvertible bonds of the same quality and maturity, but they give holders the option to exchange their bonds for a specific number of shares of the company's common stock at a predetermined price. This structure allows the convertible bond holder to participate in share price movements in the company's common stock. The actual return on a convertible bond may exceed its stated yield if the company's common stock appreciates in value, and the option to convert to common shares becomes more valuable.

Convertible preferred stocks are nonvoting equity securities that pay a fixed dividend. These securities have a convertible feature similar to convertible bonds; however, they do not have a maturity date. Due to their fixed-income features, convertible issues typically are more sensitive to interest rate changes than the underlying common stock. In the event of liquidation, bondholders would have claims on company assets senior to those of stockholders; preferred stockholders would have claims senior to those of

common stockholders.

The Funds may invest in warrants. Warrants entitle the holder to buy the issuer's stock at a specific price for a specific period of time. The price of a warrant tends to be more volatile than, and does not always track, the prices of its

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underlying stock. Warrants are issued with expiration dates. Once a warrant expires, it has no value in the market.

REAL ESTATE-RELATED INVESTMENTS

Each of the Asset Director Funds may invest up to 5% of its total assets in real estate-related investments. Real estate-related instruments include real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings. Real estate-related instruments are sensitive to factors such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer. Real estate-related instruments may also be affected by tax and regulatory requirements, such as those relating to the environment.

PRECIOUS METAL-RELATED INVESTMENTS

Each of the Asset Director Funds may invest up to 5% of its total assets in precious metal-related investments. The Asset Director Funds may invest in common stocks of companies principally engaged in precious metal-related activities which include companies principally engaged in the extraction, processing, distribution, or marketing of precious metals industry if at the time of investment the Investment Manager considers that at least 50% of the company's assets, revenues or profits are derived from the precious metal industry. The Asset Director Funds may also invest in securities of companies principally engaged in the precious metals industry in which the Asset Director may be foreign or domestic. For further disclosure on foreign securities, see "Foreign Investments" in this Statement of Additional Information.

The Asset Director Funds may also invest in futures on precious metals, such as gold futures, and options thereon. Such investments are subject to the investment limitations for investments in futures and options for the Asset Director Funds as set forth in "Futures Contracts and Options on Futures Contracts" in this Statement of Additional Information.

Prices of precious metals can be expected to respond to changes in rates of inflation and to perceptions of economic and political instability. Historically, the prices of precious metals and of securities of companies engaged in the precious metal-related activities may be subject to extreme fluctuations, reflecting wider economic or political instability or for other reasons.

U.S. GOVERNMENT SECURITIES

The Funds may purchase U.S. Government securities direct obligations of the United States Government are supported by the full faith and credit of the United States Treasury. While obligations of certain United States Government agencies and instrumentalities are similarly backed, those of others, such as the Federal National Mortgage Association and the Student Loan Marketing Association, are only supported by the

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right of the issuer to borrow from the U.S. Treasury, the discretionary authority of the U.S. Government to purchase the agency's obligations or the credit of the issuing agency or instrumentality. There can be no assurance that the U.S. Government would provide financial support to United States Government sponsored agencies or instrumentalities if it is not obligated to do so by law. A Fund will invest in U.S. Government securities not backed by the full faith and credit of the United States Treasury only when Charles Schwab Investment Management, Inc. (the "Investment Manager") is satisfied that the credit risk with respect to their issuer is minimal.

GOVERNMENT "MORTGAGE BACKED" SECURITIES

Among the U.S. Government securities in which the Funds may invest are government "mortgage-backed" (or government guaranteed mortgage-related) securities. Mortgages backing the securities purchased by the Funds include, among others, conventional thirty year fixed rate mortgages, graduated payment mortgages, fifteen year mortgages and adjustable rate mortgages. All of these mortgages can be used to create pass-through securities. A pass-through security is formed when mortgages are pooled together and undivided interest in the pool or pools are sold. The cash flow from the mortgages is passed through to the holders of the securities in the form of periodic payments of interest, principal and prepayments (net of a service fee). Prepayments occur when the holder of an individual mortgage prepays the remaining principal before the mortgage's scheduled maturity date. As a result of the pass-through of prepayments of principal on the underlying securities, mortgage-backed securities are often subject to more rapid prepayment of principal than their stated maturity would indicate. Because the prepayment characteristics of the underlying mortgages vary, it is not possible to predict accurately the realized yield or average life of a particular issue of pass-through certificates. Prepayment rates are important because of their effect on the yield and price of the securities. Accelerated prepayments adversely impact yields for pass-throughs purchased at a premium (i.e., a price in excess of principal amount) and may involve additional risk of loss of principal because the premium may not have been fully amortized at the time the obligation is repaid. The opposite is true for pass-throughs purchased at a discount. The Funds may purchase mortgage-related securities at a premium or at a discount. Principal and interest payments on the mortgage-related securities are government guaranteed to the extent described below. Such guarantees do not extend to the value or yield of the mortgage-related securities themselves or of a Fund's shares.

GNMA Certificates. Certificates of the Government National Mortgage Association ("GNMA") are mortgaged securities which evidence an undivided interest in a pool or pools of mortgages. GNMA Certificates that the Funds may purchase are the "modified pass-through" type, which entitle the holder to receive

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timely payment of all interest and principal payments due on the mortgage pool, net of fees paid to the "issuer" and GNMA, regardless of whether or not the mortgagor actually makes the payment.

The National Housing Act authorized GNMA to guarantee the timely payment of principal and interest on securities backed by a pool of mortgages insured by the Federal Housing Administration ("FHA") or guaranteed by the Veterans Administration ("VA"). The GNMA guarantee is backed by the full faith and credit of the United States. The GNMA is also empowered to borrow without limitation from the U.S. Treasury if necessary to make any payments required under its guarantee.

The average life of a GNMA Certificate is likely to be substantially shorter than the original maturity of the mortgages underlying the securities. Prepayments of principal by mortgagors and mortgage foreclosures will usually result in the return of the greater part of principal investment long before the maturity of the mortgages in the pool. Foreclosures impose no risk to principal investment because of the GNMA guarantee, except to the extent that a Fund has purchased the certificates above par in the secondary market.

FHLMC Securities. The Federal Home Loan Mortgage Corporation ("FHLMC") was created in 1970 to promote development of a nationwide secondary market in conventional residential mortgages. The FHLMC issues two types of mortgage pass-through securities ("FHLMC Certificates"), mortgage participation certificates ("PCs") and guaranteed mortgage certificates ("GMCs"). PCs resemble GNMA Certificates in that each PC represents a pro rata share of all interest and principal payments made and owed on the underlying pool. The FHLMC guarantees timely monthly payment of interest on PCs and the ultimate payment of principal.

GMCs also represent a pro rata interest in a pool of mortgages. However, these instruments pay interest semi-annually and return principal once a year in guaranteed minimum payments. The expected average life of these securities is approximately ten years. The FHLMC guarantee is not backed by the full faith and credit of the United States.

FNMA Securities. The Federal National Mortgage Association ("FNMA") was established in 1938 to create a secondary market in mortgages insured by the FHA. FNMA issues guaranteed mortgage pass-through certificates ("FNMA Certificates"). FNMA Certificates resemble GNMA Certificates in that each FNMA Certificate represents a pro rata share of all interest and principal payments made and owed on the underlying pool. FNMA guarantees timely payment of interest and principal on FNMA Certificates. The FNMA guarantee is not backed by the full faith and credit of the United States.

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OTHER ASSET-BACKED SECURITIES

The Asset Director Funds may invest a portion of their assets in debt obligations known as "Asset-Backed Securities" that are rated in one of the three highest rating categories by a nationally recognized statistical rating organization (e.g., Standard & Poor's Corporation or Moody's Investors Service, Inc.) or, if not so rated, deemed to be of equivalent quality by the Investment Manager pursuant to guidelines adopted by the Board of Trustees. The credit quality of most Asset-Backed Securities depends primarily on the credit quality

of the assets underlying such securities, how well the entity issuing the security is insulated from the credit risk of the originator (or any other affiliated entities), and the amount and quality of any credit support provided to the securities. The rate of principal payments on asset-backed securities generally depends on the rate of principal payments received on the underlying assets, which in turn may be affected by a variety of economic and other factors. As a result, the yield on any asset-backed security is difficult to predict with precision and actual yield to maturity may be more or less than the anticipated yield to maturity. Asset-Backed Securities may be classified as "Pass-Through Certificates" or "Collateralized Obligations."

"Pass-Through Certificates" are asset-backed securities that represent undivided fractional ownership interests in the underlying pool of assets. Pass-Through Certificates usually provide for payments of principal and interest received to be passed through to their holders, usually after deduction for certain costs and expenses incurred in administering the pool. Because Pass-Through Certificates represent ownership interests in the underlying assets, the holders thereof bear directly the risk of any defaults by the obligors on the underlying assets not covered by any credit support.

Asset-Backed Securities issued in the form of debt instruments, also known as Collateralized Obligations, are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. The assets collateralizing such Asset-Backed Securities are pledged to a trustee or custodian for the benefit of the holders thereof. Such issuers generally hold no assets other than those underlying the Asset-Backed Securities and any credit support provided. As a result, although payments on such Asset-Backed Securities are obligations of the issuers, in the event of default on the underlying assets not covered by any credit support, the issuing entities are unlikely to have sufficient assets to satisfy their obligations on the related Asset-Backed Securities.

METHODS OF ALLOCATING CASH FLOWS

While many Asset-Backed Securities are issued with only one class of security, many others are issued in more than one class, each with different payment terms. Multiple class Asset-Backed Securities are issued for two main reasons. First, multiple classes may be used as a method of providing credit support. This is accomplished typically

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through creation of one or more classes whose right to payments on the Asset-Backed Security is made subordinate to the right to such payments of the remaining class or classes. Second, multiple classes may permit the issuance of securities with payment terms, interest rates or other characteristics differing both from those of each other and from those of the underlying assets. Examples include so-called "multi-tranche CMOs" (collateralized mortgage obligations) with serial maturities such that all principal payments received on the mortgages underlying the securities are first paid to the class with the earliest stated maturity, and then sequentially to the class with the next stated maturity), "Strips" (Asset-Backed Securities entitling the holder to disproportionate interests with respect to the allocation of interest and principal of the assets backing the security), and securities with a class or classes having characteristics which mimic the characteristics of non-Asset-Backed Securities, such as floating interest rates (i.e., interest rates which adjust as a specified benchmark changes) or scheduled amortization of principal.

TYPES OF CREDIT SUPPORT

Asset-Backed Securities are often backed by a pool of assets representing the obligations of a number of different parties. To lessen the effect of failures by obligors on these underlying assets to make payments, such securities may contain elements of credit support. Such credit support falls into two classes: liquidity protection and protection against ultimate default on the underlying assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to ensure that scheduled payments on the underlying pool are made in a timely fashion. Protection against ultimate default ensures payment on at least a portion of the assets in the pool. Such protection may be provided through guarantees, insurance policies or letters of credit obtained from third parties, through various means of structuring the transaction, or through a combination of such approaches. Examples of Asset-Backed Securities with credit support arising out of the structure of the transaction include "senior-subordinated securities" (multiple class Asset-Backed Securities with certain classes subordinate to other classes as to the payment of principal thereon, with the result that defaults on the underlying assets are borne first by the holders of the subordinated class) and Asset-Backed Securities that have "reserve funds" (where cash or investments, sometimes funded from a portion of the initial payments on the underlying assets, are held in reserve against future losses) or that have been "overcollateralized" (where the scheduled payments on, or the principal amount of, the underlying assets substantially exceed that required to make payment on the Asset-Backed Securities and pay any servicing or other fees). The degree of credit support provided on each issue is based generally on historical information respecting the level of credit risk associated with such payments. Delinquency or loss in excess of that anticipated could adversely affect the

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return on an investment in an Asset-Backed Security.

CREDIT CARD RECEIVABLE SECURITIES

The Asset Director Funds may invest in Asset-Backed Securities backed by receivables from revolving credit card agreements ("Credit Card Receivable Securities"). Most of the Credit Card Receivable Securities issued publicly to date have been Pass-Through Certificates. In order to lengthen the maturity of Credit Card Receivable Securities, most such securities provide for a fixed period during which only interest payments on the underlying Accounts are passed through to the security holder and principal payments received on such Accounts are used to fund the transfer to the pool of assets supporting the related Credit Card Receivable Securities of additional credit card charges made on an Account. The initial fixed period usually may be shortened upon the occurrence of specified events that signal a potential deterioration in the quality of the assets backing the security, such as the imposition of a cap on interest rates. The ability of the issuer to extend the life of an issue of Credit Card Receivable Securities thus depends upon the continued generation of additional principal amounts in the underlying accounts during the initial period and the non-occurrence of specified events. Competitive and general economic factors could adversely affect the rate at which new receivables are created in an Account and conveyed to an issuer, shortening the expected weighted average life of the related Credit Card Receivable Security, and reducing its yield. An acceleration in cardholders' payment rates or any other event that shortens the period during which additional credit card charges on an Account may be transferred to the pool of assets supporting the related Credit Card Receivable Security could have a similar effect on the weighted average life and yield.

Credit card holders are entitled to the protection of a number of state and federal consumer credit laws, many of which give such holders the right to set off certain amounts against balances owed on the credit card, thereby reducing amounts paid on Accounts. In addition, unlike most other

CERTIFICATES OF DEPOSIT AND BANKERS' ACCEPTANCES

The Funds may invest in certificates of deposit which are certificates issued against funds deposited in a banking institution for a specified period of time at a specified interest rate. Bankers' acceptances are credit instruments evidencing a bank's obligation to pay a draft drawn on it by a customer. These instruments reflect the obligation both of the bank and of the drawer to pay the full amount of the instrument upon maturity. Each Fund will only invest in certificates of deposit and bankers' acceptances of banks having capital,

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surplus and undivided profits in excess of \$100 million.

COMMERCIAL PAPER

The Funds may invest in Commercial paper which consists of short-term, unsecured promissory notes issued to finance short-term credit needs. The Funds will only invest in commercial paper that at the time of purchase is rated Prime-1 or Prime-2 by Moody's, A-1 or A-2 by S&P, "Duff 2" or higher by Duff & Phelps, Inc. ("Duff"), or "F2" or higher by Fitch Investors Services, Inc. ("Fitch") or if unrated by Moody's, S&P, Duff, or Fitch, is determined by the Investment Manager, using guidelines approved by the Board of Trustees, to be at least equal in quality to one or more of the above ratings.

OTHER INVESTMENT POLICIES

Securities which are acquired by the International Index Fund and the Asset Director Funds outside the U.S. and which are publicly traded in the U.S. or on a foreign securities exchange or in a foreign securities market are not considered by the Funds to be illiquid assets so long as the Funds acquire and hold the securities with the intention of reselling the securities in the foreign trading market, the Funds reasonably believe they can readily dispose of the securities in the foreign trading market, the Funds reasonably believe they can readily dispose of the securities for cash in the U.S., or foreign market and current market quotations are readily available. Investments may be in securities of foreign issuers, whether located in developed or undeveloped countries. Investments in foreign securities where delivery takes place outside the U.S. will have to be made in compliance with any applicable U.S. and foreign currency restrictions and tax laws (including laws imposing withholding taxes on any dividend or interest income) and laws limiting the amount and types of foreign investments. Changes of government administrations or of economic or monetary policies, in the U.S. or abroad, or changed circumstances convertibility or exchange rates could result in investment losses for the Funds. Investments in foreign securities may also subject the Funds to losses due to nationalization, expropriation or differing accounting practices and treatments. Moreover, investors should recognize that foreign securities are often traded with less frequency and volume, and therefore may have greater price volatility, than is the case with many U.S. securities. Notwithstanding the fact that the Funds generally intend to acquire the securities of foreign issuers where there are public trading markets, investments by the Funds in the securities of foreign issuers may tend to increase the risks with respect to the liquidity of the Funds' portfolio and the Funds' ability to meet a large number of shareholder redemption requests should there be economic or political turmoil in a country in which the Funds have a substantial portion of their assets invested or should relations between the U.S. and foreign countries deteriorate markedly. Furthermore, the reporting and disclosure requirements applicable to foreign issuers

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may differ from those applicable to domestic issuers, and there may be difficulties in obtaining or enforcing judgments against foreign issuers.

Loans of Portfolio Securities. The Funds may loan securities to qualified broker-dealers or other institutional investors provided that such loans do not exceed one-third of the value of the Funds' total assets at the time of the most recent loan, and that the borrower deposits and maintains with the Funds cash collateral or U.S. government securities with a value equal to 102% of the value of the securities loaned. The lending of securities is a common practice in the securities industry. The Funds will engage in security lending arrangements with the primary objective of increasing the Funds' income through investment of the cash collateral in short-term, interest-bearing obligations, but will do so only to the extent that the Funds will not lose the tax treatment available to regulated investment companies. The Funds will be entitled to all dividends or interest on any loaned securities.

Repurchase Transactions. Repurchase agreements are instruments under which a buyer acquires ownership of a security from a seller that agrees to repurchase the security at a mutually agreed upon time and price (which price is higher than the purchase price), thereby determining the yield during the buyer's holding period. Under the 1940 Act, a repurchase agreement is deemed to be the loan of money by a Fund to the seller, collateralized by the underlying security. The interest rate is effective for the period of time in which the Funds are invested in the agreement and is not related to the coupon rate on the underlying security. Any repurchase agreements entered into by a Fund will involve the Fund as the buyer and banks or broker-dealers as sellers (repurchase agreements with broker-dealers will be limited to obligations of the U.S. Government, its agencies or instrumentalities). The period of these repurchase agreements will usually be short, from overnight to one week, and at no time will the Funds invest in repurchase agreements for more than one year. However, the securities which are subject to repurchase agreements may have maturity dates in excess of one year from the effective date of the repurchase agreements. The transaction requires the initial collateralization of the seller's obligation with securities having a market value, including accrued interest, equal to at least 102% of the dollar amount invested by the Funds, with the value marked-to-market daily to maintain 100% coverage. A default by the seller might cause the Funds to experience a loss or delay in the liquidation of the collateral securing the repurchase agreement. The Funds might also incur disposition costs in liquidating the collateral. The Funds will make payment for such securities only upon physical delivery or evidence of book entry transfer to the account of its custodian bank. The Funds may not enter into a repurchase agreement of more than seven days duration if, as a result, the market value of the Funds' net assets, together with investments in other securities deemed to be not readily marketable, would be invested in excess of

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the Funds' policy on investments in illiquid securities.

In the event of a bankruptcy or other default of a repurchase agreement's seller, a Fund might incur expenses in enforcing its rights, and could experience losses, including a decline in the value of the underlying securities and loss of income. Each Fund will not invest more than 10% of its total assets at the time of purchase in repurchase agreements maturing in more than seven days and other illiquid securities.

Illiquid Securities. Each Fund reserves the right to invest up to 10% of its net assets in illiquid securities. Generally an "illiquid security" is any security that cannot be disposed of promptly and in the ordinary course of business at approximately the amount at which the Funds have valued the instrument. Subject to this limitation, the Funds may invest in restricted securities where such investment is consistent with the Funds' investment objectives and such securities may be considered to be liquid to the extent the Funds' Investment Manager determines that there is a liquid institutional or other market for such securities. In determining whether a restricted security is properly considered a liquid security, the Funds' Investment Manager will take into account the following factors: (i) the frequency of trades and quotes

for the security; (ii) the number of dealers willing to purchase or sell the security and the number of potential purchasers; (iii) dealer undertakings to make a market in the security; and (iv) the nature of the security and the nature of the marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer). To the extent the Funds invest in restricted securities that are deemed liquid, the general level of illiquidity in the Funds' portfolio may be increased if qualified institutional buyers become uninterested in purchasing these securities contracts.

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INVESTMENT RESTRICTIONS

Except as otherwise noted, the restrictions below are fundamental and cannot be changed without approval of the holders of a majority of the outstanding voting securities (as defined in the 1940 Act). Each of the Funds may not:

1) As to 75% of its assets, purchase securities of any issuer (other than obligations of, or guaranteed by, the United States Government, its agencies or instrumentalities) if, as a result, more than 5% of the value of its total assets would be invested in the securities of such issuer.

2) Purchase securities (other than securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities) if, as a result of such purchase, 25% or more of the value of its total assets would be invested in any industry (except that the Funds may purchase securities under such circumstances only to the extent that the Schwab International Index(TM) or the Schwab Small-Cap Index(TM) is also so concentrated).

3) Invest more than 10% of the total value of its assets in illiquid securities, including repurchase agreements with maturities in excess of seven days.

4) Purchase or retain securities of an issuer if any of the officers, trustees or directors of the Trust, or the Investment Manager individually own beneficially more than 1/2 of 1% of the securities of such issuer and together beneficially own more than 5% of the securities of such issuer.

5) Purchase or sell commodities or real estate, including interests in real estate limited partnerships, provided that each Fund may (i) purchase securities of companies that deal in real estate or interests therein, (ii) purchase or sell futures contracts, options contracts, equity index participations and index participation contracts, and (iii) for the Asset Director Funds, purchase securities of companies that deal in precious metals or interests therein.

6) Invest for the purpose of exercising control or management of another issuer.

7) Purchase securities of other investment companies, except as permitted by the 1940 Act.

8) Lend money to any person, except that each Fund may (i) purchase a portion of an issue of short-term debt securities or similar obligations (including repurchase

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agreements) that are publicly distributed or customarily purchased by institutional investors, and (ii) lend its portfolio securities.

9) Borrow money except from banks as a temporary measure to satisfy redemption requests or for extraordinary or emergency purposes and then only in an amount not to exceed one-third of the value of its total assets (including the amount borrowed), provided that each Fund will not purchase securities while borrowings represent more than 5% of its total assets.

10) Pledge, mortgage or hypothecate any of its assets except that, to secure allowable borrowings, each Fund may do so with respect to no more than one-third of the value of its total assets.

11) Underwrite securities issued by others except to the extent it may be deemed to be an underwriter, under the federal securities laws, in connection with the disposition of securities from its investment portfolio.

In order to permit the sale of shares of each Fund in certain jurisdictions, each Fund may make commitments more restrictive than the fundamental operating restrictions described above. Should it do so and later determine that any such commitment is no longer in the best interests of the Fund and its shareholders, it will revoke the commitment(s) by terminating sales of its shares in the jurisdiction(s) involved.

The following restrictions are non-fundamental and may be changed by the Trust's Board of Trustees. Each of the Funds may not:

1) Purchase more than 10% of any class of securities of any issuer if, as a result of such purchase, it would own more than 10% of such issuer's outstanding voting securities.

2) Invest more than 5% of its total assets in securities of issuers (other than obligations of, or guaranteed by the United States Government, its agencies or instrumentalities) that with their predecessors have a record of less than three years continuous operation.

3) Invest more than 5% of its net assets in warrants, valued at the lower of cost or market, and no more than 40% of this 5% may be invested in warrants that are not listed on the New York Stock Exchange or the American Stock Exchange, provided, however, that for purposes of this restriction, warrants acquired by a Fund in units or attached to other securities are deemed to be without value.

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4) Purchase puts, calls, straddles, spreads or any combination thereof if by reason of such purchase the value of its aggregate investment in such securities would exceed 5% of the Fund's total assets.

5) Make short sales, except for short sales against the box.

6) Purchase or sell interests in oil, gas or other mineral development programs or leases, although it may invest in companies that own or invest in such interests or leases.

7) Purchase securities on margin, except such short-term credits as may be necessary for the clearance of purchases and sales of securities.

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MANAGEMENT OF THE TRUST

OFFICERS AND TRUSTEES. The officers and trustees of the Trust, their

principal occupations over the past five years and their affiliations, if any, with The Charles Schwab Corporation, Schwab, and Charles Schwab Investment Management, Inc., are as follows:

<TABLE> <CAPTION>	POSITION WITH THE TRUST	PRINCIPAL OCCUPATION
NAME -----	-----	-----
<S>	<C>	<C>
CHARLES R. SCHWAB* Age: 57	Chairman and Trustee	Founder, Chairman, Chief Executive Officer and Director, The Charles Schwab Corporation; Founder, Chairman and Director, Charles Schwab & Co., Inc. and Charles Schwab Investment Management, Inc.; Chairman and Director, The Charles Schwab Trust Company and Mayer & Schweitzer, Inc. (a securities brokerage subsidiary of The Charles Schwab Corporation); Director, The Gap, Inc. (a clothing retailer), Transamerica Corporation (a financial services organization) and AirTouch Communications (a telecommunications company).
ELIZABETH G. SAWI ** Age: 43	President and Trustee	Executive Vice President - Mutual Funds, Charles Schwab & Co., Inc. and The Charles Schwab Corporation; President, Charles Schwab Investment Management, Inc. Prior to April 1994, Ms. Sawi was Executive Vice President - Marketing and Advertising for Charles Schwab & Co., Inc. and The Charles Schwab Corporation.
DONALD F. DORWARD Age: 63	Trustee	President and Chief Executive Officer, Dorward & Associates (advertising and marketing/consulting).
ROBERT G. HOLMES Age: 63	Trustee	Chairman, Chief Executive Officer and Director, Semloh Financial, Inc. (international financial services).
DONALD R. STEPHENS Age: 56	Trustee	Managing Partner, D.R. Stephens & Co. (real estate investment). Prior to 1993, Mr. Stephens was Chairman and Chief Executive Officer of the Bank of San Francisco.

</TABLE>

*Mr. Schwab is an "interested person" of the Trust.

**Ms. Sawi is an "interested person" of the Trust.

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<TABLE> <S>	<C>	<C>
MICHAEL W. WILSEY Age: 51	Trustee	Chairman, Chief Executive Officer and Director, Wilsey Bennett, Inc. (truck and air transportation, real estate investment and management, and investments).
A. JOHN GAMBS Age: 49	Treasurer and Principal Financial Officer	Executive Vice President - Finance and Chief Financial Officer, The Charles Schwab Corporation; Executive Vice President, Chief Financial Officer and Director, Charles Schwab & Co., Inc.; Chief Financial Officer and Director, Charles Schwab Investment Management, Inc.; and Chief Financial Officer, The Charles Schwab Trust Company.

WILLIAM J. KLIPP*** Age: 39	Senior Vice President, Chief Operating Officer and Trustee	Senior Vice President, Charles Schwab & Co., Inc. and Chief Operating Officer, Charles Schwab Investment Management, Inc. Prior to 1993, Mr. Klipp was Treasurer of Charles Schwab & Co., Inc. and Mayer & Schweitzer, Inc. Prior to 1990, he was Vice President, Director Funding, Merrill Lynch & Co., Inc.
STEPHEN B. WARD Age: 39	Senior Vice President & Chief Investment Officer	Senior Vice President, Charles Schwab Investment Management, Inc. Prior to 1991, Mr. Ward was Vice President and Portfolio Manager for Federated Investors.
FRANCES COLE Age: 39	Secretary	Chief Counsel and Compliance Officer, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. Prior to 1991, Ms. Cole was Senior Counsel for Equitec Securities Company.
TIMOTHY B. PAWLOSKI Age: 36	Assistant Treasurer	Vice President of Finance - SchwabFunds(R), 1991 to 1993, Mr. Pawloski was Director of Finance for Charles Schwab & Co., Inc. and from 1987 to 1991, he served as a Senior Manager at Price Waterhouse.
PAMELA E. HERLICH Age: 41	Assistant Secretary	Assistant Corporate Secretary, The Charles Schwab Corporation and Charles Schwab & Co., Inc.; Corporate Secretary, Charles Schwab Investment Management, Inc., Mayer & Schweitzer and The Charles Schwab Trust Company. Prior to 1993, Ms. Herlich was Assistant Corporate Secretary for Mayer & Schweitzer, Inc. and The Charles Schwab Trust Company.

</TABLE>

***Mr. Klipp is an "interested person" of the Trust.

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<TABLE> <S> DAVID H. LUI Age: 34	<C> Assistant Secretary	<C> Senior Counsel - Charles Schwab Investment Management, Inc. From 1991 to 1992, he was Assistant Secretary and Assistant Corporate Counsel for the Franklin Group of Mutual Funds. Prior to 1991, he was an Associate for Thelen, Marrin, Johnson & Bridges (a San Francisco law firm).
CHRISTINA M. PERRINO Age: 34	Assistant Secretary	Senior Counsel - Charles Schwab Investment Management, Inc. Prior to 1994, she was Counsel and Assistant Secretary for North American Security Life Insurance Company and Secretary for North American Funds.

</TABLE>

Each of the above-referenced Officers and/or Trustees also serves in the same capacity as described for the Trust for Schwab Investments, The Charles Schwab Family of Funds, Schwab Annuity Portfolios, and Schwab Advantage Trust (which has not yet commenced operations). The address of each individual listed above is 101 Montgomery Street, San Francisco, California 94104.

COMPENSATION TABLE(1)

<TABLE>
<CAPTION>

Name of Person, Position	Aggregate Compensation from the Trust	Pension or Retirement Benefits Accrued as Part of Fund Expenses from the Fund Complex(2)	Estimated Annual Benefits Upon Retirement from the Fund Complex(2)	Total Compensation from the Fund Complex(2)
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Charles R. Schwab, Chairman and Trustee	0	N/A	N/A	0
Elizabeth G. Sawi, President and Trustee	0	N/A	N/A	0
William J. Klipp, Sr. Vice President, Chief Operating Officer, and Trustee	0	N/A	N/A	0
Donald F. Dorward, Trustee	16,000	N/A	N/A	55,000
Robert G. Holmes, Trustee	16,000	N/A	N/A	55,000
Donald R. Stephens, Trustee	16,000	N/A	N/A	55,000
Michael W. Wilsey, Trustee	16,000	N/A	N/A	55,000

</TABLE>

1. Figures are for the Trust's fiscal year ended October 31, 1994.
2. "Fund Complex" comprises all 19 funds of the Trust, The Charles Schwab Family of Funds, Schwab Investments and Schwab Annuity Portfolios.

Pursuant to exemptive relief received by the Trust from the Securities and Exchange Commission, the Trust may enter into deferred fee arrangements (the "Fee Deferral Plan" or the "Plan") with the Trust's trustees who are not "interested persons" of any of the Funds of the Trust (the "Independent Trustees" or the "Trustees").

As of the date of this Statement of Additional Information, none of the Independent Trustees has elected to participate in the Fee Deferral Plan. In the event an Independent Trustee does

elect to participate in the Plan, the Plan would operate as described below.

Under the Plan, deferred Trustee's fees will be credited to a book reserve account established by the Trust (the "Deferred Fee Account"), as of the date such fees would have been paid to such Trustee. The value of the Deferred Fee Account as of any date will be equal to the value the Account would have had as of that date if the amounts credited to the Account had been invested and reinvested in the securities of the SchwabFund(R) or SchwabFunds selected by the participating Trustee (the "Selected SchwabFund Securities"). SchwabFunds include the series or classes of beneficial interest of the Trust, The Charles Schwab Family of Funds, and Schwab Investments.

Pursuant to the exemptive relief granted to the Trust, each Fund will purchase and maintain the Selected SchwabFund Securities in an amount equal to the deemed investments in that Fund of the Deferred Fee Accounts of the Independent Trustees. The exemptive relief granted to the Trust permits the Funds and the Trustees to purchase the Selected SchwabFund Securities, which transactions would otherwise be limited or prohibited by the investment policies and/or restrictions of the Funds. See "Investment Restrictions."

INVESTMENT MANAGER

The Investment Manager, a wholly-owned subsidiary of The Charles Schwab Corporation, serves as the Funds' investment adviser and administrator pursuant to an Investment Advisory and Administration Agreement (the "Advisory Agreement") between it and the Trust. The Investment Manager is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, and currently provides investment management services to the SchwabFunds(R), a family of 18 mutual funds with approximately \$27 billion in assets as of June 15, 1995. The Investment Manager is an affiliate of Schwab, the Trust's distributor and shareholder services and transfer agent. The Advisory Agreement will continue in effect until July 21, 1996 with respect to the Schwab International Index Fund, October 14, 1996 with respect to the Schwab Small-Cap Index Fund, [] with respect to the Asset Director Funds, and thereafter will continue for one year terms subject to annual approval by: (1) the Trust's Board of Trustees or (2) a vote of a majority (as defined in the 1940 Act) of the outstanding voting securities of a Fund. In either event, the continuance must also be approved by a majority of the Trust's Board of Trustees who are not parties to the Agreement or interested persons (as defined in the 1940 Act) of any such party by vote cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement may be terminated at any time upon 60 days notice by either party, or by a majority vote of the outstanding shares of a Fund, and will terminate automatically upon assignment.

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International Index Fund. For its advisory and administrative services to the International Index Fund, the Investment Manager is entitled to receive a graduated annual fee, payable monthly, of 0.70% of the Fund's average daily net assets not in excess of \$300 million, and 0.60% of such assets over \$300 million.

The Investment Manager and Schwab have guaranteed that, through at least June 30, 1996, the total fund operating expenses for the International Index Fund will not exceed 0.69% of that Fund's average daily net assets.

For the fiscal period from September 9, 1993 (commencement of

operations) to October 31, 1993, no investment advisory fees were paid by the International Index Fund (fees were reduced by \$97,986). For the fiscal year ended October 31, 1994, the International Index Fund paid investment advisory fees of \$474,0000 (fees were reduced by \$388,000).

Small-Cap Index Fund. For its advisory and administrative services to the Small-Cap Index Fund, the Investment Manager is entitled to receive a graduated annual fee, payable monthly, of 0.50% of the Fund's average daily net assets not in excess of \$300 million, and 0.45% of such assets over \$300 million.

The Investment Manager and Schwab have guaranteed that, through June 30, 1996, the total fund operating expenses for the Small-Cap Index Fund will not exceed 0.59% of that Fund's average daily net assets.

For the fiscal period from December 3, 1993 (commencement of operations) to October 31, 1994, the Small-Cap Index Fund paid investment advisory fees of \$151,861 (fees were reduced by \$106,533).

Asset Director Funds. For its advisory and administrative services to the Asset Director Funds, the Investment Manager is entitled to receive a graduated annual fee, payable monthly, of 0.74% of each Fund's average daily net assets not in excess of \$1 billion, and 0.69% of such net assets over \$1 billion; and 0.64% of such net assets over \$2 billion.

The Investment Manager and Schwab have guaranteed that, through at least December 31, 1996, the total fund operating expenses for the International Index Fund will not exceed 0.89% of each Fund's average daily net assets.

Additional Information. The Advisory Agreement provides that the fees to be paid to the Investment Manager will be less than the amount that would cause the aggregate operating expenses of a Fund (excluding interest, taxes, net brokerage commissions and extraordinary expenses) in any year to exceed the most stringent limits prescribed by any state in which shares of a Fund are offered for sale. The most stringent current limit for such expenses is 2.5% of a fund's first \$30 million of average net assets, 2.0% of a fund's next \$70 million of average net

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assets and 1.5% of a fund's average net assets in excess of \$100 million.

From time to time, each Fund may compare its total operating expense ratio to the total operating expense ratio of other mutual funds or mutual fund averages with similar investment objectives as reported by Lipper Analytical Service, Inc., Morningstar, Inc. or other independent sources of such information ("independent sources").

SUB-ADVISER

The Investment Manager has entered into an investment sub-advisory agreement (the "Sub-Advisory Agreement") with respect to the Asset Director Funds with Symphony Asset Management, Inc. (the "Sub-Adviser"), pursuant to which it will act as the Funds' sub-adviser. The Sub-Adviser is registered as an investment adviser under the Investment Advisers Act of 1940 and as of June 30, 1995 managed directly and indirectly approximately \$600 million in institutional and private account assets.

The Sub-Adviser furnishes investment advice through direct assistance to the Investment Manager in the development and execution of quantitatively based investment strategies. The Sub-Adviser uses a sophisticated optimization technique known as "Tactical Asset Allocation" in evaluating the optimal allocation of the Asset Director Funds' assets among asset categories: stocks, bonds, and cash.

Tactical Asset Allocation is a value-oriented strategy which seeks the highest reward for a given level of risk. Expected returns are measured for each asset category; for stocks, the internal rate of return is measured on forecasted dividend stream; for bonds, the yield to maturity is evaluated on representative long corporate bonds; and cash equivalents, yield to maturity evaluated on representative money market instruments. Risks and correlations of the asset categories are measured from long-term return histories.

The Investment Manager pays the Sub-Adviser an annual investment sub-advisory fee, payable monthly, of ___% each of the Asset Director Fund's average daily net assets not in excess of \$___ million, and ___% of such assets over \$___ million.

As of May 1, 1995 and June 30, 1995, Dimensional Fund Advisors Inc. ("Dimensional") no longer served as the sub-adviser to the Schwab Small-Cap Index Fund and the Schwab International Index Fund, respectively. As of the same dates, the Investment Manager became responsible for providing all investment advisory services to the Funds.

Expenses. Under the sub-advisory agreement between Dimensional and the Investment Manager, the Investment Manager paid Dimensional the following amounts for the fiscal periods indicated below.

International Index Fund: \$20,999 and \$185,000 for the fiscal period from

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September 9, 1993 (commencement of operations) to October 31, 1993 and for the fiscal year ended October 31, 1994, respectively.

Small-Cap Index Fund: \$51,419 for the fiscal period from December 3, 1993 (commencement of operations) to October 31, 1994.

DISTRIBUTOR

Pursuant to a Distribution Agreement, Schwab is the principal underwriter for shares of the Trust and is the Trust's agent for the purpose of the continuous offering of the Funds' shares. Each Fund pays the cost for the prospectuses and shareholder reports to be prepared and delivered to existing shareholders. Schwab pays such costs when the described materials are used in connection with the offering of shares to prospective investors and for supplementary sales literature and advertising. Schwab receives no fee under the Distribution Agreement. Terms of continuation, termination and assignment under the Distribution Agreement are identical to those described above with respect to the Advisory Agreement.

State Street Bank and Trust Company, at 1 Heritage Drive, North Quincy, Massachusetts 02171-2197 serves as Custodian and as Fund Accountant for the Trust.

ACCOUNTANTS
AND REPORTS TO SHAREHOLDERS

The Trust's independent accountants, Price Waterhouse LLP, audit and report on the annual financial statements of each series of the Trust and review certain regulatory reports and the Trust's federal income tax return. Price Waterhouse LLP also performs other professional accounting, auditing, tax and advisory services when engaged to do so by the Trust. Shareholders will be sent audited annual and unaudited semi-annual financial statements. The address of Price Waterhouse LLP is 555 California Street, San Francisco, California 94104.

LEGAL COUNSEL

Ropes & Gray, 1001 Pennsylvania Avenue, N.W., Suite 1200 South, Washington, D.C. 20004, is counsel to the Trust.

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PORTFOLIO TRANSACTIONS AND TURNOVER

PORTFOLIO TRANSACTIONS

In effecting securities transactions for the Funds, the Investment Manager seeks to obtain best price and execution. Subject to the supervision of the Board of Trustees, the Investment Manager will generally select brokers and dealers for the Funds primarily on the basis of the quality and reliability of brokerage services, including execution capability and financial responsibility. In assessing these criteria, the Investment Manager will, among other things, monitor the performance of brokers effecting transactions for the Funds to determine the effect, if any, the Funds' transactions through those brokers have on the market prices of the stocks involved. This may be of particular importance for the Funds' investments in relatively smaller companies whose stocks are not as actively traded as those of their larger counterparts. The Funds will seek to buy and sell securities in a manner that causes the least possible fluctuation in the prices of those stocks in view of the size of the transactions.

In an attempt to obtain best execution for the Funds, the Investment Manager may also place orders directly with market makers or with third market brokers, Instinet or brokers on an agency basis. Placing orders with third market brokers or through Instinet may enable the Funds to trade directly with other institutional holders on a net basis. At times, this may allow the Funds to trade larger blocks than would be possible trading through a single market maker.

When the execution and price offered by two or more broker-dealers are comparable, the Investment Manager may, in its discretion, in agency transactions (and not principal transactions) utilize the services of broker-dealers that provide it with investment information and other research resources. Such resources may also be used by the Investment Manager when providing advisory services to other investment advisory clients, including mutual funds.

In determining when and to what extent to use Schwab as its broker for executing orders for the Funds on securities exchanges, the Investment Manager will consider (if relevant) whether the compensation to be paid Schwab will be (i) fair and reasonable, (ii) at least as favorable to the Funds as commissions that would be charged by other qualified brokers having comparable execution capabilities, and (iii) at least as favorable as commissions contemporaneously charged by Schwab on comparable transactions for its most favored unaffiliated customers. The Funds do not consider it practicable or in the best interests of their shareholders to solicit competitive bids for commission rates on each transaction. However, the Board of Trustees, including a majority of the trustees who are not "interested persons" of Schwab within the meaning of the 1940 Act, (i) has prescribed procedures designed

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to provide that the Funds do not pay commissions that do not meet the standards described above, (ii) reviews those procedures annually to determine whether they remain adequate, and (iii) considers quarterly whether or not the commissions charged by Schwab have met the standards.

Schwab's brokerage services to the Funds are also subject to Rule 11a2-2(T) under the Securities Exchange Act of 1934, as amended. Rule 11a2-2(T) permits the Funds to use Schwab as a broker provided certain conditions are met. Among these requirements are that the floor brokerage element of portfolio transactions (that is, execution on the exchange floor or through use of exchange facilities) be performed by members of the exchange not associated with Schwab, that the orders to such members be transmitted from off the exchange floor and that neither Schwab nor an associated person of Schwab participates in the execution of the transaction after the order has been so transmitted. In connection with transactions in which Schwab acts as broker for the Funds, Schwab, while not permitted to perform floor brokerage (which is undertaken by members selected by Schwab who are not associated with that firm), still continues to bear principal responsibility for determining important elements of overall execution such as timing and order size, and also clears and settles such transactions. Schwab pays the fees charged by those persons performing the described floor brokerage elements. Schwab will not trade directly with the Funds in any transactions in which Schwab or an affiliate acts as principal.

Brokerage Commissions. For the fiscal period from December 3, 1993 (commencement of operations) to October 31, 1994, the Small-Cap Index Fund paid brokerage commissions of \$165,997. For the fiscal period from September 9, 1993 (commencement of operations) to October 31, 1993 and for the fiscal year ended October 31, 1994, the International Index Fund paid brokerage commissions of \$170,195 and \$86,127, respectively.

PORTFOLIO TURNOVER

For reporting purposes, each Fund's turnover rate is calculated by dividing the value of purchases or sales of portfolio securities for the fiscal year, whichever is less, by the monthly average value of portfolio securities owned by the Fund during the fiscal year. When making the calculation, all securities whose maturities at the time of acquisition were one year or less ("short-term securities") are excluded.

A 100% portfolio turnover rate would occur, for example, if all portfolio securities (aside from short-term securities) were sold and either repurchased or replaced once during the fiscal year. The Funds expect that their portfolio turnover rate will not exceed 100% in any given year, a turnover rate lower than that of most non-index mutual funds. A high portfolio turnover rate may increase a Fund's transaction costs. The International Index Fund's portfolio turnover rate for the fiscal period from

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September 9, 1993 (commencement of operations) to October 31, 1993 and for the fiscal year ended October 31, 1994 was 2% and 6%, respectively. The Small-Cap Index Fund's portfolio turnover rate for the fiscal period from December 3, 1993 (commencement of operations) to October 31, 1994 was 16%.

From time to time, each Fund may compare its portfolio turnover rate with that of other mutual funds as reported by independent sources.

TAXES

It is the policy of each Fund to qualify for taxation as a "regulated investment company" by meeting the requirements of Subchapter M of the Code. By following this policy, each Fund expects to eliminate or reduce to a nominal amount the federal income tax to which it is subject.

In order to qualify as a regulated investment company, each of the Funds must, among other things, (1) derive at least 90% of its gross income from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of stocks, securities, foreign currencies or other income (including gains from options, futures or forward contracts) derived with respect to its business of investing in stocks, securities or currencies; (2) derive less than 30% of its gross income from gains from the sale or other disposition of certain assets (including stocks and securities) held for less than three months; and (3) diversify its holdings so that at the end of each quarter of its taxable year (i) at least 50% of the market value of the Fund's total assets is represented by cash or cash items, United States Government securities, securities of other regulated investment companies and other securities limited, in respect of any one issuer, to a value not greater than 5% of the value of the Fund's total assets and 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its assets is invested in the securities of any one issuer (other than United States Government securities or securities of any other regulated investment company) or of two or more issuers that the Fund controls, within the meaning of the Code, and that are engaged in the same, similar or related trades or businesses. These requirements may restrict the degree to which a Fund may engage in short-term trading and certain hedging transactions and may limit the range of a Fund's investments. If a Fund qualifies as a regulated investment company, it will not be subject to federal income tax on the part of its net investment income and net realized capital gains, if any, which it distributes to shareholders, provided that the Fund meets certain minimum distribution requirements. To comply with these requirements, a Fund must distribute at least (a) 90% of its "investment company

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taxable income" (as that term is defined in the Code) and (b) 90% of the excess of its (i) tax-exempt interest income over (ii) certain deductions attributable to that income (with certain exceptions), for its taxable year. Each Fund intends to make sufficient distributions to shareholders to meet these requirements.

The Code imposes a non-deductible excise tax on regulated investment companies that do not distribute in a calendar year (regardless of whether they otherwise have a non-calendar taxable year) an amount equal to 98% of their "ordinary income" (as defined in the Code) for the calendar year plus 98% of their capital gain net income for the one year period ending on October 31 of such calendar year. The balance of such income must be distributed during the next calendar year. For the foregoing purposes, a Fund is treated as having distributed any amount on which it is subject to income tax for any taxable year ending in such calendar year. If the distributions during a calendar year were less than the required amount, the Fund is subject to a non-deductible excise tax equal to 4% of the deficiency.

A Fund's transactions in futures contracts, forward contracts, foreign currency transactions, options, and certain other investment and hedging activities is subject to special tax rules. In a given case, these rules may accelerate income to a Fund, defer its losses, cause adjustments in the holding periods of the Fund's assets, convert short-term capital losses into long-term capital losses or otherwise affect the character of the Fund's income. These rules could therefore affect the amount, timing and character of distributions to shareholders. The Funds will endeavor to make any available elections pertaining to these transactions in a manner believed to be in the best interest of the Funds and their shareholders.

INCOME TAX INFORMATION

Any dividends declared by the Funds in October, November or December to shareholders of record during those months and paid during the following January are treated, for tax purposes, as if they were received by each shareholder on December 31 of the year declared.

Dividends paid by the Funds from net investment income and distributions from the Funds' net short-term capital gains in excess of any net long-term capital losses, whether received in cash or reinvested, generally will be taxable to shareholders as ordinary income. For corporate investors in the Funds, dividend distributions designated by the Funds to be from dividends received from qualifying domestic corporations will be eligible for the 70% corporate dividends-received deduction to the extent they would qualify if the Funds were regular corporations. Distributions received from the Funds designated as long-term capital gains (net of capital losses), whether received in cash or reinvested, will be taxable as long-term capital gains without regard to the length of time a shareholder owned shares in the Funds. However, if a shareholder receives a long-term capital gain distribution with

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respect to Funds' shares held for six months or less, any loss on the sale or exchange of those shares shall, to the extent of the long-term capital gain distribution, be treated as a long-term capital loss. If a shareholder is not subject to income tax, generally the shareholder will not be taxed on amounts distributed by the Funds.

A Fund will be required in certain cases to withhold and remit to the United States Treasury 31% of taxable dividends paid to any shareholder (1) who fails to provide a correct taxpayer identification number certified under penalty of perjury; (2) who is subject to withholding by the Internal Revenue Service for failure to properly report all payments of interest or dividends; or (3) who fails to provide a certified statement that he or she is not subject to "backup withholding." This "backup withholding" is not an additional tax and any amounts withheld may be credited against the shareholder's ultimate U.S. tax liability.

The foregoing discussion relates only to federal income tax law as applicable to U.S. citizens or residents. Foreign shareholders (i.e., nonresident alien individuals and foreign corporations, partnerships, trusts and estates) generally are subject to U.S. withholding tax at the rate of 30% (or a lower tax treaty rate) on distributions derived from net investment income and short-term capital gains. Distributions to foreign shareholders of long-term capital gains and any gains from the sale or other disposition of shares of the Funds generally are not subject to U.S. taxation, unless the recipient is an individual who meets the Code's definition of "resident alien." Different tax consequences may result if the foreign shareholder is engaged in a trade or business within the United States. In addition, the tax consequences to a foreign shareholder entitled to claim the benefits of a tax treaty may be different than those described above. Distributions by a Fund may also be subject to state, local and foreign taxes, and its treatment under applicable tax laws may differ from the federal income tax treatment.

Although the International Index Fund and the Asset Director Funds

will attempt not to invest in any non-U.S. corporation which could be treated as a passive Foreign investment company ("PFIC"), or become a PFIC, under the Code, it might inadvertently do so. This could result in adverse tax consequences upon the disposition of, or the receipt of "excess distributions" with respect to, such equity investments. To the extent the International Index Fund and the Asset Director Funds do invest in PFIC, they may adopt certain tax strategies to reduce or eliminate the adverse effects of certain federal tax provisions governing PFIC investments. Many non-U.S. banks and insurance companies may not be treated as PFICs if they satisfy certain technical requirements under the Code. To the extent that the International Index Fund and the Asset Director Funds do invest in foreign securities which are determined to be PFIC securities and are required to pay a tax on such investments, a credit for this tax would not be allowed to be passed

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through to the International Index Fund's and the Asset Director Funds' shareholders. Therefore, the payment of this tax would reduce the International Index Fund's and the Asset Director Funds' economic return from their PFIC shares and excess distributions received with respect to such shares are treated as ordinary income rather than capital gains.

This discussion of federal income taxation presented above only summarizes some of the important federal tax considerations generally affecting purchasers of Fund shares. No attempt has been made to present a detailed explanation of the federal income tax treatment of a Fund and its shareholders, and the discussion is not intended as a substitute for careful tax planning. Accordingly, prospective investors (particularly those not residing or domiciled in the United States) should consult their own tax advisers regarding the consequences of investing in a Fund.

SHARE PRICE CALCULATION

Each Fund's net asset value per share is determined each day the New York Stock Exchange is open for trading as of 4:00 p.m., Eastern time. The net asset value of the International Index Fund is expressed in U.S. dollars by translating the Fund's assets using the bid price for the U.S. dollar as quoted by generally recognized, reliable sources. Currently, the New York Stock Exchange is closed on the following holidays: New Year's Day (observed), Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The Funds value their portfolio securities based on their market value. Each security held by the Funds which is listed on a securities exchange and for which market quotations are available is valued at the last quoted sale price for a given day, or if a sale is not reported for that day, at the mean between the most recent quoted bid and asked prices. Price information on each listed security is taken from the exchange where the security is primarily traded. Unlisted securities for which market quotations are readily available are valued at the mean between the most recent bid and asked prices. The value of other assets for which no quotations are readily available (including any restricted securities) are valued at fair value as determined in good faith by the Investment Manager pursuant to Board of Trustees guidelines. Securities may be valued on the basis of prices provided by pricing services when such prices are believed to reflect fair market value.

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STANDARDIZED TOTAL RETURN

Average annual total return for a period is determined by calculating the actual dollar amount of investment return on a \$1,000 investment in the Fund made at the beginning of the period, then calculating the average annual compounded rate of return that would produce the same investment return on the \$1,000 over the same period. In computing average annual total return, the Fund assumes the reinvestment of all distributions at net asset value on applicable reinvestment dates. For the fiscal period from September 9, 1993 (commencement of operations) to October 31, 1993 and for the fiscal year ended October 31, 1994, the International Index Fund's total return was 1.5% and 7.9%, respectively. For the fiscal period from December 3, 1993 (commencement of operations) to October 31, 1994, the Small-Cap Index Fund's total return was 0.63%.

NONSTANDARDIZED TOTAL RETURN

Nonstandardized total return for a Fund differs from standardized total return in that it relates to periods other than the period for standardized total return and/or that it represents aggregate (rather than average) total return.

In addition, an after-tax total return for each Fund may be calculated by taking that Fund's standardized or non-standardized total return and subtracting applicable federal taxes from the portions of each Fund's total return attributable to capital gains distributions and ordinary income. This after-tax total return may be compared to that of other mutual funds with similar investment objectives as reported by independent sources.

Each Fund may also report the percentage of that Fund's standardized or non-standardized total return which would be paid to taxes annually (at the applicable federal personal income and capital gains tax rates) before redemption of Fund shares. This proportion may be compared to that of other mutual funds with similar investment objectives as reported by independent sources.

COMPARING THE PERFORMANCE OF THE FUNDS WITH OTHER FUNDS.

The performance of the Funds may be compared with the performance of other mutual funds by comparing the ratings of mutual fund rating services, various indices of investment performance, United States government obligations, bank certificates of deposit, the consumer price index, and other investments for which reliable data is available.

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THE BENEFITS OF INTERNATIONAL INVESTING

INCREASED DIVERSIFICATION
CAN LOWER RISK

To some extent, all U.S.-based investments -- stocks, bonds, mutual funds and CDs -- are affected by the same economic forces. Tax cuts, interest rate changes and the performance of the U.S. stock market can all influence U.S. investments. Adding international (or overseas) investments to a U.S.-based portfolio has historically reduced the portfolio's overall volatility. Although U.S. and international markets may be interrelated, they do not move in tandem -- so losses in one market can be offset by gains in another.

POTENTIALLY HIGHER
OVERALL PERFORMANCE

During the past 10 years ending December 31, 1994, international equity markets outperformed the U.S. equity market and most other U.S. securities investments -- corporate bonds, CDs and U.S. Treasuries. The returns produced by the international markets have also kept investors well ahead of inflation. This historical performance means that investors diversified overseas earned a higher level of return.

BROADER GROWTH OPPORTUNITIES

Investors who limit their portfolios to U.S. securities are missing these investment opportunities. Ten years ago, the United States made up more than half of the world's equity investments. As of December 31, 1993, it represented just over one-third.

INDEXING AND THE SCHWAB INDEX FUNDS

Because the unmanaged performance of a broad-based equity index has often proven superior to that of many individually selected stock portfolios, a growing percentage of assets invested in the equity markets are being placed in "index" portfolios. Institutional investors often devote a substantial percentage of their assets to indexed strategies.

An index typically tracks the performance of a group of securities selected to represent a particular market, and is most often used to gauge that market's performance. The Dow Jones Industrial Average ("DJIA") and Standard & Poor's 500 Index(R) ("S&P 500") are two indices designed to measure the performance of United States stocks. When investment managers invest indexed separate accounts or index fund assets, they attempt to replicate the performance of the applicable target index by holding

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all or a representative sample of the securities included in the index.

The Funds performance data assume the reinvestment of dividends, but do not reflect deductions for administrative and management expenses. The Funds will be subject to these costs and expenses. In addition, various factors may cause the Funds' performance to be higher or lower than that of the Index.

THE SCHWAB INTERNATIONAL
INDEX (TM)

The Schwab International Index(TM) is a broad-based stock market index which contains the common stocks of the 350 largest operating companies (i.e., non-investment companies) incorporated outside the United States. To reduce undue risk, the Index represents equities only from countries that are considered to have developed markets and economies. By tracking the largest companies in developed markets, the Index represents the performance of the "blue chips" of international markets. The Index is also designed to provide a broad representation of the international market, by limiting each country to no more than 35% of the total market capitalization of the Index. As the stocks contained in the Index represent about 35% of the total market capitalization of international companies, the Index provides a reliable measure of market performance. The Schwab International Index(TM) was first made available to the public on July 29, 1993.

THE SCHWAB SMALL-CAP INDEX (TM)

To be included in the Schwab Small-Cap Index, a company must satisfy all of the following criteria: (1) it must be an "operating company" (i.e., not an investment company) incorporated in the United States, its territories or possessions; (2) a liquid market for its common shares must exist on the New York Stock Exchange, American Stock Exchange or the NASDAQ/NMS, and (3) its market value must place it among the second 1000 such companies as measured by market capitalization (i.e., from the company with a rank of 1001 through the company with a rank of 2000). Shareholders generally avoid exposure to the smallest companies, whose shares are often thinly traded and very volatile, because these stocks are not included in the Index.

A particular stock's weighting in the Schwab Small-Cap Index is based on its relative total market value (i.e., its market price per share times the number of shares outstanding), divided by the total market capitalization of the Schwab Small-Cap Index. The returns produced by the United States stock market during the 25 years ending December 31, 1990 have been exceeded by those of very few types of securities investments. Because the unmanaged performance of the U.S. stock market has often proven superior to that of many individually selected stock portfolios, a growing percentage of assets invested in the equity markets are being placed in "index" portfolios. From less than \$9 billion in 1980, indexed institutional

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holdings have grown to over \$280 billion, a figure equal to approximately one-quarter of all institutional assets. (Source: Callan Associates Survey, reported in Fall 1990 edition of The Journal of Portfolio Management).

Historically a long-term investment in a group of common stocks representative of the stock market as a whole as well as a group of common stocks representative of small-cap stocks has significantly exceeded that of U.S. Treasury Bills, CDs, corporate bonds and inflation.

ASSET ALLOCATION STRATEGIES USING SCHWABFUNDS (R)

Shareholders of SchwabFunds may wish to invest in the SchwabFunds as part of their personal asset allocation plan. An asset allocation program is available through Schwab. This program may help shareholders select investments, including investments in SchwabFunds, that match their individual investment needs. The shareholders' personal investment plan is based on a number of factors including personal financial situation, time horizon, investment objectives and goals, and risk tolerance.

ACCESS TO SCHWAB'S MUTUAL FUND ONESOURCE SERVICE (TM)

With Schwab's Mutual Fund OneSource Service (TM) ("OneSource"), a shareholder can invest in over 200 mutual funds from many fund companies, subject to the following. If a shareholder makes five or more short-term redemptions of OneSource mutual funds (other than the SchwabFunds) within any 12-month period, a fee will be charged on all future trades. A short-term redemption in this context refers to the sale of mutual fund shares held for six months or less. Some mutual funds available through OneSource may charge fees permitted under Rule 12b-1 in excess of one quarter of one percent per year. Schwab reserves the right to modify OneSource's terms and conditions at any time. For more information, a shareholder should contact their Schwab office during its regular business hours or 800-2 NO-LOAD, 24 hours a day.

From time to time, the Funds may include discussions in advertisements of the income tax savings shareholders may experience as a result of their

policy of limiting portfolio trading in order to reduce capital gains. This information may be supplemented by presentations of statistical data illustrating the extent of such income tax savings and the impact of such savings on the yield and/or total return of the Funds. In addition, such advertisements may include comparisons of the Funds' performance against that of investment products that do not employ the Funds' policy of seeking to limit capital gains. The Funds are intended to make indexed investing easily available to Schwab customers with the highest level of convenience and economy thereby facilitating their ability to participate in the long-term performance of the United States stock market.

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SCHWABFUNDS (R) .

SchwabFunds offers a variety of series and classes of shares of beneficial interest to help you with your investment needs.

EQUITY FUNDS

Schwab 1000 Fund(R) (1)
Schwab International Index Fund(TM) (2)
Schwab Small-Cap Index Fund(TM) (2)
Schwab Asset Director-High Growth
Schwab Asset Director-Balanced Growth
Schwab Asset Director-Conservative Growth

FIXED INCOME FUNDS(1)

Schwab Short/Intermediate Government Bond Fund
Schwab Long-Term Government Bond Fund
Schwab Short/Intermediate Tax-Free Bond Fund
Schwab Long-Term Tax-Free Bond Fund
Schwab California Short/Intermediate Tax-Free Bond Fund(3)
Schwab California Long-Term Tax-Free Bond Fund(3)

MONEY MARKET FUNDS(4)

Schwab Money Market Fund
Schwab Government Money Fund
Schwab U.S. Treasury Money Fund
Schwab Value Advantage Money Fund(TM)
Schwab Tax-Exempt Money Fund--Sweep Shares
Schwab Tax-Exempt Money Fund--Value Advantage Shares(5)
Schwab California Tax-Exempt Money Fund--Sweep Shares(3)
Schwab California Tax-Exempt Money Fund--Value Advantage Shares(3,5)
Schwab Retirement Money Fund(TM) (6)
Schwab Institutional Advantage Money Fund(TM) (6)
Schwab New York Tax-Exempt Money Fund--Sweep Shares(7)
Schwab New York Tax-Exempt Money Fund--Value Advantage Shares(5,7)

(1) The Schwab 1000 Fund and all fixed income funds are separate investment portfolios of Schwab Investments.

(2) The Schwab International Index Fund, the Schwab Small-Cap Index Fund and the Asset Director Funds are separate investment portfolios of the

Trust.

- (3) Available only to California residents and residents of selected other states.
- (4) All listed money market funds are separate investment portfolios of The Charles Schwab Family of Funds.
- (5) As of June 30, 1995, the Schwab Tax-Exempt Money Fund--Value Advantage Shares, Schwab California Tax-Exempt Money Fund--Value Advantage Shares, and the

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Schwab New York Tax-Exempt Money Fund--Value Advantage Shares had not yet commenced operations.

- (6) Designed for institutional investors only.
- (7) Available only to New York residents and residents of selected other states.

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OTHER INFORMATION

From time to time, the International Index Fund and the Small-Cap Index Fund may compare the historical performance of the Schwab International Index(TM) and the Schwab Small-Cap Index(TM), respectively, to the historical performance of various other indices, including the S&P 500, as reported by independent sources.

Each Fund is managed to offset capital gains with capital losses in order to minimize that Fund's capital gains tax liability. This special feature can make a real difference in an investor's after-tax return, especially if the investor is in a high tax bracket. In addition, each Fund has adopted a number of policies that should cause its portfolio turnover rate to be below the portfolio turnover rate of many other mutual funds. A lower portfolio turnover rate acts to minimize associated transaction costs as well as the level of realized capital gains. By avoiding, where possible, the distribution of capital gains to shareholders, the Funds help to build the value of a shareholders shares and defer payment of capital gains taxes until shares are redeemed. A shareholder's current tax liability for capital gains should be reduced and the shareholder's total return increased by these

policies.

Each Fund may, from time to time, refer to recent studies that analyze certain techniques and strategies which either Fund may use. In addition, each Fund may, from time to time, promote the advantages of investing in a series that is part of a large, diverse mutual fund complex.

From time to time, either Fund may include discussions in advertisements of the income tax savings shareholders may experience as a result of that Fund's policy of limiting portfolio trading in order to reduce capital gains. This information may be supplemented by presentations of statistical data illustrating the extent of such income tax savings and the impact of such savings on the yield and/or total return of either Fund. In addition, such advertisements may include comparisons of each Fund's performance against that of investment products that do not employ each Fund's policy of seeking to limit capital gains.

GENERAL INFORMATION

The Trust is generally not required to hold shareholder meetings. However, as provided in its Agreement and Declaration of Trust and Bylaws, shareholder meetings will be held in connection with the following matters: (1) election or removal of trustees if a meeting is requested in writing by a shareholder or shareholders who beneficially own(s) 10% or more of the Trust's shares; (2) adoption of any contract for which shareholder approval is required by the 1940 Act; (3) any termination of the Trust to the extent and as provided in the Declaration of Trust; (4) any amendment of the Declaration of Trust (other than amendments changing the name of the Trust or any of its investment portfolios, supplying any omission, curing any ambiguity or curing, correcting or supplementing any defective or inconsistent provision thereof); (5) determining whether a court action, proceeding or claim should or should not be brought or maintained derivatively or as a class action on behalf of the Trust or the shareholders, to the same extent as the stockholders of a Massachusetts business corporation; and (6) such additional

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matters as may be required by law, the Declaration of Trust, the Bylaws or any registration of the Trust with the SEC or any state or as the Board of Trustees may consider desirable. The shareholders also would vote upon changes to a Fund's fundamental investment objective, policies or restrictions.

Each Trustee serves until the next meeting of shareholders, if any, called for the purpose of electing trustees and until the election and qualification of his or her successor or until death, resignation, retirement or removal by a majority vote of the shares entitled to vote (as described below) or of a majority of the Trustees. In accordance with the 1940 Act (i) the Trust will hold a shareholder meeting for the election of trustees when less than a majority of the trustees have been elected by shareholders, and (ii) if, as a result of a vacancy in the Board of Trustees, less than two-thirds of the trustees have been elected by the shareholders, that vacancy will be filled by a vote of the shareholders.

Upon the written request of 10 or more shareholders who have been such for at least six months and who hold shares constituting at least 1% of the Trust's outstanding shares stating that they wish to communicate with the other shareholders for the purpose of obtaining signatures necessary to demand a meeting to consider removal of one or more trustees, the Trust has undertaken to disseminate appropriate materials at the expense of the requesting shareholders.

The Bylaws provide that the presence at a shareholder meeting in person or by proxy of at least 30% of the shares entitled to vote on a matter shall constitute a quorum, unless otherwise provided by the 1940 Act or other applicable law. Thus, even if less than a majority of shareholders were represented, a meeting of the Trust's shareholders could occur. Attending shareholders would in such case be permitted to take action not requiring the

vote of more than a majority of a quorum. Some matters requiring a larger vote under the Declaration of Trust, such as termination or reorganization of the Trust, and certain amendments of the Declaration of Trust, could not be decided at such a meeting, nor could matters which under the 1940 Act require the vote of a "majority of the outstanding voting securities," as defined in the 1940 Act. The Declaration of Trust specifically authorizes the Board of Trustees to terminate the Trust (or any of its investment portfolios) by notice to the shareholders without shareholder approval.

Under Massachusetts law, shareholders of a Massachusetts business trust could, under certain circumstances, be held personally liable for the Trust's obligations. The Declaration of Trust, however, disclaims shareholder liability for the Trust's acts or obligations and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by the Trust or the trustees. In addition, the Declaration of Trust provides for indemnification out of the property of an investment portfolio in which a shareholder owns or owned shares for all losses and expenses of such shareholder or former shareholder if he or she is held personally liable for the obligations of the Trust solely by reason of being or having been a shareholder. Moreover, the Trust will be covered by insurance which the trustees consider adequate to cover foreseeable tort claims. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is considered remote, because it is limited to circumstances in which a disclaimer is inoperative and the Trust itself is unable to meet its obligations.

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For further information, please refer to the registration statement and exhibits for the Trust on file with the SEC in Washington, D.C. and available upon payment of a copying fee. The statements in the Prospectus and this Statement of Additional Information concerning the contents of contracts or other documents, copies of which are filed as exhibits to the registration statement, are qualified by reference to such contracts or documents.

PURCHASE AND REDEMPTION OF SHARES

Each Fund's minimum initial investment requirement is \$1,000 (\$500 for Custodial Accounts, Individual Retirement Accounts and certain other retirement plans). Subsequent investments of \$100 or more may be made. These minimum investment requirements may be changed at any time and are not applicable to certain types of investors. The Trust may waive the minimums for purchases by trustees, directors, officers or employees of the Trust, Schwab, the Investment Manager, or the Sub-Adviser.

The Trust has made an election with the SEC to pay in cash all redemptions requested by any shareholder of record limited in amount during any 90-day period to the lesser of \$250,000 or 1% of its net assets at the beginning of such period. This election is irrevocable without the SEC's prior approval. Redemption requests in excess of the stated limits may be paid, in whole or in part, in investment securities or in cash, as the Trust's Board of Trustees may deem advisable; however, payment will be made wholly in cash unless the Board of Trustees believes that economic or market conditions exist that would make such a practice detrimental to the best interests of the Fund. If redemption proceeds are paid in investment securities, such securities will be valued as set forth in the Prospectus of the Fund affected under "Share Price Calculation" and a redeeming shareholder would normally incur brokerage expenses if he or she converted the securities to cash.

OTHER INFORMATION

The Prospectuses of the Funds and this Statement of Additional Information do not contain all the information included in the Registration Statement filed with the SEC under the Securities Act of 1933, as amended, with respect to the securities offered by the Prospectuses. Certain portions of the Registration Statement have been omitted from the Prospectuses and this

Statement of Additional Information pursuant to the rules and regulations of the SEC. The Registration Statement, including the exhibits filed therewith, may be examined at the office of the SEC in Washington, D.C.

Statements contained in the Prospectuses or in this Statement of Additional Information as to the contents of any contract or other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which the Prospectuses and this Statement of Additional Information form a part, each such statement being qualified in all respects by such reference.

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SchwabFunds(R) 1

 SCHWAB INTERNATIONAL INDEX FUND(TM)
 STATEMENT OF NET ASSETS
 October 31, 1994

<TABLE>
 <CAPTION>

	Number of Shares	Value (000s)
	----- <C>	----- <C>
<S>		
COMMON STOCK--97.2%		
AUSTRALIA--2.6%		
Australia & New Zealand		
Banking Group	49,700	\$ 144
BTR Nylex	116,332	207
Broken Hill Proprietary Co.	70,134	1,075
CRA	24,700	351
Coles Myer	50,456	157
Commonwealth Bank	37,577	208
National Australia Bank	58,769	464
News Corp.	78,390	483
Western Mining Corp.	47,000	293
Westpac Banking Corp.	79,986	268
		----- 3,650 -----
BELGIUM--0.6%		
Electrabel	1,800	320
Electrabel, AFV1	300	54
Petrofina SA	1,000	307
Societe Generale de Belgique	2,640	184
		----- 865 -----
CANADA--3.1%		
Alcan Aluminum	8,845	237
American Barrick Resources Corp.	14,800	353
BCE Inc.	13,564	474
Bank of Montreal	9,793	182
Bank of Nova Scotia	8,185	166
Canadian Imperial Bank of Commerce	8,161	193
Canadian Pacific Ltd.	14,600	233
Imperial Oil	8,563	307
Newbridge Networks Corp.	3,300	92
Northern Telecom	10,700	386
Nova Corp.	19,200	192
PanCanadian Petroleum	5,000	158
Placer Dome Inc.	9,200	199

Royal Bank of Canada	13,200	277
Seagram Co.	16,300	502
Thomson Corp.	23,700	285
Toronto-Dominion Bank	11,600	176

		4,412

DENMARK--0.4%		
D/S 1912 Series B	10	173
D/S Svendborg Series B	5	125
Tele Danmark AS Series B	5,290	305

		603

FRANCE--7.4%		
AXA Groupe SA	13,100	608
Alcatel Cable	1,723	201
Assurances Generales de France	15,800	646
Banque Nationale de Paris	10,018	496
Canal Plus	819	135
Carrefour	1,100	485
Cie Financiere de Paribas (Bearer)	4,681	312
Cie Generale des Eaux	4,803	440
Compagnie de Saint-Gobain SA	3,273	415
Compagnie de Suez	6,400	306
Credit Lyonnais	1,800	163
Danone Groupe	3,000	423
GAN Group	1,900	105
L'Air Liquide	2,784	393
L'Air Liquide (Rights - exp. 11/04/94)*	2,384	33
L'Oreal SA	2,650	576
LVMH Moet-Hennessy Louis Vuitton	7,100	1,145
Lafarge Coppee SA	3,500	278
Lyonnaise des Eaux-Dumez	2,430	221
Michelin Class B (Reg.)	4,450	186
Peugeot Citroen	2,200	330
Rhone-Poulenc SA A Shares	13,500	333
Schneider SA	2,650	199
Societe Generale	3,473	392
Societe Nationale Elf Aquitaine	11,256	832
TOTAL Compagnie Francaise des Petroles Class B	9,300	603
Union des Assurances de Paris	12,650	334

		10,590

GERMANY--7.5%		
BASF AG	2,500	529
Bankgesellschaft Berlin	1,029	246
Bayer AG	2,866	671
Bayerische Hypotheken & Wechsel Bank	913	240
Bayerische Hypotheken & Wechsel Bank (New)*	91	23
Bayerische Motoren Werke AG	820	423
Bayerische Vereinsbank AG	924	274
Commerzbank AG	1,345	283
Daimler-Benz AG	2,721	1,399
Deutsche Bank AG	2,016	994
Dresdner Bank AG	1,897	508
Hoechst AG	2,550	559
Mannesmann AG	1,561	417
Muenchener Rueckversicherung	11	18
Muenchener		

Rueckversicherung (Reg.)	311	573
Preussag AG	615	180
RWE AG	1,370	420
SAP AG	242	156
Siemens AG	2,356	985
Thyssen AG	1,189	227
VEBA AG	2,018	676
VIAG AG	873	275
Vereinigte Elektrizitat		
Westfalen Series B	807	203
Volkswagen AG	1,129	332

		10,611

HONG KONG--4.3%		
CITIC Pacific	85,000	256
Cathay Pacific		
Airways	118,000	175
China Light & Power	77,400	403
Hang Seng Bank	81,100	588
Henderson Land		
Development Co.	68,000	444
Hong Kong		
Telecom	469,200	1,005
Hongkong Electric Holdings	84,000	264

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds (R)

2

<TABLE>
<CAPTION>

	Number of Shares	Value (000s)
	-----	-----
<S>	<C>	<C>
Hongkong Land Holdings	111,000	\$284
Hutchison Whampoa	154,000	711
Jardine Matheson		
Holdings (Reg.)	29,811	248
New World		
Development Co.	69,709	222
Sun Hung Kai Properties	86,500	660
Swire Pacific Class A	68,000	519
Wharf Holdings	89,000	351

		6,130

ITALY--2.4%

Alleanza Assicurazioni	22,500	235
Alleanza Assicurazioni (Non-Convertible)	3,750	35
Assicurazioni Generali	35,200	882
Banco di Roma SpA	141,900	151
Fiat Finance SpA	65,000	266
Fiat Finance SpA (Non-Convertible)	14,000	32
First Bank San Paolo di Torino	27,700	165
IMI	24,800	162
INA*	161,000	233
RAS Assicurazioni	6,310	79
RAS Assicurazioni (Non-Convertible)	2,790	19
STET	137,000	414
STET (Non-Convertible)	66,000	163
Telecom Italia	200,000	549
Telecom Italia		

3,478

JAPAN--32.7%		
Ajinomoto Co., Inc.	11,000	151
All Nippon Airways Co.	28,000	332
Asahi Bank	45,000	497
Asahi Breweries	8,000	88
Asahi Chemical Industry Co.	28,000	227
Asahi Glass Co.	21,000	271
Ashikaga Bank	8,000	59
Bank of Fukuoka	11,000	103
Bank of Tokyo	39,000	600
Bank of Yokohama	20,000	184
Bridgestone Corp.	15,000	248
Canon Inc.	16,000	297
Chiba Bank	13,000	123
Chubu Electric Power Co.	14,300	366
Chugoku Electric Power Co., Inc.	5,900	147
Cosmo Oil Co.	11,000	88
Dai Nippon Printing Co.	15,000	279
Dai-Ichi Kangyo Bank	54,000	987
Daiei Inc.	14,000	210
Daiichi Pharmaceutical Co.	5,000	76
Daiwa Bank	29,000	305
Daiwa House Industry Co.	9,000	125
Daiwa Securities Co.	26,000	378
East Japan Railway Co.	100	499
Ebara Corp.	5,000	91
Eisai Co.	5,000	86
FamilyMart Co.	1,000	65
Fanuc	5,000	243
Fuji Bank	50,000	1,110
Fuji Photo Film Co.	9,000	215
Fujitsu Ltd.	35,000	401
Furukawa Electric Co.	13,000	90
Gunma Bank	10,000	114
Hachijuni Bank	10,000	126
Hankyu Corp.	17,000	103
Hanwa Co.	5,000	20
Hiroshima Bank	13,000	83
Hitachi Ltd.	57,000	594
Hitachi Zosen	19,000	111
Hokkaido Electric Power Co.	4,000	100
Hokkaido Takushoku Bank	12,000	58
Hokuriku Bank	13,000	98
Hokuriku Electric Power Co.	4,000	99
Honda Motor Co.	18,000	314
Industrial Bank of Japan	46,000	1,425
Ishikawajima-Harima Heavy Industries	25,000	120
Isuzu Motors	20,000	107
Ito-Yokado Co.	8,000	437
Itochu Corp.	28,000	218
Japan Airlines Co.	35,000	271
Japan Energy Co.	21,000	93
Joyo Bank	14,000	123
Jusco Co.	6,000	135
Kajima Corp.	16,000	152
Kandenko Co.	5,000	91
Kansai Electric Power Co.	18,800	474
Kao Corp.	12,000	142
Kawasaki Heavy Industries	25,000	123
Kawasaki Steel Co.	52,000	244
Keio Teito Railway Co.	8,000	46
Kinden Co.	3,000	49
Kinki Nippon Railway Co.	31,000	268
Kirin Brewery Co.	19,000	228
Kobe Steel	48,000	166
Kokusai Denki	1,100	113
Komatsu Ltd.	18,000	171
Kubota Co.	23,000	177
Kyocera Corp.	4,000	305

Kyowa Hakko Kogyo	6,000	61
Kyushu Electric Power Co.	8,500	214
Kyushu Matsushita Electric Co.	3,000	76
Long-Term Credit Bank of Japan	42,000	503
Marubeni Corp.	27,000	156
Marui Co.	7,000	128
Matsushita Communication Industrial	4,000	111
Matsushita Electric Industrial Co.	41,000	681
Matsushita Electric Works	12,000	133
Matsushita-Kotokuki Electronics	3,000	85
Mazda Motor Corp.	21,000	125
Mitsubishi Bank	51,000	1,279
Mitsubishi Chemical Corp.	28,000	165
Mitsubishi Corp.	30,000	409
Mitsubishi Electric Corp.	39,000	292
Mitsubishi Estate Co.	25,000	294
Mitsubishi Heavy Industries	59,000	481
Mitsubishi Materials Co.	21,000	119
Mitsubishi Motors Co.	17,000	159
Mitsubishi Oil Co.	8,000	87

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds (R)

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 SCHWAB INTERNATIONAL INDEX FUND(TM)
 STATEMENT OF NET ASSETS
 October 31, 1994

<TABLE>

<CAPTION>

	Number of Shares	Value (000s)
	-----	-----
<S>	<C>	<C>
Mitsubishi Trust & Banking Corp.	25,000	\$ 387
Mitsui & Co.	30,000	269
Mitsui Fudosan Co.	16,000	180
Mitsui Marine & Fire Insurance Co.	14,000	106
Mitsui O.S.K. Lines	14,000	61
Mitsui Trust & Banking Co.	22,000	254
Mitsukoshi	6,000	62
Murata Manufacturing Co.	4,400	180
NEC Corp.	28,000	358
NGK Insulators	5,000	53
NKK Corp.	57,000	176
Nagoya Railroad Co.	10,000	52
New Oji Paper Co.	12,000	134
Nichii Co.	4,000	56
Nikko Securities Co.	29,000	341
Nintendo Co.	3,000	168
Nippon Credit Bank	34,000	226
Nippon Express Co.	21,000	228
Nippon Fire & Marine Insurance Co.	7,000	52
Nippon Oil Co.	21,000	152
Nippon Paper Industries Co.	39,000	308
Nippon Steel Corp.	121,000	500
Nippon Telegraph & Telephone Corp.	303	2,831
Nippon Yusen	21,000	143
Nippondenso Co.	15,000	321

Nissan Motor Co.	49,000	418
Nisshin Steel Co.	20,000	105
Nomura Securities Co.	38,000	796
Obayashi Corp.	10,000	71
Odakyu Electric Railway Co.	14,000	103
Oki Electric Industry Co.	12,000	96
Ono Pharmaceutical Co.	2,000	94
Osaka Gas Co.	45,000	193
Pioneer Electronic Co.	4,000	104
Ricoh Co.	13,000	130
Sakura Bank	58,000	796
Sankyo Co.	7,000	182
Sanwa Bank	50,000	1,048
Sanyo Electric Co.	33,000	199
Secom Co.	2,000	134
Sega Enterprises	2,000	104
Seibu Railway Co.	11,000	477
Sekisui Chemical Co.	11,000	113
Sekisui House	11,000	125
Seven-Eleven Japan Co.	7,000	574
Sharp Co.	22,000	411
Shikoku Electric Power Co.	4,800	118
Shimizu Corp.	14,000	145
Shin-Etsu Chemical Co.	6,000	128
Shiseido Co.	8,000	97
Shizuoka Bank	16,000	218
Showa Shell Sekiyu	7,000	93
Sony Corp.	7,000	427
Sony Music Entertainment (Japan)	2,100	119
Sumitomo Bank	56,000	1,052
Sumitomo Chemical Co.	29,000	171
Sumitomo Corp.	21,000	217
Sumitomo Electric Industries	12,000	180
Sumitomo Marine & Fire Insurance Co.	13,000	118
Sumitomo Metal Industries	51,000	193
Sumitomo Metal Mining Co.	11,000	109
Sumitomo Trust & Banking Co.	22,000	320
Suzuki Motor Co.	10,000	127
TDK	3,000	147
Taisei Corp.	19,000	127
Taisho Pharmaceutical Co.	6,000	110
Takeda Chemical Industries	17,000	211
Teijin Ltd.	19,000	113
Tobu Railway Co.	16,000	102
Tohoku Electric Power Co.	8,900	228
Tokai Bank	39,000	483
Tokio Marine & Fire Insurance Co.	30,000	356
Tokyo Electric Power Co.	26,000	762
Tokyo Electron	3,000	100
Tokyo Gas Co.	50,000	236
Tokyo Steel Manufacturing	2,000	50
Tokyu Corp.	18,000	126
Tonen	13,000	207
Toppan Printing Co.	12,000	177
Toray Industries	24,000	190
Toshiba Corp.	56,000	442
Tostem Corp.	4,000	114
Toto	6,000	94
Toyo Seikan	4,000	134
Toyo Trust & Banking Co.	13,000	152
Toyoda Automatic Loom	4,000	84
Toyota Motor Corp.	66,000	1,458
Yamaichi Securities Co.	20,000	159
Yamanouchi Pharmaceutical Co.	6,000	118
Yamazaki Baking Co.	5,000	104
Yasuda Fire & Marine Insurance Co.	15,000	110
Yasuda Trust & Banking Co.	18,000	160

46,554

NETHERLANDS--5.1%		
ABN-Amro Holding NV	12,240	435
AEGON NV	4,400	272
Akzo Nobel NV	3,000	379
Elsevier NV	29,000	296
Heineken NV	1,600	234
Internationale Nederlanden Groep	11,582	542
Koninklijke PTT Nederland	19,700	628
Philips Electronics NV	13,300	441
PolyGram NV	7,900	352
Royal Dutch Petroleum Co. (Bearer)	23,200	2,702
Unilever NV	6,700	798
Wolters Kluwer CVA	2,700	195

		7,274

SINGAPORE--1.8%		
OCBC Bank	35,833	386
Singapore Airlines	52,000	499
Singapore Telecom	640,000	1,395
United Overseas Bank	30,000	329

		2,609

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds (R) 4

<TABLE>
<CAPTION>

	Number of Shares	Value (000s)
	-----	-----
<S>	<C>	<C>
SPAIN--1.7%		
Argentaria	5,700	\$220
Banco Central SA (Reg.)	5,500	132
Banco de Bilbao Vizcaya SA (Reg.)	7,400	194
Banco de Santander	1,200	48
Banco de Santander SA (Reg.)	5,600	228
Empresa Nacional de Electricidad	10,000	458
Iberdrola SA	39,600	261
Repsol, SA	12,800	409
Telefonica de Espana, SA	35,800	484

		2,434

SWEDEN--1.6%		
ASEA AB Series A Free shares	2,100	153
ASEA AB Series B Free shares	800	58
Astra AB Series A Free shares	19,400	524
Astra AB Series B Free shares	3,400	91
BCP Branded Consumer Products Series A Free shares	5,300	57
BCP Branded Consumer Products Series B Free shares	2,800	31
L.M. Ericsson Series B		

Free shares	9,300	565
Pharmacia AB Series A		
Free shares	5,300	100
Pharmacia AB Series B		
Free shares	2,800	52
Sandvik AB Series A		
Free shares	8,600	146
Volvo AB Series A		
Free shares	5,000	98
Volvo AB Series B		
Free shares	20,700	408

2,283

SWITZERLAND--5.8%

BBC Brown		
Boveri	331	284
BBC Brown Boveri (Reg.)	189	31
CS Holding (Bearer)	1,014	444
CS Holding (Reg.)	1,745	148
Ciba-Geigy AG (Bearer)	170	100
Ciba-Geigy AG (Reg.)	1,080	630
Cie Financiere Richemont		
Series A (Bearer)	232	228
Nestle SA (Reg.)	1,669	1,562
Roche Holding AG	295	1,313
Roche Holding AG (Bearer)	70	631
SMH AG (Bearer)	156	87
SMH AG (Reg.)	682	90
Sandoz AG (Bearer)	91	48
Sandoz AG (Reg.)	1,673	835
Schweiz Bankgesellschaft		
(Bearer)	886	831
Schweiz Bankgesellschaft		
(Reg.)	950	202
Schweiz Bankverein (Bearer)	940	271
Schweiz Bankverein (Reg.)	1,030	142
Zurich Versicherung (Bearer)	150	137
Zurich Versicherung (Reg.)	206	189

8,203

UNITED KINGDOM--20.2%

Abbey National	56,600	385
Allied-Lyons PLC	43,900	429
Argyll Group PLC	44,593	190
BAA PLC	42,200	355
BAT Industries PLC	127,800	916
BOC Group	18,525	204
BTR PLC	148,712	746
Barclays PLC	70,097	667
Bass PLC	37,200	338
Boots Co. PLC	42,448	368
British Airways PLC	40,000	230
British Gas PLC	181,600	870
British Petroleum PLC	236,575	1,683
British Steel	80,800	212
Cable & Wireless PLC	146,900	1,009
Cadbury Schweppes PLC	33,655	239
Commercial Union	23,500	211
General Accident	17,300	166
General Electric Co. PLC	115,800	523
Glaxo Holdings PLC	133,126	1,303
Grand Metropolitan PLC	92,103	625
Great Universal Stores	43,000	394
Guinness PLC	84,200	643
HSBC Holdings PLC	36,191	430
HSBC Holdings PLC		
(Hong Kong)	66,146	788
Hanson PLC	206,153	779
Imperial Chemical		
Industries PLC	29,100	380
Inchcape	21,300	152
J. Sainsbury PLC	74,732	488
Kingfisher	28,500	221
Lloyds Abbey Life	26,700	153

Lloyds Bank	56,554	530
Marks & Spencer PLC	117,900	801
National Power	52,800	428
National Westminster Bank PLC	73,299	603
New Rothmans (units)	62,400	428
Pearson PLC	21,837	226
Peninsular & Oriental Steam Navigation	25,546	266
Powergen PLC	33,400	310
Prudential Corp.	82,019	428
RTZ Corp. PLC (Reg.)	44,900	631
Rank Organisation PLC	35,800	237
Redland	21,300	162
Reed International PLC	23,400	288
Reuters Holdings PLC	86,500	679
Royal Bank of Scotland Group	30,100	216
Scot & Newcastle	20,100	170
Scottish Power	31,400	185
Shell Transport & Trading Co. (Reg.)	143,700	1,723
SmithKline Beecham PLC Series A	56,063	373
SmithKline Beecham units	54,100	329
Standard Chartered PLC	9,900	48

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds(R) 5

 SCHWAB INTERNATIONAL INDEX FUND(TM)
 STATEMENT OF NET ASSETS
 October 31, 1994

<TABLE>
 <CAPTION>

	Number of Shares	Value (000s)
	-----	-----
<S>	<C>	<C>
Sun Alliance Group	31,988	\$172
TSB Group PLC	68,100	253
Tesco	83,900	322
Thorn-EMI PLC	17,500	278
Tomkins	46,100	159
Unilever PLC	34,600	644
Vendome (units)	29,850	253
Vodafone Group PLC	124,968	433
Waste Management International*	16,000	133
Wellcome PLC	34,900	367
Zeneca Group	38,900	547

 28,719

TOTAL COMMON STOCK
 (Cost \$128,564) 138,415

PREFERRED STOCK--0.4%		
GERMANY--0.4%		
Henkel KGaA	542	213
RWE AG (Non Voting)	700	172
SAP AG (Non Voting)	161	93
Volkswagen AG (Non Voting)	201	47

		525

ITALY--0.0%		
Fiat Finance SpA	18,300	44

TOTAL PREFERRED STOCK		
(Cost \$511)		569

WARRANTS--0.0%		
SWITZERLAND--0.0%		
CS Holding expire 12/16/94*	2,759	11

UNITED KINGDOM--0.0%		
BTR Nylex expire 11/26/98*	4,019	3

TOTAL WARRANTS		
(Cost \$16)		14

	Maturity	Value
	(000)s	(000s)
	-----	-----
<S>	<C>	<C>
REPURCHASE AGREEMENT--1.1%		
UNITED STATES--1.1%		
State Street Bank & Trust 4.25%		
Dated 10/31/94		
Due 11/01/94		
Collateralized By:		
U.S. Treasury Bill		
\$1,550,000 Par;		
Due 4/30/95	\$1,478	\$ 1,478

TOTAL REPURCHASE AGREEMENT		
(Cost \$1,478)		1,478

TOTAL INVESTMENTS -- 98.7%		
(Cost \$130,569)		140,476

OTHER ASSETS AND LIABILITIES -- 1.3%		
Other Assets		4,564
Liabilities		(2,685)

		1,879

NET ASSETS -- 100.0%		
Applicable to 13,066,324		
outstanding \$0.00001		
par value shares		
(unlimited shares authorized)		\$142,355
		=====
NET ASSET VALUE PER SHARE		\$10.89
		=====

</TABLE>

*Non-Income Producing Security

See accompanying Notes to Financial Statements.

<TABLE>	
<S>	<C>
Investment income:	
Dividends (net of foreign tax withheld of \$350)	\$2,394
Interest	125

Total investment income	2,519

Expenses:	
Investment advisory and administration fee	862
Transfer agency and shareholder service fees	308
Custodian fees	196
Registration fees	43
Professional fees	45
Shareholder reports	72
Trustees' fees	50
Amortization of deferred organization costs	24
Insurance and other expenses	6

	1,606
Less expenses reduced	(499)

Total expenses incurred by Fund	1,107

Net investment income	1,412

Net realized gain (loss) on investments and foreign currency transactions:	
Proceeds from sales of investments	7,690
Cost of investments sold	(8,384)

Net realized loss on investments from changes in market value	(694)
Net realized gain on investments from changes in foreign exchange rates	99

Net realized loss on investments sold	(595)
Net realized gain on foreign currency transactions	15

Net realized loss on investments sold and foreign currency transactions	(580)

Change in net unrealized gain (loss) on investments and foreign currency translation:	
Changes in market value:	
Beginning of period unrealized gain	4,200
End of period unrealized gain	413

Decrease in net unrealized gain in market value	(3,787)

Changes in foreign exchange rates:	
Beginning of period unrealized loss	(3,131)
End of period unrealized gain	9,494

Increase in net unrealized gain in foreign exchange rates	12,625

Net increase in unrealized gain on investments from changes in market value and foreign exchange rates	8,838
Net increase in unrealized gain on translating assets and liabilities into the reporting currency	51

Net increase in unrealized gain on investments and foreign currency translation	8,889

Net gain on investments	8,309

Net increase in net assets resulting from operations	\$9,721
	=====

</TABLE>

See accompanying Notes to Financial Statements.

SCHWAB INTERNATIONAL INDEX FUND(TM)
STATEMENT OF CHANGES IN NET ASSETS (in thousands)

<TABLE>
<CAPTION>

	For the year ended October 31, 1994	For the period September 9, 1993 (commencement of operations) to October 31, 1993
<S>	<C>	<C>
Operations:		
Net investment income	\$ 1,412	\$ 301
Net realized gain (loss) on investments sold and foreign currency transactions	(580)	188
Net increase in unrealized gain on investments and foreign currency translation	8,889	1,053
	-----	-----
Net increase in net assets resulting from operations	9,721	1,542
	-----	-----
Distributions to Shareholders From:		
Net investment income	(433)	--
Capital gains	(188)	--
	-----	-----
Total distributions to shareholders	(621)	--
	-----	-----
Capital Share Transactions:		
Proceeds from shares sold	61,237	106,336
Net asset value of shares issued in reinvestment of distributions	560	--
Early withdrawal fees	129	--
Less payments for shares redeemed	(34,756)	(1,793)
	-----	-----
Increase in net assets from capital share transactions	27,170	104,543
	-----	-----
Total increase in net assets	36,270	106,085
Net Assets:		
Beginning of period	106,085	--
	-----	-----
End of period (including undistributed net invest- ment income of \$1,280 and \$301, respectively)	\$142,355	\$106,085
	=====	=====
Number of Fund Shares:		
Sold	5,947	10,637
Reinvested	56	--
Redeemed	(3,392)	(182)
	-----	-----
Net increase in shares outstanding	2,611	10,455
Shares Outstanding:		
Beginning of period	10,455	--
	-----	-----
End of period	13,066	10,455
	=====	=====

</TABLE>

See accompanying Notes to Financial Statements.

1. DESCRIPTION OF THE FUND

The Schwab International Index Fund (the "Fund") is a series of Schwab Capital Trust (the "Trust"), an open-end, management investment company organized as a Massachusetts business trust on May 7, 1993 and registered under the Investment Company Act of 1940, as amended.

In addition to the Fund, the Trust also offers the Schwab Small-Cap Index Fund(TM). The assets of each series are segregated and accounted for separately.

The investment objective of the Fund is to attempt to track the price and dividend performance (total return) of the Schwab International Index(TM), an index created to represent the performance of common stocks and other equity securities issued by large, publicly traded companies from countries around the world with major developed securities markets (excluding the United States and South Africa).

2. SIGNIFICANT ACCOUNTING POLICIES

Security valuation -- Investments in securities traded on an exchange are valued at the last quoted sale price for a given day, or if a sale is not reported for that day, at the mean between the most recent quoted bid and asked prices. Unlisted securities for which market quotations are readily available are valued at the mean between the most recent bid and asked prices. Securities for which no quotations are readily available are valued at fair value as determined in good faith by the Fund's sub-advisor pursuant to Board of Trustees guidelines. Short-term securities with 60 days or less to maturity are stated at amortized cost, which approximates market value.

Security transactions and investment income -- Security transactions, in the accompanying financial statements, are accounted for on a trade date basis (date the order to buy or sell is executed). Dividend income and distributions to shareholders are recorded on the ex-dividend date; interest income is recorded on the accrual basis. Realized gains and losses from security transactions are determined on an identified cost basis.

Repurchase agreements -- Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities. All collateral is held by the Fund's custodian and is monitored daily to ensure that its market value at least equals the repurchase price under the agreement.

Foreign currency translation -- The accounting records of the Fund are maintained in U.S. dollars. Investment securities and all other assets and liabilities of the Fund denominated in a foreign currency are translated into U.S. dollars at the exchange rates on October 31. Purchases and sales of securities, income receipts and expense payments are translated into U.S. dollars at the exchange rate in effect on the dates of the respective transactions.

The Fund separates within its statement of operations the portion of realized and unrealized gains and losses resulting from changes in foreign exchange rates from that arising from changes in securities' market values.

Forward currency contracts -- A forward currency contract ("Forward") is an agreement between two parties to buy and sell a currency at a set price on a future date. The value of the Forward fluctuates with changes in currency exchange rates. The Forward is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When the Forward is closed, the Fund records a realized gain or loss equal to the difference between the value at the time the

contract was opened and the value at the time the contract was closed. The Fund engages in Forwards in connection with the purchase and sale of portfolio securities to minimize the uncertainty of changes in future exchange rates (see Note 9).

Deferred organization costs -- Costs incurred in connection with the organization of the Fund, its initial registration with the Securities and Exchange Commission and with various states are amortized on a straight-line basis over a five year period from the Fund's commencement of operations.

Expenses -- Expenses arising in connection with the Fund are charged directly to the Fund. Expenses common to all series of the Trust are allocated to each series in proportion to their relative net assets.

Federal income taxes -- It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all net investment income and realized net capital gains, if any, to shareholders. Therefore, no federal income tax provision is required. The Fund is considered a separate entity for tax purposes.

At October 31, 1994, (for financial reporting and federal income tax purposes), net unrealized gain aggregated \$9,907,000, of which \$13,741,000 related to appreciated securities and \$3,834,000 related to depreciated securities.

3. TRANSACTIONS WITH AFFILIATES

Investment advisory and administration agreement -- The Trust has an investment advisory and administration agreement with Charles Schwab Investment Management, Inc. (the "Investment Manager"). For advisory services and facilities furnished, the Fund pays an annual fee, payable monthly, of .70% of the first \$300 million of average daily net assets and .60% of such assets over \$300 million. Under this agreement, the Fund incurred investment advisory and administration fees of \$862,000 during the year ended October 31, 1994, before the Investment Manager reduced its fee (see Note 5).

Sub-advisory agreement -- The Investment Manager has a sub-advisory agreement with Dimensional Fund Advisors Inc. ("Dimensional") to perform day-to-day portfolio management for the Fund. Dimensional does not receive compensation directly from the Fund. However, the Investment Manager pays Dimensional an annual fee, payable monthly, of .15% of the first \$300 million of average daily net assets and .05% of such assets over \$300 million.

Transfer agency and shareholder service agreements -- The Trust has transfer agency and shareholder service agreements with Charles Schwab & Co., Inc. ("Schwab"). For services provided under these agreements, Schwab receives an annual fee, payable monthly, of .05% of average daily net assets for transfer agency services and .20% of such assets for shareholder services. For the year ended October 31, 1994, the Fund incurred transfer agency and shareholder service fees of \$308,000, before Schwab reduced its fees (see Note 5).

Officers and trustees -- During the period, certain officers and trustees of the Trust were also officers or directors of the Investment Manager, Schwab or Dimensional. During the year ended October 31, 1994, the Trust made no direct payments to its officers or trustees who were "interested persons" within the meaning of the Investment Company Act of 1940, as amended. The Fund incurred fees of \$50,000 related to the Trust's unaffiliated trustees.

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SCHWABFUNDS (R)

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4. BORROWING AGREEMENT

The Trust has an arrangement with State Street Bank and Trust Company, the Fund's custodian, whereby the Fund may borrow up to \$10,000,000, on a temporary basis, to fund redemptions. Amounts borrowed under this arrangement bear interest at periodically negotiated rates and may be collateralized by the assets of the Fund. During the year ended October 31, 1994, no borrowings were made under this arrangement.

5. EXPENSES REDUCED BY THE INVESTMENT MANAGER AND SCHWAB

The Investment Manager and Schwab reduced a portion of their fees in order to limit the Fund's ratio of operating expenses to average net

assets. During the year ended October 31, 1994, the total of such fees reduced by the Investment Manager was \$388,000 and the total of such fees reduced by Schwab was \$111,000.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investment securities, other than short-term obligations, aggregated \$36,420,000 and \$7,690,000, respectively, during the year ended October 31, 1994.

7. EARLY WITHDRAWAL FEES PAID TO THE FUND

The Fund assesses a .75% early withdrawal fee on redemption proceeds attributable to shares purchased and held less than six months. The early withdrawal fee is retained by the Fund and is treated as a contribution to capital. For the year ended October 31, 1994, total early withdrawal fees retained by the Fund amounted to \$129,000.

8. COMPOSITION OF NET ASSETS

At October 31, 1994, net assets consisted of:

<TABLE>	
<S>	<C>
Capital paid in	\$131,687,000
Accumulated undistributed net investment income	1,306,000
Accumulated net realized loss on investments sold and foreign currency transactions	(580,000)
Net unrealized gain on investments	9,907,000
Net unrealized gain on translating assets and liabilities into the reporting currency	35,000

Total	\$142,355,000
	=====

</TABLE>

The Fund adopted Statement of Position 93-2 Determination, Disclosure, and Financial Statement Presentation of Income, Capital Gain, and Return of Capital Distributions by Investment Companies, which will generally present undistributed income and realized gains on a tax basis. As a result of adoption, certain reclassifications to increase undistributed net investment income and decrease capital paid in by \$26,000 have occurred. These reclassifications have no impact on the net asset value of the Fund.

At October 31, 1994, the Fund's Statement of Net Assets included liabilities of \$896,000 for securities purchased, \$280,000 for Fund shares redeemed, \$52,000 for investment advisory and administration fee payable and \$25,000 for transfer agency and shareholder service fees payable.

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SCHWABFUNDS (R)

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 SCHWAB INTERNATIONAL INDEX FUND(TM)
 NOTES TO FINANCIAL STATEMENTS
 For the year ended October 31, 1994

9. COMMITMENTS

At October 31, 1994, the Fund had an open Forward contract which obligated the Fund to deliver foreign currency in exchange for U.S. dollars at a specified future date as follows:

<TABLE>					
<CAPTION>					
Currency	Contract Amount	In Exchange For	Settlement Date	Value	Unrealized Loss
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
British pound	770,000	\$1,257,872	11/4/94	\$1,259,405	\$1,533

10. FINANCIAL HIGHLIGHTS

Per share income and capital changes for a share outstanding throughout the period:

<TABLE>
<CAPTION>

	For the year ended October 31, 1994	For the period September 9, 1993 (commencement of operations) to October 31, 1993
<S>	<C>	<C>
Net asset value at beginning of period	\$ 10.15	\$ 10.00
Income from Investment Operations		
Net investment income	.11	.03
Net realized and unrealized gain on investments and foreign currency transactions	.69	.12
	-----	-----
Total from investment operations	.80	.15
Less Distributions		
Dividends from net investment income	(.04)	--
Distributions from net realized gain on investments	(.02)	--
	-----	-----
Total distributions	(.06)	--
	-----	-----
Net asset value at end of period	\$ 10.89	\$ 10.15
	=====	=====
Total return (%)	7.9	1.5
Ratios/Supplemental Data		
Net assets, end of period (000s)	\$142,355	\$106,085
Ratio of expenses to average net assets (%)	.90	.60*
Ratio of net investment income to average net assets (%)	1.14	2.15*
Portfolio turnover rate (%)	6	2

</TABLE>

The Investment Manager and Schwab have reduced a portion of their fees and absorbed certain expenses in order to limit the Fund's ratio of operating expenses to average net assets. Had these fees and expenses not been reduced and absorbed, the ratio of expenses to average net assets for the periods ended October 31, 1994 and 1993, would have been 1.30% and 2.10%*, respectively, and the ratio of net investment income to average net assets would have been .74% and .65%*, respectively.

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SchwabFunds(R)

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To the Board of Trustees
and Shareholders of the Schwab International Index Fund(TM)

In our opinion, the accompanying statement of net assets and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of the Schwab International Index Fund (one of the series constituting Schwab Capital Trust, hereafter referred to as the "Trust") at October 31, 1994, the results of its operations and the changes in its net assets for each of the periods presented, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 1994 by correspondence with the custodian and broker, provide a reasonable basis for

PRICE WATERHOUSE LLP
 San Francisco, California
 November 30, 1994

SchwabFunds(R)

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 SCHWAB SMALL-CAP INDEX FUND(TM)
 STATEMENT OF NET ASSETS
 October 31, 1994

<TABLE>
 <CAPTION>

	Number of Shares	Value
	----- <C>	----- <C>
<S>		
COMMON STOCK--96.0%		
A.L. Laboratories, Inc.		
Class A	2,300	\$41,113
AAR Corp.	2,600	32,175
ABM Industries, Inc.	1,800	37,800
ABT Building Products Corp.*	1,900	29,450
ACX Technologies, Inc.*	2,300	80,788
ADAC Laboratories	3,000	25,500
AGCO Corp.	2,500	137,500
AMC Entertainment Inc.*	500	5,750
AMCORE Financial, Inc.	1,500	28,688
AMETEK, Inc.	6,500	117,813
APS Holding Corp. Class A*	2,100	61,163
AST Research, Inc.*	10,400	131,950
Acclaim Entertainment, Inc.	6,800	118,575
Acordia, Inc.	2,500	70,625
Acuson Corp.*	4,900	90,038
Acxiom Corp.*	1,600	47,400
Addington Resources, Inc.*	3,100	32,550
Adelphia Communications Corp. Class A*	2,000	24,500
Adesa Corp.*	1,800	24,300
Adia Personnel Services, Inc.	1,000	36,000
Adobe Systems Inc.	1,600	57,900
Advanced Technology Laboratories, Inc.*	2,200	35,750
Advanced Tissue Sciences, Inc.*	5,000	37,500
ADVO, Inc.	3,300	58,575
Air & Water Technologies Corp. Class A*	9,500	66,500
Air Express International Corp.	2,200	61,600
Airborne Freight Corp.	1,700	32,513
Airgas, Inc.	2,700	78,300
Alaska Air Group, Inc.*	2,100	36,750
ALBANK Financial Corp.	2,200	48,813
Albany International Corp. Class A	3,800	75,050
Alberto-Culver Co. Class A	1,800	42,525
Alberto-Culver Co. Class B (Convertible)	2,100	53,288
Aldila, Inc.	3,900	50,213
Alex. Brown Inc.	2,400	66,300
Alfa Farmers Federation Corp.	6,900	75,900
Allen Group Inc.	3,700	89,725
Alliance Pharmaceutical Corp.*	3,600	27,675
Alliant Techsystems Inc.*	1,700	58,438
Allied Group, Inc.	1,500	43,313
Allwaste, Inc.*	5,600	35,700
Alpha-Beta Technology, Inc.*	400	3,750
Altera Corp.*	3,400	134,088

Amax Gold Inc.	14,500	97,875
Amcast Industrial Corp.	1,500	30,188
America Online, Inc.	1,300	92,300
American Annuity Group, Inc.	7,500	71,250
American Bankers Insurance Group, Inc.	3,400	67,575
American Business Information, Inc.*	5,100	89,250
American Business Products, Inc.	1,300	28,925
American Classic Voyages	1,900	32,775
American Colloid Co.	3,400	53,550
American Freightways Corp.	1,600	33,800
American Heritage Life Investment Corp.	5,200	91,650
American Income Holding Inc.	2,500	87,344
American Maize-Products Co.	1,000	22,625
American Management Systems, Inc.	4,500	71,156
American Medical Response, Inc.*	2,600	70,525
American President Companies, Ltd.	4,600	111,550
American Savings Bank of Florida (New)*	4,800	96,300
Americredit Corp.*	5,300	35,113
Ameridata Technologies Inc.*	2,600	34,775
Amphenol Corp. Class A*	3,100	67,813
Amsco International, Inc.*	10,700	102,988
Amtech Corp.	2,300	23,000
Analogic Corp.*	2,100	36,750
Anchor Bancorp, Inc.*	3,800	56,525
Andrew Corp.	950	49,519
Angelica Corp.	1,100	29,150
AnnTaylor Stores Corp.*	700	29,050
Antec Corp.*	3,800	107,350
Anthem Electronics, Inc.*	2,300	75,613
Anthony Industries, Inc.	2,400	41,100
Apogee Enterprises, Inc.	2,300	41,113
Apple South, Inc.	4,650	74,981
Applebee's International, Inc.	3,300	60,638
Applied Magnetics Corp.*	2,600	9,425
Applied Power Inc. Class A	1,500	36,938
Aptargroup, Inc.	2,700	73,575
Aquarion Co.	900	21,150
Aquila Gas Pipeline Corp.	4,800	36,600
Arbor Drugs, Inc.	2,800	59,150
Arctco, Inc.	4,650	95,325
Argosy Gaming Corp.*	3,900	67,275
Arkansas Best Corp.	4,100	53,044
Armco Inc.*	17,000	121,125
Armor All Products Corp.	3,600	80,100
Arnold Industries Inc.	4,300	99,438
Arrow International, Inc.	4,100	114,288
Arthur J. Gallagher & Co.	2,300	75,325
Artisoft, Inc.*	2,000	19,500
Arvin Industries, Inc.	3,700	90,188
Ashland Coal, Inc.	2,500	76,250
Aspect Telecommunications Corp.*	1,800	62,100
Associated Banc-Corp	2,200	74,250
Associated Natural Gas Corp.	2,000	76,250
Atari Corp.*	18,600	125,550
Atmos Energy Corp.	2,400	39,300
Au Bon Pain Co., Inc. Class A*	1,700	33,575
Augat Inc.	3,500	69,563
Aura Systems, Inc.*	5,700	26,363
Authentic Fitness Corp.	5,500	83,188
AutoFinance Group, Inc.*	3,100	31,388
Automotive Industries Holding, Inc.*	2,800	68,600
Autotote Corp. Class A	5,000	87,500

</TABLE>

See accompanying Notes to Financial Statements.

SchwabFunds (R)

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 SCHWAB SMALL-CAP INDEX FUND(TM)
 STATEMENT OF NET ASSETS
 October 31, 1994

<TABLE>
 <CAPTION>

	Number of Shares	Value
	-----	-----
<S>	<C>	<C>
Avatar Holdings, Inc.*	1,500	\$52,688
Aviall, Inc.	7,275	72,750
Avid Technology, Inc.*	1,700	64,175
Aztar Corp.*	7,400	44,400
BWIP Holding, Inc. Class A	4,100	72,775
BET Holdings, Inc. Class A*	1,500	24,750
BISYS Group, Inc.*	2,600	57,200
BJ Services Co.*	2,700	55,013
BMC West Corp.	1,400	23,800
Baldor Electric Co.	2,860	74,360
Baldwin & Lyons, Inc.		
Class A	100	1,550
Baldwin & Lyons, Inc.		
Class B	1,800	27,000
Ballard Medical Products	9,900	96,525
Bally Entertainment Corp.*	7,600	53,200
Baltimore Bancorp	2,800	57,050
BancTec, Inc.*	1,800	36,000
Bancorpsouth, Inc.	1,300	41,600
Bank of Montreal	1,180	21,919
Bankers Corp.	240	3,465
Banyan Systems, Inc.*	2,800	49,000
Barefoot Inc.	2,800	39,550
Barnes Group Inc.	700	26,250
Barr Laboratories, Inc.*	1,000	25,250
Barrett Resources Corp.*	1,900	37,288
Bassett Furniture		
Industries, Inc.	2,500	67,500
Bay State Gas Co.	2,100	50,925
Bay View Capital Corp.	1,200	27,000
Bearings, Inc.	900	29,363
Belden Inc.	2,800	56,000
Bell Bancorp, Inc.	1,800	47,250
Bell Sports Corp.*	1,300	27,300
Benton Oil & Gas Co.*	4,500	35,156
Bergen Brunswick Corp.		
Class A	6,175	101,888
Berkley (W.R.) Corp.	600	21,525
Berry Petroleum Co. Class A	2,900	27,550
Best Power Technology, Inc.*	1,100	15,538
Big B, Inc.	2,900	35,525
Bio-Technology		
General Corp.*	3,800	7,363
Biocraft Laboratories, Inc.	1,700	30,388
Birmingham Steel Corp.	1,500	38,813
Black Box Corp.	3,000	42,000
Black Hills Corp.	2,300	47,150
Blair Corp.	1,400	58,800
Blanch (E.W.) Holdings, Inc.	2,200	44,825
Block Drug Co., Inc. Class A	1,900	67,450
Blount, Inc. Class A	1,300	55,413
Blount, Inc. Class B	500	21,750
Bolt Beranek and		
Newman Inc.*	2,200	39,050
Bombay Company, Inc.	5,950	71,400
Books-A-Million, Inc.	3,000	42,563
Borg-Warner		
Security Corp.*	3,400	35,275

Borland International, Inc.*	9,300	99,975
Boston Bancorp	1,000	30,750
Boston Technology, Inc.*	8,400	138,600
Bowne & Co., Inc.	2,800	44,800
Box Energy Corp. Class A*	500	6,000
Box Energy Corp. Class B (Non Voting)*	3,000	27,000
Breed Technologies, Inc.	1,100	38,913
BroadBand Technologies, Inc.*	1,900	49,400
Broadway Stores Inc.*	8,500	95,625
Broderbund Software, Inc.	1,400	89,950
Brown (Tom), Inc.*	3,000	38,250
Brown Group, Inc.	500	16,938
Bruno's, Inc.	14,200	135,788
Brush Wellman Inc.	2,700	45,225
Buffets, Inc.	5,000	51,563
Bush Industries, Inc.	800	20,900
C-TEC Corp.*	1,300	35,750
CCB Financial Corp.	1,500	60,750
CCP Insurance, Inc.	5,400	83,700
CDI Corp.*	3,400	57,800
CILCORP Inc.	2,400	73,200
CKE Restaurants Inc.	2,600	21,450
CLARCOR Inc.	2,400	48,300
CMAC Investment Corp.	2,100	57,750
CML Group, Inc.	8,250	81,469
CNB Bancshares, Inc.	2,200	75,625
COR Therapeutics, Inc.*	4,400	57,200
CPI Corp.	1,700	36,975
Cross (A.T.) Co. Class A	2,800	42,350
CSF Holdings, Inc.*	1,600	41,600
CSS Industries, Inc.	1,700	28,263
Cabot Oil & Gas Corp. Class A	3,300	61,050
Cadence Design Systems, Inc.*	1,800	36,000
CalMat Co.	4,300	89,225
Caldor Corp.*	3,000	85,875
Calgene, Inc.*	4,600	39,963
Calgon Carbon Corp.	6,600	74,250
California Energy Co., Inc.*	6,800	115,600
California Federal Bank	3,000	34,500
California Microwave, Inc.*	1,900	59,138
California Water Service Co.	800	25,100
Camco International, Inc.	4,600	94,875
Canandaigua Wine Co., Inc. Class A*	2,100	68,775
Canandaigua Wine Co., Inc. Class B*	400	13,500
Capital Re Corp.	5,400	118,800
Capitol American Financial Corp.	6,500	144,625
Capsure Holdings Corp.*	2,800	37,100
Caraustar Industries, Inc.	4,200	82,950
Carlisle Companies Inc.	2,800	91,350
Carpenter Technology Corp.	1,200	67,800
Carr-Gottstein Food Co.*	2,000	13,750
Casey's General Stores, Inc.	4,700	62,275
Cash America Investments, Inc.	3,400	28,050
Casino America, Inc.	850	9,350
Castle & Cooke Homes, Inc.*	9,300	145,313
Catalina Marketing Corp.*	1,500	76,313
Catellus Development Corp.*	13,300	88,113
Cato Corp. (New) Class A	4,500	42,750
Cell Genesys, Inc.*	2,300	17,250
CellPro, Inc.*	2,300	38,525
Cellular Communications Class A (Redeemable)*	4,500	239,063
Centennial Cellular Corp.	4,100	70,725

</TABLE>

See accompanying Notes to Financial Statements.

<TABLE>
<CAPTION>

	Number of Shares	Value
<S>	<C>	<C>
Centerbank Waterbury Connecticut*	2,200	\$27,775
Centocor, Inc.*	9,300	165,075
Central Hudson Gas & Electric Corp.	3,100	75,950
Central Jersey Bancorp	1,500	48,750
Central Louisiana Electric Co., Inc. (New)	4,100	88,663
Central Maine Power Co.	5,200	59,800
Central Vermont Public Service Corp.	2,100	27,825
Centura Banks, Inc.	2,700	59,400
Century Communications Corp. Class A	3,900	33,150
Cerner Corp.*	2,400	98,700
Chambers Development Co., Inc.*	1,900	3,800
Chambers Development Co., Inc. Class A*	9,400	18,800
Champion Enterprises, Inc.*	1,400	49,700
Chaparral Steel Co.	6,000	48,000
Charter Medical Corp.*	4,900	121,275
Charter One Financial, Inc.	4,000	81,000
Checkers Drive-In Restaurants, Inc.	8,800	29,975
Checkpoint Systems, Inc.*	2,100	39,375
Cheesecake Factory, Inc.	1,600	30,600
Chemed Corp.	1,500	51,188
Chemical Financial Corp.	1,330	52,535
Chesapeake Corp.	4,300	133,300
Cheyenne Software, Inc.	6,250	69,531
Chipcom Corp.	1,800	108,450
Chiquita Brands International, Inc.	8,200	101,475
Church & Dwight Co., Inc.	3,600	81,000
Circa Pharmaceuticals, Inc.*	3,500	52,063
Citizens Bancorp	2,100	59,325
Citizens Banking Corp.	2,400	63,600
Citizens First Bancorp, Inc.	7,500	72,656
City National Corp.	8,200	90,200
Claire's Stores, Inc.	3,300	38,363
Clear Channel Communications, Inc.	575	28,966
Cleveland-Cliffs Inc.	1,800	68,625
Coast Savings Financial, Inc.*	2,300	32,775
Coastal Healthcare Group, Inc.*	3,400	106,250
Cobra Golf, Inc.	3,400	126,225
Coca-Cola Bottling Co. Consolidated	1,300	34,288
Coeur d'Alene Mines Corp.	2,600	48,425
Cognex Corp.	2,700	66,825
Collagen Corp.	1,800	39,600
Collective Bancorp, Inc.	3,600	64,125
Colonial BancGroup, Inc.	1,600	36,800
Colonial Gas Co.	900	17,438
Colonial Group, Inc. Class A	1,300	44,688
Comair Holdings, Inc.	3,800	81,700
Commerce Clearing House, Inc. Class A	2,800	49,350
Commerce Clearing House, Inc. Class B (Non Voting)	2,900	49,663
Commercial Federal Corp.*	2,200	46,338
Commercial Intertech Corp.	2,850	54,863
Commercial Metals Co.	2,733	74,474

Commonwealth Energy System	1,900	71,725
Community Health Systems, Inc.	1,800	47,250
Community Psychiatric Centers	7,300	72,088
Comnet Cellular Inc.*	1,900	53,913
CompUSA, Inc.*	2,700	31,388
Comverse Technology Inc.*	3,000	37,125
Concord EFS Inc.	2,700	66,825
Cone Mills Corp.*	3,600	42,750
Connecticut Energy Corp.	900	19,125
Connecticut Natural Gas Corp.	1,400	33,075
Conner Peripherals, Inc.*	4,500	51,750
Consolidated Freightways, Inc.*	2,000	44,750
Consolidated Stores Corp.*	8,700	157,688
Consortio G Grupo Dina*	4,202	42,545
Continental Airlines, Inc. Class A*	800	13,300
Continental Airlines, Inc. Class B*	3,600	59,400
Continental Medical Systems, Inc.*	15,000	106,875
Continuum Company, Inc.*	3,500	94,063
Copley Pharmaceutical, Inc.	3,064	54,003
CopyTele, Inc.*	3,900	19,378
Coram Healthcare Corp.*	4,662	76,923
Cordis Corp.*	1,200	69,375
Coventry Corp.	4,600	114,425
Crawford & Co. Class A	2,300	35,650
Crawford & Co. Class B	2,100	32,813
Cray Research, Inc.*	4,300	82,238
Credence Systems Corp.*	4,500	113,625
Credit Acceptance Corp.	3,500	131,688
Cross Timbers Oil Co.	4,900	78,400
CrossComm Corp.*	1,000	10,250
Crown Central Petroleum Corp.*	600	10,200
Cullen/Frost Bankers, Inc.	1,900	63,175
Cypress Semiconductor Corp.*	6,200	129,425
Cyrix Corp.*	3,100	127,681
Cyrk, Inc.*	1,500	58,875
Cytec Industries, Inc.*	2,100	86,100
CytRx Corp.*	3,200	7,700
Dallas Semiconductor Corp.*	9,500	133,000
Dames & Moore, Inc.	4,700	69,325
Daniel Industries, Inc.	1,400	18,900
Data General Corp.*	5,900	57,525
Datascope Corp.*	2,700	46,238
DeVRY Inc.*	3,500	101,938
Dell Computer Corp.*	3,150	140,569
Delphi Financial Group, Inc. Class A*	700	13,738
Delta Woodside Industries, Inc.	8,100	84,038
Department 56, Inc.*	400	14,650
Deposit Guaranty Corp.	3,000	86,250
Destec Energy, Inc.*	11,500	126,500
Detroit Diesel Corp.*	4,700	116,325
Devon Energy Corp.	3,400	74,375
Dexter Corp.	4,500	92,813

</TABLE>

See accompanying Notes to Financial Statements.

<TABLE>
<CAPTION>

	Number of Shares	Value
<S>	<C>	<C>
Diagnostek, Inc.*	4,000	\$63,000
Diagnostic Products Corp.	1,600	38,400
Dial Page, Inc.*	1,600	34,800
Dibrell Brothers, Inc.	2,000	44,000
Digi International, Inc.*	2,300	38,813
Digital Microwave Corp.*	800	11,900
Dime Bancorp Inc.*	10,400	91,000
Dionex Corp.*	1,500	56,063
Discount Auto Parts, Inc.*	2,600	39,650
Discovery Zone, Inc.	6,800	130,900
Donaldson Co., Inc.	4,800	110,400
Downey Savings and Loan Association	1,900	35,863
Dress Barn, Inc.*	3,800	37,050
Dreyer's Grand Ice Cream, Inc.	2,600	66,625
Dual Drilling Co.*	1,900	24,819
Duff & Phelps Corp.	4,200	74,025
Duriron Co., Inc.	3,000	53,625
Duty Free International, Inc.	5,300	70,888
Dynatech Corp.*	1,700	49,300
E'town Corp.	700	18,200
E-Z Serve Corp.*	4,300	7,659
ENVOY Corp.*	2,000	40,750
Eagle Hardware & Garden, Inc.*	3,400	33,150
Eastern Enterprises	3,900	101,400
Eastern Utilities Associates	3,600	78,750
Eaton Vance Corp. (Non Voting)	1,400	44,275
Edison Brothers Stores, Inc.	3,500	83,125
Education Alternatives, Inc.*	2,000	42,750
Elcor Corp.*	1,000	16,875
Electroglas Inc.*	1,400	55,825
Electronics for Imaging, Inc.*	2,300	60,375
Empire District Electric Co.	2,200	35,475
Energen Corp.	1,300	29,575
Energy Service Co., Inc.	2,275	32,988
Energy Ventures, Inc.*	1,400	20,300
Enhance Financial Services Group, Inc.	3,100	56,188
Ennis Business Forms, Inc.	2,700	36,450
Enquirer/Star Group, Inc. Class A	3,300	55,275
Enterra Corp.*	2,700	61,763
Envirotest Systems Corp. Class A*	2,500	31,563
Ethan Allen Interiors, Inc.*	2,200	53,900
Evergreen Media Corp. Class A*	700	12,600
Exabyte Corp.*	3,900	86,044
Exar Corp.	1,200	24,750
Excel Industries, Inc.	1,900	28,500
Expeditors International of Washington, Inc.	2,300	47,438
Express Scripts, Inc. Class A	1,200	40,800
F & M National Corp.	2,255	36,644
FHP International Corp.*	1,056	30,624
FHP International Corp.	3,520	96,360
FMC Gold Co.	17,500	72,188
FTP Software Inc.*	3,600	90,000
Fab Industries, Inc.	900	27,788
Fair, Issac & Co. Inc.	1,000	40,250
Farmer Bros. Co.	300	38,400
Fastenal Co.	800	35,900
Fidelity National Financial, Inc.	2,900	32,988
Fieldcrest Cannon, Inc.*	1,300	33,150
Figgie International Inc. Class A	4,600	35,938

Figgie International Inc.		
Class B	600	5,025
FileNet Corp.*	1,500	37,875
Filene's Basement Corp.*	3,900	29,738
Financial Trust Corp.	1,200	34,200
First Alert Inc.	3,800	80,275
First American		
Financial Corp.	3,600	67,050
First Bancorporation of Ohio	900	21,713
First Citizens BancShares,		
Inc. Class A	1,300	58,825
First Colonial Bankshares Corp.		
Class A	1,500	34,031
First Commerce Corp.	1,162	30,793
First Commercial Corp.	2,800	58,450
First Commonwealth		
Financial Corp.	3,000	42,750
First Financial Bancorp	1,600	61,400
First Financial Corp.	4,000	56,000
First Michigan Bank Corp.	2,959	69,537
First Midwest Bancorp, Inc.	2,100	57,488
First Mississippi Corp.	3,200	67,200
First National Bancorp	2,700	52,650
First Pacific Networks, Inc.*	1,100	7,425
FirstFed Financial Corp.*	200	2,850
FirstFed Michigan Corp.	3,300	68,888
Firstbank of Illinois Co.	1,000	38,250
Fisher Scientific		
International, Inc.	2,600	72,475
Flagstar Companies, Inc.*	7,200	59,400
Florida East Coast		
Industries, Inc.	1,400	106,575
Florida Rock Industries, Inc.	1,400	37,275
Fluke Corp.	1,100	32,588
Foamex International Inc.*	4,300	38,431
Foodmaker, Inc. (New)*	11,100	59,663
Foote, Cone & Belding		
Communications, Inc.	1,900	85,025
Foothill Group, Inc. Class A	2,400	36,000
Foremost Corp. of America	1,800	58,500
Forest City Enterprises, Inc.		
Class A	900	27,338
Forest City Enterprises, Inc.		
Class B (Convertible)	500	17,781
Fort Wayne National Corp.	1,800	49,725
Fossil, Inc.*	2,200	61,325
FoxMeyer Health Corp.*	5,473	90,989
Franklin Electric Co., Inc.	1,100	34,650
Franklin Quest Co.*	1,700	60,138
Fremont General Corp.	2,800	68,950
Fritz Companies, Inc.*	1,800	69,750
Frontier Insurance		
Group, Inc.	2,350	64,331
Frozen Food Express		
Industries, Inc.	2,100	34,650
Fuller (H.B.) Co.	2,400	79,200
Fulton Financial Corp.	3,300	62,700
G&K Services, Inc. Class A	2,950	47,938
GAINSCO, Inc.	2,315	20,256
GC Companies, Inc.*	1,280	36,160

</TABLE>

See accompanying Notes to Financial Statements.

SchwabFunds (R)

5

<TABLE>
<CAPTION>

Number of Shares	Value
-----	-----

<S>	<C>	<C>
Galey & Lord, Inc.*	1,800	\$28,350
Gartner Group Inc. Class A	4,000	128,500
Gaylord Container Corp.		
Class A*	8,700	73,950
GenCare Health Systems, Inc.*	1,700	78,838
GenCorp Inc.	5,800	69,600
General Binding Corp.	2,900	62,350
General DataComm		
Industries, Inc.*	3,100	103,463
Genesco Inc.*	2,800	6,300
Genesis Health		
Ventures, Inc.*	2,100	61,950
Genetic Therapy, Inc.*	2,400	16,200
Geneva Steel Class A*	2,200	38,775
Gensia Pharmaceuticals, Inc.*	5,400	25,650
Gentex Corp.	2,900	70,325
Geon Co.	700	21,000
Geotek Communications Inc.*	10,300	88,838
Gerber Scientific, Inc.	3,900	52,163
Germantown Savings Bank	500	30,500
Gerrity Oil & Gas Corp.*	1,600	9,400
Getty Petroleum Corp.*	1,800	20,475
Gibson Greetings, Inc.	2,600	39,000
Giddings & Lewis, Inc.	6,200	95,325
Gilead Sciences, Inc.*	1,200	10,500
Glendale Federal Bank (New)	5,400	58,725
Global Natural		
Resources Inc.*	4,400	33,000
Good Guys, Inc., The*	2,300	26,306
Goody's Family		
Clothing, Inc.*	2,700	28,688
Goulds Pumps, Inc.	3,600	78,075
Graco Inc.	1,350	24,975
GranCare, Inc.*	5,000	77,500
Grand Casinos, Inc.*	3,800	51,300
Granite Construction Inc.	1,900	41,563
Greenfield Industries, Inc.	2,700	64,125
Grenada Sunburst		
System Corp.	1,300	40,300
Grey Advertising Inc.	100	15,450
Grow Group, Inc.	2,000	28,750
Guaranty National		
Corp. (New)	1,500	25,125
Guilford Mills, Inc.	1,600	33,000
Gupta Corp.*	600	6,675
Gymboree Corp.	4,000	131,000
HBO & Co.	2,600	84,825
HS Resources, Inc.*	2,100	43,050
Hach Co.	2,075	28,531
Haemonetics Corp.*	5,300	106,000
Haggar Corp.	1,200	28,500
Hancock Fabrics, Inc.	4,000	30,500
Hancock Holding Co.	1,300	37,700
Handleman Co.	6,300	70,875
Handy & Harman	1,700	28,263
Hanover Direct, Inc.*	13,300	54,031
Harleysville Group Inc.	4,600	111,550
Harman International		
Industries, Inc.	2,200	78,650
Harnischfeger		
Industries Corp.	5,100	127,500
Harper Group, Inc.	2,800	37,800
Harry's Farmers Market, Inc.		
Class A*	400	3,550
Hartmarx Corp.*	5,300	30,475
Haverty Furniture		
Companies, Inc.	3,000	36,750
Hawkeye Bancorporation	2,000	40,750
Hayes Wheels International, Inc.	3,200	75,200
Health Care and		
Retirement Corp.*	2,500	67,188
Health Systems		
International Inc.*	4,700	126,313
HealthCare Compare Corp.*	5,600	155,400
Healthsouth		
Rehabilitation Corp.*	2,500	95,000
Heart Technology, Inc.*	2,900	68,875

Heartland Express, Inc.	2,000	58,500
Hechinger Co. Class A	4,900	55,125
Hechinger Co. Class B (Convertible)	2,300	26,163
Hecla Mining Co.*	7,800	87,750
Helene Curtis Industries, Inc.	1,800	63,675
Herbalife International, Inc.	1,000	16,625
Heritage Media Corp. Class A*	1,900	46,075
Hibernia Corp. Class A	2,900	23,200
Hilb, Rogal and Hamilton Co.	2,700	32,063
Hillhaven Corp.	12,500	278,125
Holly Corp.	1,000	24,625
Home Beneficial Corp. Class B	1,700	35,063
Homedco Group, Inc.*	2,300	82,800
Hometown Buffet, Inc.	2,800	31,850
Horizon Healthcare Corp.*	4,100	113,263
Hornbeck Offshore Services, Inc.*	2,200	33,000
Houghton Mifflin Co.	900	41,400
Hovnanian Enterprises, Inc. Class A*	1,400	8,400
Hudson Foods, Inc.	1,300	28,600
Huffy Corp.	2,200	33,000
Hunt Manufacturing Co.	3,000	48,375
Huntco, Inc. Class A	700	15,400
ICN Pharmaceuticals, Inc.*	3,900	45,338
IDEX Corp.*	2,300	100,050
IDEXX Laboratories, Inc.	2,600	72,800
IHOP Corp.*	1,500	41,250
INDRESCO, Inc.*	3,800	47,500
INTERCO Inc. (New)*	2,100	30,450
IVAX Corp.	2,092	40,010
Immunex Corp. (New)*	7,100	96,738
Immunomedics, Inc.*	3,600	15,525
Imperial Bancorp	2,000	32,000
Independent Insurance Group, Inc. (Non Voting)	800	9,400
Indiana Energy, Inc.	4,100	79,950
Information Resources, Inc.*	4,200	61,950
Ingles Markets Inc.	1,100	12,100
Input/Output, Inc.	2,800	60,550
Insignia Financial Group Class A (New)*	1,700	34,213
Insilco Corp.*	1,500	39,750
Insituform Technologies, Inc. Class A*	2,600	33,800
Instrument Systems Corp.*	5,300	39,750
Insurance Auto Auctions, Inc.*	1,600	51,800
Integon Corp.	2,800	42,000

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds (R)

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 SCHWAB SMALL-CAP INDEX FUND(TM)
 STATEMENT OF NET ASSETS
 October 31, 1994

<TABLE>
 <CAPTION>

	Number of Shares	Value
	-----	-----
<S>	<C>	<C>
Integrated Device Technology, Inc.*	1,000	\$28,500
Integrated Health Services, Inc.*	3,200	130,400

Intelligent Electronics, Inc.	6,400	99,200
Inter-Regional Financial Group, Inc.	1,400	32,900
Interface Systems, Inc. Class A	2,400	27,750
Intergraph Corp.*	11,900	102,638
Intergroup Healthcare Corp.*	1,600	101,200
Intermet Corp.	9,200	63,250
International Dairy Queen, Inc. Class A*	2,600	43,225
International Dairy Queen, Inc. Class B*	1,800	30,825
International Family Entertainment, Inc. Class B*	5,700	74,813
International Multifoods Corp.	2,900	52,200
International Rectifier Corp.*	3,500	81,375
Interneuron Pharmaceuticals, Inc.*	500	2,813
Interpool, Inc.*	2,100	28,875
Interstate Bakeries Corp.	4,000	51,500
Interstate Power Co.	1,500	33,375
Intuit, Inc.*	600	42,225
Invacare Corp.	1,600	48,600
Ionics, Inc.*	1,000	53,750
Iowa-Illinois Gas & Electric Co.	4,800	98,400
J. Baker, Inc.	2,200	37,400
JSB Financial, Inc.	1,800	44,775
Jacobs Engineering Group Inc.*	4,500	96,188
Jacor Communications, Inc. Class A*	3,700	51,800
Jan Bell Marketing, Inc.*	10,100	55,550
Jason Inc.	3,125	28,516
Jefferies Group, Inc.	1,000	34,250
Jefferson Bankshares, Inc.	2,500	47,969
John Wiley & Sons, Inc. Class A	1,600	70,000
Johnson Worldwide Associates, Inc. Class A*	1,200	27,450
Johnstown America Industries, Inc.*	1,500	29,813
Jones Intercable, Inc.*	1,300	18,200
Jones Intercable, Inc. Class A*	2,300	31,769
Joslyn Corp.	1,200	32,400
Joy Technologies Inc.*	7,200	99,900
Juno Lighting, Inc.	2,900	54,738
Justin Industries, Inc.	4,300	56,975
K N Energy, Inc.	4,268	105,100
KCS Energy, Inc.	1,900	31,825
KLA Instruments Corp.*	700	36,750
Kaiser Aluminum Corp.*	10,600	119,250
Kaman Corp. Class A	3,200	31,000
Kasler Corp.	1,300	6,663
Kaufman & Broad Home Corp.	5,700	74,100
Kaydon Corp.	2,700	63,113
Keane, Inc.	4,500	92,250
Kelley Oil Corp.*	700	4,375
Kellwood Co.	3,300	66,413
Kemet Corp.*	2,700	58,050
Kendall Square Research Corp.*	1,700	186
Kennametal Inc.	800	22,500
Keystone Financial, Inc.	3,500	96,688
Kimball International, Inc. Class B	2,200	52,800
Kinder-Care Learning Centers, Inc. (New)*	3,400	45,050
Kirby Corp.*	3,900	65,325
Komag, Inc.*	3,700	92,038
L.A. Gear, Inc.*	2,700	18,900
LCI International, Inc.	2,400	58,200
La Quinta Inns, Inc.	2,700	67,838
La-Z-Boy Chair Co.	3,000	90,750
LabOne, Inc.	2,100	36,225

Laclede Gas Co.	2,500	52,188
Lance Inc.	5,100	90,525
Landmark Graphics Corp.*	2,100	43,050
Landstar Systems, Inc.*	2,200	72,600
Lattice Semiconductor Corp.	2,900	49,119
Lawson Products, Inc.	2,300	59,513
Lawter International, Inc.	7,600	95,950
Leader Financial Corp.*	2,000	47,750
Lechters, Inc.*	2,900	51,113
Legg Mason, Inc.	1,900	39,900
Lennar Corp.	4,800	72,600
Level One Communications, Inc.	2,150	38,700
Levitz Furniture Inc.*	11,000	96,250
Libbey, Inc.	2,400	38,100
Liberty Bancorp, Inc.	1,200	38,100
Liberty Corp.	3,600	94,950
Life Partners Group, Inc.	3,800	82,650
Life Re Corp.	2,000	36,500
Life Technologies, Inc.	2,500	46,875
Life USA Holding, Inc.*	2,900	23,744
Lilly Industries, Inc. Class A	3,750	50,625
Lincare Holdings, Inc.	4,800	129,600
Lincoln Telecommunications Co.	5,500	90,750
Liposome Technology, Inc.*	2,200	14,300
Liqui-Box Corp.	1,000	34,500
Littelfuse, Inc.*	3,400	88,400
Living Centers of America, Inc.*	1,900	57,238
Logicon, Inc.	1,100	33,825
Lone Star Industries Inc.*	2,300	44,563
Lone Star Steakhouse & Saloon, Inc.*	6,100	156,313
Lottery Enterprises, Inc.	45	293
Louis Dreyfus Natural Gas Corp.*	7,400	108,225
Loyola Capital Corp.	2,800	56,000
Luby's Cafeterias, Inc.	4,700	108,688
Lukens Inc.	2,450	77,481
M.S. Carriers, Inc.*	2,100	49,088
M/A-COM., Inc.*	3,000	21,000
MAXXAM Inc.*	1,500	50,438
MDU Resources Group, Inc.	3,200	86,800
MICROS Systems, Inc.	1,100	40,975
Mac Frugal's Bargains-Close-outs, Inc.*	4,800	99,000

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds (R)

7

<TABLE>
<CAPTION>

	Number of Shares	Value
<S>	<C>	<C>
Madison Gas and Electric Co.	1,500	\$49,875
Magma Copper Co. (New)*	1,900	33,963
Magna Group, Inc.	4,600	95,163
MagneTek, Inc.*	4,100	60,988
Manitowoc Co., Inc.	1,600	41,200
Marcus Corp.	1,200	31,500
Marine Drilling Companies, Inc.*	12,400	50,375
Mariner Health Group, Inc.*	3,100	69,944
Mark Twain Bancshares, Inc.	2,500	67,813
Markel Corp.*	900	37,013
Marquette Electronics, Inc.		

Class A*	1,900	36,575
Marsam		
Pharmaceuticals Inc.*	2,300	30,619
Marshall Industries	2,700	70,538
Masland Corp.	2,100	33,731
Material Sciences Corp.	1,800	28,575
Maxim Integrated		
Products, Inc.*	1,200	80,700
Maybelline, Inc.	2,500	45,313
McClatchy Newspapers,		
Inc. Class A	600	13,950
Measurex Corp.	2,900	62,713
Medaphis Corp.*	2,500	95,625
Medicine Shoppe		
International, Inc.	900	21,150
Medusa Corp.	2,800	63,700
Men's Wearhouse, Inc.	2,300	57,213
Mentor Graphics Corp.	8,000	107,500
Meredith Corp.	1,200	58,800
Merisel, Inc.*	5,500	50,188
Merrill Corp.	900	16,650
Mesa Airlines, Inc.*	6,000	49,500
MESA Inc.*	10,300	52,788
Methode Electronics, Inc.		
Class A	4,000	75,000
Methode Electronics, Inc.		
Class B (Convertible)	200	4,175
Metricom, Inc.*	2,100	27,300
Metropolitan Financial Corp.	5,600	134,400
Michael Foods, Inc.	2,300	23,000
Michaels Stores, Inc.*	3,900	158,438
Micom Communications*	1,599	22,986
Micro Warehouse, Inc.	6,300	219,713
MicroAge Computer		
Centers, Inc.	1,950	24,131
Microchip Technology, Inc.	1,700	79,900
Mid Atlantic Medical		
Services Inc.	2,000	46,250
Mid-Am, Inc.	2,200	32,450
Midwest Grain Products, Inc.	1,600	42,200
Mine Safety Appliances Co.	1,200	54,150
Minerals Technologies, Inc.	800	23,800
Mohawk Industries, Inc.	5,300	85,463
Molten Metal Technology, Inc.*	3,800	84,550
Money-Store Inc., The	2,300	47,150
Monk-Austin, Inc.	2,900	42,413
Moorco International, Inc.	1,800	26,325
Morgan Keegan, Inc.	2,100	26,775
Mosinee Paper Corp.	900	24,413
Mueller Industries, Inc.*	1,500	47,438
Multicare Companies, Inc.*	3,200	65,800
Musicland Group, Inc.*	6,200	84,475
Mutual Assurance, Inc.	1,550	45,144
Mycogen Corp.*	3,200	32,800
Myers Industries, Inc.	2,500	42,500
N.S. Bancorp, Inc.	1,300	35,994
NAC Re Corp.	3,200	83,200
NACCO Industries, Inc.		
Class A	1,300	76,700
NBB Bancorp, Inc.	1,300	62,075
NCH Corp.	1,400	93,275
NL Industries, Inc.*	8,700	110,925
NUI Corp.	1,500	23,063
NYMAGIC, Inc.	1,400	23,450
Nabors Industries, Inc.*	11,900	87,763
Nash Finch Co.	2,000	32,000
Nashua Corp.	700	15,925
National Auto Credit Inc.*	4,100	49,969
National Bancorp of		
Alaska, Inc.	1,400	72,100
National Commerce Bancorp	4,100	95,325
National Computer		
Systems, Inc.	1,800	25,650
National Data Corp.	2,400	49,800
National Gypsum Co. (New)*	3,500	118,125
National Penn		
Bancshares, Inc.	1,155	31,329
National Presto		

Industries, Inc.	1,100	43,313
National RE Holdings Corp.	3,100	75,950
National Steel Corp. Class B*	2,300	40,825
Nautica Enterprises, Inc.	2,300	66,700
Navigators Group, Inc.	600	9,750
Neiman Marcus Group, Inc.	6,400	92,000
Nellcor Inc.*	3,000	93,000
Netmanage, Inc.	5,400	152,550
Network General Corp.*	3,000	64,313
Network Systems Corp.*	4,800	33,300
New England Business Service, Inc.	2,400	45,300
New Jersey Resources Corp.	3,200	69,600
Noble Drilling Corp.*	18,975	138,755
Noise Cancellation Technologies, Inc.*	15,400	20,213
Norand Corp.*	1,200	47,100
North American Mortgage Co.	2,800	50,400
North Carolina Natural Gas Corp.	700	15,750
North Fork Bancorp, Inc.	3,000	45,750
Northwest Natural Gas Co.	2,000	60,750
Northwestern Public Service Co.	900	23,400
Northwestern Steel & Wire*	3,900	23,888
NovaCare, Inc.*	4,280	42,800
Novellus Systems, Inc.*	2,800	152,950
Noven Pharmaceuticals, Inc.*	2,600	39,325
Nuevo Energy Co.*	1,300	29,088
O'Reilly Automotive, Inc.*	1,400	35,350
O'Sullivan Corp.	2,000	19,000
OEA, Inc.	3,500	86,188
OM Group, Inc.	2,000	39,875
OMI Corp.	3,600	23,400
ONBANCorp, Inc.	2,100	55,125
Oak Industries Inc.*	2,900	74,675

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds(R)

8

 SCHWAB SMALL-CAP INDEX FUND(TM)
 STATEMENT OF NET ASSETS
 October 31, 1994

<TABLE>
 <CAPTION>

	NUMBER OF SHARES	VALUE
	-----	-----
<S>	<C>	<C>
Oakwood Homes Corp.	3,700	\$87,875
Oceaneering International, Inc.*	3,600	46,350
Octel Communications Corp.*	4,400	95,150
Offshore Logistics, Inc.*	2,800	36,225
Offshore Pipelines, Inc.*	2,100	42,788
Ogden Projects, Inc.*	600	10,500
Omega Environmental, Inc.*	5,000	30,000
Omicare, Inc.	1,100	40,150
One Valley Bancorp of West Virginia, Inc.	2,800	83,650
Oneok Inc.	4,300	75,788
OrNda Heathcorp*	6,660	106,560
Orange & Rockland Utilities, Inc.	2,500	75,938
Orbital Sciences Corp.*	2,500	53,438
Oregon Steel Mills, Inc.	6,300	107,888
Orion Capital Corp.	2,300	70,438
Oshkosh B'Gosh, Inc. Class A	2,400	35,700
Oshkosh B'Gosh, Inc. Class B	200	2,975
Otter Tail Power Co.	1,600	52,200
Outboard Marine Corp.	3,400	70,125

Owens & Minor, Inc.	5,100	75,863
Oxford Health Plans, Inc.	1,300	107,250
Oxford Industries, Inc.	1,600	40,800
PAXAR Corp.	2,750	29,219
PLATINUM technology, inc.*	3,200	71,200
PXRE Corp.	1,100	27,225
Pacific Crest Capital, Inc.*	126	725
Papa John's International*	1,900	60,563
Paragon Trade Brands*	1,800	43,200
Park Communications, Inc.*	3,100	87,188
Park National Corp.	800	31,600
Parker Drilling Co.*	11,100	67,988
Patterson Dental Co.	3,850	72,669
Penn Traffic Co.*	1,900	78,375
PennCorp Financial Group, Inc.	2,900	45,675
Pentair, Inc.	700	29,488
People's Bank Bridgeport Connecticut	5,200	67,925
PeopleSoft, Inc.*	1,900	117,800
Peoples Choice TV Corp.*	1,100	21,725
Peoples Heritage Financial Group, Inc.	2,800	39,550
PerSeptive Biosystems, Inc.*	2,000	22,125
Petroleum Heat and Power Co., Inc. Class A	3,200	28,400
Petrolite Corp.	1,900	56,525
Pharmaceutical Resources, Inc.*	1,800	17,100
Philadelphia Suburban Corp.	1,300	23,075
PhyCor, Inc.*	1,600	54,800
Physicians Health Services, Inc.*	600	15,225
PictureTel Corp.*	2,300	44,850
Piedmont Natural Gas Co., Inc.	4,800	96,600
Pier 1 Imports, Inc.	5,600	43,400
Pikeville National Corp.	1,200	27,600
Pilgrim's Pride Corp.	4,500	45,000
Pillowtex Corp.*	2,100	25,725
Pioneer Group, Inc.	2,000	94,000
Pioneer-Standard Electronics, Inc.	2,550	46,219
Piper Jaffray Inc.	4,600	53,475
Pittston Minerals Group	900	21,600
Pittway Corp.	300	11,213
Pittway Corp. Class A	1,400	51,100
Plains Petroleum Co.	1,200	32,400
Platinum Software Corp.	1,500	17,906
Playboy Enterprises, Inc. Class B*	2,100	17,325
Players International, Inc.*	2,800	62,825
Ply-Gem Industries, Inc.	2,200	47,300
Poe & Brown, Inc.	1,500	32,063
Pogo Producing Co.	700	15,663
Policy Management Systems Corp.*	2,000	94,000
Pope & Talbot, Inc.	1,800	31,950
Powersoft Corp.*	1,500	95,250
Precision Castparts Corp.	3,300	75,488
Premier Bancorp, Inc.	4,600	75,325
President Riverboat Casinos, Inc.	4,700	38,188
Presidential Life Corp.	6,800	40,375
Presstek, Inc.	1,125	37,898
Primark Corp.*	3,500	45,500
Prime Hospitality Corp.*	5,500	42,625
Production Operators Corp.	1,600	41,000
Proffitt's, Inc.*	1,600	28,800
Progress Software Corp.*	900	28,238
Protective Life Corp.	2,200	99,000
Protein Design Labs, Inc.*	2,500	43,438
Provident Bancorp, Inc.	2,800	94,850
Public Service Co. of New Mexico*	6,300	77,963
Public Service Co. of North Carolina, Inc.	3,300	48,263
Pulitzer Publishing Co.	2,100	75,075
Puritan-Bennett Corp.	4,200	108,938
Purolator Products Co.	1,600	39,800
Quaker State Corp.	4,100	55,863
Quality Food Centers, Inc.	3,100	66,650
Quanex Corp.	2,100	52,238
Quantum Corp.*	8,100	123,525
Quantum Health Resources, Inc.*	2,600	94,900
Queens County Bancorp	1,200	31,200
Quick & Reilly Group, Inc.	1,680	43,260
REN Corporation-USA*	2,200	27,500
Raymond James Financial, Inc.	2,800	42,000
Read-Rite Corp.*	5,900	102,144
Reading & Bates Corp. (New)*	10,600	71,550

Recognition International, Inc.*	1,800	13,275
Recoton Corp.	1,900	35,625
Regal-Beloit Corp.	2,800	39,200
Regency Health Services*	3,300	37,538
Reinsurance Group of America, Inc.	3,000	66,750
Reliance Group Holdings, Inc.	18,600	113,925
Republic Bancorp Inc.	2,750	33,000
Rexall Sundown, Inc.	2,700	28,181
Richfood Holdings, Inc.	3,500	56,000

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds(R)

9

<TABLE>
<CAPTION>

	NUMBER OF SHARES	VALUE
	-----	-----
<S>	<C>	<C>
Riggs National Corp.*	11,100	\$101,288
Rio Hotel and Casino, Inc.*	3,900	50,700
Rival Co.	1,500	38,250
River Forest Bancorp, Inc.	1,200	40,350
RoTech Medical Corp.*	1,800	46,125
Robert Half International Inc.	4,600	98,900
Roberts Pharmaceutical Corp.*	3,100	82,538
Rochester Community Savings Bank	2,300	42,263
Rohr Inc.*	6,600	60,225
Rollins Environmental Services, Inc.	11,500	67,563
Rollins Leasing Corp.	8,400	98,700
Roosevelt Financial Group, Inc.	3,300	49,913
Roper Industries, Inc.	2,600	63,050
Ross Stores, Inc.	4,000	56,000
Ruddick Corp.	4,200	81,900
Russ & Berrie Co., Inc.	3,500	47,688
Ryan's Family Steak Houses, Inc.*	21,100	134,513
Ryland Group, Inc.	2,900	46,763
S & T Bancorp, Inc.	2,000	40,250
S.E. Rykoff & Co.*	1,400	28,175
S3, Inc.	2,500	35,625
SCI Systems, Inc.*	4,800	87,000
SCIMED Life Systems, Inc.*	2,800	134,050
SCOR Reinsurance U.S. Corp.	2,200	24,475
SEI Corp.	2,900	60,175
SFFed Corp.	1,400	24,150
SLM Interational, Inc.	3,350	20,519
SPI Pharmaceuticals, Inc.	3,107	71,461
SPX Corp.	2,300	39,963
SafeCard Services, Inc.	3,700	59,200
Safeskin Corp.*	2,200	35,750
Sanifill, Inc.*	2,500	56,875
Santa Cruz Operation, Inc.*	5,500	59,813
Savannah Foods & Industries, Inc.	4,900	61,250
Savoy Pictures Entertainment, Inc.*	4,200	37,275
Sbarro, Inc.	3,000	74,625
Scholastic Corp.*	2,800	128,100
Schuler Homes, Inc.*	3,300	51,563
Scios Nova, Inc.*	5,200	34,450
Scotts Co. Class A*	7,400	114,700
Seabord Corp.	200	36,250
Seafield Capital Corp.	1,100	39,188
Sealed Air Corp.*	3,700	126,263
Sealright Co., Inc.	1,300	22,100
Security Capital Bancorp	2,100	32,550
Seitel, Inc.*	1,000	28,000
Selective Insurance Group, Inc.	4,400	110,550
Sequa Corp. Class A	1,100	26,950
Sequa Corp. Class B	700	19,600
Sequent Computer Systems, Inc.*	5,400	103,275
Shared Medical Systems Corp.	3,900	115,294

Shoe Carnival, Inc.	500	3,250
ShopKo Stores, Inc.	8,800	86,900
Shorewood Packaging Corp.*	2,800	56,350
Showboat, Inc.	2,400	28,800
Sierra Health Services, Inc.*	2,000	65,000
Sierra Pacific Resources	5,400	103,950
Silicon Valley Group, Inc.*	1,000	19,500
Simpson Industries, Inc.	3,000	39,000
Sizzler International, Inc.	11,500	69,000
SkyWest Airlines, Inc.	1,900	38,950
Skyline Corp.	1,300	25,675
Smart & Final Inc.	3,800	56,525
Smith (A.O.) Corp. Class A	1,000	24,500
Smith (A.O.) Corp. Class B	2,600	63,375
Smith International, Inc.*	7,100	118,925
Smith's Food & Drug Centers, Inc. Class B	3,200	82,800
Smithfield Foods, Inc.*	2,600	75,400
Smucker (J.M.) Co. Class B	500	10,688
Snyder Oil Corp.	4,300	74,175
Sodak Gaming Inc.*	1,700	24,013
Sofamor Danek Group, Inc.*	4,600	77,050
Sonat Inc.	5,200	103,350
Sotheby's Holdings, Inc. Class A	700	8,488
South Jersey Industries, Inc.	1,200	20,850
Southdown, Inc.*	6,400	111,200
Southeastern Michigan Gas Enterprises, Inc.	1,890	35,201
Southern California Water Co.	900	14,063
Southern Indiana Gas & Electric Co.	2,866	76,666
Southern Union Co. (New)	2,000	33,750
Southwest Gas Corp.	3,400	58,225
Southwestern Energy Co.	4,200	72,450
Southwestern Life Insurance Co.*	7,200	31,500
Sovereign Bancorp, Inc.	6,280	57,305
SpaceLabs Medical Inc.*	1,700	35,913
Spectravision, Inc.*	1,300	1,381
Spectrum Information Technologies, Inc.*	8,100	13,542
Spelling Entertainment Group, Inc.	12,300	147,600
Sports & Recreation, Inc.	3,000	84,750
Springs Industries, Inc.	3,200	129,200
St. John's Knits, Inc.	1,300	39,650
St. Paul Bancorp, Inc.	3,500	71,969
Standard Microsystems Corp.*	1,900	46,669
Standard Motor Products, Inc.	2,500	45,625
Standard Pacific Corp.	5,800	39,875
Standard Products Co.	2,700	65,138
Standard Register Co.	4,800	85,200
Standex International Corp.	1,800	58,275
Stanhope Inc.	400	13,450
Stant Corp.	2,600	29,250
Starbucks Corp.	1,100	29,838
Starter Corp.*	4,900	36,138
State Auto Financial Corp.	2,100	29,925
Station Casinos Inc.*	4,800	63,600
Steel Technologies Inc.	2,100	25,988
Stein Mart, Inc.	3,600	63,900
Sterling Chemicals, Inc.	10,100	122,463
Sterling Software, Inc.*	3,700	115,625
Stewart Enterprises, Inc. Class A	3,700	89,725

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds (R)

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SCHWAB SMALL-CAP INDEX FUND (TM)
STATEMENT OF NET ASSETS
October 31, 1994

<TABLE>
<CAPTION>

NUMBER
OF SHARES

VALUE

<S>	<C>	<C>
Stone & Webster, Inc.	2,700	\$87,413
Stone Container Corp.*	6,112	102,376
Stratacom Inc.*	3,100	175,150
Stratus Computer, Inc.*	2,000	74,500
Strawbridge & Clothier Class A	1,700	36,975
Structural Dynamics Research Corp.*	4,300	20,694
Student Loan Corp.	2,800	53,550
Sturm, Ruger & Co., Inc.	2,000	53,000
Summa Four, Inc.*	500	10,375
Summit Bancorp	4,600	96,888
Summit Technology, Inc.*	2,800	79,800
Sun Healthcare Group, Inc.*	3,608	82,984
Sunglass Hut International, Inc.*	1,600	66,600
Sunrise Medical Inc.*	3,300	85,800
Sunshine Mining Co.	23,000	48,875
Supercuts, Inc.*	1,200	13,200
Surgical Care Affiliates, Inc.	7,150	140,319
Susquehanna Bancshares, Inc.	1,700	39,525
Swift Transportation Co.	2,100	90,825
SyStemix, Inc.*	1,200	18,750
Sybron Corp.*	1,900	65,788
Symantec Corp.*	6,000	107,250
Symbol Technologies, Inc.*	4,300	145,125
Symmetricom, Inc.*	1,600	19,300
Syncor International Corp.*	700	5,950
Synergen, Inc.*	6,800	36,975
Synetic, Inc.*	3,300	54,038
Synopsys, Inc.*	300	13,838
Syratech Corp.*	1,600	29,400
System Software Associates, Inc.	4,600	57,213
Systems & Computer Technology Corp.*	1,700	33,788
TBC Corp.*	4,300	41,656
TCA Cable TV, Inc.	4,000	94,000
TCF Financial Corp.	2,000	78,000
TJ International	3,100	55,800
TNP Enterprises, Inc.	1,300	18,038
TNT Freightways Corp.	3,500	89,688
Taco Cabana Class A	2,500	19,844
Tandycrafts, Inc.*	1,900	22,800
Tech Data Corp.	9,000	176,625
Tecnol Inc.*	3,200	50,800
Tejas Gas Corp.*	1,800	81,450
Tejon Ranch Co.	1,900	25,888
Teleflex Inc.	2,450	94,938
Telxon Corp.	2,500	33,125
Tencor Instruments*	1,900	83,600
Tennant Co.	900	41,063
Terra Industries, Inc.	25,800	274,125
Tesoro Petroleum Corp.*	4,600	43,125
Tetra Tech, Inc. (New)	3,125	60,156
Texas Industries, Inc.	1,800	57,600
Thermedics Inc.	4,800	72,600
Thermo Cardiosystems Inc.	3,300	58,163
Thermo Fibertek, Inc.*	10,700	164,513
Thermotrex Corp.	2,700	41,175
Thiokol Corp.	3,000	73,875
Thomas Nelson, Inc.	2,100	40,163
Thor Industries, Inc.	1,200	24,600
Tiffany & Co. (New)	2,700	105,300
Timberland Co. Class A*	1,400	47,425
Titan Wheel International, Inc.	200	5,750
Toll Brothers, Inc.*	5,700	62,700
Topps Co., Inc.	7,500	43,594
Toro Co.	2,100	58,275
Transco Energy Co.	1,100	15,813
Trenwick Group Inc.	1,100	40,563
TriMas Corp.	2,500	57,813
Triarc Cos., Inc. Class A*	3,900	45,338
Trident NGL Holding, Inc.	6,000	63,750
Trimble Navigation Ltd.*	3,100	44,369
Trust Co. of New Jersey (New)	3,900	57,525
TrustCo Bank Corp NY	2,420	47,190
Trustmark Corp.	5,300	94,075
Tuscon Electric Power Co.*	26,000	91,000
Tyco Toys, Inc.	5,900	38,350
U.S. Bioscience, Inc.*	7,600	55,100
U.S. Can Corp.*	1,800	29,025

U.S. Home Corp. (New)*	1,200	19,050
U.S. Robotics, Inc.*	2,100	83,738
U.S. Trust Corp.	1,500	90,750
UMB Financial Corp.	3,240	104,895
UNR Industries, Inc.	9,700	58,806
USAir Group, Inc.*	9,800	42,875
USLICO Corp.	2,800	56,000
UST Corp.*	3,200	36,400
UniFirst Corp.	3,000	35,625
Unilab Corp. (New)*	6,600	32,588
Union Planters Corp.	2,700	62,100
Union Switch & Signal*	2,600	41,275
United Bankshares, Inc.	1,900	46,550
United Carolina Bancshares Corp.	2,400	62,100
United Companies Financial Corp.	2,200	72,325
United Fire & Casualty Co.	700	29,400
United Illuminating Co.	2,300	70,150
United Insurance Companies, Inc.*	1,500	46,125
United International Holdings Inc.	1,600	24,200
United Meridian Corp.*	3,900	57,038
United States Shoe Corp.	4,000	71,500
United Stationers Inc.	6,000	59,250
United Television, Inc.*	1,500	79,313
United Waste Systems, Inc.*	3,400	81,175
United Water Resources Inc.	6,000	82,500
United Wisconsin Services, Inc.	2,200	80,850
Unitog Co.	1,650	30,319
Unitrode Corp.*	1,600	30,800
Univar Corp.	2,300	31,913
Universal Health Services, Inc. Class B*	1,800	47,925
VISX, Inc.*	1,800	21,825
VLSI Technology, Inc.*	5,900	76,331
Valassis Communications, Inc.	2,900	44,225
Valence Technology, Inc.*	2,700	8,775
Valhi, Inc.	21,000	141,750
Valmont Industries, Inc.	1,600	27,400

</TABLE>

See accompanying Notes to Financial Statements.

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SchwabFunds(R)

11

<TABLE>
<CAPTION>

	NUMBER OF SHARES	VALUE
	-----	-----
<S>	<C>	<C>
Value City Department Stores, Inc.*	5,900	\$67,113
Value Health, Inc.*	1,232	47,740
Value Line, Inc.	1,700	53,550
Varco International, Inc.*	9,900	69,300
Vencor, Inc.	4,650	138,919
Ventritex, Inc.*	3,700	96,200
Venture Stores, Inc.	2,900	44,950
VeriFone, Inc.*	4,300	95,675
Vertex Pharmaceuticals, Inc.*	2,500	33,438
Vesta Insurance Group	1,500	39,563
Vicor Corp.*	3,600	100,800
Victoria Bankshares, Inc.	1,000	25,750
ViewLogic Systems, Inc.*	2,300	50,600
Vigoro Corp.	3,300	101,475
Vintage Petroleum, Inc.	3,700	71,688
Viratek, Inc.	2,295	26,679
Vivra Inc.	2,800	79,100
W.H. Brady Co. Class A	900	2,975
WD-40 Co.	1,200	51,450
WHX Corp.*	11,000	165,000
WICOR, Inc.	2,300	65,838
WLR Foods, Inc.	1,800	47,250
WMS Industries Inc.*	4,000	70,500
Waban, Inc.*	6,000	106,500
Wabash National Corp.	3,000	104,250

Walbro Corp.	1,400	25,025
Wall Data, Inc.*	1,500	54,938
Wallace Computer Services, Inc.	1,400	38,850
Washington Energy Co.	3,800	51,775
Washington National Corp.	4,900	105,963
Waterhouse Securities, Inc.	1,600	25,800
Watson Pharmaceuticals, Inc.*	2,600	68,250
Watts Industries, Inc. Class A	3,100	74,400
Weatherford International Inc.*	3,500	39,813
Webb (Del) Corp.	2,100	33,863
Weirton Steel Corp.*	4,300	37,088
Welbilt Corp.*	1,500	37,313
Wellman, Inc.	500	16,438
Werner Enterprises, Inc.	500	12,688
WesBanco, Inc.	1,400	38,325
West Company, Inc.	3,000	84,375
Westamerica Bank	1,000	32,000
Westcorp Financial Services	4,130	39,235
Westcott Communications, Inc.	2,900	39,875
Western Co. of North America*	2,900	51,475
Western Digital Corp.*	8,200	139,400
Western Waste Industries*	2,400	42,000
WestPoint Stevens, Inc.*	5,600	82,600
Westwood One, Inc.*	5,000	47,813
White River Corp.*	1,000	32,875
Whitney Holding Corp.	2,400	54,300
Whole Foods Market, Inc.	1,900	29,213
Williams-Sonoma, Inc.	4,200	145,950
Winnebago Industries, Inc.	4,100	36,388
Wisconsin Central Transportation Corp.	2,800	129,150
Wolverine Tube, Inc.*	2,000	50,250
Wolverine World Wide, Inc.	1,700	41,650
Worthen Bank & Trust Co.	2,500	71,563
Wyle Laboratories	2,300	42,550
X-Rite, Inc.	1,600	58,600
XCL Limited*	20,500	28,188
Xircom, Inc.*	2,500	43,438
Yankee Energy System, Inc.	1,900	42,513
Yellow Corp.	5,100	99,131
Younkers, Inc.*	1,000	19,625
Zebra Technologies Corp. Class A*	900	36,563
Zenith Electronics Corp.*	7,700	107,800
Zenith Laboratories, Inc. (New)	2,400	57,000
Zenith National Insurance Corp.	3,100	73,238
Zero Corp.	1,900	24,463
Zilog, Inc.*	400	11,600
Zions Bancorp	2,300	86,408
Zurn Industries, Inc.	2,000	36,500
1st Source Corp.	1,145	28,482
3DO Co.*	3,200	53,200

TOTAL COMMON STOCK(Cost \$64,786,151)		65,383,543
	Maturity	-----
REPURCHASE AGREEMENT--4.0%		
State Street Bank & Trust 4.25%		
Dated 10/31/94		
Due 11/01/94		
Collateralized By:		
U.S. Treasury Bill		
\$2,860,000 Par;		
Due 4/30/95	\$2,730,000	2,730,000

TOTAL REPURCHASE AGREEMENT		
(Cost \$2,730,000)		2,730,000

TOTAL INVESTMENTS -- 100.0%		
(Cost \$67,516,151)		68,113,543

OTHER ASSETS AND LIABILITIES -- 0.0%		
Other Assets		230,704
Liabilities		(216,246)

		14,458

NET ASSETS -- 100.0%		
Applicable to 6,779,517		
outstanding \$0.00001		

par value shares
(unlimited shares authorized)

\$68,128,001

NET ASSET VALUE PER SHARE

=====

\$ 10.05

=====

</TABLE>

- - - - -

*Non-Income Producing Security

See accompanying Notes to Financial Statements.

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SchwabFunds(R)

12

SCHWAB SMALL-CAP INDEX FUND(TM)

STATEMENT OF OPERATIONS

For the period December 3, 1993 (commencement of operations) to October 31, 1994

<TABLE>

<S>

<C>

Investment income:

Dividends	\$ 588,017
Interest	112,525

Total investment income 700,542

Expenses:

Investment advisory and administration fee	258,394
Transfer agency and shareholder service fees	129,197
Custodian fees	82,467
Registration fees	32,217
Professional fees	28,173
Shareholder reports	48,377
Trustees' fees	18,495
Amortization of deferred organization costs	13,320
Insurance and other expenses	4,609

615,249

Less expenses reduced and absorbed

(267,476)

Total expenses incurred by Fund

347,773

Net investment income

352,769

Net realized gain (loss) on investments:

Proceeds from sales of investments	8,478,561
Cost of investments sold	(9,006,296)

Net realized loss on investments sold (527,735)

Net unrealized appreciation on investments:

Beginning of period	--
End of period	597,392

Net unrealized appreciation on investments 597,392

Net gain on investments 69,657

Net increase in net assets resulting from operations \$ 422,426

</TABLE>

See accompanying Notes to Financial Statements.

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SCHWAB SMALL-CAP INDEX FUND(TM)

STATEMENT OF CHANGES IN NET ASSETS

For the period December 3, 1993 (commencement of operations) to October 31, 1994

<TABLE>

<S>	<C>
Operations:	
Net investment income	\$ 352,769
Net realized loss on investments sold	(527,735)
Net unrealized appreciation on investments	597,392

Net increase in net assets resulting from operations	422,426

Dividends to shareholders from net investment income	(56,830)
Capital Share Transactions:	
Proceeds from shares sold	78,645,543
Net asset value of shares issued in reinvestment of dividends	52,690
Early withdrawal fees	27,385
Less payments for shares redeemed	(10,963,213)

Increase in net assets from capital share transactions	67,762,405

Total increase in net assets	\$ 68,128,001
Net Assets:	
Beginning of period	--

End of period (including undistributed net Investment income of \$295,939)	\$ 68,128,001
	=====
Number of Fund Shares:	
Sold	7,883,827
Reinvested	5,322
Redeemed	(1,109,632)

Net increase in shares outstanding	6,779,517
Shares Outstanding:	
Beginning of period	--

End of period	6,779,517
	=====

</TABLE>

See accompanying Notes to Financial Statements.

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SCHWAB SMALL-CAP INDEX FUND(TM)

NOTES TO FINANCIAL STATEMENTS

For the period December 3, 1993 (commencement of operations) to October 31, 1994

1. DESCRIPTION OF THE FUND

The Schwab Small-Cap Index Fund (the "Fund") is a series of Schwab Capital Trust (the "Trust"), an open-end, management investment company organized as a Massachusetts business trust on May 7, 1993 and registered under the Investment Company Act of 1940, as amended. The Fund commenced operations on December 3, 1993.

In addition to the Fund, the Trust also offers the Schwab International Index Fund(TM). The assets of each series are segregated and accounted for separately.

The investment objective of the Fund is to attempt to track the price and dividend performance (total return) of the Schwab Small-Cap Index(TM), an index created to represent the performance of the second 1,000 largest publicly traded common stocks issued by United States companies.

2. SIGNIFICANT ACCOUNTING POLICIES

Security valuation -- Investments in securities traded on an exchange are valued at the last quoted sale price for a given day, or if a sale is not reported for that day, at the mean between the most recent quoted bid and asked prices. Unlisted securities for which market quotations are readily available are valued at the mean between the most recent bid and asked prices. Securities for which no quotations are readily available are valued at fair value as determined in good faith by the Fund's sub-advisor pursuant to Board of Trustees guidelines. Short-term securities with 60 days or less to maturity are stated at amortized cost, which approximates market value.

Security transactions and investment income -- Security transactions, in the accompanying financial statements, are accounted for on a trade date basis (date the order to buy or sell is executed). Dividend income and distributions to shareholders are recorded on the ex-dividend date; interest income is recorded on the accrual basis. Realized gains and losses from security transactions are determined on an identified cost basis.

Repurchase agreements -- Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities. All collateral is held by the Fund's custodian and is monitored daily to ensure that its market value at least equals the repurchase price under the agreement.

Deferred organization costs -- Costs incurred in connection with the organization of the Fund, its initial registration with the Securities and Exchange Commission and with various states are amortized on a straight-line basis over a five year period from the Fund's commencement of operations.

Expenses -- Expenses arising in connection with the Fund are charged directly to the Fund. Expenses common to all series of the Trust are allocated to each series in proportion to their relative net assets.

Federal income taxes -- It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all net investment income and realized net capital gains, if any, to shareholders. Therefore, no federal income tax provision is required. The Fund is considered a separate entity for tax purposes.

SchwabFunds(R)

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At October 31, 1994, (for financial reporting and federal income tax purposes), net unrealized appreciation aggregated \$597,392 of which \$7,021,886 related to appreciated securities and \$6,424,494 related to depreciated securities.

3. TRANSACTIONS WITH AFFILIATES

Investment advisory and administration agreement -- The Trust has an investment advisory and administration agreement with Charles Schwab Investment Management, Inc. (the "Investment Manager"). For advisory services and facilities furnished, the Fund pays an annual fee, payable monthly, of .50% of the first \$300 million of average daily net assets and .45% of such assets over \$300 million. Under this agreement, the Fund incurred investment advisory and administration fees of \$258,394 during the period from December 3, 1993 (commencement of operations) to October 31, 1994, before the Investment Manager reduced its fee (see Note 5).

Sub-advisory agreement -- The Investment Manager has a sub-advisory agreement with Dimensional Fund Advisors Inc. ("Dimensional") to perform day-to-day portfolio management for the Fund. Dimensional does not receive compensation directly from the Fund. However, the Investment Manager pays Dimensional an annual fee, payable monthly, of .10% of the first \$300 million of average daily net assets and .05% of such assets over \$300 million.

Transfer agency and shareholder service agreements -- The Trust has transfer agency and shareholder service agreements with Charles Schwab & Co., Inc. ("Schwab"). For services provided under these agreements, Schwab receives an annual fee, payable monthly, of .05% of average daily net assets for transfer agency services and .20% of such assets for shareholder services. For the period from December 3, 1993 (commencement of operations) to October 31, 1994, the Fund incurred transfer agency and shareholder service fees of \$129,197, before Schwab reduced its fees (see Note 5).

Officers and trustees -- During the period, certain officers and trustees of the Trust were also officers or directors of the Investment Manager, Schwab or Dimensional. During the period ended October 31, 1994, the Trust made no direct payments to its officers or trustees who were "interested persons" within the meaning of the Investment Company Act of 1940, as amended. The Fund incurred fees of \$18,495 related to the Trust's unaffiliated trustees.

4. BORROWING AGREEMENT

The Trust has an arrangement with State Street Bank and Trust Company, the Fund's custodian, whereby the Fund may borrow up to \$10,000,000, on a temporary basis, to fund redemptions. Amounts borrowed under this arrangement bear interest at periodically negotiated rates and may be collateralized by the assets of the Fund. During the period December 3, 1993 (commencement of operations) to October 31, 1994, no borrowings were made under this arrangement.

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SchwabFunds(R)	16

SCHWAB SMALL-CAP INDEX FUND(TM)	
NOTES TO FINANCIAL STATEMENTS	
For the period December 3, 1993 (commencement of operations) to October 31, 1994	

5. EXPENSES REDUCED AND ABSORBED BY THE INVESTMENT MANAGER AND SCHWAB

The Investment Manager and Schwab reduced a portion of their fees and absorbed certain expenses in order to limit the Fund's ratio of operating expenses to average net assets. For the period from December 3, 1993 (commencement of operations) to October 31, 1994, the total of such fees and expenses reduced and absorbed by the Investment Manager was \$153,640 and the total of such fees reduced by Schwab was \$113,836.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investment securities, other than short-term obligations, aggregated \$73,792,447 and \$8,478,561, respectively, for the period from December 3, 1993 (commencement of operations) to October 31, 1994.

7. EARLY WITHDRAWAL FEES PAID TO THE FUND

The Fund assesses a .50% early withdrawal fee on redemption proceeds attributable to shares purchased and held less than six months. The early withdrawal fee is retained by the Fund and is treated as a contribution to capital. For the period from December 3, 1993 (commencement of operations) to October 31, 1994, total early withdrawal fees retained by the Fund amounted to \$27,385.

8. COMPOSITION OF NET ASSETS

At October 31, 1994, net assets consisted of:

<TABLE>	
<S>	<C>
Capital paid in	\$67,762,405
Accumulated undistributed net investment income	295,939
Accumulated net realized loss on investments sold	(527,735)
Net unrealized appreciation on investments	597,392

Total	\$68,128,001
	=====

</TABLE>

At October 31, 1994, the Fund's Statement of Net Assets included liabilities of \$106,248 for Fund shares redeemed and \$24,610 for investment advisory and administration fee payable.

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SchwabFunds(R)	17
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9. FINANCIAL HIGHLIGHTS

Per share income and capital changes for a share outstanding throughout the period, from December 3, 1993 (commencement of operations) to October 31, 1994:

<S>	<C>
Net asset value at beginning of period	\$ 10.00
Income from Investment Operations	
Net investment income	.06
Net realized and unrealized gain (loss) on investments	--

Total from investment operations	.06
Less Distributions	
Dividends from net investment income	(.01)
Distributions from realized gain on investments	--

Total distributions	(.01)
Net asset value at end of period	\$ 10.05
	=====
Total return (%)	.63
Ratios/Supplemental Data	
Net assets, end of period	\$68,128,001
Ratio of expenses to average net assets (%)*	.67
Ratio of net investment income to average net assets (%)*	.68
Portfolio turnover rate (%)	16

The Investment Manager and Schwab have reduced a portion of their fees and absorbed certain expenses in order to limit the Fund's ratio of operating expenses to average net assets. Had these fees and expenses not been reduced and absorbed, the ratio of expenses to average net assets for the period ended October 31, 1994, would have been 1.19%*, and the ratio of net investment income to average net assets would have been .16%*.

* Annualized

To the Board of Trustees and Shareholders of the Schwab Small-Cap Index Fund(TM)

In our opinion, the accompanying statement of net assets and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of the Schwab Small-Cap Index Fund(TM) (one of the series constituting Schwab Capital Trust, hereafter referred to as the "Trust") at October 31, 1994, the results of its operations and the changes in its net assets for the period presented, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at October 31, 1994 by correspondence with the custodian, provides a reasonable basis for the opinion expressed above.

1994 SPECIAL TAX INFORMATION (UNAUDITED)

Notice to Corporate Shareholders

100% of the Fund's distributions for the fiscal year ended October 31, 1994
qualify for the corporate dividends received deduction.

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APPENDIX A

The following is a list of Companies whose securities were included in
the Schwab International Index(TM) calculation as of the date of this Statement
of Additional Information:

<TABLE>	<C>
<S>	
ABBEY NATIONAL	United Kingdom
ABN-AMRO HOLDING	Netherlands
AEGON	Netherlands
AGF	France
AIR LIQUIDE	France
AJINOMOTO CO	Japan
AKZO NOBEL	Netherlands
ALCAN ALUMINIUM	Canada
ALCATEL CABLE	France
ALCATEL ALSTHOM	France
ALL NIPPON AIRWAYS CO	Japan
ALLEANZA ASSICUR.	Italy
ALLIED DOMECQ (ALD-LYONS)	United Kingdom
AMERICAN BARRICK RES.	Canada
ARGENTARIA	Spain
ARGYLL GROUP	United Kingdom
ASAHI BREWERIES	Japan
ASAHI BANK	Japan
ASAHI GLASS CO	Japan
ASAHI CHEMICAL IND CO	Japan
ASEA	Sweden
ASHIKAGA BANK	Japan
ASSICURAZIONI GENERALI	Italy
ASTRA	Sweden
AXA	France
BAA	United Kingdom
BANCO SANTANDER	Spain
BANCO BILBAO VIZCAYA	Spain
BANCO ESPANOL DE CREDITO	Spain
BANK TOKYO	Japan
BANK YOKOHAMA	Japan
BANK MONTREAL	Canada
BANK FUKUOKA	Japan
BANKGESELLSCHAFT BERLIN	Germany
BARCLAYS	United Kingdom

81

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<TABLE>	<C>
<S>	
BASF	Germany
BASS	United Kingdom

BAT INDUSTRIES
 BAYER
 BAYER VEREINSBANK STAMM
 BAYER HYPOTHEKEN BANK
 BBC BROWN BOVERI
 BCE INC
 BMW
 BNP
 BOC GROUP
 BOOTS CO
 BRIDGESTONE CORP
 BRITISH AIRWAYS
 BRITISH GAS
 BRITISH PETROLEUM
 BRITISH TELECOM
 BRITISH STEEL
 BROKEN HILL PROP CO
 BTR
 BTR NYLEX
 CABLE & WIRELESS
 CADBURY SCHWEPPES
 CANADIAN IMPERIAL BANK
 CANADIAN PACIFIC LTD
 CANON INC
 CARREFOUR
 CATHAY PACIFIC AIRWAYS
 CHIBA BANK
 CHINA LIGHT & POWER
 CHUBU ELECTRIC POWER CO
 CHUGOKU ELECTRIC POWER
 CIBA-GEIGY
 CITIC PACIFIC
 COMMERCIAL UNION
 COMMERZBANK AKTIE
 COMMONWEALTH BANK
 COSMO OIL CO
 CRA
 CS HOLDING
 DAI-ICHI KANGYO BANK
 </TABLE>

United Kingdom
 Germany
 Germany
 Germany
 Switzerland
 Canada
 Germany
 France
 United Kingdom
 United Kingdom
 Japan
 United Kingdom
 United Kingdom
 United Kingdom
 United Kingdom
 United Kingdom
 Australia
 United Kingdom
 Australia
 United Kingdom
 United Kingdom
 Canada
 Canada
 Japan
 France
 Hong Kong
 Japan
 Hong Kong
 Japan
 Japan
 Switzerland
 Hong Kong
 United Kingdom
 Germany
 Australia
 Japan
 Australia
 Switzerland
 Japan

<TABLE>
 <S>
 DAI NIPPON PRINTING CO
 DAIEI
 DAIMLER-BENZ
 DAIWA HOUSE IND CO
 DAIWA BANK
 DAIWA SECURITIES CO
 DANONE (BSN)
 DEUTSCHE BANK
 DEVELOPMENT BK SINGAPORE
 DRESDNER BANK
 EAST JAPAN RAILWAY CO
 EBARA CORP
 EISAI CO
 ELECTRABEL
 ELF AQUITAINE
 ELSEVIER
 ENDESA
 ERICSSON (LM)
 FANUC
 FIAT
 FUJI BANK
 FUJI PHOTO FILM CO
 FUJITSU LTD
 FURUKAWA ELECTRIC CO

<C>
 Japan
 Japan
 Germany
 Japan
 Japan
 Japan
 France
 Germany
 Singapore
 Germany
 Japan
 Japan
 Japan
 Japan
 Belgium
 France
 Netherlands
 Spain
 Sweden
 Japan
 Italy
 Japan
 Japan
 Japan
 Japan

NORTHERN TELECOM
NOVA CORP
NTT CORP
OBAYASHI CORP
OCBC BANK
ODAKYU ELECTRIC RAILWAY
OKI ELECTRIC INDUSTRY CO
ONO PHARMACEUTICAL CO
OSAKA GAS CO
PARIBAS (CIE FINANCIERE) A
PEARSON
PEN & ORIENTAL STEAM
PETROFINA
PEUGEOT SA
PHILIPS ELECTRONICS
PIONEER ELECTRONIC CORP
PLACER DOME
POLYGRAM
POWERGEN
PREUSSAG
PRUDENTIAL CORP
RANK ORGANISATION
REED INTERNATIONAL
REPSOL
REUTERS HOLDINGS
RHONE-POULENC
RICHEMONT (FIN) A UNIT
</TABLE>

Canada
Canada
Japan
Japan
Singapore
Japan
Japan
Japan
Japan
France
United Kingdom
United Kingdom
Belgium
France
Netherlands
Japan
Canada
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United Kingdom
Germany
United Kingdom
United Kingdom
United Kingdom
Spain
United Kingdom
France
Switzerland

<TABLE>
<S>
RICOH CO
ROCHE HOLDING
ROYAL BANK OF SCOTLAND
ROYAL DUTCH PETROLEUM CO
ROYAL BANK OF CANADA
RTZ CORP
RWE
SAINSBURY (J)
SAINT-GOBAIN
SAKURA BANK
SANDOZ
SANKYO CO
SANWA BANK
SANYO ELECTRIC CO
SAP
SCHNEIDER (EX-SPEP)
SCHWEIZ BANKGESELL
SCHWEIZ BANKVEREIN
SCOTTISH POWER
SEAGRAM CO
SECOM CO
SEGA ENTREPRISES
SEIBU RAILWAY CO
SEKISUI CHEMICAL CO
SEKISUI HOUSE
SEVEN-ELEVEN JAPAN CO
SHARP CORP
SHELL T & T
SHIKOKU ELECTRIC POWER
SHIMIZU CORP
SHIN-ETSU CHEMICAL CO
SHISEIDO CO
SHIZUOKA BANK
SHOWA SHELL SEKIYU K.K
SIEMENS
SINGAPORE AIRLINES
SINGAPORE TELECOM

<C>
Japan
Switzerland
United Kingdom
Netherlands
Canada
United Kingdom
Germany
United Kingdom
France
Japan
Switzerland
Japan
Japan
Japan
Germany
France
Switzerland
Switzerland
United Kingdom
Canada
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Germany
Singapore
Singapore

SMITHKLINE BEECHAM PLC
SOCIETE GENERALE
SONY CORP
SONY MUSIC ENTERTAINMENT
</TABLE>

United Kingdom
France
Japan
Japan

87

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<TABLE>
<S>
STET
SUEZ (COMPAGNIE DE)
SUMITOMO BANK
SUMITOMO TRUST & BANK
SUMITOMO METAL MINING CO
SUMITOMO METAL IND
SUMITOMO MARINE & FIRE
SUMITOMO CHEMICAL CO
SUMITOMO ELECTRIC IND
SUMITOMO CORP
SUN HUNG KAI PROPERTIES
SUZUKI MOTOR CORP
SWIRE PACIFIC A
TAISEI CORP
TAISHO PHARMACEUTICAL CO
TAKEDA CHEMICAL IND
TDK CORP
TEIJIN
TELE DANMARK
TELECOM ITALIA (SIP)
TELEFONICA DE ESPANA
TESCO
THOMSON CORP
THORN-EMI
THYSSEN
TOBU RAILWAY CO
TOHOKU ELECTRIC POWER CO
TOKAI BANK
TOKIO MARINE & FIRE
TOKYO ELECTRIC POWER CO
TOKYO GAS CO
TOKYO ELECTRON
TOKYU CORP
TONEN CORP
TOPPAN PRINTING CO
TORAY INDUSTRIES
TORONTO-DOMINION BANK
TOSHIBA CORP
TOSTEM CORP
TOTAL SA
TOTO
</TABLE>

<C>
Italy
France
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Hong Kong
Japan
Hong Kong
Japan
Japan
Japan
Japan
Denmark
Italy
Spain
United Kingdom
Canada
United Kingdom
Germany
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Japan
Canada
Japan
Japan
Japan

88

108

<TABLE>
<S>
TOYO SEIKAN KAISHA
TOYO TRUST & BANKING CO
TOYODA AUTOMATIC LOOM
TOYOTA MOTOR CORP
TSB GROUP
UAP (COMPAGNIE)
UNILEVER PLC

<C>
Japan
Japan
Japan
Japan
United Kingdom
France
United Kingdom

UNILEVER NV
 UNITED OVERSEAS BANK
 VEBA
 VENDOME LUXURY GRP UNITS
 VEREIN EL WESTFALEN
 VIAG
 VODAFONE GROUP
 VOLKSWAGEN
 VOLVO
 WELLCOME
 WESTERN MINING CORP HLDG
 WESTPAC BANKING
 WHARF (HOLDINGS)
 WOLTERS KLUWER
 YAMAICHI SECURITIES CO
 YAMANOUCHI PHARM.
 YAMAZAKI BAKING CO
 YASUDA FIRE & MARINE
 YASUDA TRUST & BANK CO
 ZENECA GROUP
 ZURICH VERS.
 </TABLE>

Netherlands
 Singapore
 Germany
 United Kingdom
 Germany
 Germany
 United Kingdom
 Germany
 Sweden
 United Kingdom
 Australia
 Australia
 Hong Kong
 Netherlands
 Japan
 Japan
 Japan
 Japan
 United Kingdom
 Switzerland

APPENDIX B

The following is a list of Companies whose securities were included in the Schwab Small-Cap Index(TM) calculation as of the date of this Statement of Additional Information:

A L PHARMA INC
 AAR CORP
 ABBEY HEALTHCARE GROUP
 ABM INDS INC
 ACCLAIM ENTMT INC
 ACME METALS INC
 ACORDIA INC
 ACUSON CORP
 ACX TECHNOLOGIES INC
 ACXTOM CORP
 ADELPHIA COMMUNICATIONS
 ADIA SVCS INC
 ADVANCED TECH LABS
 ADVANCED TISSUE SCIENCES
 ADVANTAGE HEALTH CORP
 ADVO INC
 AGCO CORP
 AIR & WTR TECHNOLOGIES
 AIR EXPRESS INTL
 AIRBORNE FREIGHT
 ALANTEC CORP
 ALASKA AIR GROUP INC
 ALBANK FINL CORP
 ALBANY INTL CORP
 ALDILA INC
 ALEX BROWN INC
 ALEXANDERS INC
 ALFA CORP
 ALLEN GROUP INC
 ALLIANCE SEMICONDUCT
 ALLIANT TECHSYSTEMS
 ALLIED GROUP INC
 ALLWASTE INC
 AMAX GOLD INC
 AMC ENTMT INC
 AMCAST INDUSTRIAL CORP
 AMCORE FINANCIAL INC
 AMERICA WEST AIRLINES
 AMERICAN ANNUITY GROUP
 AMERICAN BANKERS INSURANCE

AMERICAN BUSINESS INFORMATION
AMERICAN BUSINESS PRODUCTS
AMERICAN CLASSC VOYAGES
AMERICAN COLLOID CO
AMERICAN FREIGHTWAYS
AMERICAN HERITAGE LIFE INVESTMENT
AMERICAN MAIZE PRODUCTS
AMERICAN MEDIA INC
AMERICAN MEDICAL RESPONSE
AMERICAN MGMT SYSTEMS
AMERICAN MOBILE SATELLITE
AMERICAN SAVINGS BK OF FLORIDA
AMERICAN SUPERCONDUCTOR
AMETEK
AMSCO INTL
ANALOGIC CORP
ANCHOR BANCORP
ANGELICA
ANTEC
ANTHONY INDUSTRIES
APOGEE ENTERPRISES
APPLE SOUTH
APPLEBEE'S INTERNATIONAL
APPLIED POWER
APS HLDG CORP
APTARGROUP
AQUILA GAS PIPELINE
ARBOR DRUGS
ARCTCO
ARGOSY GAMING CORP
ARKANSAS BEST

90

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ARMOR ALL PRODUCTS
ARNOLD INDUSTRIES
ARVIN INDUSTRIES
ASHLAND COAL
ASPECT TELECOMMUNICATIONS
ASSOCIATED BANC-CORP
AST RESEARCH
ATARI CORP
ATLANTIC SOUTHEAST AIRLINES
ATMOS ENERGY CORP
AU BON PAIN
AUGAT
AUTHENTIC FITNESS CORP
AUTOMOTIVE INDUSTRIES HOLDING
AUTOTOTE CORP
AVATAR HOLDINGS
AVID TECHNOLOGY
AZTAR CORP
BAKER J INC
BALDOR ELEC CO
BALDWIN & LYONS
BALLARD MEDICAL PRODUCTS
BALLY ENTMT CORP
BANCORPSOUTH INC
BANCTEC INC
BANTA CORP
BANYAN SYSTEMS
BAREFOOT
BARNES GROUP
BARR LABS
BARRETT RESOURCES
BASSETT FURNITURE
BAY ST GAS CO
BEARINGS
BELDEN INC
BELL BANCORP
BENTON OIL & GAS CO
BERKLEY W R CORP
BERRY PETE

BET HLDGS
BIG B
BIO RAD LABS
BIOCRAFT LABS
BIRMINGHAM STEEL
BISYS GROUP
BJ SERVICES
BLACK BOX CORP
BLACK HILLS CORP
BLAIR CORP
BLANCH E W HOLDINGS
BLOCK DRUG CO
BLOUNT INC
BMC INDS INC
BOLT BERANEK & NEWMAN
BOMBAY CO
BOOKS-A-MILLION
BOOLE & BABBAGE
BORG WARNER SECURITY
BORLAND INTL
BOSTON TECHNOLOGY
BOWNE & CO
BOX ENERGY CORP
BOYD GAMING CORP
BRADY WH CO
BROADBAND TECHNOLOGIES
BROADWAY & SEYMOUR
BROADWAY STORES
BROWN GROUP INC
BROWN TOM INC
BRUNOS INC
BRUSH WELLMAN INC
BUFFETS INC
BURLINGTON COAT FACTORY
BUSINESS RECORDS CP HLDGS
BW/IP INC
C COR ELECTRONICS
C D I CORP
C TEC CORP
CABOT OIL & GAS CORP
CAERE CORP
CALDOR CORP
CALGENE INC

CALGON CARBON CORP
CALIFORNIA ENERGY
CALIFORNIA FED BK
CALIFORNIA MICROWAVE
CALIFORNIA WTR SVC CO
CALMAT
CAMCO INTERNATIONAL
CANANDAIGUA WINE
CAPITAL RE CORP
CAPITOL AMERN FINL CORP
CAPSURE HLDGS CORP
CARAUSTAR INDS INC
CARLISLE COS INC
CARMIKE CINEMAS INC
CARPENTER TECHNOLOGY
CARTER WALLACE
CASEYS GEN STORES
CASH AMER INTL INC
CATALINA MARKETING
CATELLUS DEV CORP
CATO CORP
CCB FINL CORP
CCP INS INC
CELLULAR COMMUNICATIONS
CENTENNIAL CELLULAR
CENTEX CORP

CENTRAL HUDSON GAS&ELEC
CENTRAL JERSEY BANCORP
CENTRAL LA ELEC INC
CENTRAL MAINE PWR CO
CENTURA BKS
CENTURY COMMUNICATIONS
CERNER
CHAMBERS DEV INC
CHAMPION ENTERPRISES
CHAPARRAL STEEL
CHARTER MEDICAL
CHARTER ONE FINANCIAL
CHECKPOINT SYSTEMS
CHEMED
CHEMICAL FINANCIAL
CHERRY CORP
CHEYENNE SOFTWARE
CHRONIMED
CHURCH & DWIGHT
CIDCO
CILCORP
CIRCA PHARMACEUTICALS
CITIZENS BANCORP
CITIZENS BANKING CORP
CITIZENS CORP
CITY NATIONAL CORP
CLAIRE'S STORES
CLARCOR
CLEVELAND CLIFFS
CMAC INVT CORP
CML GROUP
CNB BANCSHARES
COAST SAVINGS FINANCIAL
COASTAL HEALTHCARE
COBRA GOLF INC
COCA-COLA BOTTLING
COEUR D'ALENE MINES
COGNEX
COHERENT
COLLAGEN
COLLECTIVE BANCORP
COLONIAL BANGROUP
COLONIAL DATA TECH
COLONIAL GROUP
COMAIR HOLDINGS
COMMERCE CLEARING HOUSE
COMMERCIAL FEDERAL
COMMERCIAL INTERTECH
COMMERCIAL METALS CO
COMMNET CELLULAR
COMMONWEALTH ENERGY
COMMUNITY HEALTH SYSTEMS
COMMUNITY PSYCHIATRIC CENTERS
COMPUSA
COMPUTERVISION
COMVERSE TECHNOLOGY

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CONCORD COMPUTING
CONE MILLS
CONNECTICUT NATURAL GAS
CONNER PERIPHERALS
CONTINENTAL AIRLINES
CONTINENTAL MED SYS
CONTINUUM INC
CONVERSE INC
CONVEX COMPUTER CORP
COPLEY PHARMACEUTICAL
COR THERAPEUTICS
CORRECTIONS CORP OF AMERICA
CPI
CRAIG JENNY
CRAWFORD & CO

CRAY RESEARCH
CREDENCE SYSTEMS
CROSS A T CO
CROSS TIMBERS OIL CO
CSF HOLDINGS
CSS INDUSTRIES
CULLEN FROST BANKERS
CURTISS WRIGHT CORP
CYRIX CORP
CYRK INC
CYTEC INDUSTRIES
DALLAS SEMICONDUCTOR
DAMES & MOORE INC
DATA GENERAL CORP
DATASCOPE
DAVIDSON & ASSOC INC
DELPHI FINL GROUP
DELTA WOODSIDE INDUSTRIES
DEPOSIT GUARANTY CORP
DESTEC ENERGY
DETROIT DIESEL
DEVON ENERGY CORP
DEVON GROUP INC
DEVRY INC
DEXTER CORP
DIAGNOSTEK INC
DIAGNOSTIC PRODS
DIAL PAGE
DIBRELL BROS INC
DIGI INTERNATIONAL
DIGIDESIGN INC
DIGITAL LINK
DIGITAL MICROWAVE
DIME BANCORP
DIONEX CORP
DISCOUNT AUTO PARTS
DISCOVERY ZONE
DONALDSON
DOWNEY SVGS & LN ASSN
DRAVO CORP
DRESS BARN
DREYERS GRAND ICE CREAM
DSP GROUP
DURACRAFT
DURIRON
DUTY FREE INTERNATIONAL
DYNATECH CORP
EAGLE HARDWARE&GARDEN
EASTERN ENTERPRISES
EASTERN UTILS ASSOCIATES
EATON VANCE
EDISON BROS STORES
EGGHEAD
ELECTROGLAS
ELECTRONICS FOR IMAGING
EMPIRE DIST ELEC
ENERGEN CORP
ENHANCE FINANCIAL SERVICES GRP
ENNIS BUSINESS FORMS
ENTERRA CORP
ENVOY CORP
ENZO BIOCHEM
EPITOPE
EQUICREDIT
ETHAN ALLEN INTERIORS
EXABYTE CORP
EXAR CORP

EXPEDITORS INTL OF WASHINGTON
EXPRESS SCRIPTS
F & M NATL CORP
FAB INDS INC
FAIR ISAAC & CO
FARMER BROS CO

FEDDERS CORP
FIELDCREST CANNON
FILENET CORP
FINANCIAL TRUST CORP
FIRST ALERT
FIRST AMERICAN FINANCIAL CP
FIRST CITIZENS BANCSHARES
FIRST COLONIAL BANCSHARES
FIRST COMMERCE CORP
FIRST COMMERCIAL CORP
FIRST COMWLTH FINL
FIRST FINANCIAL BANCORP
FIRST FINANCIALL CORP
FIRST MICHIGAN BANK CORP
FIRST MIDWEST BANCORP
FIRST MISSISSIPPI CORP
FIRST NATIONAL BANCORP
1ST SOURCE CORP
FIRSTBANK OF ILLINOIS
FIRSTFED MICHIGAN CORP
FIRSTTIER FINANCIAL
FISHER SCIENTIFIC
FLAGSTAR COS INC
FLORIDA EAST COAST
FLORIDA ROCK INDUSTRIES
FLUKE CORP
FMC GOLD
FOAMEX INTL
FOOTHILL GROUP INC
FOREMOST CORP
FOREST CITY ENTERPRI
FOXMEYER HEALTH CORP
FRAME TECHNOLOGY
FRANKLIN ELECTRIC
FRANKLIN QUEST
FREMONT GENERAL
FRESENIUS USA
FRITZ COS INC
FRONTIER INS GROUP
FROZEN FOOD EXPRESS
FT WAYNE NATIONAL CORP
FULLER H B CO
FULTON FINL CORP
FUND AMERN ENTRPR HLDG
FURON
FUTURE HEALTHCARE
G & K SVCS INC
GALLAGHER (ARTHUR J &) CO
GAYLORD CONTAINER
GC COMPANIES
GENCARE HEALTH SYSTEM
GENCORP
GENERAL BINDING CORP
GENERAL DATACOMM INDUSTRIES
GENESIS HEALTH VENTURES
GENEVA STEEL
GENTEX CORP
GEOTEK COMMUNICATIONS
GERBER SCIENTIFIC
GIBSON GREETINGS
GIDDINGS&LEWIS
GILEAD SCIENCES
GLENDALE FED BK
GLOBAL MARINE
GLOBAL NAT RES
GOULDS PUMPS
GRACO
GRANCARE
GRAND CASINOS
GRANITE CONSTRUCTION
GREENFIELD INDUSTRIES
GRENADA SUNBURST SYSTEM
GROW GROUP
GUARANTY NATIONAL
GUILFORD MILLS
HAEMONETICS

HAGGAR
HANCOCK FABRICS
HANCOCK HOLDING
HANDLEMAN CO
HANDY & HARMAN
HANOVER DIRECT
HARLAND JOHN H
HARLEYSVILLE GROUP
HARMAN INTL INDS
HARPER GROUP
HARTMARX CORP
HAWKEYE BANCORPORATION
HAYES WHEELS INTL
HCC INS HLDGS INC
HEALTH MGMT SYS INC
HEART TECHNOLOGY INC
HEARTLAND EXPRESS
HECHINGER CO
HECLA MINING
HELENE CURTIS INDUSTRIES
HELMERICH & PAYNE
HERBALIFE INTERNATIONAL
HERITAGE MEDIA
HILB ROGAL & HAMILTON
HILLHAVEN CORP
HILLS STORES
HOLLY CORP
HOLLYWOOD ENTERTAINMENT
HOME BENEFICIAL CORP
HOME HOLDINGS
HOMEDCO GROUP INC
HORACE MANN EDUCATORS
HORSEHEAD RESOURCE DEVELOPMENT
HOUGHTON MIFFLIN CO
HS RESOURCES INC
HUDSON FOODS
HUFFY
HUNT JB TRANS SVC
HUNT MFG
HUNTCO INC
I-STAT CORP
ICN PHARMACEUTICAL
IDEX CORP
IDEXX LABS CORP
IHOP CORP
IMMUNEX CORP
IMO INDS INC
IMRS INC
IN FOCUS SYSTEMS
INDIANA ENERGY
INDRESCO
INFORMATION RESOURCES
INFOSOFT INTERNATIONAL
INGLES MARKETS
INPUT/OUTPUT INC
INSIGNIA FINANCIAL
INSILCO
INSTRUMENT SYSTEMS
INSURANCE AUTO AUCTIONS
INTEGON
INTELLIGENT ELECTRONICS
INTER REGL FINL GROUP
INTERCO
INTERDIGITAL COMMUNICATIONS
INTERGRAPH
INTERIM SVCS
INTERNATIONAL DAIRY QUEEN
INTERNATIONAL MULTIFOODS
INTERNATIONAL RECTIFIER
INTERPOOL
INTERSOLV INC
INTERSTATE BAKERIES
INTERSTATE PWR CO

INTERVOICE INC
INTL CABLETEL INC
INTL FAMILY ENTMT
INTL IMAGING MATERIALS
INVACARE CORP
IONICS INC
IOWA ILL GAS & ELEC
JACOBS ENGR GROUP

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JACOR COMMUNICATIONS
JASON
JEFFERIES GROUP
JEFFERSON BANKSHARES
JONES INTERCABLE INC
JOSLYN CORP
JSB FINANCIAL INC
JUNO LTG INC
JUSTIN INDUSTRIES
KAISER ALUMINUM CORP
KAMAN CORP
KAUFMAN&BROAD HOME
KAYDON CORP
KCS ENERGY INC
KEANE INC
KELLWOOD CO
KEMET CORP
KENNAMETAL INC
KENT ELECTRS CORP
KEYSTONE INTL INC
KIMBALL INTL INC
KINDER-CARE LR
KINETIC CONCEPTS INC
KIRBY CORP
KN ENERGY INC
KOMAG INC
LA Z BOY CHAIR CO
LABONE INC
LACLEDE GAS CO
LANCE INC
LANDMARK GRAPHICS CO
LANDS END INC
LANDSTAR SYS INC
LATTICE SEMICONDUCTOR
LAWSON PRODS INC
LAWTER INTL INC
LCI INTL INC
LEADER FINL CORP
LEARNING CO
LECHTERS CORP
LEGG MASON INC
LENNAR CORP
LEVEL ONE COMMUNICATIONS
LEVITZ FURNITURE
LIBBEY INC
LIBERTY BANCORP
LIBERTY CORP
LIFE PARTNERS GRP
LIFE RE CORP
LIFE TECHNOLOGIES
LILLY INDS INC
LIN TELEVISION CORP
LINCOLN TELECOMMUNICATIONS
LIPOSOME CO
LIQUI-BOX CORP
LITTELFUSE INC
LIVING CTRS AMER INC
LOGICON INC
LONE STAR INDS
LONGS DRUG STORES
LOUIS DREYFUS NATURAL GAS
LUBYS CAFETERIAS
LUKENS INC
LYDALL INC

M A COM INC
M S CARRIERS INC
MACFRUGALS BARGAINS
MACROMEDIA INC
MADISON GAS & ELECTRIC
MAGNA GROUP
MAGNETEK INC
MARCUS CORP
MARINER HEALTH GROUP
MARK TWAIN BANCSHARE
MARKEL CORP
MARSHALL INDUSTRIES
MASLAND CORP
MATERIAL SCIENCES
MAXUS ENERGY CORP
MAXXAM INC
MAYBELLINE INC
MCAFFEE ASSOCS INC

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MCCLATCHY NEWSPAPERS
MDU RES GROUP INC
MEASUREX CORP
MEDIC COMPUTER SYSTEMS
MEDICINE SHOPPE INTL
MEDUSA CORP
MENS WEARHOUSE
MENTOR CORP
MEREDITH CORP
MERISEL INC
MESA AIRLINES
MESA INC
METHODE ELECTRONICS
METRICOM INC
MICHAEL FOODS INC
MICROS SYSTEMS
MICROTEST
MICROTOUCH SYSTEMS
MID AM INC
MIDWEST GRAIN PRODUCTS
MILLER HERMAN INC
MINE SAFETY APPLIANCES
MINERALS TECHNOLOGIES
MK RAIL CORP
MOHAWK INDUSTRIES
MOLTEN METAL TECHNOLOGY
MONEY STORE
MONK AUSTIN INC
MOORCO INTL INC
MORRISON KNUDSEN
MOSINEE PAPER CORP
MUELLER INDS INC
MULTICARE COS INC
MUSICLAND STORES
MUTUAL ASSURN INC
MYERS INDS INC
N S BANCORP INC
NABORS INDS INC
NAC RE CORP
NACCO INDS INC
NASH FINCH CO
NATIONAL AUTO CREDIT
NATIONAL BANCORP
NATIONAL COMMERCE BANCORP
NATIONAL COMPUTER SYSTEMS
NATIONAL DATA CORP
NATIONAL PRESTO INDS
NATIONAL STL CORP
NATL PENN BANCSHARES
NATL RE CORP
NAUTICA ENTERPRISES
NBB BANCORP
NCH CORP
NEIMAN MARCUS

NELLCOR INC
NELSON THOMAS INC
NETWORK EQUIPMENT TECHNOLOGIES
NETWORK GENERAL CORP
NETWORK SYSTEMS CORP
NEW ENG BUSINESS SERVICE
NEW JERSEY RESOURCES
NEWFIELD EXPLORATION
NEWPARK RESOURCES
NL INDUSTRIES
NOBLE DRILLING CORP
NORAM ENERGY CORP
NORAND CORP
NORTH AMERICAN MORTGAGE
NORTH FORK BANCORP
NORTHWEST NAT GAS CO
NORTHWESTERN PUB SVC
NOVACARE CORP
NOVEN PHARMACEUTICAL
NU-KOTE HLDG INC
NUEVO ENERGY CO
NYMAGIC INC
O REILLY AUTOMOTIVE
OAK INDS INC
OAKWOOD HOMES CORP
OCEANEERING INTL INC
OCTEL COMMUNICATIONS

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OEА INC
OFFSHORE LOGISTICS
OFFSHORE PIPELINES
OM GROUP INC
OMI CORP
OMNICARE INC
ONBANCORP INC
ONE VALLEY BANCORP OF WV
ONECOMM CORP
ONEOK INC
OPTICAL DATA SYS
ORANGE & ROCKLAND
ORBITAL SCIENCES
OREGON STEEL MILLS
ORGANOGENESIS
ORION CAP CORP
ORNDA HEALTHCORP
OSHKOSH B GOSH
OSMONICS
OTTER TAIL POWER
OUTBOARD MARINE CORP
OWENS & MINOR INC
OXFORD INDS INC
PACIFIC PHYSICIAN SERVICES
PACIFIC SCIENTIFIC
PAIRGAIN TECHNOLOGIES
PAPA JOHNS INTL INC
PARK COMMUNICATIONS
PARK NATL CORP
PARKER DRILLING
PATTERSON DENTAL
PAXAR CORP
PENN TRAFFIC
PENNCORP FINL GROUP
PEOPLES BK OF BRIDGEPORT
PEOPLES HERITAGE FINL GRP
PETROLEUM HEAT&PWR
PETROLITE CORP
PHH CORP
PHILADELPHIA SUBURBAN
PHILLIPS VAN HEUSEN
PHOENIX RESOURCE
PHOTRONICS
PHYCOR
PHYSICIANS HEALTH SERVICES
PICTURETEL

PIEDMONT NAT GAS
PIER 1 IMPORTS
PIKEVILLE NATL CORP
PILGRIMS PRIDE CORP
PIONEER GROUP INC
PIONEER STANDARD ELECTRONICS
PIPER JAFFRAY
PITTSTON MINERALS GROUP
PITTSWAY CORP
PLAINS PETE CO
PLANAR SYS INC
PLATINUM TECHNOLOGY
PLAYERS INTL INC
PLY GEM INDS INC
POE & BROWN INC
POGO PRODUCING CO
POPE & TALBOT INC
PRATT & LAMBERT UNIT
PRECISION CASTPARTS
PREMIER BANCORP INC
PRESIDENT RIVERBOAT CASINOS
PRESIDENTIAL LIFE
PRESSTEK INC
PRIMARK CORP
PRIME HOSPITALITY CO
PRODUCTION OPERATORS
PROFFITTS INC
PROGRESS SOFTWARE
PROTEIN DESIGN LABS
PROVIDENT BANCORP
PROXIMA CORP
PUBLIC SVC CO OF N C
PUBLIC SVC CO OF N MEX
PULITZER PUBG CO
PULTE CORP
PURITAN BENNETT CORP

PXRE CORP
PYRAMID TECHNOLOGY
QUAKER STATE
QUALITY FOOD CTRS
QUANEX CORP
QUANTUM HEALTH RES
QUEENS CNTY BANCORP
QUICK&REILLY GROUP
RAYMOND JAMES FINL
READING & BATES CORP
RECOTON CORP
REGAL BELOIT CORP
REGAL CINEMAS INC
REGENCY HEALTH SVCS
REINSURANCE GROUP OF AMERICA
RELIANCE GROUP HLDGS
REN CORP-USA
RESPIRONICS
REXALL SUNDOWN
REXENE CORP
RICHFOOD HLDGS INC
RIGGS NATL
RIO HOTEL & CASINO
RIVER FOREST BANCORP
ROBERT HALF INTL
ROBERTS PHARMACEUTIC
ROCHESTER CMNTY SVGS BK
ROGERS CORP
ROHR INC
ROLLINS ENVIRMTL SVC
ROLLINS TRUCK LEASIN
ROOSEVELT FINL GROUP
ROPER INDS
ROSS STORES INC
ROTECH MED CORP
ROWAN COS INC
RUDDICK CORP

RUSS BERRIE & CO
RYANS FAMILY STEAK HOUSE
RYKOFF-SEXTON INC
RYLAND GROUP INC
S & T BANCORP INC
S3 INC
SAFECARD SVCS INC
SAFESKIN CORP
SAFETY 1ST INC
SALICK HEALTH CARE
SANDERSON FARMS INC
SANIFILL INC
SANTA CRUZ OPERATION
SAVANNAH FOODS & IND
SBARRO INC
SCHULER HOMES
SCI SYS INC
SCIOS NOVA INC
SCOTTS CO
SEABOARD CORP
SEAFIELD CAP CORP
SEALRIGHT CO
SECURITY CAP BANCORP
SECURITY-CONN CORP
SEI CORP
SELECTIVE INS GROUP
SEQUA CORPORATION
SEQUENT COMPUTER SYSTEMS
SERVICE MERCHANDISE
SHONEYS INC
SHOPKO STORES INC
SHOREWOOD PACKAGING
SHOWBOAT INC
SIERRA HEALTH SERVICES
SIERRA ON-LINE INC
SIERRA PACIFIC RESOURCES
SILICON VALLEY GROUP
SITHE ENERGIES INC
SKYLINE CORP
SMART & FINAL
SMITH A O
SMITH INTL INC
SMITHFIELD FOODS
SNYDER OIL CORP
SODAK GAMING INC

SOFAMOR/DANEK GROUP
SONAT OFFSHORE DRILL
SOTHEBYS HLDGS
SOUTH JERSEY INDUSTRIES
SOUTHDOWN INC
SOUTHERN IND GAS & ELECTRIC
SOUTHERN UNION CO
SOUTHESTN MICH GAS ENTERPRISES
SOUTHWEST GAS CORP
SOUTHWESTERN ENERGY
SOVEREIGN BANCORP
SPACELABS MEDICAL
SPECTRUM HOLOBYTE
SPORTS & RECREATION
SPRINGS INDUSTRIES
SPX CORP
ST JOHN KNITS
ST PAUL BANCORP INC
STANDARD MICROSYSTEMS
STANDARD MOTOR PRODUCTS
STANDARD PACIFIC
STANDARD PRODS CO
STANDARD REGISTER CO
STANDEX INTL CORP
STANHOME INC
STANT CORP
STARTER CORP

STATION CASINOS
STEIN MART INC
STERIS CORP
STEWART ENTERPRISES
STONE & WEBSTER INC
STRAWBRIDGE & CLOTHIER
STRIDE RITE CORP
STUDENT LOAN
STURM RUGER & CO
SUMMIT BANCORP
SUMMIT TECHNOLOGY
SUNGLASS HUT INTL
SUNRISE MED INC
SUNSHINE MINING
SUSQUEHANNA BKSHS
SWIFT TRANSN CO
SYMANTEC CORP
SYMMETRICOM INC
SYNETIC INC
SYQUEST TECHNOLOGY
SYRATECH CORP
SYSTEM SOFTWARE ASSOCIATES
SYSTEMS & COMPUTER TECHNOLOGY
TARGET THERAPEUTICS
TBC CORP
TCA CABLE TV
TCF FINL CORP
TECH DATA CORP
TECNOL MED PRODS
TEJAS GAS CORP
TELEFLEX INC
TELXON CORP
TENCOR INSTRS
TENNANT CO
TESORO PETE CORP
TEXAS INDS
THERMEDICS
THERMO CARDIOSYSTEMS
THERMO FIBERTEK
THERMOTREX CORP
THIOKOL CORP
3DO CO
THREE FIVE SYSTEMS
TIFFANY & CO
TIMBERLAND CO
TITAN WHEEL INTL INC
TJ INTL INC
TNT FREIGHTWAYS CORP
TOLL BROTHERS INC
TOOTSIE ROLL INDS
TOP SOURCE TECH INC
TOPPS INC
TORO CO
TRACTOR SUPPLY CO
TRENWICK GROUP INC

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TRIARC COS INC
TRIDENT NGL HOLDING
TRIMBLE NAVIGATION LTD
TRUE NORTH COMMUNICATIONS
TRUST CO OF NJ
TRUSTCO BANK CORP
TRUSTMARK CORP
TUCSON ELEC PWR CO
20TH CENTURY INDUSTRIES
TYCO TOYS
U S CAN CORP
U S ROBOTICS
U S TRUST CORP
UGI CORP
ULTRATECH STEPPER INC
UMB FINL CORP
UNIFIRST CORP
UNION PLANTERS CORP

UNITED BANKSHARES
UNITED CAROLINA BANCSHARES
UNITED COS FINL CORP
UNITED FIRE & CASUALTY CO
UNITED ILLUMINATING
UNITED INS COS INC
UNITED INTL HLDGS IN
UNITED MERIDIAN CORP
UNITED STATES FILTER
UNITED STATIONERS
UNITED TELEVISION
UNITED WASTE SYSTEMS
UNITED WISCONSIN SERVICES
UNITED WTR RES INC
UNITRODE CORP
UNIVAR CORP
UNIVERSAL HLTH SVCS
UNR INDS INC
USA WASTE SVCS INC
USAIR GROUP INC
USLICO CORP
UST CORP
VALASSIS COMMUNICATIONS
VALMONT INDUSTRIES
VALUE CITY DEPT STORES
VALUE LINE INC
VARCO INTERNATIONAL
VENTRITEX
VENTURE STORES
VERIFONE
VERTEX PHARMACEUTICALS
VESTA INS GROUP
VICOR CORP
VICTORIA BANKSHARES
VIEWLOGIC SYSTEMS
VIGORO CORP
VINTAGE PETE
VITALINK PHARMACY SERVICES
VIVRA INC
VLSI TECHNOLOGY
WABAN INC
WALL DATA INC
WALLACE COMPUTER SERVICES
WASHINGTON ENERGY
WASHINGTON NATL CORP
WATKINS JOHNSON
WATSON PHARMACEUTICALS
WATTS INDUSTRIES
WD-40
WEATHERFORD INTL INC
WEBB (DEL) CORP
WEIRTON STEEL
WELBILT CORP
WERNER ENTERPRISES
WESBANCO INC
WEST
WESTAMERICA BANCORP
WESTCORP
WESTCOTT COMMUNICATIONS
WESTERN CO OF NORTH AMERICA
WESTERN GAS RESOURCES
WESTERN PUBLISHING
WESTERN WASTE INDS
WESTPOINT STEVENS

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WESTWOOD ONE
WHITE RIVER CORP
WHITNEY HLDG CORP
WHX CORP
WICOR INC
WILEY JOHN & SONS
WINNEBAGO INDUSTRIES
WLR FOODS INC

WMS INDS INC
WOLVERINE TUBE INC
WOLVERINE WORLD WIDE
WONDERWARE CORP
WORTHEN BKG CORP
WPS RESOURCES CORP
WYLE LABS
WYMAN GORDON CO
X-RITE INC
XCL LTD
XIRCOM INC
YANKEE ENERGY SYSTEM
ZALE CORP
ZEBRA TECHNOLOGIES
ZENITH ELECTRS CORP
ZENITH LABS
ZENITH NATL INS CORP
ZERO CORP
ZILOG INC
ZIONS BANCORPORATION
ZURN INDUSTRIES

THIS STATEMENT OF ADDITIONAL INFORMATION DOES NOT CONSTITUTE AN OFFERING BY THE TRUST, ANY SERIES THEREOF, OR BY THE DISTRIBUTOR IN ANY JURISDICTION IN WHICH SUCH OFFERING MAY NOT BE LAWFULLY MADE.

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PART C
OTHER INFORMATION

JULY 12, 1995

SCHWAB CAPITAL TRUST

Item 24. Financial Statements and Exhibits.

(a) Financial Statements for Schwab International Index Fund(TM) and Schwab Small-Cap Index Fund(TM) (as of the filing date of this Post-Effective Amendment, Schwab Asset Director-High Growth, Schwab Asset Director-Balanced Growth, and Schwab Asset Director-Conservative Growth (the "Asset Director Funds") had not yet commenced operations):

-- Incorporated by reference to Prospectuses for Schwab International Index Fund and Schwab Small-Cap Index Fund filed with the Securities and Exchange Commission under Rule 497(e) on June 30, 1995

-- Condensed Financial Information

-- Included in Part B, Statement of Additional Information:

-- Statement of Net Assets for Schwab International Index Fund as of October 31, 1994 (Audited)

-- Statement of Operations for Schwab International Index Fund for the year ended October 31, 1994 (Audited)

-- Statement of Changes in Net Assets for Schwab International Index Fund for the year ended October 31, 1994 (Audited)

-- Notes to Financial Statements for Schwab International Index Fund for the year ended October 31, 1994 (Audited)

-- Report of the Independent Accountants for Schwab International Index Fund, dated November 30, 1994

- Statement of Net Assets for Schwab Small-Cap Index Fund for the year ended October 31, 1994
- Statement of Operations for Schwab Small-Cap Index Fund for the period December 3, 1993 (commencement of operations) to October 31, 1994 (Audited)
- Statement of Changes in Net Assets for Schwab Small-Cap Index Fund for the period December 3, 1993 (commencement of operations) to October 31, 1994 (Audited)

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- Notes to Financial Statements for Schwab Small-Cap Index Fund(TM) for the period December 3, 1993 (commencement of operations) to October 31, 1994 (Audited)
- Report of the Independent Accountants for Schwab Small-Cap Index Fund, dated November 30, 1994

(b) Exhibits:

- (1) -- Agreement and Declaration of Trust is incorporated by reference to Exhibit (1) to Registrant's Registration Statement on Form N-1A, filed on May 10, 1993
- (2) -- Amended and Restated By-Laws are incorporated by reference to Exhibit (2) to Post-Effective Amendment No. 4 to Registrant's Registration Statement on Form N-1A, filed on February 24, 1995
- (3) -- Inapplicable
- (4) (a) -- Article III, Section 5, Article V, Article VI, Article VIII, Section 4 and Article IX, Sections 1, 5 and 7 of the Agreement and Declaration of Trust is incorporated by reference to Exhibit (1) to Registrant's Registration Statement on Form N-1A, filed on May 10, 1993
- (b) -- Article 9, Article 10, Section 6 and Article 11 of the By-Laws is incorporated by reference to Exhibit (2) to Post-Effective Amendment No. 4 to Registrant's Registration Statement on Form N-1A, filed on February 24, 1995
- (5) (a) -- Investment Advisory and Administration Agreement between Registrant and Charles Schwab Investment Management, Inc. (the "Investment Manager") is incorporated by reference to Exhibit (5)(a) to Post-Effective Amendment No. 4 to Registrant's Registration Statement on Form N-1A, filed on February 24, 1995
- (b) -- Form of Revised Schedules to Investment Advisory and Administration Agreement referred to at Exhibit 5(a) above is filed herewith

(c) -- Form of Investment Sub-Advisory Agreement between Investment Manager and Symphony Asset Management, Inc. ("Symphony") is filed herewith

(6) (a) -- Distribution Agreement between Registrant and Charles Schwab & Co., Inc. ("Schwab") is incorporated by reference to Exhibit (6) (a) to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form N-1A, filed on August 16, 1993

(b) -- Revised Schedule to the Distribution Agreement referred to at Exhibit (6) (a) above is incorporated by reference to Exhibit (6) (b) to Post-

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Effective Amendment No. 2 to Registrant's Registration Statement on Form N-1A, filed on February 25, 1994

(c) -- Form of Revised Schedule to the Distribution Agreement referred to at Exhibit (6) (a) above is filed herewith

(7) -- Inapplicable

(8) (a) -- Custodian Agreement between Registrant and State Street Bank and Trust Company is incorporated by reference to Exhibit (8) (a) to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form N-1A, filed on February 25, 1994

(b) -- Schedule to the Custodian Agreement referred to at Exhibit (8) (a) above is incorporated by reference to Exhibit (8) (b) to Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form N-1A, filed on June 1, 1994

(c) -- Form of Revised Schedules to the Custodian Agreement referred to at Exhibit (8) (a) above is filed herewith

(d) -- Transfer Agency Agreement between Registrant and Schwab is incorporated by reference to Exhibit (8) (b) to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form N-1A, filed on August 16, 1993

(e) -- Revised Schedules to the Transfer Agency Agreement referred to at Exhibit (8) (d) above are incorporated by reference to Exhibit (8) (c) to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form N-1A, filed on February 25, 1994

- (f) -- Form of Revised Schedules to the Transfer Agency Agreement referred to at Exhibit (8) (d) above are filed herewith
- (g) -- Shareholder Service Agreement between Registrant and Schwab is incorporated by reference to Exhibit (8) (c) to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form N-1A, filed on August 16, 1993
- (h) -- Revised Schedules to the Shareholder Service Agreement referred to at Exhibit (8) (g) above are incorporated by reference to Exhibit (8) (e) to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form N-1A, filed on February 25, 1994
- (i) -- Form of Revised Schedules to the Shareholder Service Agreement referred to at Exhibit (8) (g) above are filed herewith
- (9) -- Inapplicable

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- (10) -- Opinion and Consent of Ropes & Gray as to legality of the securities being registered is incorporated by reference to Registrant's Rule 24f-2 Notice, filed on December 16, 1994
- (11) (a) -- Consent of Ropes & Gray is filed herewith
- (b) -- Consent of Price Waterhouse LLP, Independent Accountants, is filed herewith
- (12) -- Inapplicable
- (13) (a) -- Purchase Agreement for the Schwab International Index Fund(TM) is incorporated by reference to Exhibit (13) to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form N-1A, filed on August 16, 1993
- (b) -- Purchase Agreement for the Schwab Small-Cap Index Fund(TM) is incorporated by reference to Exhibit (13) (b) to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form N-1A, filed on February 25, 1994
- (c) -- Form of Purchase Agreement for the Asset Director Funds is filed herewith
- (14) -- Inapplicable
- (15) -- Inapplicable
- (16) (a) -- Performance calculation for Schwab International Index Fund is incorporated by

reference to Exhibit (16) to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form N-1A, filed on February 25, 1994

(b) -- Performance calculation for Schwab Small-Cap Index Fund is incorporated by reference to Exhibit (16)(b) to Post-Effective Amendment No. 4 to Registrant's Registration Statement on Form N-1A, filed on February 24, 1995

(27) (a) -- Financial Data Schedule for Schwab International Index Fund filed herewith

(27) (b) -- Financial Data Schedule for Schwab Small-Cap Index Fund filed herewith

Item 25. Persons Controlled by or under Common Control with Registrant.

The Charles Schwab Family of Funds, Schwab Investments, Schwab Annuity Portfolios, and Schwab Advantage Trust each are Massachusetts business trusts registered under the Investment Company Act of 1940, as amended (the "1940 Act"), are advised by the Investment Manager, and employ Schwab as their principal underwriter, transfer agent and shareholder services agent. As a

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result, The Charles Schwab Family of Funds, Schwab Investments, Schwab Annuity Portfolios, and Schwab Advantage Trust may be deemed to be under common control with Registrant.

Item 26. Number of Holders of Registrant's Securities.

As of June 30, 1995, the number of record holders of shares of beneficial interest for the series of Registrant was:

<TABLE>

<CAPTION>

Name of Fund -----	Number of Record Holders -----
<S>	<C>
Schwab International Index Fund(TM)	1 (for the benefit of 17,450 accounts)
Schwab Small-Cap Index Fund(TM)	1 (for the benefit of 24,574 accounts)
Schwab Asset Director-High Growth	0
Schwab Asset Director-Balanced Growth	0
Schwab Asset Director-Conservative Growth	0

</TABLE>

Item 27. Indemnification.

Article VIII of Registrant's Agreement and Declaration of Trust (Exhibit (1) hereto, which is incorporated herein by reference) provides in effect that Registrant will indemnify its officers and trustees against all liabilities and expenses, including but not limited to amounts paid in satisfaction of

judgments, in compromise, or as fines and penalties, and counsel fees reasonably incurred by any such officer or trustee in connection with the defense or disposition of any action, suit, or other proceeding. However, in accordance with Section 17(h) and 17(i) of the 1940 Act and its own terms, said Agreement and Declaration of Trust does not protect any person against any liability to Registrant or its shareholders to which he or she would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his or her office. In any event, Registrant will comply with 1940 Act Releases No. 7221 and 11330 respecting the permissible boundaries of indemnification by an investment company of its officers and trustees.

Insofar as indemnification for liability arising under the Securities Act of 1933, as amended (the "1933 Act"), may be permitted to trustees, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Registrant of expenses incurred or paid by a trustee, officer or controlling person of Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person in connection with the securities being registered, Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it

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is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

Item 28. Business and Other Connections of Investment Manager.

(a) Information pertaining to business and other connections of Registrant's Investment Manager is hereby incorporated by reference to the Prospectus section captioned "Management of the Fund" and to the section of the Statement of Additional Information captioned "Management of the Trust" for the Schwab International Index Fund(TM) and Schwab Small-Cap Index Fund(TM).

Information pertaining to business and other connections of Registrant's Investment Manager and sub-adviser is incorporated by reference to the Prospectus section captioned "Management Functions and Responsibilities" and to the section of the Statement of Additional Information captioned "Management of the Trust" for the Asset Director Funds.

Registrant's Investment Manager, Charles Schwab Investment Management, Inc., a Delaware corporation, organized in October 1989 to serve as Investment Manager to The Charles Schwab Family of Funds, also serves as the Investment Manager to Schwab Investments, Schwab Annuity Portfolios, and Schwab Advantage Trust, each an open-end management investment company. The principal place of business of the Investment Manager is 101 Montgomery Street, San Francisco, California 94104. The only business in which the Investment Manager engages is that of investment manager and administrator to Registrant, The Charles Schwab Family of Funds, Schwab Investments, Schwab Annuity Portfolios, Schwab Advantage Trust, and any other investment companies that Schwab may sponsor in the future.

Registrant's sub-investment adviser for the Asset Director Funds is Symphony. Symphony was formed on March 30, 1994 and, as of June 30, 1995, manages approximately \$600 million. BARRA, Inc. owns 100% of the outstanding stock of Symphony.

(b) The business, profession, vocation or employment of a substantial nature in which each director and/or executive officer of Schwab and/or the Investment Manager is or has been engaged during the past two fiscal years for his or her own account in the capacity of director, officer, employee, partner or trustee is as follows:

<TABLE>
<CAPTION>

Name and Position with Registrant -----	Name of Company -----	Capacity -----
<S> Charles R. Schwab, Chairman and Trustee	Charles Schwab & Co., Inc. The Charles Schwab Corporation	<C> Founder, Chairman and Director Chairman, Chief Executive Officer and Director

</TABLE>

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<TABLE>
<CAPTION>

Name and Position with Registrant -----	Name of Company -----	Capacity -----
<S>	<C> Charles Schwab Investment Management, Inc.	<C> Chairman and Director
	The Charles Schwab Trust Company	Chairman and Director
	Mayer & Schweitzer, Inc.	Chairman and Director
	The Gap, Inc.	Director
	Transamerica Corporation	Director
	AirTouch Communications	Director
Lawrence J. Stupski	Charles Schwab & Co., Inc.	Director until February 1995; Vice Chairman until August 1994
	The Charles Schwab Corporation	Vice Chairman and Director; Chief Operating Officer until March 1994
	The Charles Schwab Trust Company	Director
David S. Pottruck	Charles Schwab & Co., Inc.	President, Chief Executive Officer, and Director
	The Charles Schwab Corporation	President, Chief Operating Officer, and Director
	Charles Schwab Investment Management, Inc.	Chief Executive Officer and Director
	Mayer & Schweitzer, Inc.	Director
Ronald W. Readmond	Charles Schwab & Co., Inc.	Vice Chairman and Director; Senior Executive Vice President and Chief Operating Officer until January 1995
	The Charles Schwab Corporation	Executive Vice President; Senior Executive Vice President until January 1995
	Mayer & Schweitzer, Inc.	Director

</TABLE>

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<TABLE>

<CAPTION>

Name and Position
with Registrant

Name of Company

Capacity

<S>

<C>

<C>

John P. Coghlan

Charles Schwab & Co., Inc.

Executive Vice President - Schwab
Institutional

The Charles Schwab Corporation

Executive Vice President - Schwab
Institutional

The Charles Schwab Trust Company

Director

Charles Schwab & Co., Inc.

Executive Vice President, Chief
Financial Officer, and Director

The Charles Schwab Corporation

Executive Vice President and Chief
Financial OfficerCharles Schwab Investment Management,
Inc.Chief Financial Officer and
Director

The Charles Schwab Trust Company

Chief Financial Officer

Mayer & Schweitzer, Inc.

Director

Dawn G. Lepore

Charles Schwab & Co., Inc.

Executive Vice President and Chief
Information Officer

The Charles Schwab Corporation

Executive Vice President and Chief
Information OfficerElizabeth G. Sawi,
Trustee and President

Charles Schwab & Co., Inc.

Executive Vice President - Mutual
Funds

The Charles Schwab Corporation

Executive Vice President - Mutual
FundsCharles Schwab Investment Management,
Inc.

President

Tom D. Seip

Charles Schwab & Co., Inc.

Executive Vice President - Retail
Brokerage

The Charles Schwab Corporation

Executive Vice President - Retail
BrokerageCharles Schwab Investment Management,
Inc.President and Chief Operating
Officer until 1994

John N. Tognino

Charles Schwab & Co., Inc.

Executive Vice President - Capital
Markets and Trading

</TABLE>

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<TABLE>

<CAPTION>

Name and Position
with Registrant

Name of Company

Capacity

<S>

<C>

<C>

The Charles Schwab Corporation

Executive Vice President - Capital
Markets and Trading

Mayer & Schweitzer, Inc.

Director

Luis E. Valencia	Charles Schwab & Co., Inc.	Executive Vice President - Human Resources
	The Charles Schwab Corporation	Executive Vice President - Human Resources
	Commercial Credit Corporation	Managing Director until February 1994
Christopher V. Dodds	Charles Schwab & Co., Inc.	Treasurer and Senior Vice President
	The Charles Schwab Corporation	Treasurer and Senior Vice President
	Mayer & Schweitzer, Inc.	Treasurer
William J. Klipp, Trustee, Senior Vice President, and Chief Operating Officer	Charles Schwab & Co., Inc.	Senior Vice President; Treasurer until 1993
	Charles Schwab Investment Management, Inc.	Senior Vice President and Chief Operating Officer
	Mayer & Schweitzer, Inc.	Treasurer until 1993
Stephen B. Ward, Senior Vice President and Chief Investment Officer	Charles Schwab Investment Management, Inc.	Senior Vice President
Frances Cole, Secretary	Charles Schwab Investment Management, Inc.	Chief Counsel and Compliance Officer and Assistant Corporate Secretary
Pamela E. Herlich, Assistant Secretary	The Charles Schwab Corporation	Assistant Corporate Secretary
	Charles Schwab & Co., Inc.	Assistant Corporate Secretary
	Charles Schwab Investment Management, Inc.	Corporate Secretary
	Mayer & Schweitzer, Inc.	Corporate Secretary

</TABLE>

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<TABLE>

<CAPTION>

Name and Position with Registrant	Name of Company	Capacity
-----	-----	-----
	<S>	<C>
	The Charles Schwab Trust Company	Corporate Secretary

</TABLE>

(b) The following information, which is believed to be accurate, is based upon information provided by Symphony. The business, profession, vocation or employment of a substantial nature in which each director and/or officer of Symphony is or has been engaged during the past two fiscal years for his or her own account in the capacity of director, officer, employee, partner or trustee is as follows:

<TABLE>

<CAPTION>

Name	Name of Company	Capacity
----	-----	-----

<S>	<C>	
Andrew T. Rudd	Symphony Asset Management, Inc.	Director and Chairman
	BARRA, Inc.	Director, Chief Executive Officer and Chairman
Jeffrey L. Skelton	Symphony Asset Management, Inc.	Director, Chief Executive Officer, and President
	BARRA, Inc.	President, BARRA Ventures Div.
	Wells Fargo Nikko Investment Advisors	President -- WFNIA Europe until 1993
James D. Kirsner	Symphony Asset Management, Inc.	Director
	BARRA, Inc.	Chief Financial Officer
	Arthur Andersen & Co.	Partner until 1993
Maria L. Hekker	Symphony Asset Management, Inc.	General Counsel and Secretary
	BARRA, Inc.	Chief Legal Officer
Neil L. Rudolph	Symphony Asset Management, Inc.	Chief Operating Officer/Chief Compliance Officer
	Wells Fargo Nikko Investment Advisors	Managing Director, Chief Operating Officer -- Mutual Fund Group until 1994
Praveen K. Gottipalli	Symphony Asset Management, Inc.	Director of Investments
	BARRA, Inc.	Financial Analyst until 1994
Michael J. Henman	Symphony Asset Management, Inc.	Director of Business Development
	Wells Fargo Nikko Investment Advisors	Managing Director until 1994
</TABLE>		

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Item 29. Principal Underwriter.

(a) Schwab acts as principal underwriter and distributor of Registrant's shares. Schwab currently also acts as principal underwriter for The Charles Schwab Family of Funds, Schwab Investments, Schwab Annuity Portfolios, Schwab Advantage Trust, and intends to act as such for any other investment company which Schwab may sponsor in the future.

(b) See Item 28(b) for information on the officers and directors of Schwab. The principal business address of Schwab is 101 Montgomery Street, San Francisco, California 94104.

(c) Not applicable.

Item 30. Location of Accounts and Records.

All accounts, books and other documents required to be maintained pursuant to Section 31(a) of the 1940 Act and the Rules thereunder are maintained at the offices of: Registrant (transfer agency and shareholder records); Registrant's investment manager and administrator, Charles Schwab Investment Management, Inc., 101 Montgomery Street, San Francisco, California 94104; Registrant's former sub-investment adviser, Dimensional Fund Advisors Inc., 1299 Ocean Avenue, Suite 1100, Santa Monica, California 90401; Registrant's sub-investment adviser for the Asset Director Funds is Symphony Asset Management, Inc., 555 California Street, Suite 2975, San Francisco, California 94104; Registrant's principal underwriter, Charles Schwab & Co., Inc., 101 Montgomery Street, San Francisco, California 94104; Registrant's Custodian and fund accountants, State Street Bank and Trust Company, 225 Franklin Street, Boston, MA 02180 (ledgers, receipts, and brokerage orders); or Ropes & Gray, counsel to Registrant, 1001 Pennsylvania Avenue, N.W., Washington, D.C. 20004 (minute books, bylaws, and declaration of trust).

Item 31. Management Services.

Not applicable.

Item 32. Undertakings.

(a) Registrant undertakes to call a meeting of Shareholders, at the request of at least 10% of registrant's outstanding shares, for the purpose of voting upon the question of removal of a trustee or trustees and to assist in communications with other Shareholders as required by Section (16) of the 1940 Act.

(b) Registrant undertakes to furnish to each person to whom a prospectus is delivered a copy of Registrant's latest Annual Report to Shareholders upon request and without charge.

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(c) Registrant undertakes to file a post-effective amendment using financial statements, which need not be audited, for the Asset Director Funds, within four to six months from the commencement of operations for each the Schwab Asset Director-High Growth Fund, Schwab Asset Director-Balanced Growth Fund, and Schwab Asset Director-Conservative Growth Fund.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended (the "1933 Act"), and the Investment Company Act of 1940, as amended, Registrant has duly caused this Post-Effective Amendment No. 5 to be signed on its behalf by the undersigned, thereto duly authorized, in the City of San Francisco, State of California, on the 12th day of July 1995.

SCHWAB CAPITAL TRUST
Registrant

Charles R. Schwab*

Charles R. Schwab, Chairman

Pursuant to the requirements of the 1933 Act, this Post-Effective Amendment No. 5 to Registrant's Registration Statement on Form N-1A has been signed below by the following persons in the capacities indicated this 12th day of July 1995.

Signature	Title
-----	-----
<S>	<C>
Charles R. Schwab*	Chairman and Trustee

Charles R. Schwab	
/s/ Elizabeth G. Sawi	President and Trustee

Elizabeth G. Sawi	
William J. Klipp*	Senior Vice President, Chief

William J. Klipp	Operating Officer, and Trustee
Donald F. Dorward*	Trustee

Donald F. Dorward	
Robert G. Holmes*	Trustee

 Robert G. Holmes

 Donald R. Stephens*

 Donald R. Stephens

 Michael W. Wilsey*

 Michael W. Wilsey

 A. John Gambs*

 A. John Gambs
 </TABLE>

Trustee
 Trustee
 Principal Financial Officer

*By: /s/ Elizabeth G. Sawi

 Elizabeth G. Sawi, Attorney-in-Fact pursuant
 to Powers of Attorney previously filed

EXHIBIT INDEX

<TABLE> <CAPTION> Exhibit No. -----	Page Number -----
<S>	<C>
(5) (b)	Form of Revised Schedules to the Investment Advisory and Administration Agreement
(5) (c)	Form of Investment Sub-Advisory Agreement
(6) (c)	Form of Revised Schedule to the Distribution Agreement
(8) (c)	Form of Revised Schedules to the Custodian Agreement
(8) (f)	Form of Revised Schedules to the Transfer Agency Agreement
(8) (i)	Form of Revised Schedules to the Shareholder Services Agreement
(11) (a)	Consent of Ropes & Gray
(11) (b)	Consent of Price Waterhouse LLP
(13) (c)	Form of Purchase Agreement
(27) (a)	Financial Data Schedule for Schwab International Index Fund
(27) (b)	Financial Data Schedule for Small-Cap Index Fund

</TABLE>

1
EXHIBIT NO. (5) (b)
FORM OF REVISED SCHEDULES TO THE INVESTMENT ADVISORY AND ADMINISTRATION
AGREEMENT

2

SCHEDULE A

<TABLE> <CAPTION> Fund -----	Effective Date -----
<S> Schwab International Index Fund	<C> July 21, 1993
Schwab Small-Cap Index Fund	October 14, 1993
Schwab Asset Director-High Growth	September __, 1995
Schwab Asset Director-Balanced Growth	September __, 1995
Schwab Asset Director-Conservative Growth	September __, 1995

</TABLE>

SCHWAB CAPITAL TRUST

By: _____
Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

CHARLES SCHWAB INVESTMENT
MANAGEMENT, INC.

By: _____
Name: Elizabeth G. Sawi
Title: President

Dated: September __, 1995

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SCHEDULE B

ADVISORY FEE SCHEDULE

<TABLE> <CAPTION>	Fee ---
Fund - ----	<C>
<S> Schwab International Index Fund	Seventy one-hundredths of one percent (0.70%) of the Fund's average daily net assets not in excess of \$300,000,000 and sixty one-hundredths of one percent (0.60%) of such assets over \$300,000,000
Schwab Small-Cap Index Fund	Fifty one-hundredths of one percent (0.50%) of the Fund's average daily net assets not in excess of \$300,000,000 and forty-five one-hundredths of one percent (0.45%) of such assets over \$300,000,000
Schwab Asset Director-High Growth	Seventy-four one-hundredths of one percent (0.74%) of the Fund's average daily net assets not in excess of \$1 billion, sixty-nine one-hundredths of one percent (0.69%) of such net assets over \$1 billion, but not more than \$2 billion, and sixty-four one-hundredths of such net assets over \$2 billion
Schwab Asset Director-Balanced Growth	Seventy-four one-hundredths of one percent (0.74%) of the Fund's average daily net assets not in excess of \$1 billion, sixty-nine one-hundredths of one percent (0.69%) of such net assets over \$1 billion, but not more than \$2 billion, and sixty-four one-hundredths of such net assets over \$2 billion

</TABLE>

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<TABLE> <CAPTION>	Fee ---
Fund - ----	<C>
<S> Schwab Asset Director-Conservative Growth	Seventy-four one-hundredths of one percent (0.74%) of the Fund's average daily net assets not in excess of \$1 billion, sixty-nine one-hundredths of one percent (0.69%) of such net assets over \$1 billion, but not more than \$2 billion, and sixty-four one-hundredths of such net assets over \$2 billion

</TABLE>

SCHWAB CAPITAL TRUST

By:

 Name: William J. Klipp
 Title: Senior Vice President and
 Chief Operating Officer

CHARLES SCHWAB INVESTMENT
 MANAGEMENT, INC.

By:

Name: Elizabeth G. Sawi
Title: President

Dated: September __, 1995

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EXHIBIT NO. (5) (c)
FORM OF INVESTMENT SUB-ADVISORY AGREEMENT

INVESTMENT SUB-ADVISORY AGREEMENT

AGREEMENT executed as of _____, 1995 by and between CHARLES SCHWAB INVESTMENT MANAGEMENT, INC., a Delaware corporation and registered investment adviser ("Schwab"), and SYMPHONY ASSET MANAGEMENT, INC., a California corporation and registered investment adviser ("Sub-Adviser").

WHEREAS, Schwab is the investment manager for Schwab Capital Trust (the "Trust"), an open-end management investment company registered under the Investment Company Act of 1940, as amended ("1940 Act"); and

WHEREAS, Schwab desires to retain Sub-Adviser as Schwab's agent to furnish investment advisory services to the investment portfolios of the Trust listed on Schedule A hereto (each a "Fund" and collectively the "Funds").

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Appointment. Schwab hereby appoints Sub-Adviser to provide sub-investment advisory services to the Funds for the period and on the terms set forth in this Agreement. Sub-Adviser accepts such appointment and agrees to furnish the services herein set forth for the compensation herein provided.
2. Delivery of Documents. Schwab has furnished Sub-Adviser with copies properly certified or authenticated of each of the following:
 - (a) the Trust's Agreement and Declaration of Trust, as filed with the Secretary of State of The Commonwealth of Massachusetts on May 7, 1993, and all amendments thereto or restatements thereof (such Declaration, as presently in effect and as it shall from time to time be amended or restated, is herein called the "Declaration of Trust");
 - (b) the Trust's By-Laws and amendments thereto;
 - (c) resolutions of the Trust's Board of Trustees authorizing the appointment of Sub-Adviser and approving this Agreement;

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(d) the Trust's Notification of Registration on Form N-8A under the 1940 Act as filed with the Securities and Exchange Commission (the "SEC") on May 10, 1993 and all amendments thereto;

(e) the Trust's Registration Statement on Form N-1A under the Securities Act of 1933, as amended ("1933 Act") (File No. 33-62470) and under the 1940 Act (File No. 811-07704) as filed with the SEC and all amendments thereto insofar as such Registration Statement and such amendments relate to the Funds; and

(f) the Trust's most recent prospectus and Statement of Additional Information for the Funds (such prospectus and Statement of Additional Information, as presently in effect, and all amendments and supplements thereto, are herein collectively called the "Prospectus").

Schwab will furnish the Sub-Adviser from time to time with copies of all amendments of or supplements to the foregoing.

3. Management. Subject always to the supervision of Trust's Board of Trustees and Schwab, the Sub-Adviser will furnish for each Fund advice on a daily basis as to the percentage of each Funds' assets that should be invested among major asset categories, e.g., stocks, bonds and cash, as well as sub-categories, e.g., small company stock, and large company stock. In the performance of its duties, the Sub-Adviser will create and manage, on a daily basis, a computer-based model that will provide the basis for the Sub-Adviser's advice to Schwab regarding asset allocation. The Sub-Adviser will satisfy its fiduciary duties to the Funds (as set forth in Section 8, below. The Sub-Adviser and Schwab will each make its officers and employees available to the other from time to time at reasonable times to review investment policies of the Funds and to consult with each other regarding the investment affairs of the Funds. The Sub-Adviser will report to the Board of Trustees and to Schwab with respect to the implementation of such program.

The Sub-Adviser further agrees that it:

(a) will use the same skill and care in providing such services as it uses in providing

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services to fiduciary accounts for which it has investment

responsibilities;

(b) will conform with all applicable rules and regulations of the SEC pertaining to its investment advisory activities;

(c) will report regularly to Schwab and to the Board of Trustees and will make appropriate persons available for the purpose of reviewing with representatives of Schwab and the Board of Trustees on a regular basis at reasonable times the management of the Funds, including, without limitation, review of the general investment strategy of the Funds, the performance of the Funds in relation to standard industry indices, interest rate considerations and general conditions affecting the marketplace and will provide various other reports from time to time as reasonably requested by Schwab;

(d) will maintain books and records with respect to Trust's securities transactions and will furnish Schwab and Trust's Board of Trustees such periodic and/or special reports as the Board or Schwab may request;

(e) will act upon instructions from Schwab not inconsistent with its fiduciary duties hereunder;

(f) will treat confidentially and as proprietary information of Trust all such records and other information relative to Trust maintained by the Sub-Adviser, and will not use such records and information for any purpose other than performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by Trust, which approval shall not be unreasonably withheld and may not be withheld where the Sub-Adviser may be exposed to civil or criminal contempt proceedings for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by Trust;

(g) will receive the research and recommendations of Schwab with respect to the investment and reinvestment of the assets of the Funds; and

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(h) will vote proxies received by the Sub-Adviser in connection with securities held by the Funds consistent with its fiduciary duties hereunder.

4. Books and Records. In compliance with the requirements of Rule 31a-3 under the 1940 Act, the Sub-Adviser hereby agrees that all records

which it maintains for the Trust are the property of the Trust and further agrees to surrender promptly to the Trust any of such records upon the Trust's request. Sub-Adviser further agrees to maintain the records required to be maintained by subsections (b)(1), (b)(5), (b)(9), (b)(10), (b)(11), (e) and (f) of Rule 31a-1 under the 1940 Act and preserve them for the periods prescribed by Rule 31a-2 under the 1940 Act.

5. Expenses. During the term of this Agreement, Sub-Adviser will pay all expenses incurred by it in connection with its activities under this Agreement other than the cost of securities (including brokerage commissions and stamp duties, if any) purchased for the Funds.

6. Compensation. For the services provided and the expenses assumed pursuant to this Agreement, Schwab will pay the Sub-Adviser, and the Sub-Adviser agrees to accept as full compensation therefor, a sub-advisory fee, accrued daily and payable monthly, in accordance with Schedule B hereto. From time to time, the Sub-Adviser may agree to waive or reduce some or all of the compensation to which it is entitled under this Agreement.

7. Services to Others. Schwab understands, and has advised Trust's Board of Trustees, that the Sub-Adviser now acts, and may in the future act, as an investment adviser to fiduciary and other managed accounts, and as investment adviser, sub-investment adviser, and/or administrator to other investment companies. Schwab has no objection to the Sub-Adviser's acts in such capacities, provided that whenever one or more of the Funds and one or more other investment companies or accounts advised by Sub-Adviser have available funds for investment, investments suitable and appropriate for each will be allocated in accordance with a manner believed by the Sub-Adviser to be equitable to each company. Schwab recognizes, and has advised Trust's Board of Trustees, that in some cases this procedure may adversely affect the size of the position that the participating Fund(s) may obtain in a particular security. In addition, Schwab understands, and has advised Trust's Board of Trustees, that the persons employed by the Sub-Adviser to assist in the Sub-Adviser's duties under this Agreement will not devote their full time to such service and nothing contained in this Agreement will be deemed to limit or restrict the right of the Sub-Adviser or any of its affiliates to engage in and devote time and

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attention to other businesses or to render services of whatever kind or nature.

8. Limitation of Liability. Schwab will not take any action against the Sub-Adviser to hold the Sub-Adviser liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the performance of the Sub-Adviser's duties under this Agreement, except a loss resulting from the Sub-Adviser's willful misfeasance, bad faith, or gross

negligence in the performance of its duties under this Agreement.

9. Indemnification. Schwab and the Sub-Adviser each agree to indemnify the other against any claim against, loss or liability to such other party (including reasonable attorneys' fees) arising out of any action on the part of the indemnifying party which constitutes willful misfeasance, bad faith or gross negligence.

10. Duration and Termination. This Agreement will become effective as to each Fund as of the date set forth opposite each Fund's name on Schedule A, provided that it has been approved by a vote of a majority of the outstanding voting securities of such Fund in accordance with the requirements under the 1940 Act and, unless sooner terminated as provided herein, will continue in effect for two years from such date.

Thereafter, if not terminated as to a Fund, this Agreement will continue in effect as to a Fund for successive periods of 12 months, provided that such continuation is specifically approved at least annually (a) by the vote of a majority of those members of the Trust's Board of Trustees who are not interested persons of the Trust, the Sub-Adviser, or Schwab, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Trust's Board of Trustees or by vote of a majority of the outstanding voting securities of such Fund. Notwithstanding the foregoing, this Agreement may be terminated as to the Fund at any time, without the payment of any penalty, on sixty days' written notice by the Trust or by Schwab or on ninety days' written notice by the Sub-Adviser. This Agreement will immediately terminate in the event of its assignment. (As used in this Agreement, the terms "majority of the outstanding voting securities", "interested persons" and "assignment" have the same meaning of such terms in the 1940 Act.)

11. Amendment of this Agreement. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing

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signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

12. Miscellaneous. The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. If any provision of this Agreement is held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement will not be affected thereby. This Agreement will be binding upon and shall inure to the benefit of the parties hereto and their respective successors and will be governed by the laws of the State of California.

The name "Schwab Capital Trust" and "Trustees of Schwab Capital Trust" refer respectively to the Trust created by, and the Trustees, as trustees but not individually or personally, acting from time to time under the Declaration of Trust, to which reference is hereby made and a copy of which is on file at the office of the Secretary of State of The Commonwealth of Massachusetts and elsewhere as required by law, and to any and all amendments thereto so filed or hereafter filed. The obligations of the "Schwab Capital Trust" entered in the name or on behalf thereof by any of the Trustees, representatives or agents are made not individually but only in such capacities and are not binding upon any of the Trustees, Shareholders or representatives of Trust personally, but bind only the assets of Trust, and persons dealing with the Fund must look solely to the assets of Trust belonging to such Fund for the enforcement of any claims against Trust.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their officers designated below as of the day and year first above written.

CHARLES SCHWAB INVESTMENT
MANAGEMENT, INC.

By: _____
Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

SYMPHONY ASSET MANAGEMENT, INC.

By: _____
Name: _____
Title: _____

SCHEDULE A

<TABLE>
<CAPTION>
Fund

Effective Date

- ----

<S>

<C>

Schwab Asset Director Funds:

Schwab Asset Director-High Growth

Schwab Asset Director-Balanced Growth

Schwab Asset Director-Conservative Growth

</TABLE>

CHARLES SCHWAB INVESTMENT
MANAGEMENT, INC.

By:

Name: William J. Klipp

Title: Senior Vice President and
Chief Operating Officer

SYMPHONY ASSET MANAGEMENT, INC.

By:

Name:

Title:

SCHEDULE B

<TABLE>

<CAPTION>

Fund

Fee

- ----

<S>

<C>

Schwab Asset Director Funds:

Schwab Asset Director-High Growth

Schwab Asset Director-Balanced Growth

Schwab Asset Director-Conservative Growth

</TABLE>

CHARLES SCHWAB INVESTMENT
MANAGEMENT, INC.

By: _____

Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

SYMPHONY ASSET MANAGEMENT, INC.

By: _____

Name: _____
Title: _____

EXHIBIT NO. (6) (c)
FORM OF REVISED SCHEDULE TO THE DISTRIBUTION AGREEMENT

SCHEDULE A
TO THE
DISTRIBUTION AGREEMENT
BETWEEN SCHWAB CAPITAL TRUST AND
CHARLES SCHWAB & CO., INC.
DATED SEPTEMBER __, 1995

<TABLE>
<CAPTION>

Fund	Effective Date
----	-----
<S>	<C>
Schwab International Index Fund	July 21, 1993
Schwab Small-Cap Index Fund	October 14, 1993
Schwab Asset Director-High Growth	September __, 1995
Schwab Asset Director-Balanced Growth	September __, 1995
Schwab Asset Director-Conservative Growth	September __, 1995

</TABLE>

SCHWAB CAPITAL TRUST

By:

Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

CHARLES SCHWAB & CO., INC.

By:

Name: Elizabeth G. Sawi

Title: Executive Vice President

1

EXHIBIT NO. (8) (c)
FORM OF REVISED SCHEDULES TO THE CUSTODIAN AGREEMENT

2

[Letterhead of SchwabFunds]

State Street Bank and Trust Company
125 Franklin Street
Boston, Massachusetts 02110
Attention: Matthew Karstetter, Vice President

Re: Additional Portfolios of Schwab Capital Trust

Gentlemen:

Reference is hereby made to the Custodian Contract, dated as of September 9, 1993, between Schwab Capital Trust (the "Trust") and State Street Bank and Trust Company ("State Street"), as Custodian (the "Custodian Contract"). Since the execution of the Custodian Contract, the Trust has created four new portfolios and desires to have State Street act as custodian under the terms of the Custodian Contract with respect to each such portfolio. Consequently, the Trust hereby requests that State Street agree to amend Schedule C to the Custodian Contract to add the new portfolios as "Funds" under the Custodian Contract. The amended Schedule C shall be in the form attached hereto. If State Street is willing to amend the Custodian Contract and to serve as Custodian under the terms of the Custodian Contract for the additional portfolios, please acknowledge such agreement by signing and dating this letter in the space provided below and returning it to us. Thank you.

Very truly yours,

Schwab Capital Trust

By:

Title:

Accepted and Agreed:

State Street Bank and Trust Company

By:

Matthew Karstetter, Vice President

3

SCHEDULE C

PORTFOLIO

INCEPTION DATE

Schwab International Index Fund

September 9, 1993

Schwab Small-Cap Index Fund

Schwab Asset Director Fund-High Growth

Schwab Asset Director Fund-Balanced

Schwab Asset Director Fund-Conservative

SCHWAB CAPITAL TRUST

BY:

NAME:

TITLE:

STATE STREET BANK AND TRUST COMPANY

BY:

NAME:

TITLE:

4

EXHIBIT 2

STATE STREET BANK AND TRUST COMPANY

Custodian Fee Schedule

I. Administration

Custody Portfolio and Fund Accounting Service - Maintain custody of fund assets. Settle portfolio purchases and sales. Report buy and sell fails. Determine and collect portfolio income. Make cash disbursements and report cash transactions. Maintain investment ledgers, provide selected portfolio transactions, position and income reports. Maintain general ledger and capital stock accounts. Prepare daily trials balance. Calculate net asset value daily. Provide selected general ledger reports. Market value quotations will be provided via State Street's Automated Pricing Service.

The administration fee shown below is an annual charge, billed and payable monthly, based on average monthly net assets.

ANNUAL FEES PER PORTFOLIO

Fund Net Assets -----	Annual fees ----- (in basis points)
First \$50 Million	3 Basis Points
Next \$50 Million	2 Basis Points
Excess over \$100 Million	1 Basis Point
Minimum Monthly Charge	\$1,000
Phase in of minimum	
Month 1	\$250
Month 2	\$500
Month 3	\$750

II. Global Custody - Comprised of asset charges and transaction charges

Asset charges all foreign locations
(in Basis Points)

First \$50 Million	7 Basis Points
Over \$50 Million	5 Basis Points

Transaction Charges (all foreign equity and bond trades)	\$28.00
---	---------

<S>	<C>	<C>
III.	Portfolio Trades - For each line item processed	
	State Street Bank Repos	\$ 7.00
	DTC or Fed Book Entry	\$ 10.00
	New York Physical Settlements	\$ 20.00
	Maturity Collections	\$ 8.00
	PTC Purchase, Sale, Deposit or Withdrawal	\$ 20.00
	All other trades	\$ 16.00
IV.	Options	
	Option charge for each option written or closing contract, per issue per broker	\$ 25.00
	Option expiration charge, per issue, per broker	\$ 15.00
	Option exercised charge, per issue, per broker	\$ 15.00
V.	Interest Rate Futures	
	Transactions - no security movement	\$ 8.00
VI.	Holding Charge	
	For each issue maintain - monthly charge	\$ 5.00
VII.	Principal Reduction Payments	
	Per Paydown	\$ 10.00
VIII.	Dividend Charges	
	(For items held at the request of traders over record date in street form)	\$ 50.00
IX.	Special Services	
	Fees for activities of a non-recurring nature such as fund consolidations or reorganizansions, extraordinary security shipments and the preparation of special reports will be subject to negotiation. Fees for automated pricing, yield calculation and other special items will be negotiated separately.	
X.	Automated Pricing: This service provides daily securities pricing.	
	Monthly base fee per portfolio	\$375.00

</TABLE>

Monthly Quote Charge (based on the average number of positions in the portfolio)

<TABLE>

<S>	<C>	<C>
*	Municipal Bond via Muller Data	\$16.00
*	Municipal Bond via Kenny Information System	\$16.00
*	Government, Corporate and Convertible Bonds via Merrill Lynch	\$11.00
*	Corporate and Government Bonds via Muller Data	\$11.00
*	Options, Futures and Private Placements	\$ 6.00
*	Foreign Equities and Bonds via Extel Ltd	\$ 6.00
*	Listed Equities, DTC Equities and Bonds	\$ 6.00
*	Corporate, Municipal, Convertible and Government Bonds, Adjustable Rate Preferred Stocks via IDSI	\$ 6.00

</TABLE>

XI. Balance Credits

A balance credit will be applied against the custody fee above based on the 90 day T-Bill rate adjusted by the current Federal Reserve requirements. The rate will be utilized against the average collected balances in the Custody Demand Deposit Account maintained at State Street. Excess balance credits will be carried forward from month to month until December 31st.

XII. Out-of-Pocket Expenses

A billing for the recovery of applicable out-of-pocket expenses will be made as of the end of each month. Out-of-pocket expenses include, but are not limited to the following:

Telephone

Wire Charges (\$5.25 per wire in and \$5.00 out)

Postage and Insurance

Courier Service

Duplicating

Legal Fees

Supplies Related to Fund Records

Rush Transfers - \$8.00 each

Transfer Fees

Sub-custodian Charges (Out of Pockets issued by Sub-Custodians)

Price Waterhouse Audit Letter

Federal Reserve Fee for Return Check items over \$2,500 - \$4.25

GNMA Transfer - \$15.00 each

PTC Deposit/Withdrawal for same day turnaround - \$50.00

1

EXHIBIT NO. (8) (f)
FORM OF REVISED SCHEDULES TO THE TRANSFER AGENCY AGREEMENT

2

SCHEDULE A

<TABLE>

<CAPTION>

Fund - - - - -	Effective Date -----
<S> Schwab International Index Fund	<C> July 21, 1993
Schwab Small-Cap Index Fund	October 14, 1993
Schwab Asset Director-High Growth	September __, 1995
Schwab Asset Director-Balanced Growth	September __, 1995
Schwab Asset Director-Conservative Growth	September __, 1995

</TABLE>

SCHWAB CAPITAL TRUST

By:

Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

CHARLES SCHWAB & CO., INC.

By:

Name: Elizabeth G. Sawi
Title: Executive Vice President

Dated: September __, 1995

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SCHEDULE B

TRANSFER AGENCY SERVICES

I. Record Maintenance.

Schwab will provide full maintenance of all shareholder records for each account in the Trust. Such records will include:

- A. Share balance;
- B. Account transaction history, including dividends paid and the date and price for all transactions;
- C. Name and address of the record shareholder (including zip codes and tax identification numbers but will not include responsibility for obtaining certified tax identification numbers or impending back-up withholding);
- D. Records of distributions and dividend payments;
- E. Transfer records; and
- F. Overall control records.

II. Regular Daily Operations.

Schwab will perform the following functions:

- A. Process new accounts on the shareholder file by processing directly from the Trust's distributor or dealer;
- B. Process additional purchases to the records of accounts

already on the shareholder file. In such instances, on the distributor's or dealer's instructions, allocate investor payments among the Funds;

- C. Process purchases and redemptions to accounts already on the shareholder file in accordance with the terms of all automatic purchase and redemption provisions set forth in shareholders' account relationship with the Trust's distributor;
- D. Transfer shares upon the receipt of proper instructions from distributor or dealer; and
- E. Process changes of dealer/representative on accounts.

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III. Periodic Operations.

- A. Upon receipt of instructions as to payment of dividends and distributions, which may be standing instructions, compute distributions and inform the Trust of the amount to be reinvested in additional shares.
- B. Process redemptions as instructed by distributor or dealer.
- C. Mail semi-annual and annual Trust and/or Fund reports and prospectuses.
- D. Produce transcripts of account history as requested by the Trust or by the distributor or dealer.
- E. Prepare and file Form 1099's with Internal Revenue Service.
- F. Monitor sales of the Funds' shares in the various States and other jurisdictions where the Funds' shares are registered for sale, and report on such monitoring efforts to the Funds' Investment Manager.

IV. Controls.

- A. Maintain all balance controls daily and produce monthly summaries expressed in:
 - 1. shares; and

2. dollar amounts.

V. Special Services Included.

- A. Prepare envelopes/labels (from address data supplied by distributor or dealer as to transmission accounts) and mail proxy statements; tabulate and certify votes from returned ballots.

SCHWAB CAPITAL TRUST

By:

 Name: William J. Klipp
 Title: Senior Vice President and
 Chief Operating Officer

CHARLES SCHWAB & CO., INC.

By:

 Name: Elizabeth G. Sawi
 Title: Executive Vice President

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5

SCHEDULE C

FEES

<TABLE>
<CAPTION>

Fund	Fee
- - - - -	- - -
<S> Schwab International Index Fund	<C> Five one-hundredths of one percent (.05%) of the Fund's

	average daily net assets
Schwab Small-Cap Index Fund	Five one-hundredths of one percent (.05%) of the Fund's average daily net assets
Schwab Asset Director-High Growth	Five one-hundredths of one percent (.05%) of the Fund's average daily net assets
Schwab Asset Director-Balanced Growth	Five one-hundredths of one percent (.05%) of the Fund's average daily net assets
Schwab Asset Director-Conservative Growth	Five one-hundredths of one percent (.05%) of the Fund's average daily net assets

</TABLE>

SCHWAB CAPITAL TRUST

By:

Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

CHARLES SCHWAB & CO., INC.

By:

Name: Elizabeth G. Sawi
Title: Executive Vice President

Dated: September __, 1995

SCHEDULE D

REPORTS

- VI. Daily Activity Report (liquidations processed that day)
- VII. Daily Share Summary Report (by Fund)
 - A. Beginning balance
 - B. Liquidations
 - C. Payments
 - D. Exchanges
 - E. Adjustments
 - F. Ending Balance
 - G. Sales by each State and jurisdiction
- VIII. Daily Proof Sheet Summary and Transaction Register
- IX. Daily Share Reconciliation Report (reconciling Share Summary Report to Daily Proof Summary Sheet)
- X. Weekly Position Reports (showing all account balances)
- XI. Monthly Dividend Reports
- XII. Report by independent public accountants concerning Schwab's accounting system and internal accounting controls, at such times, as the Trust may reasonably require. These reports shall be of sufficient detail and scope to provide reasonable accuracy that any material inadequacies would be disclosed by such examination, and, if there are no such inadequacies, shall state.

SCHWAB CAPITAL TRUST

By:

 Name: William J. Klipp
 Title: Senior Vice President and
 Chief Operating Officer

By:

Name: Elizabeth G. Sawi

Title: Executive Vice President

D-1

EXHIBIT NO. (8) (i)
FORM OF REVISED SCHEDULES TO THE SHAREHOLDER SERVICES AGREEMENT

SCHEDULE A

<TABLE>

<CAPTION>

Fund - - - - -	Effective Date -----
<S> Schwab International Index Fund	<C> July 21, 1993
Schwab Small-Cap Index Fund	October 14, 1993
Schwab Asset Director-High Growth	September __, 1995
Schwab Asset Director-Balanced Growth	September __, 1995
Schwab Asset Director-Conservative Growth	September __, 1995

</TABLE>

SCHWAB CAPITAL TRUST

By: _____
Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

CHARLES SCHWAB & CO., INC.

By: _____

Name: Elizabeth G. Sawi
Title: Executive Vice President

Dated: September __, 1995

A-1

3

SCHEDULE B

SHAREHOLDER SERVICES

Schwab will maintain accounts for, and serve as a customer liaison to, the shareholders of each Fund, and through its employees will perform various services in relation thereto, which services shall include responding to requests for information and other types of shareholder account inquiries, both by telephone and in writing. The parties hereto expressly agree that the services provided under this Agreement shall not include, and the amounts payable hereunder shall not constitute compensation for, services relating to transfer agency or sub-accounting services for the Trust or any Fund thereof.

SCHWAB CAPITAL TRUST

By: _____

Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

CHARLES SCHWAB & CO., INC.

By: _____

Name: Elizabeth G. Sawi
Title: Executive Vice President

SCHEDULE C

<TABLE>

<CAPTION>

Fund	Fee
- ----	---
<S>	<C>
Schwab International Index Fund	Twenty-one hundredths of one percent (.20%) of the Fund's average daily net assets
Schwab Small-Cap Index Fund	Twenty-one hundredths of one percent (.20%) of the Fund's average daily net assets
Schwab Asset Director-High Growth	Twenty-one hundredths of one percent (.20%) of the Fund's average daily net assets
Schwab Asset Director-Balanced Growth	Twenty-one hundredths of one percent (.20%) of the Fund's average daily net assets
Schwab Asset Director-Conservative Growth	Twenty-one hundredths of one percent (.20%) of the Fund's average daily net assets

</TABLE>

SCHWAB CAPITAL TRUST

By: _____

Name: William J. Klipp
Title: Senior Vice President and
Chief Operating Officer

CHARLES SCHWAB & CO., INC.

By: _____

Name: Elizabeth G. Sawi
Title: Executive Vice President

Dated: September __, 1995

C-1

1

EXHIBIT NO. (11) (a)
CONSENT OF ROPES & GRAY

2

CONSENT OF COUNSEL

We hereby consent to the use of our name and to the reference to our firm under the caption "Legal Counsel" included in or made a part of Post-Effective Amendment No. 5 to the Registration Statement of Schwab Capital Trust on Form N-1A (Nos. 33-62420 and 811-07704) under the Securities Act of 1933, as amended.

/s/ Ropes & Gray
ROPES & GRAY

Washington, D.C.
July 12, 1995

1

EXHIBIT NO. (11) (b)
CONSENT OF PRICE WATERHOUSE LLP

2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Statement of Additional Information constituting part of this Post-Effective Amendment No. 5 to the registration statement of the Schwab Capital Trust on Form N-1A (the "Registration Statement") of our reports dated November 30, 1994, relating to the financial statements of the Schwab International Index Fund and the Schwab Small-Cap Index Fund, which appear in such Statement of Additional Information, and to the incorporation by reference of our reports into the Prospectuses which constitute part of this Registration Statement. We also consent to the references to us under the heading "Accountants and Reports to Shareholders" in such Statement of Additional Information and to the references to us under the heading "Financial Highlights" in such Prospectuses.

/s/ Price Waterhouse LLP
Price Waterhouse LLP
San Francisco, California
July 12, 1995

EXHIBIT NO. (13) (c)
FORM OF PURCHASE AGREEMENT

PURCHASE AGREEMENT

Schwab Capital Trust (the "Trust"), a Massachusetts business trust, and Charles Schwab & Co., Inc. ("Schwab"), a California corporation, hereby agree on the day of September 1995 as follows:

1. The Trust hereby offers and Schwab hereby purchases 100 units of beneficial interest of each of Series C, D, and E representing interests in the series of shares known as Schwab Asset Director-High Growth, Schwab Asset Director-Balanced Growth, and Schwab Asset Director-Conservative Growth, respectively, (such 100 units of beneficial interest being hereafter collectively known as "Shares") at a price of \$10.00 per Share. Schwab hereby acknowledges purchase of the Shares and the Trust hereby acknowledges receipt from Schwab of funds in the amount of \$1,000 in full payment for the Shares. It is further agreed that no certificate for the Shares will be issued by the Trust.

2. Schwab represents and warrants to the Trust that the Shares are being acquired for investment purposes and not with a view to the distribution thereof.

3. The names "Schwab Capital Trust" and "Trustees of Schwab Capital Trust" refer, respectively to the Trust created and the Trustees as Trustees but not individually or personally, acting from time to time under an Agreement and Declaration of Trust dated as of May 6, 1993, to which reference is hereby made and a copy of which is on file at the Office of the Secretary of State of the Commonwealth of Massachusetts and elsewhere as required by law, and to any and all amendments thereto so filed or hereafter filed. The obligations of "Schwab Capital Trust" entered into in the name or on behalf thereof by any of the Trustees, representatives or agents are not made individually, but only in such capacities, and are not binding upon any of the Trustees, Shareholders or representatives of the Trust personally, but bind only the assets of the Trust, and all persons dealing with any series of Shares of the Trust must look solely to the assets for the Trust belonging to such series for the enforcement of any claims against the Trust.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed day and year first written above.

<TABLE>

<S>	<C>
Attest:	SCHWAB CAPITAL TRUST

-----	By:
	----- Name: William J. Klipp Title: Senior Vice President and Chief Operating Officer

Attest:	CHARLES SCHWAB & CO., INC.
---------	----------------------------

-----	By:
	----- Name: Elizabeth G. Sawi Title: Executive Vice President

</TABLE>

<TABLE> <S> <C>

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