

June 2023

Construction and Methodology Document

Schwab1000 Index[®]

The logo for Charles Schwab, featuring the word "charles" in a white, lowercase, serif font above the word "SCHWAB" in a white, uppercase, sans-serif font, both centered within a solid blue square.

charles
SCHWAB

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Index Overview

The Schwab 1000 Index® (the Index) is a proprietary index of Charles Schwab & Co, Inc. Created in 1991, the Index is designed to represent the largest 1,000 U.S. common equity stocks based on full float market capitalization.

Index Tickers

On most platforms and quote services, the index can be found utilizing the following price and total return tickers.

- Price Return: SNX
- Total Return: SNXTR

Bloomberg

Bloomberg maintains distinct tickers for the index.

- Price Return: SCHWONEP
- Total Return: SCHWONET

Base Universe Eligibility

Base Universe

The Schwab 1000 Index, calculated by the S&P Dow Jones Custom Index Services Group, eligible universe begins with the top 2,400 U.S. based companies, ranked by full float market capitalization that meet the requirements for inclusion in the S&P U.S. Broad Market Index (BMI). This universe of potential index constituents is further filtered based on rules established by the Charles Schwab Proprietary Index Committee, as described in this Construction and Methodology document.

Please refer to the S&P Dow Jones Indices Index Methodology for the S&P Global BMI. This can be found at us.spindices.com.

Domicile Criteria

Common stock issued by an operating company or real estate investment trust (REIT) incorporated in the United States, its territories or possessions, are eligible for inclusion in the Schwab 1000 Index. Companies incorporated offshore for tax purposes, among other reasons, may also be eligible for inclusion based on factors including operational headquarters location, geographic breakdown of revenue and assets, ownership information, location of officers, directors and employees, investor perception, among other factors deemed relevant. A market for the common shares must exist on a U.S. exchange.

Security Level Eligibility Criteria

Market capitalization: stocks eligible for potential addition to the Schwab 1000 Index must be publicly listed equities with float-adjusted market capitalization of at least US\$ 100 million. At the annual reconstitution, existing index constituents are removed if their float-adjusted market capitalization falls below US\$ 75 million.

Liquidity: stocks must meet two separate liquidity requirements: minimum 12-month median value traded ratio (MVTR) of 20% (14% for continued inclusion) and minimum 6-month median daily value traded (MDVT) of US\$ 0.25 million (US\$ 0.175 million for continued inclusion).

MVTR: this ratio is calculated by taking the median daily value traded amount for each of the 12 months preceding the rebalance reference date, multiplying the amount by the number of days that the stock traded during that month, and then dividing by its end-of-month float-adjusted market capitalization.

Ineligible securities: the following security types, company structures and shares are not eligible for inclusion in the Schwab 1000 Index:

- Fixed-dividend shares
- Investment trusts
- Unit trusts
- Mutual fund shares
- Limited Liability Companies (LLCs)
- Special Purpose Acquisition Companies (SPACs)
- Closed-end funds
- Convertible bonds
- ETFs
- ETNs
- Business development companies (BDCs)
- Equity warrants
- Limited Partnerships (LPs)
- Master Limited Partnerships (MLPs)
- Convertible preferred stock
- Preferred (preferred stock that provides a guaranteed fixed return is not eligible)

Index Construction

The Schwab 1000 Index is constructed on a bottom-up basis, ranking all eligible U.S. common stocks from largest to smallest based on full float market capitalization. A stock must be an operating company or REIT. The Index is then comprised of the top 1,000 stocks as measured by full float market capitalization. The Index will generally be comprised of 1,000 stocks, but the actual number of index constituents may be more or less than 1,000 as a result of corporate actions, including, but not limited to spin-offs, or delistings.

Weighting scheme: Index weight is determined by free float market capitalization value.

Share classes: multiple share classes are included as separate lines. Each share class must meet the base universe eligibility requirements and the weight of each class reflects its own float, not the combined float of all separate share class lines.

Index reconstitution: Index reconstitution is done annually. The annual reconstitution is effective after market close on the third Friday of September.

Index rebalance: Index rebalance is done quarterly in March, June and December, subject to the schedule of the S&P U.S. Broad Market Index (BMI) rebalance.

Index Maintenance

Index calculation: the Index is calculated continuously throughout the day in 15-second intervals. Additionally, an end-of-day basis price- and total- return series are calculated based on actual trading days.

Base currency rate: the Index is calculated in U.S. Dollars.

Initial Public Offerings (IPOs): eligible IPOs are considered for index inclusion only at annual reconstitution.

Additions and Deletions: delisted companies will generally be deleted from the Index on or around its expected delisting date and will not be replaced until the next annual reconstitution. Deletion dates are selected such that a minimum of one day's notice is given to clients.

Spin-offs: spin-offs, including in specie distributions, from an index constituent are included in the Index if it trades on eligible exchanges and has float-adjusted market values above US\$ 25 million. Generally, spin-offs are added at a zero price at the market close of the day before the ex-date (with no divisor adjustment). The spin-off security will remain in the Index if it meets all domicile and security level eligibility criteria described in detail in the Base Universe Eligibility section of this document. If a spin-off security is determined to be ineligible to remain in the Index, it will be removed after at least one day of regular way trading (with a divisor adjustment). If there is a gap between the ex-date and distribution date (or payable date), or if the spin-off security does not trade regular way on the ex-date, the spin-off security is kept in the Index as a constituent until the spin-off security begins trading regular way. An indicative or estimated price may be used for the spin-off entity in place of a zero price until the spin-off security begins trading.

Share change adjustments: share changes, as a result of company share changes of at least 5% of outstanding shares, are processed on a weekly basis. The announcement of such changes occur after market close on Friday for implementation after the close of trading the following Friday. These share changes do not include share changes due to stock splits, bonuses, rights issues or corporate actions, such as mergers or acquisitions that are affected immediately.

Share changes less than 5% of outstanding shares are processed on a quarterly basis after the close of the 3rd Friday of March, June, and December. Notice of such share changes are made available after the close of the 2nd Friday of March, June, and December.

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