

Schwab Municipal Money Funds

Semiannual Report

June 30, 2003

Schwab New York
Municipal Money Fund

Schwab New Jersey
Municipal Money Fund

Schwab Pennsylvania
Municipal Money Fund

Schwab Florida
Municipal Money Fund

Schwab Massachusetts
Municipal Money Fund

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Sweep Shares: **SWNXX** Value Advantage Shares: **SWYXX**

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Ticker Symbol: **SWJXX**

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Ticker Symbol: **SWEXX**

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From the Chairman



Charles R. Schwab
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

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

Management's Discussion for the six months ended June 30, 2003



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, slightly slanted style.



Kevin Shaughnessy, a portfolio manager, is responsible for the day-to-day management of the Schwab New York, New Jersey and Massachusetts municipal money funds. Prior to joining the firm in 2000, he worked for more than ten years in fixed-income portfolio management.



Walter Beveridge, a portfolio manager, has been responsible for day-to-day management of the Schwab Pennsylvania and Florida municipal money funds since their inception in 1998. Prior to joining the firm in 1992, he worked for nearly ten years in asset management.

The Investment Environment and the Funds

The U.S. economy remained in a holding pattern during the six months of the report period. Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

Already at their lowest level in decades, interest rates fell further as the report period progressed. During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

Falling interest rates pushed money fund yields to new lows (see page 5 for fund yield information). We sought to lessen the effects of falling rates on the funds by maintaining comparatively long weighted average maturities. Although the funds' yields did decline, we were successful in slowing that decline, and in keeping the yields higher than they otherwise would have been.

Strong issuance of short-term muni debt relative to taxable debt made muni yields attractive compared to taxable yields. Typically, we have seen muni yields average about 80% of taxable yields. During the report period, muni yields at times exceeded 95% of taxable yields (although both were low on an absolute basis). These extremes of valuation allowed us to increase our exposure to high-yielding fixed-rate securities.

Schwab New York Municipal Money Fund. To balance its budget in the past two fiscal years, the state has made some spending cuts, but has also relied heavily on one-time solutions (such as deferring aid payments and drawing on tobacco bond proceeds). The budget that the state legislature passed in May (over Governor Pataki's veto) projects a general fund surplus of only \$730 million, or 1.8% of expenditures, at the end of fiscal 2004 (3/31/04). In spite of these concerns, the state's revenue raising ability and the diversity of its economy have kept New York a strong investment-grade credit. As of the report date, the state's credit ratings were A2 from Moody's, AA from Standard & Poor's (with a negative outlook) and AA- from Fitch.

Schwab New Jersey Municipal Money Fund. New Jersey's personal income tax receipts continued to decline in fiscal 2003. The state was able to end fiscal 2003 (6/30/03) with a modest surplus of \$250 million,

In general, we have seen most states taking responsible measures to address the revenue shortfalls they have faced as a result of a weak U.S. economy.

or 1.1% of expenditures, rather than an anticipated \$1.3 billion general fund deficit, although it had to rely on several one-time solutions in addition to cutting expenditures. The diversity of the state's economy as well as its revenue raising ability have kept New Jersey a strong investment-grade credit. As of the report date, the state's credit ratings were Aa2 from Moody's (with a negative outlook), AA from Standard & Poor's and AA from Fitch (with a negative watch).

Schwab Pennsylvania Municipal Money Fund. Conservative fiscal management has left Pennsylvania better able to weather revenue shortfalls than many of its neighbors. The state used the last of its "rainy day" fund to close an estimated budget shortfall of 3.4% for fiscal 2003 (which ended 6/30/03). A fiscal 2004 budget, most parts of which were approved in March 2003, is designed to close an expected \$2.4 billion budget gap. As of the report date, the state's credit ratings were Aa2 from Moody's, AA from Standard & Poor's and AA from Fitch.

Schwab Florida Municipal Money Fund. Although it has drawn on some reserves to balance its budget in the last two years, the State of Florida projected a nearly \$1.1 billion fund balance for the end of fiscal 2003 (6/30/03). The state has benefited from its reliance on sales taxes rather than personal income taxes. The number of jobs in the state actually grew 0.5% in 2002, and overall tourism revenues have held fairly steady. With its substantial reserves and strong financial controls, the state's ratings as of the end of the report period were Aa2 from Moody's, AA+ from Standard & Poor's and AA from Fitch.

Schwab Massachusetts Municipal Money Fund. *On May 15, 2003, Schwab introduced the Schwab Massachusetts Municipal Money Fund to replace the Federated Massachusetts Municipal Cash Trust as a sweep money fund option for Schwab customers.* Through a combination of dipping into reserves and cutting social services and aid to local governments, Massachusetts overcame a projected \$900 million revenue shortfall to end fiscal 2003 (6/30/03) with a \$895 million surplus, or 4% of expenditures. A similar balance is projected for fiscal 2004. With its diverse economy and strong revenue raising ability, the state's ratings as of the end of the report period were Aa2 from Moody's (with a negative outlook), AA- from Standard & Poor's and AA- from Fitch.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market

fund yields fluctuate, and that past performance is not an indication of future results.

	New York Municipal Money Fund	New Jersey Municipal Money Fund	Pennsylvania Municipal Money Fund	Florida Municipal Money Fund	Massachusetts Municipal Money Fund
	Sweep Shares	Value Advantage Shares			
Seven-Day Yield¹	0.34%	0.58%	0.38%	0.46%	0.39%
Seven-Day Effective Yield	0.34%	0.58%	0.38%	0.46%	0.40%
Seven-Day Taxable-Equivalent Effective Yield²	0.58%	1.00%	0.62%	0.73%	0.65%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in

any security whose effective maturity is longer than 397 days (approximately 13 months).

	New York Municipal Money Fund	New Jersey Municipal Money Fund	Pennsylvania Municipal Money Fund	Florida Municipal Money Fund	Massachusetts Municipal Money Fund
Weighted Average Maturity	48 days	53 days	45 days	52 days	58 days
Credit Quality of Holdings³ % of portfolio	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1
Credit-Enhanced Securities % of portfolio	68%	75%	77%	75%	61%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

¹ A portion of each fund's expenses was reduced during the reporting period. Without this reduction, the seven-day yields for Schwab New York Municipal Money Fund's Sweep Shares and Value Advantage Shares would have been 0.19% and 0.42%, respectively. The seven-day yields for Schwab New Jersey, Pennsylvania, Florida and Massachusetts Municipal Money Funds would have been 0.18%, 0.23%, 0.25% and 0.13%, respectively.

² For New York Municipal Money Fund, the seven-day taxable-equivalent effective yield assumes a 2003 maximum combined federal regular income tax, New York state and New York city rate of 41.82%. Schwab New Jersey, Pennsylvania and Massachusetts Municipal Money Funds assume a 2003 maximum combined federal regular income and state personal income tax rate of 39.14%, 36.82% and 38.45%, respectively. The Florida Municipal Money Fund assumes a 2003 maximum federal regular income tax rate of 35.00%.

³ Portfolio holdings may have changed since the report date.

Financial Statements

Schwab New York Municipal Money Fund

Financial Highlights

Sweep Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.02	0.03	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.26 ²	0.80	2.06	3.39	2.59	2.78
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.69 ³	0.69	0.69	0.69 ⁴	0.69	0.69
Ratio of gross operating expenses to average net assets	0.84 ³	0.85	0.86	0.87 ⁴	0.91	0.97
Ratio of net investment income to average net assets	0.53 ³	0.80	2.04	3.35	2.57	2.73
Net assets, end of period (\$ x 1,000,000)	1,048	944	889	798	604	468
Value Advantage Shares						
	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.02	0.04	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.04)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.38 ²	1.04	2.30	3.64	2.83	3.03
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.45 ³	0.45	0.45	0.45 ⁵	0.45	0.45
Ratio of gross operating expenses to average net assets	0.61 ³	0.62	0.64	0.67 ⁵	0.71	0.78
Ratio of net investment income to average net assets	0.77 ³	1.04	2.23	3.59	2.81	2.96
Net assets, end of period (\$ x 1,000,000)	734	676	604	419	296	238

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have been 0.70% and 0.88%, respectively, if certain non-routine expenses (proxy fees) had been included.

⁵ The ratios of net and gross operating expenses would have been 0.46% and 0.68%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
100.0% Municipal Securities	1,764,048	1,764,048
100.0% Total Investments	1,764,048	1,764,048

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Municipal Securities 100.0% of investments

New York 98.4%**✦■ Albany, New York IDA**

IDRB (Newkirk Products Project) Series 1995A 1.05%, 07/07/03	1,000	1,000
IDRB (United Cerebral Palsy Project) Series B 1.00%, 07/07/03	10,985	10,985

✦■ Babylon, New York

Resource Recovery (Ogden Martin Project) Series 1998 1.00%, 07/07/03	5,000	5,000
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Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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✦■ Chautauqua County, New York IDA

Civic Facilities RB (Jamestown Center City Development Project) Series 2000A 1.04%, 07/07/03	4,950	4,950
IDRB (Grafcro Industry Project) 1.05%, 07/07/03	7,600	7,600

✦■ Chenango County, New York IDA

IDRB (Baille Lumber Project) Series 2000A 1.20%, 07/07/03	4,551	4,551
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✦■ Dutchess County, New York

IDRB (Mechtroncis Corp. Project) Series 1998 1.16%, 07/07/03	3,025	3,025
IDRB (Trinity Pawling School Corp. Project) 0.95%, 07/07/03	3,075	3,075

East Meadow, New York Union

Free School District TAN 0.82%, 06/29/04	4,000	4,036
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Erie County, New York

RAN 1.43%, 09/17/03	10,325	10,348
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Hempstead, New York Union

Free School District TAN 0.92%, 06/29/04	4,400	4,447
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✦■ Herkimer County, New York IDA

Civic Facilities RB (Templeton Foundation Project) 1.10%, 07/07/03	2,000	2,000
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✦■ Jay Street, New York Development Corp.

Lease (RB (Jay Street Project) Series 2001A-1 0.95%, 07/07/03	2,200	2,200
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✦■ Long Island, New York Power Authority

▷ Electric System RB Series 2003G 0.85%, 07/07/03	4,400	4,400
Electric System RB Subseries 3A 0.90%, 07/07/03	13,000	13,000

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶ Electric System RB Subseries 7B 0.95%, 07/07/03	13,450	13,450	▶ GO TOB (Merlot) Series 1997C 1.04%, 07/07/03	26,000	26,000
▶ Electric System RB TOB Series 1998A 1.01%, 07/07/03	1,900	1,900	▶ GO TOB Series 394 1.00%, 07/07/03	6,920	6,920
▶ Electric System RB TOBP (PA 841) 1.00%, 07/07/03	4,365	4,365	▶ GO TOB Series F 0.98%, 07/07/03	3,395	3,395
▶ Electric System RB TOBP (PA-522) 1.00%, 07/07/03	21,000	21,000	▶ TOB 20013204 1.01%, 07/07/03	24,750	24,750
▶▶ Monroe County, New York IDRB (ENBI Corp. Lease Rent Project) Series 1988 1.05%, 07/07/03	2,000	2,000	TOB Subseries 2003G-2 0.90%, 07/07/03	4,755	4,755
▶▶ Nassau County, New York Interim Finance Authority BAN Series 2002B-2 1.15%, 09/11/03	25,000	25,054	▶ TOBP (PT-820) 1.00%, 07/07/03	10,910	10,910
▶▶ Sales Tax Secured Bond Series 2002 B 0.90%, 07/07/03	5,000	5,000	▶▶ New York City, New York Health & Hospital Corp. RB TOBP (PA-555) 0.98%, 07/07/03	17,620	17,620
▶▶ Sales Tax Secured Bond Series 2002A 0.88%, 07/07/03	15,000	15,000	▶▶ New York City, New York Housing Development Corp. M/F Housing RB (100 Jane Street Development Project) Series A 0.96%, 07/07/03	6,525	6,525
▶▶ New York City, New York ▶ GO Series 1992D 0.95%, 07/07/03	4,300	4,300	M/F Housing RB (One Columbus Project) Series A 0.96%, 07/07/03	20,700	20,700
▶ GO Series 1993B 0.95%, 07/01/03	300	300	M/F Housing RB (Sierra Development) Series 2003A 0.96%, 07/07/03	18,000	18,000
GO Subseries 1993E-3 0.85%, 07/01/03	800	800	M/F Rental Housing RB (Tribeca Tower Project) Series 1997A 1.00%, 07/07/03	2,300	2,300
▶ GO Subseries 1994H-3 0.85%, 07/01/03	2,600	2,600	▶▶ New York City, New York IDA Civic Facility RB (Jewish Board of Family Services Project) 1.00%, 07/07/03	15,820	15,820
GO Subseries 1994H-3 0.85%, 07/01/03	3,500	3,500	RB (Allway Tools, Inc. Project) 1.05%, 07/07/03	1,635	1,635
GO Subseries A-7 0.85%, 07/01/03	200	200	▶ RB TOBP (PT-459) 1.01%, 07/07/03	4,065	4,065
▶ GO Subseries A-8 0.90%, 07/07/03	6,700	6,700	Special Facility RB (Korean Airlines Co. Project) Series 1997A 0.90%, 07/07/03	7,400	7,400
GO Subseries C-2 0.90%, 07/07/03	5,000	5,000			
GO Subseries C-3 0.90%, 07/07/03	15,000	15,000			
GO Subseries C-4 0.90%, 07/07/03	9,900	9,900			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
New York City Municipal Water Finance Authority, New York			+■ RB (Future Tax Secured)		
■ RB TOBP (PA-1109) 1.00%, 07/01/03	7,495	7,495	Series 2001C 0.95%, 07/07/03	2,000	2,000
+ TECP Series 5 0.95%, 09/08/03	15,000	15,000	■ RB Subseries 2002-2A 0.95%, 07/01/03	10,000	10,000
▶ TECP Series 6 1.00%, 07/17/03	17,900	17,900	■ RB Subseries 2D 0.95%, 07/07/03	2,500	2,500
0.95%, 09/02/03	25,000	25,000	+■ RB TOB Series 2000A 1.01%, 07/07/03	15,720	15,720
+■ Water & Sewer System RB 0.98%, 07/07/03	4,995	4,995	■ RB TOBP (PA-917) 1.07%, 07/07/03	14,545	14,545
■ Water & Sewer System RB Series C 0.95%, 07/01/03	200	200	■ TOBP (PT-1724) 1.01%, 07/01/03	6,000	6,000
+■ Water & Sewer System RB Series 1994G 0.85%, 07/01/03	1,350	1,350	+■ New York City, New York Trust for Cultural Resources		
■ Water & Sewer System RB Series 2002C-2 0.88%, 07/07/03	5,200	5,200	RB (American Museum of Natural History Project) Series 1999B 1.60%, 07/01/03	13,360	13,360
■ Water & Sewer System RB Sub-Series 2003C-3 0.85%, 07/01/03	3,300	3,300	+ New York Metropolitan Transportation Authority		
■ Water & Sewer Systems RB Series 2003F Subseries F-1 0.97%, 07/07/03	20,000	20,000	■ RB (Dedicated Tax Fund) Series 2002B 0.95%, 07/07/03	9,000	9,000
+■ Water & Sewer System RB TOBP (PA-1054) 1.00%, 07/07/03	10,000	10,000	■ RB TOB Series 724X 1.00%, 07/07/03	22,000	22,000
+■ Water & Sewer System RB TOBP (PA-523) Series 1999B 0.98%, 07/07/03	4,735	4,735	■ RB TOBP (PA-1031-R) 1.15%, 08/21/03	19,995	19,995
■ Water & Sewer System RB TOBP (PA-838) 1.02%, 07/07/03	4,995	4,995	■ Revenue Refunding Bond Series 2002G-2 0.96%, 07/07/03	5,000	5,000
New York City Transitional Finance Authority, New York			■ Revenue Refunding Bond Series 2002D-1 0.90%, 07/07/03	9,600	9,600
BAN Series 1 1.63%, 11/06/03	25,000	25,075	■ Revenue Refunding Bond Series 2002G-1 0.96%, 07/07/03	4,725	4,725
BAN Series 2 0.95%, 02/19/04	8,525	8,581	■ Service Contract TOB Series 678 1.00%, 07/07/03	19,000	19,000
1.07%, 02/19/04	25,000	25,147	Transportation Facilities RB (Service Contract) Series 1993P 1.15%, 07/01/03	4,000	4,060
1.10%, 02/19/04	40,000	40,226	TECP 1.10%, 09/10/03	18,500	18,500
Future Secured Tax Revenue Refunding Bond Series 2003A 1.45%, 11/01/03	20,210	20,347			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
	TECP Series 1-A				M/F Housing RB Series 1999A		
	0.90%, 09/09/03	25,000	25,000		0.96%, 07/07/03	17,500	17,500
	0.90%, 11/10/03	5,000	5,000		RB (101 West End Project)		
+ New York State					Series 1998		
	Environmental Quality GO				0.90%, 07/07/03	10,600	10,600
	Series 1998G				RB (101 West End Project)		
	1.48%, 10/02/03	14,300	14,300		Series 1999		
■ GO Series A					0.90%, 07/07/03	1,600	1,600
	1.50%, 10/09/03	16,200	16,200		RB (150 East 44th Street		
+■ New York State Dormitory					Project) Series 2000A		
Authority					0.90%, 07/07/03	43,500	43,500
	RB (New York Foundling				RB (345 East 94th Street		
	Charitable Corp. Project)				Housing Project)		
	0.96%, 07/07/03	4,355	4,355		0.90%, 07/07/03	3,800	3,800
▶ RB Putters Series 107					RB (350 West 43rd Street		
	1.20%, 09/04/03	11,625	11,625		Housing Project)		
▶ RB TOB Series 15					Series 2002A		
	0.90%, 12/17/03	27,030	27,030		0.98%, 07/07/03	14,000	14,000
▶ RB TOB Series 2001D					RB (66 West 38th Street		
	1.00%, 07/07/03	2,900	2,900		Project) Series A		
▶ TOB					1.00%, 07/07/03	11,400	11,400
	1.01%, 07/07/03	12,375	12,375		RB (70 Battery Place Project)		
▶ TOBP (PT-797) Series 2003A					Series 1999A		
	0.98%, 07/07/03	7,295	7,295		0.96%, 07/07/03	10,100	10,100
+■ New York State Energy					RB (Chelsea Arms Housing		
Research & Development Authority					Project) Series 1998A		
	Gas Facilities RB TOB				0.95%, 07/07/03	18,000	18,000
	Series 379				RB (East 84th Street Housing		
	1.00%, 07/07/03	14,125	14,125		Project) Series 1995A		
	TOB (Eagle Trust)				1.15%, 07/07/03	4,000	4,000
	Series 1994A				RB (Tribeca Landing)		
	1.01%, 07/07/03	14,850	14,850		Series 1997A		
■ New York State Environmental					1.00%, 07/07/03	4,500	4,500
Facilities Corp.					RB (Tribeca Park) Series 1997A		
	Environmental Pollution Control				0.95%, 07/07/03	13,000	13,000
	RB TOB Series 1994D				RB (Union Square South		
	1.01%, 07/07/03	17,050	17,050		Housing Project)		
	TOB (Eagle Trust)				1.00%, 07/07/03	9,000	9,000
	Series 1994A				RB (West 20th Street Project)		
	1.01%, 07/07/03	24,225	24,225		Series 2001A		
+■ New York State HFA					1.05%, 07/07/03	30,600	30,600
	Housing RB (345 East 94th				RB (West 38th Street Project)		
	Street Housing Project)				Series 2001A		
	0.90%, 07/07/03	26,165	26,165		1.00%, 07/07/03	5,200	5,200
	Housing RB (Worth Street				RB Series 1997A		
	Housing Project) Series A				1.00%, 07/07/03	20,000	20,000
	1.15%, 07/07/03	10,000	10,000				

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Service Contract Revenue Refunding Bond Series 2003B 0.90%, 07/07/03	10,000	10,000	RB TOBP (PA-627R) 1.01%, 07/07/03	13,995	13,995
Service Contract Revenue Refunding Bond Series 2003D 0.90%, 07/07/03	15,000	15,000	RB TOBP (PT-289) 1.15%, 07/07/03	5,465	5,465
Service Contract Revenue Refunding Bond Series 2003E 0.90%, 07/07/03	5,000	5,000	TOB Series 1999F 1.00%, 07/07/03	24,795	24,795
Service Contract Revenue Refunding Bond Series 2003G 1.05%, 07/07/03	10,000	10,000	■ New York State Power Authority RB Series 5 0.95%, 07/07/03	8,400	8,400
Service Contract Revenue Refunding Bond Series 2003I 1.05%, 07/07/03	12,500	12,500	■ New York State Thruway Authority General Revenue BAN Series 2003A 1.10%, 04/20/04	30,000	30,006
■ New York State Local Government Assistance Corp. RB Series 1993A 0.90%, 07/07/03	6,600	6,600	■ General Revenue TOB Series 456 1.00%, 07/07/03	6,995	6,995
RB Series 1994B 0.90%, 07/07/03	17,100	17,100	➔ ■ RB TOBP (Second General Highway & Bridge Trust Fund) (PT-777) 0.98%, 07/07/03	10,000	10,000
RB Series 1995D 0.90%, 07/07/03	7,500	7,500	■ Service Contract RB (Roc-R-142) Series II 1.01%, 07/07/03	4,995	4,995
RB Series 1995G 0.85%, 07/07/03	8,800	8,800	■ North Syracuse, New York Central School District BAN Series 2003 0.95%, 06/18/04	29,200	29,423
▶ Revenue Refunding Bond Series 2003A-5V 0.92%, 07/07/03	10,000	10,000	■ Port Authority of New York & New Jersey BAN Series 2003VV 1.12%, 12/15/03	35,000	35,004
▶ Revenue Refunding Bond Series 2003A-7V 0.90%, 07/07/03	5,000	5,000	➔ ■ Special Obligation RB TOB Series 2000B5 1.08%, 07/07/03	1,485	1,485
▶ TOB 1.01%, 07/07/03	9,900	9,900	➔ ■ Schenectady, New York IDRB (Fortitech Holding Corp. Project) Series 1995A 1.10%, 07/07/03	900	900
▶ TOB Series 2000-23 1.01%, 07/07/03	20,965	20,965	■ Sherburne Earlville, New York Central School District BAN Series 2002 1.52%, 09/18/03	5,978	5,989
■ New York State Mortgage Agency RB TOB Series 1999Z 1.00%, 07/07/03	8,765	8,765	■ Suffolk County, New York TAN 1.05%, 08/14/03	5,000	5,003
RB TOB Series 2000B3 1.09%, 07/07/03	790	790	1.50%, 09/09/03	8,300	8,316
RB TOBP (PA-153C) 1.01%, 07/07/03	4,640	4,640			

Portfolio Holdings continued

Issuer	Face Value	Mkt. Value	Issuer	Face Value	Mkt. Value
Security Type, Project, Series, Rate, Maturity Date	(\$ x 1,000)	(\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	(\$ x 1,000)	(\$ x 1,000)
■ Suffolk County, New York Water Authority			■ Yonkers, New York Civic Facilities		
BAN 2003			IDRB (Consumers Union Facility Project) Series 1989		
0.90%, 07/07/03	10,000	10,000	1.05%, 07/07/03	1,300	1,300
■ Tompkins County, New York Industrial Development Agency			IDRB (Consumers Union Facility Project) Series 1991		
RB (Civic Facility Cornell) Series 2002A			1.05%, 07/07/03	700	700
0.95%, 07/07/03	6,525	6,525	■ IDRB (Consumers Union Facility Project) Series 1994		
RB (Civic Facility Cornell) Series 2002B			1.05%, 07/07/03	1,740	1,740
0.95%, 07/07/03	7,000	7,000			1,735,148
■ Triborough, Bridge & Tunnel Authority, New York			Puerto Rico 1.6%		
RB Putters Series 293			Government Development Bank of Puerto Rico		
1.00%, 07/07/03	9,995	9,995	TECP		
RB Series 194			1.00%, 08/07/03	19,000	19,000
1.01%, 07/07/03	9,995	9,995	■ Puerto Rico Housing Finance Corporation		
RB TOB Series 2002-14			RB TOB Series J		
1.01%, 07/07/03	20,000	20,000	1.20%, 04/01/04	9,900	9,900
+ Revenue Refunding Bond Series 2002C					28,900
0.85%, 07/07/03	10,000	10,000			
+ Special Obligation RB Series C					
0.90%, 07/07/03	13,200	13,200			
+ Special Obligation Refunding Bond Series 2000A					
0.90%, 07/07/03	8,550	8,550			
TOBP (PA-1070)					
1.00%, 07/07/03	14,000	14,000			
Ulster County, New York					
BAN 2003					
1.00%, 06/11/04	6,500	6,546			
West Genesee Central, New York School District					
BAN 2002					
1.60%, 07/11/03	13,935	13,939			
+ Westchester County, New York IDA					
IDRB (Levister Redevelopment Co., LLC) Series B					
0.90%, 07/07/03	6,000	6,000			

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$1,764,048
Cash	19,997
Receivables:	
Fund shares sold	1,455
Interest	5,329
Investments sold	3,000
Prepaid expenses	+ 21
Total assets	1,793,850

The amortized cost for the fund's securities was \$1,764,048. During the reporting period, the fund had \$224,410 in transactions with other SchwabFunds®.

Liabilities

Payables:	
Fund shares redeemed	3,068
Dividends to shareholders	330
Investments bought	8,490
Investment adviser and administrator fees	33
Transfer agent and shareholder service fees	52
Accrued expenses	+ 98
Total liabilities	12,071

Net Assets

Total assets	1,793,850
Total liabilities	- 12,071
Net assets	\$1,781,779

Net Assets by Source

Capital received from investors	1,781,798
Net realized capital losses	(19)

Net Assets by Share Class

Share Class	Net Assets	+	Shares Outstanding	=	NAV
Sweep Shares	\$1,047,748		1,047,837		\$1.00
Value Advantage Shares	\$734,031		734,024		\$1.00

Federal Tax Data

Cost basis of portfolio \$1,764,048

As of December 31, 2002:

Unused capital losses:

Expires 12/31 of:	Loss amount:
2008	\$58
2009	+ 43

\$101

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$10,403****Net Realized Gains and Losses**

Net realized gains on investments sold 98

Expenses

Investment adviser and administrator fees 3,144

Transfer agent and shareholder service fees:

Sweep Shares 2,225

Value Advantage Shares 795

Trustees' fees 17

Custodian and portfolio accounting fees 82

Professional fees 14

Registration fees 24

Shareholder reports 35

Other expenses + 10

Total expenses 6,346

Expense reduction - 1,308

Net expenses 5,038**Increase in Net Assets from Operations****Total investment income 10,403****Net expenses - 5,038****Net investment income 5,365****Net realized gains + 98****Increase in net assets from operations \$5,463**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

Transfer Agent Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05

Shareholder Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17

For the fund's independent trustees only.

Includes \$1,272 from the investment adviser (CSIM) and \$36 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the annual operating expenses of this fund through at least April 30, 2004, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.69
Value Advantage Shares	0.45

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

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$5,365	\$14,200
Net realized gains	+ 98	198
Increase in net assets from operations	5,463	14,398

Distributions Paid

Dividends from net investment income		
Sweep Shares	2,599	7,395
Value Advantage Shares	+ 2,766	6,805
Total dividends from net investment income	5,365	14,200

Transactions in Fund Shares**Shares Sold**

Sweep Shares	1,595,693	2,917,032
Value Advantage Shares	+ 412,572	691,543
Total shares sold	2,008,265	3,608,575

Shares Reinvested

Sweep Shares	2,413	7,250
Value Advantage Shares	+ 2,433	6,470
Total shares reinvested	4,846	13,720

Shares Redeemed

Sweep Shares	(1,493,981)	(2,869,694)
Value Advantage Shares	+ (357,184)	(625,673)
Total shares redeemed	(1,851,165)	(3,495,367)

Net transactions in fund shares

161,946	126,928
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Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents shares sold plus shares reinvested, minus shares redeemed.

Net Assets

Beginning of period	1,619,735	1,492,609
Total increase	+ 162,044	127,126
End of period	\$1,781,779	\$1,619,735

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Statements

Schwab New Jersey Municipal Money Fund

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	2/2/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ²	0.01	0.02	0.03	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ²	(0.01)	(0.02)	(0.03)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.27 ³	0.84	2.13	3.38	2.58	2.60 ³
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.65 ⁴	0.65 ⁵	0.65	0.65 ⁶	0.65	0.65 ⁴
Ratio of gross operating expenses to average net assets	0.86 ⁴	0.88 ⁵	0.90	0.92 ⁶	0.94	1.13 ⁴
Ratio of net investment income to average net assets	0.53 ⁴	0.83	2.08	3.35	2.60	2.75 ⁴
Net assets, end of period (\$ x 1,000,000)	489	425	382	321	206	98

* Unaudited.

¹ Commencement of operations.

² Per-share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized.

⁵ The ratios of net and gross operating expenses would have been 0.66% and 0.89%, respectively, if certain non-routine expenses (taxes) had been included.

⁶ The ratios of net and gross operating expenses would have been 0.66% and 0.93%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
100.0% Municipal Securities	467,283	467,283
100.0% Total Investments	467,283	467,283

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Municipal Securities 100.0% of investments

New Jersey 99.7%**✦▷■ Delaware River Port Authority**

RB TOBP (PA-606) 1.01%, 07/07/03	14,050	14,050
RB TOBP (PA-611) 1.01%, 07/07/03	1,695	1,695

Delran Township, New Jersey

BAN 1.10%, 01/14/04	2,842	2,852
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**East Brunswick Township,
New Jersey**

BAN 1.10%, 02/27/04	8,000	8,048
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Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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✦▷■ Essex County, New Jersey

Improvement Authority Lease Revenue TOBP (PA-648) 0.97%, 07/07/03	5,995	5,995
RB (County Asset Sale Project) Series 1995 0.95%, 07/07/03	1,000	1,000

✦■ Monmouth County, New Jersey

Improvement Authority RB (Pooled Government Loan Program) 0.83%, 07/07/03	12,085	12,085
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✦ New Jersey Economic

Development Authority Market Transition Facility Sr. Lien RB Series 1994A 0.87%, 07/01/03	5,000	5,000
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■ Natural Gas Facilities RB TOB (Nui Corp. Project) Series 161 1.01%, 07/07/03	1,525	1,525
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■ RB (500 International Partners Project) 0.95%, 07/07/03	5,800	5,800
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■ RB (Catholic Community Services Project) 0.95%, 07/07/03	4,910	4,910
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■ RB (Geriatric Services Housing Corp. Project) 0.95%, 07/07/03	10,475	10,475
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■ RB (Golf Holdings, LLC) Series 2001A 0.95%, 07/07/03	22,000	22,000
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■ RB (Graphic Management, Inc. Project) 0.95%, 07/07/03	5,245	5,245
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■ RB (Hamilton Industrial Development Project) Series 1998 1.10%, 07/07/03	6,220	6,220
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■ RB (Jewish Home Rockleigh Project) Series 1998A 1.27%, 07/07/03	4,900	4,900
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■ RB (Job Haines Home Project) 1.00%, 07/07/03	3,700	3,700
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■ RB (St. James Prep & Social Service Project) Series 1998 1.00%, 07/07/03	3,240	3,240
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Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
■ RB (Stone Brothers Secaucus Project) 1.03%, 07/07/03	1,860	1,860	RB (Princeton Medical Center Project) Series 1999A-3 0.95%, 07/07/03	2,100	2,100
■ RB (Toys R Us, Inc. Project) Series 1984 1.35%, 07/30/03	3,000	3,000	RB (Robert Wood Johnson) Series 2003A-3 0.95%, 07/07/03	2,500	2,500
■ RB (Wechsler Coffee Corp. Project) Series 1998 1.15%, 07/07/03	870	870	RB (St. Joseph's) Series 2003A-6 0.95%, 07/07/03	3,250	3,250
▶■ RB TOBP (PT-779) 0.97%, 07/07/03	9,995	9,995	RB Series 2001A1 0.90%, 07/07/03	6,300	6,300
▶■ Revenue Refunding Bond (Airis Newark, LLC Project) 0.95%, 07/07/03	3,800	3,800	RB Series 2001A3 0.90%, 07/07/03	7,000	7,000
■ Revenue Refunding Bond (Plaza Park Project) 1.10%, 07/07/03	3,615	3,615	▶ RB TOBP (PA-504) 0.97%, 07/07/03	11,630	11,630
■ Special Facility RB (Port Newark Container, LLC) 1.03%, 07/07/03	14,300	14,300	Revenue Refunding Bond (Christian Health Project) Series 1998B 0.94%, 07/07/03	9,400	9,400
TECP (Chambers Cogen) 0.90%, 09/10/03	10,300	10,300	▶▶■ New Jersey Sports & Exposition Authority		
TECP (Keystone) 0.90%, 09/09/03	3,600	3,600	RB (State Contract) Series 2002B-1 0.90%, 07/07/03	4,675	4,675
■ Thermal Energy Facilities RB (Marina Energy, LLC Project) Series 2001A 0.95%, 07/07/03	7,100	7,100	RB Series 1992C 0.90%, 07/07/03	3,500	3,500
■ Thermal Energy Facilities RB (Thermal Energy, Ltd. Partnership I Project) Series 1997 1.10%, 07/07/03	4,600	4,600	New Jersey State Educational Facilities Authority		
▶■ New Jersey Health Care Facilities Financing Authority			▶■ RB (Caldwell College) Series 2000B 1.00%, 07/07/03	2,300	2,300
RB (Community Hospital Group) Series 2003A-1 0.95%, 07/07/03	1,500	1,500	RB (Higher Education Equipment Leasing Fund) Series 2001A 1.02%, 09/01/03	3,300	3,316
RB (Matheny School Hospital) Series 2003A-2 0.95%, 07/07/03	1,750	1,750	▶▶■ TOB Series II-R 213 0.98%, 07/07/03	8,610	8,610
RB (Meridian Health System) Series 2003A 0.90%, 07/07/03	5,000	5,000	▶▶■ New Jersey State Housing & Mortgage Finance Agency		
RB (Meridian Health System) Series 2003B 1.00%, 07/07/03	3,000	3,000	TOB PT-635 1.00%, 07/07/03	4,305	4,305
			RB TOBP (PT-285) 1.25%, 07/17/03	645	645
			RB TOBP (PT-287) 1.00%, 07/01/03	1,000	1,000
			▶ RB (Home Buyer Project) Series EE 1.10%, 04/01/04	7,430	7,430

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+► New Jersey State Transit Corp.			+ RB (119th Series)		
TOB (Certificates)			1.55%, 09/15/03	2,975	2,996
Series 2000- 148			RB Series 2003UU		
0.95%, 07/07/03	500	500	1.04%, 10/15/03	12,000	12,033
+ New Jersey State Transportation Trust Fund Authority			+► Special Obligation RB TOB		
► TOB Series 203			Series 2000B5		
0.98%, 07/07/03	4,895	4,895	1.08%, 07/07/03	800	800
TOB Series 2000C			+ TECP		
0.98%, 07/07/03	11,495	11,495	1.05%, 08/11/03	7,000	7,000
► TOB Series II-R 221			0.90%, 09/08/03	2,000	2,000
0.98%, 07/07/03	4,995	4,995	+► TOB Series 153		
+ New Jersey State Turnpike Authority			1.00%, 07/07/03	370	370
RB Series 1991D			+► TOB Series 693		
0.90%, 07/07/03	2,000	2,000	1.01%, 07/07/03	7,000	7,000
► RB TOB (2000-3002)			+ TOBP (PA-518)		
0.98%, 07/07/03	8,000	8,000	1.10%, 04/08/04	6,795	6,795
► RB TOBP (PA-719)			Princeton Borough, New Jersey		
1.01%, 07/07/03	3,665	3,665	BAN		
► RB TOBP (PT-747)			0.90%, 06/11/04	8,214	8,260
1.06%, 07/07/03	3,595	3,595	Princeton Township, New Jersey		
► TOB (Munitops) Series 2000-6			BAN		
1.01%, 07/07/03	7,000	7,000	0.88%, 06/11/04	8,962	9,014
Newark, New Jersey			Sparta Township, New Jersey		
BAN			BAN		
1.65%, 08/01/03	7,984	7,990	1.02%, 06/04/04	6,595	6,639
1.75%, 08/01/03	3,650	3,652	+► Trenton, New Jersey Parking Authority		
1.85%, 08/01/03	6,735	6,739	Putters RB TOB Series 221		
+► North Hudson, New Jersey Sewage Authority			0.95%, 07/07/03	4,320	4,320
RB Series 2001B			+ New Jersey Improvement Authority		
0.90%, 07/07/03	11,650	11,650	RB (Cedar Glen Housing Corp.)		
+ Passaic Valley, New Jersey Sewage Commission			Series 2001A		
Sewer System RB			0.90%, 07/07/03	13,100	13,100
Series 2003F			+► University Medicine & Dentistry of New Jersey		
1.15%, 12/01/03	4,470	4,505	RB Series 2002B		
Port Authority of New York & New Jersey			0.98%, 07/07/03	7,000	7,000
BAN Series 2003VV			Woodbridge Township, New Jersey		
1.03%, 12/15/03	2,400	2,401	BAN		
1.12%, 12/15/03	15,000	15,002	1.52%, 07/08/03	7,000	7,001
					465,703

Portfolio Holdings continued

Issuer

Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Puerto Rico 0.3%**▶▶ Puerto Rico Commonwealth**

Public Improvement TOB Series 2001R 1.00%, 07/07/03	635	635
Public Improvement TOB Series 3 0.98%, 07/07/03	200	200

▶▶ Puerto Rico Housing Finance

Corp. RB TOB Series R 1.00%, 07/07/03	745	745
		1,580

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

Statement of

Assets and liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$467,283
Cash	9,607
Receivables:	
Interest receivable	1,632
Investments sold	11,041
Prepaid expenses	+ 10
Total assets	489,573

The amortized cost for the fund's securities was \$467,283. During the reporting period, the fund had \$288,300 in transactions with other SchwabFunds®.

Liabilities

Payables:	
Dividends to shareholders	75
Investment adviser and administrator fees	7
Transfer agent and shareholder service fees	18
Accrued expenses	+ 32
Total liabilities	132

Net Assets

Total assets	489,573
Total liabilities	- 132
Net assets	\$489,441

Net Assets by Source

Capital received from investors	489,432
Net realized capital gains	9

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$489,441		489,172		\$1.00

Federal Tax Data

Cost basis of portfolio	\$467,283
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Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$2,715****Net Realized Gains and Losses**

Net realized gains on investments sold 9

Expenses

Investment adviser and administrator fees 871

Transfer agent and shareholder service fees 1,032

Trustees' fees 14

Custodian and portfolio accounting fees 19

Professional fees 10

Registration fees 10

Shareholder reports 9

Other expenses + 6

Total expenses 1,971

Expense reduction - 480

Net expenses 1,491**Increase in Net Assets from Operations****Total investment income 2,715****Net expenses - 1,491****Net investment income 1,224****Net realized gains + 9****Increase in net assets from operations \$1,233**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$1,224	\$3,334
Net realized gains	+ 9	339
Increase in net assets from operations	1,233	3,673

Distributions Paid

Dividends from net investment income	1,224	3,348
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Transactions in Fund Shares

Shares sold	601,826	1,159,279
Shares reinvested	1,136	3,302
Shares redeemed	+ (538,333)	(1,120,441)
Net transactions in fund shares	64,629	42,140

Net Assets

Beginning of period	424,803	382,338
Total increase	+ 64,638	42,465
End of period	\$489,441	\$424,803

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Statements

Schwab Pennsylvania Municipal Money Fund

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	2/2/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ²	0.01	0.02	0.04	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ²	(0.01)	(0.02)	(0.04)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.30 ³	0.87	2.20	3.57	2.71	2.72 ³
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.65 ⁴	0.65	0.65	0.65 ⁵	0.65	0.65 ⁴
Ratio of gross operating expenses to average net assets	0.87 ⁴	0.89	0.92	0.92 ⁵	0.94	1.16 ⁴
Ratio of net investment income to average net assets	0.61 ⁴	0.87	2.14	3.52	2.68	2.85 ⁴
Net assets, end of period (\$ x 1,000,000)	316	301	292	225	164	122

* Unaudited.

¹ Commencement of operations.

² Per-share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized.

⁵ The ratios of net and gross operating expenses would have been 0.66% and 0.93%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
100.0% Municipal Securities	315,577	315,577
100.0% Total Investments	315,577	315,577

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Municipal Securities 100.0% of investments

Pennsylvania 95.6%

✦■ Allegheny County, Pennsylvania IDA RB (Saureisen Project) 1.30%, 07/07/03	1,200	1,200
▷ RB TOB MERLOTS 2002-A48 1.08%, 07/07/03	14,495	14,495
✦■ Berks County, Pennsylvania IDA RB (Beacon Container Project) 1.20%, 07/07/03	1,420	1,420
✦■ Blair County, Pennsylvania IDA RB (Village of Penn State Project) Series 2002C 0.97%, 07/07/03	5,000	5,000

✦■ Bucks County, Pennsylvania IDA RB (Klearfold Project) 1.30%, 07/07/03	4,000	4,000
✦■ Cambria County, Pennsylvania IDRB Resource Recovery (Cambria Cogen Co. Project) 1.05%, 07/07/03	15,250	15,250
✦■ Chester County, Pennsylvania Health & Education Facilities Authority RB (Simpson Meadows Project) 1.00%, 07/07/03	3,000	3,000
✦■ Clarion County, Pennsylvania IDA IDRB Energy Development (Piney Creek Project) 0.98%, 07/07/03	16,000	16,000
✦■ Delaware County, Pennsylvania Authority Hospital RB (Crozer Chester Medical Center) 1.00%, 07/07/03	5,000	5,000
✦■ Delaware County, Pennsylvania IDA RB (YMCA of Philadelphia Project) Series 1999 1.10%, 07/07/03	2,565	2,565
✦■ Delaware Valley, Pennsylvania Regional Finance Authority Local Government RB TOB Series 2002E 1.04%, 07/07/03	4,555	4,555
✦■ Erie County, Pennsylvania School District GO Series 2001 TOB 2001-5 1.10%, 10/08/03	16,800	16,800
✦■ Harrisburg, Pennsylvania Authority RB Series 2002B 1.25%, 07/07/03	2,500	2,500
✦■ Lancaster County, Pennsylvania Hospital Authority Health Center RB (Brethren Village Project) 1.05%, 07/07/03	1,300	1,300

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+► Mercer County, Pennsylvania	GO TOB (Munitops Certificates) Unlimited Series 2001-18 1.04%, 07/07/03	3,600	3,600	+■ GO (Macon Trust Receipts)	Series 2001F 1.06%, 07/07/03	3,575	3,575
+■ Montgomery County, Pennsylvania Higher Education & Health Authority	RB (Madlyn & Leonard Abramson Project) 1.00%, 07/07/03	3,200	3,200	+► TOB Series 1997C	1.05%, 07/07/03	11,870	11,870
+ Montgomery County, Pennsylvania IDA	■ Environmental Facilities RB (Lonza, Inc. Project) 1.09%, 07/07/03	7,000	7,000	+► TOBP (PA-1035R)	0.90%, 12/18/03	4,995	4,995
	TECP Exelon 1.10%, 07/03/03	10,000	10,000	+■ TOBP (PA-1131)	0.99%, 07/07/03	10,000	10,000
	TECP PECO Energy 1.05%, 08/18/03	5,400	5,400	+► Pennsylvania Convention Center Authority	RB TOBP (PT-1224) 0.99%, 07/07/03	3,345	3,345
+■ Montgomery County, Pennsylvania Redevelopment Authority	M/F Housing RB (Brookside Manor Apartments) Series 2001A 0.85%, 07/07/03	1,300	1,300	■ Pennsylvania Economic Development Finance Authority			
+ Northampton County, Pennsylvania Higher Education Authority	RB (Lehigh University) 0.82%, 08/15/03	1,500	1,509	+ Exempt Facilities RB (AMTRAK Project) Series 2001B	1.00%, 07/07/03	9,900	9,900
+► Northampton County, Pennsylvania General Purpose Authority	RB TOB Series 2002-2 1.13%, 12/03/03	3,000	3,000	Exempt Facilities RB (Merck & Company Project) Series 2000	1.05%, 07/07/03	5,000	5,000
+► Norwin Pennsylvania School District	GO TOB (Munitops Certificates) Series 2001-12 1.15%, 12/03/03	8,710	8,710	+ Exempt Facilities RB (Reliant Energy Seward Project) Series 2001A	1.03%, 07/07/03	7,900	7,900
	Pennsylvania State			+■ Exempt Facilities RB (Reliant Energy Seward, LLC Project) Series 2002B	1.15%, 07/07/03	6,000	6,000
	GO Series 2003 0.92%, 07/01/04	4,990	5,242	RB (Merck & Co., Inc. West Point Project) 1.05%, 07/07/03	11,700	11,700	
				+■ Pennsylvania Energy Development Authority			
				RB (B&W Ebensburg Project) 0.98%, 07/07/03	8,100	8,100	
				Pennsylvania HFA			
				■ RB TOB Series 1998Y 1.20%, 09/25/03	7,400	7,400	
				Residential Development Revenue Refunding Bond 1.25%, 07/01/03	1,375	1,375	
				■ S/F Mortgage RB TOBP (PT-278) Series 1999-66A 0.90%, 12/18/03	10,340	10,340	

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
■ S/F Mortgage RB TOBP (PT-119A) Series 1997 0.99%, 07/07/03	3,965	3,965	Temple University of the Commonwealth System of Higher Education, Pennsylvania RB (University Funding Obligation) 1.20%, 05/04/04	7,100	7,100
■ S/F Mortgage TOBP (P-1055) 1.03%, 07/07/03	3,600	3,600	✦ Trinity, Pennsylvania Area School District Revenue Refunding GO Series 1993A 1.10%, 11/01/03	500	506
■ TOB (PA-989R) 1.03%, 07/07/03	5,600	5,600	✦ ■ West Cornwall Township, Pennsylvania Municipal Authority RB (Lebanon Valley Brethren Project) 1.05%, 07/07/03	1,520	1,520
■ TOB (Regulation D) Series L10 1.15%, 07/07/03	6,000	6,000			
▶ TOB Series 1999U 1.20%, 08/14/03	4,895	4,895			
Pennsylvania Higher Education Assistance Agency RB (Trustees of University of Pennsylvania) Series B 1.46%, 09/01/03	2,000	2,017			
✦ ■ Student Loan RB Series 2000A 1.05%, 07/07/03	4,200	4,200			
✦ ■ Student Loan RB Series 2001A 1.05%, 07/07/03	7,800	7,800			
■ Pennsylvania State University RB Series 2002A 1.00%, 07/07/03	1,300	1,300	Puerto Rico 4.4% Government Development Bank of Puerto Rico TECP 1.00%, 08/07/03	3,500	3,500
✦ ■ Philadelphia Authority for Industrial Development, Pennsylvania IDRB TOBP (1998PZ) (Philadelphia Airport) Series 1998A 1.68%, 07/10/03	5,000	5,000	1.00%, 08/15/03	6,500	6,500
✦ Philadelphia School District, Pennsylvania Revenue Refunding Bond Series 1999D 0.87%, 03/01/04	1,000	1,028	0.90%, 09/19/03	4,000	4,000
✦ ■ Spring Ford, Pennsylvania Area School District TOB Series 247 1.01%, 07/07/03	3,500	3,500			14,000

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$315,577
Cash	45
Interest receivable	792
Prepaid expenses	+ 19
Total assets	316,433

Liabilities

Payables:	
Dividends to shareholders	58
Investment adviser and administrator fees	4
Transfer agent and shareholder service fees	12
Accrued expenses	+ 27
Total liabilities	101

Net Assets

Total assets	316,433
Total liabilities	- 101
Net assets	\$316,332

Net Assets by Source

Capital received from investors	316,332
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Net Asset Value (NAV)

Net Assets	+	Shares	=	NAV
\$316,332		316,346		\$1.00

The amortized cost for the fund's securities was \$315,577. During the reporting period, the fund had \$409,290 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio	\$315,577
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Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$1,960****Expenses**Investment adviser and administrator fees 590Transfer agent and shareholder service fees 699Trustees' fees 16Custodian and portfolio accounting fees 16Professional fees 11Registration fees 8Shareholder reports 7Other expenses + 7Total expenses 1,354Expense reduction - 344**Net expenses** **1,010****Increase in Net Assets from Operations****Total investment income** 1,960**Net expenses** - 1,010**Net investment income** **950****Increase in net assets from operations** **\$950**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$950	\$2,481
Net realized gains	+	-
	-	27
Increase in net assets from operations	950	2,508

Distributions Paid

Dividends from net investment income	950	2,485
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Transactions in Fund Shares

Shares sold	466,220	836,701
Shares reinvested	879	2,427
Shares redeemed	+	(829,555)
	(451,968)	(829,555)
Net transactions in fund shares	15,131	9,573

Net Assets

Beginning of period	301,201	291,605
Total increase	+	9,596
	15,131	9,596
End of period	\$316,332	\$301,201

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Statements

Schwab Florida Municipal Money Fund

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	3/18/98*– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ²	0.01	0.02	0.04	0.03	0.02
Less distributions:						
Dividends from net investment income	(0.00) ²	(0.01)	(0.02)	(0.04)	(0.03)	(0.02)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.29 ³	0.96	2.32	3.62	2.78	2.37 ³
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.61 ⁴	0.59	0.59	0.59 ⁵	0.59	0.59 ⁴
Ratio of gross operating expenses to average net assets	0.85 ⁴	0.87	0.87	0.88 ⁵	0.92	1.00 ⁴
Ratio of net investment income to average net assets	0.59 ⁴	0.95	2.30	3.56	2.75	2.95 ⁴
Net assets, end of period (\$ x 1,000,000)	1,016	1,785	1,518	1,435	1,215	1,016

* Unaudited.

¹ Commencement of operations.

² Per-share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized.

⁵ The ratios of net and gross operating expenses would have been 0.60% and 0.89%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
100.0% Municipal Securities	1,055,035	1,055,035
100.0% Total Investments	1,055,035	1,055,035

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Municipal Securities 100.0% of investments

California 4.9%

✦ **California Higher Education Loan Authority**

Revenue Refunding Bond (Student Loan) Series 1987C-1 1.65%, 07/01/03	10,000	10,000
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▷ **California State**

GO TECP 1.05%, 08/07/03	16,000	16,000
1.10%, 08/07/03	1,000	1,000
1.15%, 08/12/03	25,000	25,000

52,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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District of Columbia 1.2%

▷ **Metropolitan Washington, D.C.**

Airport Authority TECP 1.10%, 07/10/03	13,000	13,000
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Florida 79.6%

✦■ **Alachua County, Florida Health**

Facilities Authority RB (Oak Hammock University of Florida Project) Series 2002A 1.00%, 07/01/03	2,400	2,400
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✦■ **Brevard County, Florida HFA**

M/F Housing Revenue Refunding Bond (Shore View Apartment Project) 1.00%, 07/07/03	1,900	1,900
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✦■ **Broward County, Florida Educational Facilities Authority**

RB (Nova SouthEastern) Series 2000A 1.00%, 07/07/03	5,500	5,500
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✦■ **Broward County, Florida HFA**

M/F Housing Revenue Refunding Bond (Island Club Apartments Project) Series 2001A 1.08%, 07/07/03	100	100
▷ S/F Mortgage RB TOBP (PT-589) 1.08%, 07/07/03	2,615	2,615

Broward County, Florida School District

Refunding GO 1.10%, 02/15/04	9,625	9,857
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✦■ **Charlotte County, Florida HFA**

M/F Housing RB (Murdoch Circle Apartments Project) 1.13%, 07/07/03	4,200	4,200
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✦■ **Clay County, Florida Utility**

System RB Series 2003A 1.00%, 07/07/03	840	840
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Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Dade County, Florida			IDRB (Sunshine State Project)		
IDRB (Dolphins Stadium Project) Series 1985C 1.00%, 07/07/03	500	500	Series 1999A-3 1.05%, 07/07/03	115	115
▶ Water & Sewer Systems RB 0.95%, 07/07/03	600	600	IDRB (Vutec Corp. Project) Series 1999A1 1.10%, 07/07/03	1,760	1,760
+▲ Dade County, Florida School District			+■ Florida Housing Finance Corp.		
Refunding GO 0.90%, 07/15/04	15,530	16,194	M/F Housing RB 1.09%, 07/07/03	6,100	6,100
■ Escambia County, Florida HFA			M/F Housing RB Series 1983J 0.97%, 07/07/03	3,270	3,270
+ S/F Mortgage RB Series 2001C 1.10%, 07/07/03	2,290	2,290	M/F Housing RB (South Pointe Project) Series 1998J 1.00%, 07/07/03	100	100
S/F Mortgage RB Series 2002B 1.15%, 09/04/03	2,725	2,725	M/F RB (Victoria Park Apartments) Series J -1 1.00%, 07/07/03	1,000	1,000
+ S/F Mortgage RB TOB Series 1997A 1.13%, 07/07/03	4,365	4,365	RB (Heron Park Project) Series 1996U 1.04%, 07/07/03	3,605	3,605
S/F Mortgage RB TOBP (PT-121) 1.08%, 07/07/03	6,100	6,100	RB (Tiffany Club Project) Series 1996P 1.03%, 07/07/03	350	350
+ S/F Mortgage RB TOBP (PT-519) 1.08%, 07/07/03	3,135	3,135	RB (Timberline Apartments) Series 1999P 1.00%, 07/07/03	835	835
+■ Eustis, Florida			▶ RB TOB Series 2000J 1.10%, 07/07/03	4,225	4,225
Multi-Purpose RB 1.00%, 07/07/03	1,010	1,010	RB TOBP (PT-471) 1.15%, 10/02/03	14,760	14,760
+ Florida Capital Projects Financial Authority			+ Florida Local Government Finance Community		
Airport RB Series 20011 1.09%, 06/01/04	3,480	3,580	TECP 1.10%, 08/05/03	8,855	8,855
+■ Florida Development Finance Corp.			1.15%, 08/08/03	2,989	2,989
IDRB (Central Farms, Ltd. Project) Series 1999A4 1.10%, 07/07/03	1,180	1,180	1.10%, 08/12/03	2,000	2,000
IDRB (Pioneer Ram Project) Series 1998A3 1.10%, 07/07/03	1,070	1,070	1.10%, 08/15/03	30,615	30,615
IDRB (Schmitt Family Project) Series 1999A2 1.10%, 07/07/03	2,125	2,125	Florida State Board of Education		
			+■ Capital Outlay Public Education		
			GO TOB Series 1998A 1.11%, 07/07/03	11,000	11,000
			+■ Capital Outlay Revenue		
			Refunding Series 2001B TOB 1.05%, 07/07/03	14,100	14,100

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■	Capital Outlay TOB Series 137 1.08%, 07/07/03	17,905	17,905	+■	Halifax, Florida Hospital Medical Center RB (Florida Health Care Plan, Inc. Project) 0.95%, 07/07/03	500	500
■	Capital Outlay TOB Series 233 1.04%, 07/07/03	6,145	6,145	+ Hillsborough County, Florida Aviation Authority			
■	Capital Outlay TOB Series 286 1.20%, 07/16/03	5,275	5,275	■	RB TOBP (PT-745) 1.11%, 07/07/03	5,495	5,495
+■	Capital Outlay TOB Series 1998E 1.05%, 07/07/03	12,280	12,280	■	TECP 1.10%, 07/24/03	35,000	35,000
■	Capital Outlay TOBP (PA-697) 1.15%, 08/14/03	16,015	16,015	■	1.10%, 08/07/03	4,000	4,000
▶	Lottery RB Series 2001B 1.44%, 07/01/03	6,030	6,030	■	1.10%, 08/13/03	2,700	2,700
+ Florida State Board of Finance Department of General Services				■	1.00%, 08/26/03	2,000	2,000
	RB (Environmental Department Preservation 2000 Project) Series 1997A			+ Hillsborough County, Florida Capital Improvement Program			
	1.10%, 07/01/03	1,700	1,700	■	RB TOB Series 222 1.04%, 07/07/03	9,230	9,230
■	RB TOB Series 317 1.04%, 07/07/03	23,090	23,090	■	TECP 1.12%, 12/18/03	31,148	31,148
+ Florida State Correctional Privatization Commission				■	1.15%, 12/18/03	9,000	9,000
	COP			■	TECP Series B 1.00%, 08/26/03	7,000	7,000
	1.08%, 08/01/03	1,565	1,569	+■	Hillsborough County, Florida Educational Facilities Authority		
+ Florida State Education System					RB (University of Tampa Project) 1.05%, 07/07/03	5,700	5,700
	University System Improvement Revenue Refunding Bond Series 2003A			+■	Hillsborough County, Florida IDA		
	0.84%, 07/01/04	5,230	5,394		Educational Facilities RB (Berkeley Preparatory School) 1.00%, 07/07/03	4,785	4,785
+■	Gainesville, Florida				RB (Independent Day School Project) 1.05%, 07/07/03	2,000	2,000
	IDRB (Exactech, Inc. Project) 1.05%, 07/07/03	3,000	3,000	+■	Jacksonville, Florida		
	IDRB (Lifesouth Community Blood Centers Project) Series 1999				Industrial Development Revenue Refunding Bond (Pavilion Associates, Ltd. Project) 0.95%, 07/07/03	600	600
	1.00%, 07/07/03	5,870	5,870				
+ Greater Orlando, Florida Aviation Authority							
■	Airport Facilities Revenue Refunding Bond Series 2002E 1.10%, 07/07/03	100	100				
	TECP 1.15%, 08/21/03	16,337	16,337				

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Jacksonville, Florida Economic Development Commission Educational Facilities RB (Espiscopal High School) 1.00%, 07/07/03	6,000	6,000	+■ Lee County, Florida IDA Educational Facilities RB (Canterbury School, Inc. Project) 1.00%, 07/07/03	6,000	6,000
RB (Bolles School Project) Series 1999A 1.00%, 07/07/03	830	830	Health Care Facilities RB (Cypress Cove Health Park Project) Series 2002B 1.05%, 07/07/03	2,850	2,850
▶ Jacksonville, Florida Electric Authority			+■ Leon County, Florida School District		
■ RB (Water & Sewer Systems) Series 2000B 0.95%, 07/07/03	150	150	Sales tax RB 1.05%, 07/01/04	5,590	5,615
■ RB TOB Series 2000FF 1.08%, 07/07/03	9,955	9,955	+■ Manatee County, Florida HFA		
■ RB TOB Series 226 1.04%, 07/07/03	5,000	5,000	M/F Housing RB (Centre Court Apartments Project) Series 2000A 1.03%, 07/07/03	3,760	3,760
Water & Sewer TECP 1.05%, 07/02/03	5,600	5,600	M/F Housing RB (Sabal Palm Harbor Project) Series 2000A 1.13%, 07/07/03	7,285	7,285
1.10%, 07/02/03	45,000	45,000	M/F Housing RB (Sabal Palm Harbor Project) Series 2000B 1.13%, 07/07/03	3,920	3,920
+■ Jacksonville, Florida Health Facilities Authority			M/F Housing Revenue Refunding Bond (Hampton McGuire Project) Series 1989A 1.00%, 07/07/03	3,635	3,635
Hospital RB Series 2003B 0.95%, 07/01/03	8,500	8,500	+■ Martin County, Florida		
Hospital RB Series 2003C 0.95%, 07/01/03	9,500	9,500	Refunding GO 0.93%, 02/01/04	1,970	1,982
RB Revenue Refunding Bond (Genesis Rehabilitation Hospital) 1.00%, 07/01/03	900	900	+■ Miami, Florida		
RB (River Garden Project) Series 1994 1.05%, 07/07/03	3,555	3,555	Refunding GO 0.83%, 07/01/04	1,760	1,780
+▶ Jacksonville, Florida Port Authority			+■ Miami, Florida HFA		
TOB 1.34%, 07/07/03	10,100	10,100	RB (Jewish Home for the Aged, Inc. Project) Series 1996 1.00%, 07/07/03	8,300	8,300
+■ Lake Shore, Florida Hospital Authority			+▶ Miami-Dade County, Florida		
Health Facilities RB (Lakeshore Hospital Project) Series 1991 1.00%, 07/07/03	3,200	3,200	IDRB (Airis Miami LLC Project) Series 1999A 0.95%, 07/07/03	11,200	11,200
+▶ Lee County, Florida Airport					
RB TOB Series 811X 1.09%, 07/07/03	4,958	4,958			

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ IDRB (Gulliver Schools Project) Series 2000 1.05%, 07/07/03	3,900	3,900	RB (Adventist Health Systems) Series 1992B 0.95%, 07/07/03	3,400	3,400
+ Miami-Dade County, Florida Aviation Authority TECP 1.05%, 07/02/03 1.10%, 07/02/03 1.02%, 08/06/03 1.10%, 09/03/03 1.15%, 09/03/03 0.95%, 09/12/03	8,066 2,007 8,641 7,500 7,500 12,500	8,066 2,007 8,641 7,500 7,500 12,500	+■ Orange County, Florida IDA IDRB (Central Florida Kidney Centers Project) 1.00%, 07/07/03 IDRB (Central Florida YMCA Project) Series 2002A 1.05%, 07/07/03 IDRB (Goodwill Industries, Inc. Project) 1.00%, 07/07/03 RB (Center For Drug Free Living Project) 1.00%, 07/07/03	5,000 5,000 5,000 6,000 9,360	5,000 5,000 5,000 6,000 9,360
+■ Miami-Dade County, Florida IDA IDRB (Airbus Service Co. Project) Series 1998A 1.15%, 07/07/03 IDRB (Arctic Partners, Ltd. Project) 1.10%, 07/07/03 IDRB (Badia Spices, Inc. Project) 1.05%, 07/07/03 IDRB (Fine Arts Lamps Project) Series 1998 1.05%, 07/07/03 RB (Belen Jesuit Preparatory School Project) Series 1999 1.00%, 07/07/03	9,040 2,440 3,575 7,240	9,040 2,440 3,575 7,240	+■ Palm Beach County, Florida IDRB (Palm Beach Day Care School Project) Series 1999 1.00%, 07/07/03 IDRB (South Florida Blood Banks Project) 1.00%, 07/07/03 RB (Complete Alcohol Rehabilitation Project) 1.00%, 07/07/03 RB (Norton Gallery Art School Project) Series 1995 1.00%, 07/07/03 RB (Raymond F. Kravis Center Project) 0.85%, 07/07/03 RB (Zoological Society, Inc. Project) 1.05%, 07/07/03 Student Housing Revenue Refunding Bond (Community College Foundation Project) 1.00%, 07/07/03	7,000 8,940 5,300 2,500 100 5,500 3,000	7,000 8,940 5,300 2,500 100 5,500 3,000
+■ Nassau County, Florida Pollution Control RB (Rayonier Project) Series 1999 0.95%, 07/07/03	7,515	7,515	+■ Palm Beach County, Florida Airport RB (Galaxy Aviation Project) Series 2000A 1.05%, 07/07/03	6,000	6,000
+■ Orange County, Florida HFA M/F Housing RB (Andover Place Apartments) 1.00%, 07/07/03 M/F Housing RB (Glenn Millenia Project) Series 2001C 1.12%, 07/07/03 M/F Housing RB (Smokewood Project) Series 1992A 1.00%, 07/07/03 M/F Housing RB Series 2000E (Windsor Pines) 1.13%, 07/07/03	200 3,355 4,950 3,200	200 3,355 4,950 3,200	+■ Palm Beach County, Florida Criminal Justice Facilities TOB Series 191 1.45%, 09/10/03	7,495	7,495

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Palm Beach County, Florida Educational Facilities Authority RB (Lynn University Project) 1.00%, 07/07/03	3,590	3,590	+ Sarasota County, Florida ■ RB (Sarasota County Family YMCA Project) 1.00%, 07/07/03	3,005	3,005
+ Palm Beach County, Florida Health Facilities Authority TECP 1.10%, 07/17/03	10,000	10,000	Utility Systems Revenue Refunding Bond Series 2002C 1.69%, 10/01/03	2,375	2,383
+■ Palm Beach County, Florida HFA M/F Housing RB (Azalea Place Apartments Project) Series 1999A 1.13%, 07/07/03	3,100	3,100	+ Sarasota County, Florida School Board Refunding COP 0.97%, 07/01/04	7,940	8,020
M/F Revenue Refunding Bond (Spinnaker Landing Project) 1.00%, 07/07/03	2,945	2,945	+■ Seminole County, Florida IDA IDRB (Amrhein Family Project) 1.05%, 07/07/03	4,560	4,560
+■ Palm Beach County, Florida School Board COP Series 2002B 0.90%, 07/07/03	850	850	+■ SouthEast Volusia, Florida Hospital District RB (Bert Fish Medical Center Project) 1.05%, 07/07/03	1,185	1,185
+ Pinellas County, Florida Resource Recovery RB 1.20%, 10/01/03	2,850	2,878	+■ St. Petersburg, Florida Capital Improvement RB (Airport & Golf Course Project) Series 1997C 1.05%, 07/07/03	585	585
■ Pinellas County, Florida HFA + M/F Housing RB (Mariners Pointe Apartments) 1.03%, 07/07/03	1,600	1,600	Capital Improvement RB (Airport & Golf Course Project) Series B 1.00%, 07/07/03	3,315	3,315
▶ S/F Housing RB TOBP (PT-352) 1.08%, 07/07/03	3,500	3,500	+■ Sumter County, Florida IDA RB (Robbins Manufacturing Project) Series 1997 1.15%, 07/07/03	1,500	1,500
+■ Pinellas County, Florida IDA IDRB (H&S Swanson's Tool Co. Project) 1.05%, 07/07/03	3,785	3,785	+■ Tallahassee & Leon Counties, Florida Civic Center Authority Capital Improvement RB Series A 1.00%, 07/07/03	1,290	1,290
IDRB (Restorative Care of America Project) 1.15%, 07/07/03	1,745	1,745	+■ Tampa Bay, Florida Water Utility System RB TOB Series 2001N 1.06%, 07/07/03	5,200	5,200
+■ Polk County, Florida IDA IDRB (Juice Bowl Products, Inc. Project) 1.05%, 07/07/03	2,170	2,170	+■ Tampa, Florida Education Facilities RB (Pepin Academy of Tampa, Inc.) 1.03%, 07/07/03	4,100	4,100
RB (Pavermodule, Inc. Project) 1.05%, 07/07/03	3,310	3,310			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Tampa, Florida Health Care Facilities				Kentucky 1.2%			
RB (Lifelink Foundation Inc., Project)	1.00%, 07/07/03	5,000	5,000	►■ Kentucky Housing Corp.	Revenue TOB Series 19980 1.65%, 07/10/03	11,995	11,995
+►■ Tampa, Florida Occupational License Tax				Maine 2.4%			
Revenue Refunding Bond Series 2002C	0.85%, 07/07/03	500	500	▲ Maine State	TAN		
+■ Tampa, Florida Regional Water Supply Authority					0.80%, 06/30/04	25,000	25,235
Water Utility System RB	1.05%, 07/07/03	600	600	Massachusetts 0.5%			
+■ Volusia County, Florida Health Facilities Authority				Clinton, Massachusetts	BAN		
RB (South West Volusia Health Project) Series 1994A	1.00%, 07/07/03	2,890	2,890		1.20%, 02/06/04	5,000	5,024
+■ West Orange, Florida Healthcare District				Michigan 0.4%			
RB Series 1999B	0.90%, 07/07/03	1,100	1,100	+►■ Wayne Charter County, Michigan Airport	RB (Detroit Metropolitan Wayne County Airport Project) Series 2002A		
			840,138		0.98%, 07/07/03	4,500	4,500
Georgia 3.3%				North Carolina 0.1%			
+►■ Atlanta, Georgia Airport				►■ North Carolina State	Revenue Refunding Bond GO Series 2002E		
Revenue Refunding Bond Series 2003B-1	1.00%, 07/07/03	26,000	26,000		0.95%, 07/07/03	800	800
Revenue Refunding Bond Series 2003C-2	1.00%, 07/07/03	5,000	5,000	Pennsylvania 0.9%			
+■ Pike County, Georgia Development Authority				+►■ Delaware Valley, Pennsylvania Regional Finance Authority	Local Government RB TOBP (PT-1651)		
RB (Southern Mills, Inc. Project)	1.15%, 07/07/03	4,000	4,000		1.04%, 07/07/03	9,870	9,870
			35,000	South Carolina 0.4%			
Indiana 0.5%				+ Myrtle Beach, South Carolina	Water & Sewer System Revenue Refunding Bond		
►■ Indiana State HFA					1.16%, 03/01/04	4,160	4,238
S/F Mortgage Revenue TOB Series A45	1.13%, 07/07/03	5,185	5,185	Texas 0.7%			
				►■ Gulf Coast of Texas Waste Disposal Authority	Environmental Facilities RB (Exxonmobil Project)		
					Series 2001B		
					0.90%, 07/01/03	7,200	7,200

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Washington 2.2%**➔■ Energy Northwest,****Washington Electric**

Putters RB TOB Series 242Z

1.08%, 07/07/03 6,295 6,295

TOBP (PT-615)

1.03%, 07/07/03 10,000 10,000

Washington Public Power**Supply System**

Revenue Refunding Bond

(Nuclear Project No. 2)

Series 1997B

1.12%, 07/01/03 7,000 7,000

23,295**West Virginia 1.7%****➔■ West Virginia School Building****Authority**

RB TOBP (PA-914)

0.90%, 12/18/03 17,555 **17,555**

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$1,055,035
Cash	58
Receivables:	
Interest	2,861
Prepaid expenses	+ 18
Total assets	1,057,972

Liabilities

Payables:	
Dividends to shareholders	181
Investment adviser and administrator fees	16
Transfer agent and shareholder service fees	37
Investments bought	41,428
Accrued expenses	+ 56
Total liabilities	41,718

Net Assets

Total assets	1,057,972
Total liabilities	- 41,718
Net assets	\$1,016,254

Net Assets by Source

Capital received from investors	1,016,339
Net realized capital losses	(85)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$1,016,254		1,016,362		\$1.00

The amortized cost for the fund's securities was \$1,055,035. During the reporting period, the fund had \$1,178,246 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio \$1,055,035

As of December 31, 2002:

Unused capital losses:

Expires 12/31 of:	Loss amount:
2008	\$99
2010	+ 31
	\$130

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$6,787****Net Realized Gains and Losses**

Net realized gains on investments sold 45

Expenses

Investment adviser and administrator fees 2,130

Transfer agent and shareholder service fees 2,547

Trustees' fees 17

Custodian and portfolio accounting fees 45

Professional fees 11

Registration fees 25

Shareholder reports 14

Other expenses + 6

Total expenses 4,795

Expense reduction - 1,333

Net expenses 3,462**Increase in Net Assets from Operations****Total investment income 6,787****Net expenses - 3,462****Net investment income 3,325****Net realized gains + 45****Increase in net assets from operations \$3,370**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.66% of average daily net assets. Prior to May 1, 2003, this limit was 0.59%. These limits do not include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$3,325	\$8,632
Net realized gains or losses	+ 45	(31)
Increase in net assets from operations	3,370	8,601

Distributions Paid

Dividends from net investment income	3,325	8,632
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Transactions in Fund Shares

Shares sold	1,634,595	3,528,005
Shares reinvested	3,040	8,424
Shares redeemed	+ (2,406,321)	(3,269,159)
Net transactions in fund shares	(768,686)	267,270

Net Assets

Beginning of period	1,784,895	1,517,656
Total increase or decrease	+ (768,641)	267,239
End of period	\$1,016,254	\$1,784,895

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Statements

Schwab Massachusetts Municipal Money Fund

Financial Highlights

	5/16/03 ¹ – 6/30/03 [*]
Per-Share Data (\$)	
Net asset value at beginning of period	1.00
Income from investment operations:	
Net investment income	0.00 ²
Less distributions:	
Dividends from net investment income	(0.00) ²
Net asset value at end of period	1.00
Total return (%)	0.06 ³
Ratios/Supplemental Data (%)	
Ratio of net operating expenses to average net assets	0.60 ⁴
Ratio of gross operating expenses to average net assets	0.88 ⁴
Ratio of net investment income to average net assets	0.49 ⁴
Net assets, end of period (\$ x 1,000,000)	331

* Unaudited.

¹ Commencement of operations.

² Per-share amount is less than \$0.01.

³ Not annualized.

⁴ Annualized.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- + Credit-enhanced security
- ▶ Liquidity-enhanced security
- Variable-rate security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
100.0% Municipal Securities	330,458	330,458
100.0% Total Investments	330,458	330,458

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Municipal Securities 100.0% of investments

Massachusetts 94.5%**Ayer, Massachusetts**

BAN 0.89%, 06/24/04	5,063	5,090
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Canton, Massachusetts

BAN 0.90%, 01/29/04	5,000	5,032
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**Dighton & Rehoboth,
Massachusetts Regional
School District**

BAN 1.00%, 06/04/04	5,000	5,023
1.03%, 06/04/04	5,000	5,033

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+▶ Massachusetts Bay Transportation Authority TOBP (PT-1218) 0.96%, 07/07/03	1,000	1,000
+▶ Massachusetts Municipal Wholesale Electric Co. Power Supply System RB TOB Series 674 0.98%, 07/07/03	8,000	8,000
+ Massachusetts Port Authority TECP 1.05%, 07/07/03	1,000	1,000
Massachusetts State BAN Series 2001A 1.00%, 09/01/03	3,000	3,015
▶ Refunding GO Series 2001B 1.10%, 07/07/03	10,000	10,000
▶ Revenue Refunding Bond Series 2001C 1.10%, 07/07/03	10,800	10,800
+▶ TOB Series 2002C 1.00%, 07/07/03	3,485	3,485
+▶ TOBP (PA-793) 0.96%, 07/07/03	3,000	3,000
+▶ TOBP (PT-789) 0.96%, 07/07/03	12,495	12,495
+ Massachusetts State Development Finance Agency RB (Assumption College) Series 2002A 0.99%, 07/07/03	13,300	13,300
▶ RB (Boston University) Series 2002R-3 1.05%, 07/07/03	7,000	7,000
RB (Dean College Issue) 1.00%, 07/07/03	5,000	5,000
RB (Gordon College) 0.99%, 07/07/03	5,000	5,000
RB (Judge Rotenburg Center) 1.00%, 07/07/03	4,000	4,000
RB (The Rivers School) 1.00%, 07/07/03	5,000	5,000
▶ RB (Wentworth Institute) 1.00%, 07/07/03	9,600	9,600
RB (YOU, Inc.) 1.00%, 07/07/03	5,000	5,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ TECP			+ RB (Williston Northampton Project) Series 1995B		
0.95%, 09/10/03	3,500	3,500	1.00%, 07/07/03	5,000	5,000
0.95%, 10/08/03	3,000	3,000			
■ Massachusetts State Health & Educational Facilities Authority			+ Massachusetts State Port Authority		
+ RB (Capital Assets Program)			Revenue Refunding Bond		
Series 1985D			Series 2003C		
0.90%, 07/07/03	200	200	1.02%, 07/01/04	2,200	2,221
+ RB (Endicott College)			+ RB (Massachusetts State Turnpike Authority)		
Series 1998B			TOB (Western Turnpike)		
0.95%, 07/07/03	4,000	4,000	Series N		
+ RB (Hallmark Health System)			1.00%, 07/07/03	10,000	10,000
Series 1998B					
1.00%, 07/07/03	12,625	12,625	► Massachusetts State Water Abatement Trust		
RB (Massachusetts Institute of Technology) Series 2001J-1			TOB (Merlots) Series 1999N		
0.95%, 07/07/03	1,300	1,300	1.04%, 07/07/03	15,000	15,000
► RB (Partners Healthcare Systems) Series 2003D-4			TOBP (PT-1185)		
0.90%, 07/07/03	10,000	10,000	0.96%, 07/07/03	5,000	5,000
RB (Partners Healthcare Systems) Series 2003D-6			+ Massachusetts Water Resources Authority		
0.95%, 07/07/03	300	300	TECP		
+ RB (Sherrill House)			1.10%, 07/07/03	5,000	5,000
Series 2002A-1			0.95%, 08/12/03	10,000	10,000
0.95%, 07/07/03	10,000	10,000	1.05%, 08/12/03	10,000	10,000
+ RB (The Boston Home, Inc.)			0.95%, 09/04/03	4,000	4,000
Series 2002B					
0.99%, 07/07/03	5,000	5,000	Plainville, Massachusetts		
RB (Williams College)			BAN 2003		
Series 1993E			0.96%, 12/19/03	9,335	9,358
0.90%, 07/07/03	9,105	9,105	+ RB (Route 3 North Massachusetts Transportation Improvement Association)		
► RB TOB Series 2002D			Lease RB Series 2002B		
1.00%, 07/07/03	14,000	14,000	0.90%, 07/07/03	3,050	3,050
+ RB (Massachusetts State HFA)					
RB Series 2003F			Woburn, Massachusetts		
0.95%, 07/07/03	6,600	6,600	BAN 2003		
TOBP (PT-162)			0.95%, 06/11/04	10,000	10,075
0.96%, 07/07/03	5,000	5,000	+ Worcester, Massachusetts Regional Transportation Authority		
■ Massachusetts State Industrial Finance Agency			RAN		
+ IDR (Ark-Les Electronic Products Corp. Project)			0.88%, 06/30/04	7,560	7,607
1.15%, 07/07/03	2,200	2,200			
► RB (Whitehead Institute BioMed Research Project)					
0.90%, 07/07/03	2,200	2,200			
					312,214

Portfolio Holdings continued

Issuer

Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Puerto Rico 5.5%**Government Development Bank
of Puerto Rico**

TECP

1.00%, 08/07/03	3,500	3,500
1.00%, 08/15/03	6,500	6,500
1.00%, 09/04/03	1,619	1,619
0.90%, 09/19/03	4,225	4,225

➔■ Puerto Rico Commonwealth**Highway & Transportation
Authority**

Highway RB TOB Series II-R-66

1.01%, 07/07/03	2,400	2,400
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18,244

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$330,458
Cash	199
Receivables:	
Interest	+ 623
Total assets	331,280

Liabilities

Payables:	
Dividends to shareholders	53
Investment adviser and administrator fees	3
Transfer agent and shareholder service fees	12
Accrued expenses	+ 12
Total liabilities	80

Net Assets

Total assets	331,280
Total liabilities	- 80
Net assets	\$331,200

Net Assets by Source

Capital received from investors	331,200
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Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$331,200		331,200		\$1.00

The amortized cost for the fund's securities was \$330,458. During the reporting period, the fund had \$184,600 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio	\$330,458
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Statement of

Operations

For May 16, 2003 (commencement of operation) through June 30, 2003; unaudited.
All numbers x 1,000.

Investment Income

Interest	\$465
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Expenses

Investment adviser and administrator fees	162
Transfer agent and shareholder service fees	192
Trustees' fees	3
Custodian and portfolio accounting fees	4
Professional fees	2
Registration fees	6
Shareholder reports	4
Other expenses	+
	1
Total expenses	374
Expense reduction	-
	118

Net expenses	256
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Increase in Net Assets from Operations

Total investment income	465
Net expenses	-
	256
Net investment income	209
Increase in net assets from operations	\$209

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

Includes \$115 from the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.60% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

For the current report period only; unaudited. Because the fund commenced operations on May 16, 2003, it has no prior report period. All numbers x 1,000.

Operations

	5/16/03-6/30/03
Net investment income	\$209
Increase in net assets from operations	209

Distributions Paid

Dividends from net investment income	209
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Transactions in Fund Shares

Shares sold	444,597
Shares reinvested	157
Shares redeemed	+ (113,554)
Net transactions in fund shares	331,200

Shares Outstanding and Net Assets

Beginning of period	—
Total increase	+ 331,200
End of period	\$331,200

Because all transactions in this section and in "Shares outstanding and net assets" took place at \$1.00 a share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Funds

Each of the funds discussed in this report is a series of **The Charles Schwab Family of Funds™**, a **no-load, open-end management investment company**. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

The Schwab New York Municipal Money Fund offers two share classes : Sweep Shares and Value Advantage Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums. The Schwab New Jersey, Pennsylvania, Florida Municipal Money and Massachusetts Funds each offers one share class.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

The funds declare dividends every day they are open for business. These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

The funds may buy securities on a delayed-delivery basis. In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The funds pay fees for various services. Through their trust, the funds have agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

- Schwab Money Market Fund
- Schwab Government Money Fund
- Schwab U.S. Treasury Money Fund
- Schwab Value Advantage Money Fund®
- Schwab Municipal Money Fund
- Schwab California Municipal Money Fund
- Schwab New York Municipal Money Fund**
- Schwab New Jersey Municipal Money Fund**
- Schwab Pennsylvania Municipal Money Fund**
- Schwab Florida Municipal Money Fund**
- Schwab Massachusetts Municipal Money Fund**
- Schwab Institutional Advantage Money Fund®
- Schwab Retirement Money Fund®
- Schwab Government Cash Reserves

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund’s Statement of Operations.

The funds may engage in certain transactions involving affiliates. The funds may make direct transactions with certain other Schwab Funds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

The funds intend to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the funds distribute substantially all of their net investment income and realized net capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

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

Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

The funds value their securities at amortized cost, which approximates market value.

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

Interest income is recorded as it accrues. If a fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security’s call date and price, rather than the maturity date and price.

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

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

For funds offering multiple share classes, all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

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

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It’s possible that once the results are known, they may turn out to be different from these estimates.

Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed-income securities” or “debt securities.”

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced security A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TOB	Tender option bond
TOBP	Tender option bond partnership
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

144A security A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

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

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

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

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

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

Notes

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Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

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

Internet¹

www.schwab.com

Schwab by Phone™²

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

TeleBroker®

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

Mail

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

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

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

The SchwabFunds Family

Stock Funds

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

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab All Equity Portfolio
 Schwab Growth Portfolio
 Schwab Balanced Portfolio
 Schwab Conservative Portfolio

Bond Funds

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

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

charles SCHWAB

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab Municipal Money Fund

Semiannual Report

June 30, 2003

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From the Chairman



Charles R. Schwab
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

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

Management's Discussion for the six months ended June 30, 2003



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, slightly slanted style.



Walter Beveridge, a portfolio manager, is responsible for day-to-day management of the fund. Prior to joining the firm in 1992, he worked for nearly ten years in asset management.

The Investment Environment and the Fund

The U.S. economy remained in a holding pattern during the six months of the report period. Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

Already at their lowest level in decades, interest rates fell further as the report period progressed. During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

Falling interest rates pushed money fund yields to new lows (see next page for fund yield information). We sought to lessen the effects of falling rates on the fund by maintaining a comparatively long weighted average maturity. Although the fund's yield did decline, we were successful in slowing that decline, and in keeping the fund's yield higher than it otherwise would have been.

Strong issuance of short-term muni debt relative to taxable debt made muni yields attractive compared to taxable yields. Typically, we have seen muni yields average about 80% of taxable yields. During the report period, muni yields at times exceeded 95% of taxable yields (although both were low on an absolute basis). These extremes of valuation allowed us to increase our exposure to high-yielding fixed-rate securities.

In general, we have seen most states take responsible measures to address the revenue shortfalls they have faced as a result of a weak U.S. economy. Most states, especially those that have been hard hit by fall-offs in income tax revenue, such as California, New York and New Jersey, have resorted to a combination of spending cuts and one-time solutions in order to balance their budgets. California in particular had to address an unprecedented \$38 billion deficit going into fiscal 2004. Although the fund did begin the report period with substantial holdings in California securities, we significantly decreased our California position over the period, and ended the period with a very small position in this state's securities.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market

fund yields fluctuate, and that past performance is not an indication of future results.

	Sweep Shares	Value Advantage Shares	Select Shares [®]	Institutional Shares
Seven-Day Yield¹	0.41%	0.63%	0.73%	0.84%
Seven-Day Effective Yield	0.42%	0.63%	0.73%	0.84%
Seven-Day Taxable-Equivalent Effective Yield²	0.65%	0.97%	1.12%	1.29%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	52 days
Credit Quality of Holdings³ % of portfolio	100% Tier 1
Credit-Enhanced Securities % of portfolio	70%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

¹ A portion of the fund's expenses was reduced during the reporting period. Without this reduction, the seven-day yields for the fund's Sweep Shares, Value Advantage Shares, Select Shares and Institutional Shares would have been 0.26%, 0.49%, 0.49% and 0.49%, respectively.

² Taxable-equivalent effective yield assumes a 2003 maximum federal regular income tax rate of 35.00%.

³ Portfolio holdings may have changed since the report date.

Financial Statements

Schwab Municipal Money Fund

Financial Highlights

Sweep Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.02	0.03	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.29 ²	0.91	2.23	3.53	2.70	2.92
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.66 ³	0.66	0.66	0.66 ⁴	0.66	0.66
Ratio of gross operating expenses to average net assets	0.81 ³	0.82	0.83	0.83 ⁴	0.85	0.88
Ratio of net investment income to average net assets	0.58 ³	0.90	2.21	3.47	2.67	2.87
Net assets, end of period (\$ x 1,000,000)	7,472	7,435	7,265	6,780	6,090	5,247
Value Advantage Shares						
	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.02	0.04	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.04)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.39 ²	1.12	2.45	3.75	2.91	3.14
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.45 ³	0.45	0.45	0.45 ⁵	0.45	0.45
Ratio of gross operating expenses to average net assets	0.58 ³	0.59	0.61	0.63 ⁵	0.65	0.69
Ratio of net investment income to average net assets	0.79 ³	1.11	2.35	3.70	2.89	3.08
Net assets, end of period (\$ x 1,000,000)	4,874	4,480	3,778	2,919	2,270	1,620

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have been 0.67% and 0.84%, respectively, if certain non-routine expenses (proxy fees) had been included.

⁵ The ratios of net and gross operating expenses would have been 0.46% and 0.64%, respectively, if certain non-routine expenses (proxy fees) had been included.

Select Shares [®]	6/2/03 ¹ – 6/30/03 [*]
Per-Share Data (\$)	
Net asset value at beginning of period	1.00
Income from investment operations:	
Net investment income	0.00 ²
Less distributions:	
Dividends from net investment income	(0.00) ²
Net asset value at end of period	1.00
Total return (%)	0.06 ³
Ratios/Supplemental Data (%)	
Ratio of net operating expenses to average net assets	0.35 ⁴
Ratio of gross operating expenses to average net assets	0.58 ⁴
Ratio of net investment income to average net assets	0.78 ⁴
Net assets, end of period (\$ x 1,000,000)	196

Institutional Shares	6/2/03 ¹ – 6/30/03 [*]
Per-Share Data (\$)	
Net asset value at beginning of period	1.00
Income from investment operations:	
Net investment income	0.00 ²
Less distributions:	
Dividends from net investment income	(0.00) ²
Net asset value at end of period	1.00
Total return (%)	0.06 ³
Ratios/Supplemental Data (%)	
Ratio of net operating expenses to average net assets	0.24 ⁴
Ratio of gross operating expenses to average net assets	0.58 ⁴
Ratio of net investment income to average net assets	0.88 ⁴
Net assets, end of period (\$ x 1,000,000)	198

* Unaudited.

¹ Commencement of operations.

² Per-share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- + Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
100.0% Municipal Securities	13,113,511	13,113,511
100.0% Total Investments	13,113,511	13,113,511

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

Municipal Securities 100.0% of investments

Alabama 0.7%

+■ Alabama State IDA RB (Scientific Project) 1.30%, 07/07/03	2,160	2,160
+■ Birmingham, Alabama Special Care Facilities Authority RB (Medical Center East) Series 2003A 1.00%, 07/07/03	36,500	36,500

+■ Citronelle, Alabama IDB Pollution Control Revenue Refunding Bond (AKZO Chemicals, Inc. Project) 1.05%, 07/07/03	2,600	2,600
+▷■ Daphne, Alabama Utilities Board of Water, Gas, & Sewer Revenue Refunding Bond 1.07%, 07/07/03	8,540	8,540
+■ Dothan, Alabama IDB RB (Baxley Blowpipe Project) 1.18%, 07/07/03	400	400
+■ Fort Payne, Alabama IDA RB (Charleston Hosiery Project) Series 1997 1.15%, 07/07/03	1,200	1,200
+■ Headland, Alabama IDB RB (Golden Peanut Project) 1.15%, 07/07/03	1,585	1,585
+▷■ Hoover, Alabama Board of Education Capital Outlay Tax Anticipation Warrants TOB 1.06%, 07/07/03	9,860	9,860
+■ Indian Springs Village, Alabama Educational Building Authority RB (J. Bruno Academy Project) 1.25%, 07/07/03	1,320	1,320
+■ Mobile County, Alabama IDB RB (Ultraform Co. Project) Series 1995B 1.05%, 07/07/03	1,000	1,000
+■ Scottsboro, Alabama GO 1.00%, 07/07/03	4,075	4,075
+■ Stevenson, Alabama IDB Environmental Improvement RB (Mead Corp. Project) 1.03%, 07/07/03	17,300	17,300
+■ Tuscaloosa, Alabama IDB RB (Knight Special Project) 1.35%, 07/07/03	990	990
		87,530

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Alaska 0.4%			+■ Chandler, Arizona IDA		
■ Alaska State Housing Finance Corp. Housing Development RB Series 2000A 1.05%, 07/07/03	18,715	18,715	RB (South Bay Circuits Project) Series 1999A 1.15%, 07/07/03	1,400	1,400
+► TOB Series 1999D 1.08%, 07/07/03	21,805	21,805	+■ Phoenix, Arizona Civic Improvement Excise Tax RB (Airport Improvements) 1.02%, 07/07/03	1,000	1,000
► TOB Series ROC 11-R 197 1.05%, 07/07/03	5,995	5,995	Salt River, Arizona Project Agriculture Improvement TECP 0.90%, 10/09/03	40,250	40,250
+ Alaska Student Loan Corp. Student Loan RB Series 1998A 1.12%, 07/01/03	4,425	4,425	+►■ Yavapai County, Arizona IDRB (Yavapai Regional Medical Center) 1.00%, 07/07/03	14,650	14,650
■ Valdez, Alaska Marine Terminal Revenue Refunding Bond (B.P. Pipelines, Inc. Project) Series 2003A 0.95%, 07/01/03	1,500	1,500			100,975
Revenue Refunding Bond (Exxon Pipeline Co. Project) Series 1993C 0.85%, 07/01/03	4,400	4,400	Arkansas 0.1%		
		56,840	+■ Arkansas Development Finance Authority IDRB (C&C Holding Co. Project) Series 1998 1.15%, 07/07/03	1,130	1,130
Arizona 0.8%			+■ Independence County, Arkansas IDRB (Ideal Baking Project) 1.15%, 07/07/03	3,300	3,300
■ Arizona Educational Loan Marketing Corp.			+■ IDRB (Townsend of Arkansas, Inc. Project) 1.05%, 07/07/03	9,000	9,000
+► RB Series 1990A 1.10%, 07/07/03	12,905	12,905			13,430
+ RB Series 1991A 1.05%, 07/07/03	3,000	3,000	California 8.3%		
+►■ Arizona Health Facilities Authority			+■ Access Loans For Learning Student Loan Corp. of California RB (Student Loan Program) Series II A-1 1.05%, 07/07/03	35,000	35,000
Hospital System RB (Arizona Volunteer Hospital Federation) Series 1985A 1.00%, 07/07/03	11,090	11,090	RB (Student Loan Program) Series II A-2 1.04%, 07/07/03	20,000	20,000
Hospital System RB (Arizona Volunteer Hospital Federation) Series 1985B 1.00%, 07/07/03	9,330	9,330	RB (Student Loan Program) Series II A-3 1.05%, 07/07/03	23,700	23,700
Hospital System RB (Northern Arizona Health Care) Series 1996B 1.00%, 07/07/03	7,350	7,350			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
➔■ Bay Area, California Toll Bridge Authority RB (San Francisco Bay Area Project) Series 2003C 1.00%, 07/07/03	21,500	21,500	▶ GO TECP 1.20%, 07/09/03	38,000	38,000
➔▲ California College Community Financing Authority TRAN Series 2003A 0.80%, 06/30/04	73,475	74,349	➔■ California State Department of Water Resources Power Supply RB Series 2000C-17 0.95%, 07/07/03	10,000	10,000
➔ California Higher Education Loan Authority Revenue Refunding Bond (Student Loan) Series 1987C-1 1.65%, 07/01/03	43,300	43,300	Power Supply RB Series 2001B-1 1.00%, 07/01/03	2,000	2,000
Student Loan RB Series 1992A-3 1.10%, 07/01/03	44,900	44,900	Power Supply RB Series 2002B-2 1.10%, 07/01/03	10,000	10,000
Student Loan RB Series 1992A-4 1.15%, 04/01/04	10,725	10,725	Power Supply RB Series 2002B-5 0.95%, 07/01/03	35,700	35,700
■ California Pollution Control Financing Authority Solid Waste Disposal RB (Shell Martinez Refining Project) Series 1994A 0.93%, 07/01/03	4,600	4,600	▶ Power Supply RB Series 2002C-7 1.00%, 07/07/03	37,000	37,000
Solid Waste Disposal RB (Shell Martinez Refining Project) Series 1996A 0.95%, 07/01/03	3,000	3,000	▲ California Statewide Community Development Authority TRAN Series 2003A-3 0.88%, 06/30/04	55,900	56,519
➔ Solid Waste Disposal RB (Waste Management Project) Series 2002A 0.96%, 07/07/03	500	500	➔■ East Bay, California Municipal Utilities District Water System Revenue Refunding Bond Subseries 2002A 0.85%, 07/07/03	50,000	50,000
➔ California School Cash Reserve Program Authority RB Series 2002A 1.59%, 07/03/03	21,640	21,642	➔■ Irvine Ranch, California Improvement Bond Act of 1915 Special Assessment Bond (Assessment District No. 93-14 0.90%, 07/01/03	19,420	19,420
1.67%, 07/03/03	50,000	50,004	➔■ Irvine Ranch, California Water District COP (Capital Improvement Project) 0.90%, 07/01/03	16,900	16,900
▲ RB Series 2003A 0.90%, 07/06/04	153,870	155,567	➔■ Irvine, California Unified School District RB (Community Facilities District) Series 2003 DN 0.85%, 07/01/03	36,900	36,900
➔■ GO Series 2003A-3 0.95%, 07/01/03	9,000	9,000			
➔■ GO Series 2003C-2 0.90%, 07/07/03	25,200	25,200			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶	Los Angeles County, California Wastewater System TECP 1.05%, 07/07/03	17,500	17,500	+	Southern California Public Power Authority Revenue Refunding Bond (Southern Transmission Project) 0.85%, 07/07/03	22,300	22,300
+	Los Angeles, California Community College District Revenue Refunding COP Series 2002A 0.85%, 07/07/03	2,900	2,900	+	Vallejo, California Unified School District COP (Capital Improvement Financing Projects) Series 1999E 0.95%, 07/07/03	7,450	7,450
▶	Metropolitan Water District of Southern California Waterworks RB Series 2001B-3 0.90%, 07/01/03	21,300	21,300				
	Waterworks RB Series 2001C-1 1.00%, 07/01/03	32,775	32,775				1,085,516
+	Northern California Power Agency Revenue Refunding Bond (Hydroelectric No. 1 Project) Series 2002 A 0.85%, 07/07/03	25,110	25,110		Colorado 1.8%		
▶	Orange County, California Sanitation District COP Series 2000A 0.85%, 07/01/03	4,000	4,000	+	Adams County, Colorado IDRB (City View Park Project) 1.10%, 07/07/03	6,000	6,000
+	San Diego County, California TECP 1.00%, 07/17/03	15,000	15,000	+	Arapahoe County, Colorado IDRB (Denver Jet Center Project) 1.30%, 07/30/03	3,500	3,500
▲	South Coast, California Local Educational Agency TRAN 0.80%, 06/30/04	35,000	35,415	+	Arvada, Colorado RB 1.25%, 07/01/03	4,300	4,300
+	Southeast California Resource Recovery Facilities Authority Lease Revenue Refunding Bond Series 1995A 0.92%, 07/07/03	7,700	7,700	+	Colorado Health Facilities Authority RB (National Benevolent Association Project) 1.05%, 07/07/03	625	625
▶	Southern California HFA S/F Mortgage RB TOBP (PT-629) 1.12%, 07/07/03	38,640	38,640	■	Colorado HFA		
				+	Economic Development RB (Pemracs Limited, LLP Project) Series 2000A 1.15%, 07/07/03	3,715	3,715
				▶	S/F Mortgage TOB Series 1999M 1.13%, 07/07/03	3,815	3,815
				+	Colorado Student Obligation Bond Authority Student Loan RB (Colorado University) Series 1990A 1.05%, 07/07/03	14,400	14,400
					Student Loan RB Series 1989A 1.00%, 07/07/03	9,400	9,400

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Student Loan RB Series 1999A-2 1.00%, 07/07/03	8,400	8,400			
Student Loan RB Series 1999A-3 1.00%, 07/07/03	29,800	29,800			
+■ Denver, Colorado City & County Airport System					
RB Series 1992F 1.10%, 07/07/03	18,575	18,575			
RB Series 1992G 1.10%, 07/07/03	19,050	19,050			
▶ Revenue Refunding Bond RB Series 2000B 1.15%, 07/07/03	10,000	10,000			
▶ Revenue Refunding Bond RB Series 2000C 1.10%, 07/07/03	50,000	50,000			
+■ Lowry, Colorado Economic Redevelopment Authority					
Improvement RB Series 2003B 1.00%, 07/07/03	14,140	14,140			
Revenue Refunding Bond Series 2003A 1.00%, 07/07/03	11,360	11,360			
+ Regional Transportation District, Colorado					
▶ COP (Transit Vehicles Project) Series 2002A 0.95%, 07/07/03	15,000	15,000			
TECP 1.00%, 11/06/03	7,500	7,500			
+■ Smith Creek, Colorado Metropolitan District					
RB 0.95%, 07/07/03	2,250	2,250			
+■ Westminster, Colorado Economic Development Authority					
Tax Increment RB (Westminster Plaza Urban Renewal Project) 1.15%, 07/07/03	6,460	6,460			
		238,290			
			Connecticut 0.0%		
			■ Connecticut State Health & Educational Facilities Authority		
			RB (Yale University) Series 2003X-2 0.85%, 07/07/03	5,000	5,000
			Delaware 0.7%		
			▶ Delaware State		
			GO Refunding Bond TOB Series 258 1.04%, 07/07/03	3,995	3,995
			+▶ Delaware State Economic Development Authority		
			RB (Hospital Billing Collection Project) Series 1985B 0.95%, 07/07/03	20,900	20,900
			RB (Hospital Billing Collection Project) Series 1985C 0.95%, 07/07/03	15,000	15,000
			+■ New Castle County, Delaware		
			Airport Facility RB (Flight Safety International, Inc. Project) 1.08%, 07/07/03	16,600	16,600
			+■ Sussex County, Delaware		
			IDRB (Perdue Agri-recycle, LLC Project) 1.05%, 07/07/03	5,300	5,300
			RB (Baywood, LLC Project) Series 1997A 1.25%, 07/07/03	2,400	2,400
			+■ Wilmington, Delaware		
			RB (Delaware Art Museum, Inc. Project) 1.00%, 07/07/03	21,800	21,800
					85,995
			District of Columbia 0.8%		
			+■ District of Columbia Enterprise Zone		
			RB (Crowell & Morning, LLP Project) 1.05%, 07/07/03	4,100	4,100
			+■ District of Columbia HFA		
			M/F Housing RB (Edgewood Terrace III Development) 1.05%, 07/07/03	4,000	4,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Collier County, Florida IDA IDRB (Community School of Naples, Inc. Project) 1.00%, 07/07/03	8,150	8,150	RB (Tiffany Club Project) Series 1996P 1.03%, 07/07/03	6,900	6,900
+■ Dade County, Florida IDRB (Dolphins Stadium Project) Series 1985C 1.00%, 07/07/03	550	550	RB (Timberline Apartments) Series 1999P 1.00%, 07/07/03	5,300	5,300
IDRB (Micheal-Ann Russell Jewish Community Center Project) 1.00%, 07/07/03	5,185	5,185	RB (Vinings Hampton Village) Series 2001D 1.10%, 07/07/03	10,800	10,800
▶RB (Water & Sewer Systems) 0.95%, 07/07/03	81,200	81,200	+■ Florida Local Government Finance Commission TECP 1.10%, 09/11/03	8,000	8,000
+■ Eustis, Florida Multi-Purpose RB 1.00%, 07/07/03	2,700	2,700	+■ Florida Ocean Highway & Port Authority RB 1.10%, 07/07/03	10,700	10,700
+■ Florida Development Finance Corp. IDRB (Sunshine State Project) Series 1999A-3 1.05%, 07/07/03	1,185	1,185	+■ Florida State Municipal Power Agency RB (Stanton Project) 0.95%, 07/07/03	6,150	6,150
+■ Florida Housing Finance Corp. M/F Housing RB (Buena Vista Project) Series 1985MM 0.97%, 07/07/03	10,000	10,000	+■ Florida State Turnpike Authority RB TOB Series 273 1.04%, 07/07/03	5,745	5,745
M/F Housing RB (South Pointe Project) Series 1998J 1.00%, 07/07/03	5,400	5,400	+■ Greater Orlando, Florida Aviation Authority Airport Facilities Revenue Refunding Bond Series 2002E 1.10%, 07/07/03	15,300	15,300
M/F Housing Revenue Refunding Bond RB (Reflections Project) Series 2001A 0.95%, 07/07/03	12,500	12,500	+■ Gulf Breeze, Florida RB (Local Government Loan Program) Series 1985B 1.00%, 07/07/03	26,930	26,930
M/F RB (Victoria Park Apartments) Series J - 1 1.00%, 07/07/03	8,370	8,370	RB (Local Government Loan Program) Series 1985C 1.00%, 07/07/03	29,160	29,160
RB (Ashley Lake II Project) Series 1989J 1.04%, 07/07/03	10,800	10,800	RB (Local Government Loan Program) Series 1985E 1.00%, 07/07/03	3,505	3,505
RB (Caribbean Key Apartments) Series 1996F 1.03%, 07/07/03	3,400	3,400	+■ Halifax, Florida Hospital Medical Center RB (Florida Health Care Plan, Inc. Project) 0.95%, 07/07/03	4,700	4,700
RB (Heritage Pointe Project) Series 1999I-1 1.00%, 07/07/03	9,500	9,500			
RB (Heron Park Project) Series 1996U 1.04%, 07/07/03	130	130			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ Hillsborough County, Florida					M/F Housing RB (University Club Apartments Project) Series 2002A 1.25%, 07/07/03	6,700	6,700
■ IDRB (Tampa Metropolitan YMCA Project) Series 2000K							
1.05%, 07/07/03	9,100	9,100					
TECP Series B				+■ Manatee County, Florida HFA	M/F Housing RB (La Mirada Gardens Project) Series 2002A 1.25%, 07/07/03	4,000	4,000
1.00%, 08/26/03	700	700					
+■ Jacksonville, Florida				+■ Marion County, Florida IDA	M/F Housing Revenue Refunding Bond (Chambrel Project) 0.95%, 07/07/03	7,741	7,741
Industrial Development Revenue Refunding Bond (Pavilion Associates, Ltd. Project) 0.95%, 07/07/03	4,200	4,200					
+■ Jacksonville, Florida Economic Development Commission				+■ Miami-Dade County, Florida	IDRB (Airis Miami LLC Project) Series 1999A 0.95%, 07/07/03	54,200	54,200
RB (Bolles School Project) Series 1999A 1.00%, 07/07/03	2,400	2,400					
Jacksonville, Florida Electric Authority				+■ Miami-Dade County, Florida Aviation Authority	TECP 1.13%, 07/02/03 1.15%, 07/11/03 0.97%, 08/06/03 0.95%, 09/12/03	9,005 4,500 12,538 1,098	9,005 4,500 12,538 1,098
■ RB (Water & Sewer Systems) Series 2000B 0.95%, 07/07/03	4,300	4,300					
■ RB TOB Series 2000FF 1.08%, 07/07/03	3,585	3,585		+■ Okeechobee County, Florida	Exempt Facility RB (Okeechobee Landfill, Inc. Project) 1.10%, 07/07/03	15,000	15,000
Revenue Refunding Bond (St. John River) Issue 2 Series 16 1.09%, 10/01/03	9,000	9,088					
▶ Water & Sewer TECP 1.05%, 07/02/03	11,400	11,400		+ Orange County, Florida Health Facilities Authority	TECP 1.10%, 07/22/03 0.95%, 09/04/03 0.95%, 09/09/03	9,000 21,000 20,000	9,000 21,000 20,000
+■ Jacksonville, Florida Health Facilities Authority							
RB Revenue Refunding Bond (Genesis Rehabilitation Hospital) 1.00%, 07/01/03	6,600	6,600		+■ Orange County, Florida HFA	M/F Housing RB (Andover Place Apartments) 1.00%, 07/07/03	7,570	7,570
+■ Lakeland, Florida Educational Facilities							
RB (Florida Southern College Project) 1.00%, 07/07/03	30,000	30,000		M/F Housing RB (Highland Pointe Apartments Project) Series 1988J 0.95%, 07/07/03	7,555	7,555	
+■ Lee County, Florida HFA							
M/F Housing RB (Cape Coral Apartments Project) Series 1999A 1.13%, 07/07/03	6,160	6,160		M/F Housing RB (Smokewood Project) Series 1992A 1.00%, 07/07/03	15,000	15,000	

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB (West Pointe Villas Project) Series 2000F 1.03%, 07/07/03	5,750	5,750	➔➔ Palm Beach County, Florida School Board COP Series 2002B 0.90%, 07/07/03	19,400	19,400
M/F Housing Revenue Refunding Bond RB (Heather Glenn Apartments Project) Series 2001E 0.90%, 07/07/03	11,900	11,900	➔➔ Pasco County, Florida COP 1.00%, 07/07/03	29,000	29,000
➔➔ Orange County, Florida School Board COP Series 2002B 0.90%, 07/01/03	3,000	3,000	➔ Pinellas County, Florida Educational Facilities Authority RB (Caterbury School of Florida Project) 0.95%, 07/07/03	2,285	2,285
➔ Orlando & Orange Counties, Florida Expressway Authority RB Series 2003A 0.94%, 07/01/04	3,455	3,526	RB (Shorecrest Prep School Project) 0.95%, 07/07/03	1,000	1,000
➔ Revenue Refunding Bond Series 2003C-2 0.90%, 07/07/03	4,500	4,500	➔ Pinellas County, Florida HFA M/F Housing RB (Mariners Pointe Apartments) 1.03%, 07/07/03	7,300	7,300
➔ Revenue Refunding Bond Series 2003C-3 0.90%, 07/07/03	10,000	10,000	➔ Pinellas County, Florida Industrial Council RB (Operation Par, Inc. Project) 1.05%, 07/07/03	5,260	5,260
➔ Revenue Refunding Bond Series 2003C-4 0.90%, 07/07/03	20,330	20,330	➔ Pinellas County, Florida IDA RB (Pact, Inc. Project) 1.00%, 07/07/03	8,100	8,100
➔ Orlando Utilities Commission, Florida RB (Water & Electric) Series 1985B 0.95%, 07/07/03	82,300	82,300	➔ SouthEast Volusia, Florida Hospital District RB (Bert Fish Medical Center Project) 1.05%, 07/07/03	10,220	10,220
➔ Palm Beach County, Florida IDRB (Benjamin Private School Project) 1.00%, 07/07/03	9,000	9,000	➔ Sunshine State of Florida Government Finance Commission TECP 1.05%, 07/03/03	21,605	21,605
➔ Palm Beach County, Florida Health Facilities Authority Revenue Refunding Bond RB (Joseph L. Morse Geriatric Center) 1.00%, 07/07/03	7,155	7,155	1.05%, 07/10/03	7,732	7,732
TECP 1.10%, 07/14/03	4,800	4,800	0.90%, 09/09/03	14,810	14,810
			➔ Tallahassee & Leon Counties, Florida Civic Center Authority Capital Improvement RB Series A 1.00%, 07/07/03	13,400	13,400

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Tampa, Florida			■ Revenue Refunding Bond		
RB (Tampa Prep School Project)			Series 2003B-1		
0.95%, 07/07/03	11,000	11,000	1.00%, 07/07/03	46,330	46,330
+■ Tampa, Florida Occupational License Tax			■ Revenue Refunding Bond		
Revenue Refunding Bond			Series 2003C-2		
Series 2002B			1.00%, 07/07/03	11,710	11,710
0.90%, 07/07/03	7,000	7,000	■ TOBP (PT-737)		
Revenue Refunding Bond			1.11%, 07/07/03	3,385	3,385
Series 2002C			+■ Atlanta, Georgia Urban Residential Finance Authority		
0.85%, 07/07/03	20,700	20,700	M/F Housing RB (Brentwood Creek Apartments Project)		
+■ Tampa, Florida Regional Water Supply Authority			1.05%, 07/07/03	4,625	4,625
Water Utility System RB			M/F Housing RB (Brentwood Meadows Apartments Project)		
1.05%, 07/07/03	6,400	6,400	1.05%, 07/07/03	3,000	3,000
+■ Volusia County, Florida Educational Facility Authority			M/F Housing RB (Brentwood Village Apartments Project)		
RB (Bethune Cookman College Project)			1.05%, 07/07/03	6,070	6,070
1.00%, 07/07/03	10,675	10,675	M/F Housing RB (Carver Redevelopment Phase III Project)		
+■ Volusia County, Florida Health Facilities Authority			1.05%, 07/07/03	3,500	3,500
RB (South West Volusia Health Project) Series 1994A			M/F Housing RB (Delmonte Brownlee Project) Series 2001A		
1.00%, 07/07/03	6,000	6,000	1.05%, 07/07/03	4,600	4,600
+■ West Orange, Florida Healthcare District			M/F Housing RB (Peaks At West Atlanta Apartments Project)		
RB Series 1999B			1.05%, 07/07/03	5,000	5,000
0.90%, 07/07/03	9,800	9,800	M/F Housing RB (Street Apartments Project) Series 2003ZM		
		1,046,591	1.08%, 07/07/03	7,000	7,000
Georgia 4.7%			M/F Senior Housing RB (Big Bethel Village Project)		
+■ Athens-Clarke, Jackson & Morgan Counties, Georgia			1.05%, 07/07/03	4,500	4,500
IDRB (Mayfield Dairy Farms, Inc. Project)			+■ Augusta, Georgia Housing Authority		
1.10%, 07/07/03	7,350	7,350	M/F Housing RB (G-Hope Ltd. Partnership Project)		
+ Atlanta, Georgia Airport			1.05%, 07/07/03	3,800	3,800
■ RB TOB Series 376			+■ Bartow County, Georgia		
1.08%, 07/07/03	11,195	11,195	IDRB (Bartow Paving Co. Project)		
Revenue Refunding Bond			1.15%, 07/07/03	2,000	2,000
Series 2003A					
0.89%, 01/01/04	15,895	15,983			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
IDRB (Matthew Contracting Project) 1.10%, 07/07/03	1,600	1,600	+■ Columbus, Georgia Housing Authority M/F Housing RB (Eagles Trace Apartments Project) 1.05%, 07/07/03	6,400	6,400
+■ Cartersville, Georgia Development Authority IDRB (Cartersville Facilities Project) 1.12%, 07/07/03	2,200	2,200	+■ Crisp County – Cordele, Georgia IDRB (Georgia Ductile Project) 1.09%, 07/07/03	13,400	13,400
+■ Cherokee County, Georgia IDRB (Universal Alloy) 1.10%, 07/07/03	2,700	2,700	+■ Dawson County, Georgia Development Authority IDRB (World Wide Manufacturing Project) 1.15%, 07/07/03	2,450	2,450
+■ Clayton County, Georgia Development Authority IDRB (Wilson Holdings Project) 1.05%, 07/07/03	800	800	■ Dekalb County, Georgia Development Authority + IDRB (Arbor Montessori School Project) 1.00%, 07/07/03	1,100	1,100
Special Facilities RB (Delta Air Lines) Series 2000C 1.05%, 07/07/03	19,500	19,500	IDRB (Siemens Energy, Inc. Project) 1.05%, 07/07/03	7,500	7,500
+■ Clayton County, Georgia Housing Authority M/F Housing RB (Hyde Park Club Apartments Project) 1.05%, 07/07/03	12,195	12,195	+■ Dekalb County, Georgia HFA M/F Housing RB (Brittany Apartments Project) 0.98%, 07/07/03	8,000	8,000
+■ Cobb County, Georgia HFA M/F Housing RB (Walton Green Project) 1.10%, 07/07/03	13,500	13,500	M/F Housing RB (Eagle Trace Apartments Project) Series 1996 1.03%, 07/07/03	8,950	8,950
M/F Housing RB (Woodchase Village Apartments Project) 1.03%, 07/07/03	4,000	4,000	M/F Housing RB (Mountain Crest Apartments Project) Series 2002A-1 1.05%, 07/07/03	7,915	7,915
M/F Housing Revenue Refunding Bond RB (Walton Park Apartments Project) 1.05%, 07/07/03	21,100	21,100	M/F Housing RB (Villas of Friendly Heights Apartments Project) 1.05%, 07/07/03	3,575	3,575
+■ Columbus, Georgia Development Authority RB (Foundation Properties, Inc. Project) 1.05%, 07/07/03	11,500	11,500	M/F Housing RB (Wesley Club Apartments Project) 1.05%, 07/07/03	5,970	5,970
RB (Foundation Property's, Inc. Project) 1.05%, 07/07/03	3,950	3,950	Dekalb County, Georgia School District TAN Series 2002-2007 1.13%, 12/31/03	30,000	30,130

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Douglas County, Georgia IDRB (Blue Circle Project) 1.10%, 07/07/03	3,800	3,800	+■ Gwinnett County, Georgia HFA M/F Housing RB 1.00%, 07/07/03	5,000	5,000
+■ Effingham County, Georgia IDRB (Temcor Project) 1.05%, 07/07/03	4,000	4,000	+■ Hapeville, Georgia IDRB (Hapeville Hotel Ltd. Project) 0.90%, 07/01/03	4,600	4,600
+■ Fayette County, Georgia Development Authority Educational Facilities RB (Catholic School Properties, Inc. Project) 1.00%, 07/07/03	10,100	10,100	+■ Hart County, Georgia Industrial Building Authority IDRB (Awh Corp. Project) 1.10%, 07/07/03 IDRB (Dundee Mills Project) 1.05%, 07/07/03	4,300	4,300
+■ Fulton County, Georgia Building Authority Revenue Refunding Bond RB Series 2002C 1.28%, 01/01/04	4,725	4,753	+■ Houston County, Georgia Development Authority IDRB (Douglas Asphalt County Project) 1.05%, 07/07/03	2,100	2,100
+■ Fulton County, Georgia Development Authority RB (Atlanta International School Project) 1.00%, 07/07/03 RB (Federal Road, LLC Project) 1.05%, 07/07/03 RB (Trinity School Project) 1.00%, 07/07/03 RB (Woodruff Arts Center Project) 1.00%, 07/07/03	2,700	2,700	+■ Jefferson County, Georgia Development Authority IDRB (Grove River Mills Project) 1.15%, 07/07/03	2,100	2,100
	7,000	7,000	+■ Laurens County, Georgia Development Authority Solid Waste Disposal RB (Southeast Paper Manufacturing Co. Project) 1.10%, 07/07/03	51,000	51,000
	7,000	7,000	+■ Lawrenceville, Georgia Housing Authority M/F Housing RB Series 2002 1.10%, 07/07/03	7,700	7,700
	10,000	10,000	+■ Lowndes County, Georgia Development Authority M/F Housing RB (FMPH Valdosta, Limited Partnership Project) 1.05%, 07/07/03	4,945	4,945
+■ Gainesville, Georgia Redevelopment Authority Educational Facilities RB (Riverside Military Project) 1.00%, 07/07/03	30,000	30,000	+■ Macon-Bibb County, Georgia Hospital Authority RB (The Medical Center of Central Georgia Project) 1.00%, 07/07/03	4,000	4,000
■ Georgia State GO TOB Series 981003 1.05%, 07/07/03 GO TOB Series 795 1.04%, 07/07/03 GO TOBP (PA-897) 0.99%, 07/07/03	20,245	20,245			
	4,000	4,000			
	10,575	10,575			
+■ Gordon County, Georgia Development Authority RB (Constantine Dyeing, LLC Project) 1.05%, 07/07/03	5,280	5,280			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Miller County, Georgia Development Authority IDRB (Birdsong Corp. Project) 1.05%, 07/07/03	2,800	2,800	+■ Whitfield County, Georgia Development Authority RB (Product Concepts Project) 1.05%, 07/07/03	960	960
+ Rockdale County, Georgia Water Sewer Authority RB Series 1999B 1.38%, 07/01/03	12,710	12,710	+■ Winder-Barrow County, Georgia Joint Development Authority Solid Waste Disposal RB 1.05%, 07/07/03	6,000	6,000
+■ Roswell, Georgia HFA M/F Housing RB (Gables Realty Wood Crossing Project) 1.00%, 07/07/03	11,650	11,650	+■ Winder-Barrow County, Georgia Industrial Building Authority IDRB (Progress Container Corp. Project) 1.05%, 07/07/03	2,795	2,795
+■ Savannah Georgia Housing Authority M/F Housing RB (Indigo Pointe Apartments) Series 2001A 1.05%, 07/07/03	3,500	3,500	+■ Worth County, Georgia IDRB Revenue Refunding Bond (Seabrook Project) Series 1996B 1.05%, 07/07/03	1,300	1,300
M/F Housing RB (Live Oak Plantation Apartments) Series 2001A 1.05%, 07/07/03	2,500	2,500			621,601
+■ Savannah, Georgia Economic Development Authority RB (Georgia Kaolin, Inc.) 1.10%, 07/07/03	11,000	11,000	Hawaii 0.4%		
RB (Home Depot Project) Series 1995B 1.05%, 07/07/03	5,000	5,000	+►■ Hawaii State Department of Budget & Finance Special Purpose RB TOBP (PA-795R) 1.08%, 07/07/03	9,095	9,095
+■ Summerville, Georgia Development Authority RB (Image Industry Project) 1.10%, 07/07/03	11,000	11,000	■ Hawaii State Housing Finance & Development Corp. TOB 1.13%, 07/07/03	6,355	6,355
+■ Thomasville, Georgia Hospital Authority RB (JD Archbold Project) 1.00%, 07/07/03	6,000	6,000	+►■ Honolulu, Hawaii City & County GO Series 2001C 1.30%, 12/04/03	37,600	37,600
+■ Walton County, Georgia Development Authority RB (Tucker Door & Trim Corp. Project) 1.15%, 07/07/03	2,600	2,600			53,050
+■ Webster County, Georgia IDRB (Tolleson Lumber Co., Inc. Project) 1.10%, 07/07/03	5,600	5,600	Idaho 1.0%		
			+■ Idaho HFA Housing RB (Assisted Living Concepts Project) 1.10%, 07/07/03	3,380	3,380
			▲ Idaho State TAN 0.80%, 06/30/04	125,000	126,484

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Idaho State University Foundation, Inc.	RB (L E & Thelma Stevens Project) 1.00%, 07/07/03	3,955	3,955	►■ Chicago, Illinois Metropolitan Water Reclamation District	Capital Improvement GO Series 2003E 0.90%, 07/07/03	12,000	12,000
			133,819		RB Series 2002A 0.90%, 07/07/03	7,100	7,100
Illinois 6.9%				+►■ Chicago, Illinois Midway Airport	RB TOB 1.05%, 07/07/03	24,480	24,480
+■ Aurora, Illinois	M/F Housing RB (Apartments at Fox Valley) Series 1999A 1.00%, 07/07/03	9,445	9,445	+■ Chicago, Illinois O'Hare International Airport	RB (ACES General Airport Second Lien) Series B1 1.02%, 07/07/03	25,400	25,400
+■ Carol Stream, Illinois	M/F Housing Revenue Refunding Bond RB (St. Charles Square Project) 1.15%, 07/07/03	4,415	4,415		RB (ACES General Airport Second Lien) Series B2 1.02%, 07/07/03	13,000	13,000
+■ Centralia, Illinois	IDRB (Consolidated Foods Corp. & Hollywood Brands, Inc. Project) 1.00%, 07/07/03	10,000	10,000	► Revenue Refunding TOBP (PT-755) 1.11%, 07/07/03		6,315	6,315
Chicago, Illinois				Special Facility RB (O'Hare Technical Center II Project) 1.06%, 07/07/03		15,500	15,500
+►■ GO Series B				Special Facility RB 1.10%, 07/07/03		41,484	41,484
+ GO Series 2003				► Special Facility RB TOB Series 2001B6 1.13%, 07/07/03		11,070	11,070
+■ IDRB (Morse Automotive Project)				Special Facility Revenue Refunding Bond RB (Lufthansa German Project) 0.98%, 07/07/03		43,770	43,770
+ Project & Refunding GO Series 2002A				+ Chicago, Illinois Skyway Toll Bridge			
+■ RB (Homestart Program) Series 2000A				Revenue Refunding Bond 0.87%, 01/01/04		5,000	5,246
+►■ Senior Lien RB TOB				+■ East Dundee, Kane & Cook Counties, Illinois			
►■ S/F Mortgage RB TOB Series 1999N				IDRB (Otto Engine Project) 1.06%, 07/07/03		1,950	1,950
+■ Water Second Lien RB				+■ Elmhurst, Illinois			
+►■ Chicago, Illinois Board of Education				IDRB (ELM Machining Corp. Project) 1.20%, 07/07/03		2,090	2,090
Unlimited Tax GO TOB 1.04%, 07/07/03							

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Gilberts, Illinois Special Service Area No. 10			+ RB (Loyola Academy Project)		
RB (Timber Trails Project)			1.05%, 07/07/03	13,000	13,000
1.05%, 07/07/03	4,883	4,883	+ RB (McCormick Theological Project) Series 2001B		
			1.05%, 07/07/03	12,500	12,500
+■ Glendale Heights, Illinois			▶ RB (Palos Community Hospital Project)		
IDRB (York Corrugated Container Project)			1.00%, 07/07/03	10,000	10,000
1.10%, 07/07/03	1,200	1,200	+ RB (Presbyterian Homes Project)		
			1.05%, 07/07/03	9,000	9,000
+■ Hampshire, Illinois			+ RB (Roll Service, Inc. Project)		
IDRB (Poli-Film America Project)			1.10%, 07/07/03	2,230	2,230
Series 1998A			+ RB (Sacred Heart School Project)		
1.15%, 07/07/03	4,000	4,000	1.05%, 07/07/03	4,600	4,600
			+ RB (Slovak American Charitable Project)		
■ Illinois Development Finance Authority			1.05%, 07/07/03	7,940	7,940
+ IDRB (Arc Tronics, Inc. Project)			+ RB (St. Ignatius College Prep. Project)		
1.10%, 07/07/03	2,190	2,190	1.05%, 07/07/03	2,200	2,200
+ IDRB (Camcraft, Inc. Project)			+ RB (St. Ignatius College Project)		
1.25%, 07/07/03	2,400	2,400	1.05%, 07/07/03	2,500	2,500
+ IDRB (Catholic Charities)			+ RB (Variable Rest Haven Illiana Christian)		
1.20%, 07/07/03	910	910	1.07%, 07/07/03	8,295	8,295
+ IDRB (Molding Project)			+ RB (Wheaton Academy Project)		
1.30%, 07/07/03	4,300	4,300	1.05%, 07/07/03	8,000	8,000
▶ IDRB (Presbyterian Home Lake Forest)			+ Residential Rental RB (River Oak Project)		
Series 1996A			1.05%, 07/07/03	32,000	32,000
1.05%, 07/07/03	6,000	6,000	+ Revenue Refunding Bond RB (Francis W. Parker Project)		
+ IDRB (Radiological Society Project)			0.95%, 07/07/03	2,500	2,500
1.00%, 07/07/03	3,730	3,730	▶ Water Facilities Revenue Refunding Bond RB (Illinois American Water Co. Project)		
+ IDRB (River Graphics Corp. Project)			1.05%, 07/07/03	5,000	5,000
1.20%, 07/07/03	2,690	2,690	+■ Illinois Educational Facility Authority		
+ RB (Carmel High School Project)			RB (Chicago Historical Society)		
1.05%, 07/07/03	3,200	3,200	1.00%, 07/07/03	7,900	7,900
+ RB (Catholic Charities Housing Project) Series 1993A			▶ TOB		
1.20%, 07/07/03	9,160	9,160	1.08%, 07/07/03	2,000	2,000
+ RB (Chicago Academy of Science Project)					
1.05%, 07/07/03	8,415	8,415			
+ RB (Chicago Horticultural Society Project)					
1.05%, 07/07/03	18,000	18,000			
+ RB (Korex Corp. Project)					
1.15%, 07/07/03	4,000	4,000			
+ RB (Lake Forest Academy Project)					
1.05%, 07/07/03	4,000	4,000			

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Illinois HDA			+■ Illinois Student Assistance Commission		
Homeowner Mortgage RB Subseries 2003A-1 1.13%, 04/29/04	8,000	8,000	Student Loan RB Series 1996A 1.03%, 07/07/03	7,600	7,600
Homeowner Mortgage RB Subseries 2003A-2 1.18%, 04/29/04	26,500	26,500	+■ Lombard, Illinois		
+■ M/F Revenue Refunding Bond RB (Hyde Park Tower Apartments Project) Series 2000A 1.10%, 07/07/03	4,500	4,500	IDRB Revenue Refunding Bond (B & H Partnership Project) 1.40%, 07/07/03	1,850	1,850
+■ Illinois Health Facility Authority			+■ Oak Forest, Illinois		
RB (Bensenville Home Society Project) Series 1989A 1.00%, 07/07/03	2,125	2,125	RB (Homewood Pool-South Suburban Mayors & Managers Association Project) 1.04%, 07/07/03	10,000	10,000
RB (Washington & Jane Smith Home) 1.05%, 07/07/03	2,800	2,800	+■ Orland Park, Illinois		
+■ Illinois Metropolitan Pier & Exposition Authority			IDRB (Orland Properties Project) 1.40%, 07/07/03	825	825
Dedicated Tax RB TOB Series A42 1.08%, 07/07/03	18,490	18,490	+■ Palatine, Illinois Special Facilities		
TOB (McCormick Place Exposition Project) 1.05%, 07/07/03	9,790	9,790	Limited Obligation RB (Little City Community Development Project) 1.05%, 07/07/03	4,000	4,000
TOB (McCormick Place) 1.05%, 07/07/03	14,355	14,355	+■ Richton Park, Illinois		
+■ Illinois Regional Transportation Authority			IDRB (Avatar Corp. Project) 1.25%, 07/07/03	1,900	1,900
GO TOB 1.05%, 07/07/03	12,055	12,055	+■ Rockford, Illinois		
GO TOB 1.05%, 07/07/03	9,730	9,730	IDRB (Industrial Welding Supply, Inc. Project) 1.20%, 07/07/03	2,000	2,000
Illinois State			IDRB (Ring Can Corp. Project) 1.05%, 07/07/03	1,500	1,500
+■ Dedicated Tax TOB Series N 1.08%, 07/07/03	2,940	2,940	+■ Tinley Park, Illinois		
GO Certificates Series 2003 0.98%, 05/15/04	200,000	200,897	IDRB (Beverly Manufacturing Co. Project) Series 1997A 1.24%, 07/07/03	2,270	2,270
+■ GO TOB 1.05%, 07/07/03	14,125	14,125	+■ University of Illinois		
+■ GO TOB 1.05%, 07/07/03	14,000	14,000	RB TOB (Merlot) Series 2000S 1.08%, 07/07/03	3,500	3,500
+■ GO TOB Series 2001-2 1.06%, 07/07/03	5,000	5,000	+■ Will-Kankakee, Illinois Regional Development Authority		
			IDRB (Toltec Steel Services, Inc. Project) 1.00%, 07/07/03	8,030	8,030

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Yorkville, Illinois			+■ Indiana Transportation Finance Authority		
IDRB (F.E. Wheaton & Co., Inc. Project)			BAN		
1.20%, 07/07/03	1,080	1,080	0.95%, 10/03/03	27,000	27,038
		908,844	▶■ Indiana University, Indiana		
Indiana 3.5%			RB		
+■ Elkhart County, Indiana			0.95%, 07/07/03	5,561	5,561
Economic Development RB			+■ Indianapolis, Indiana		
(White Plains Apartments Project) Series 1998A			M/F Housing RB (Nora Pines Apartments Project)		
1.10%, 07/07/03	1,900	1,900	0.98%, 07/07/03	5,000	5,000
+■ Gary, Indiana Redevelopment District			▶ Thermal Energy System RB		
Economic Growth RB Series			TOB		
20001-A			1.05%, 07/07/03	9,900	9,900
1.05%, 07/07/03	8,010	8,010	+▶■ Indianapolis, Indiana Local Public Improvement Bond Bank		
+■ Indiana Bond Bank			TOB Series 784		
BAN (Advance Funding Program Notes) Series 2003A			1.04%, 07/07/03	8,000	8,000
1.10%, 01/27/04	207,500	208,562	+■ Marion, Indiana		
TAN (Midyear Funding Program) Series 2003A			Economic Development RB		
0.93%, 04/15/04	67,000	67,168	(Wesleyan University Project)		
+■ Indiana Development Finance Authority			1.00%, 07/07/03	7,500	7,500
IDRB (Big Sky Park Project)			■ St. Joseph County, Indiana		
1.06%, 07/07/03	5,600	5,600	+ Economic Development RB		
IDRB (Cives Corp. Project)			(Pine Oaks Apartments Project) Series 1997A		
1.10%, 07/07/03	7,150	7,150	1.15%, 07/07/03	1,000	1,000
Indiana Health Facility Financing Authority			+ Economic Development RB		
RB (Ascension Health Credit Group) Series 2001A-2			Series 1997B		
1.83%, 07/03/03	25,000	25,000	1.15%, 07/07/03	3,430	3,430
+▶■ Indiana Hospital Equipment Financing Authority			▶ Educational Facilities RB		
Insured RB Series 1985A			(University of Notre Dame)		
1.00%, 07/07/03	32,975	32,975	0.85%, 07/07/03	4,200	4,200
▶■ Indiana State HFA			+■ Saint Joseph County, Indiana Economical Development Authority		
S/F Mortgage RB TOB Series 2000P			RB (Western Manor Project)		
1.15%, 07/07/03	7,370	7,370	1.15%, 07/07/03	2,130	2,130
TOB Series 1999A			+▶■ University of Southern Indiana Auxiliary System		
1.13%, 07/07/03	9,995	9,995	RB Series 2001B		
			1.00%, 07/07/03	10,700	10,700

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Vigo County, Indiana	Economic Development Revenue Bond (Sister's Providence Project) 1.10%, 07/07/03	3,500	3,500				
			461,689				
	Iowa 1.0%						
+■ Iowa Higher Education Loan Authority	RB (Private College Graceland Project) 1.05%, 07/07/03	2,000	2,000				
+ Iowa School Corp.	Revenue Anticipation Warrant (School Cash Anticipation Program) Series 2003A 0.85%, 06/18/04	91,730	92,739				
+■ Iowa Student Loan Liquidity Corp.	Student Loan RB Series 1988B 0.98%, 07/07/03	33,600	33,600				
			128,339				
	Kansas 0.9%						
■ Kansas Department of Transportation Highway	RB TOB Series 1999 1.05%, 07/07/03	37,500	37,500				
Olathe, Kansas	BAN Series 2003A 1.09%, 06/01/04	39,540	39,688				
+■ Wichita, Kansas	Airport Facilities Revenue Refunding Bond RB (Cessna Service Center Project) 1.10%, 07/07/03	11,245	11,245				
	Airport Facilities Revenue Refunding Bond RB (Flight Safety International, Inc. Project) 1.08%, 07/07/03	26,170	26,170				
			114,603				
	Kentucky 1.1%						
+■ Elizabethtown, Kentucky	IDRB (Aztec Project) 1.10%, 07/07/03	3,000	3,000				
+■ Jefferson County, Kentucky	M/F Housing Revenue Refunding Bond RB (Camden Brookside Project) 1.05%, 07/07/03	8,900	8,900				
	RB (University of Louisville Athletic Department) 1.10%, 07/07/03	4,400	4,400				
+■ Kentucky Higher Education Student Loan Corp.	Insured Student Loan RB Series 1991E 1.00%, 07/07/03	12,600	12,600				
	Insured Student Loan RB Series 1996A 1.00%, 07/07/03	23,850	23,850				
■ Kentucky Housing Corp.	RB TOB Series 1998W 1.13%, 07/07/03	19,320	19,320				
	TOB (Merlots) Series 2000U 1.13%, 07/07/03	9,685	9,685				
	TOB (Merlots) Series 2002A-31 1.13%, 07/07/03	5,915	5,915				
+■ Louisville & Jefferson Counties, Kentucky Metropolitan Sewer District	TOB Series A 1.05%, 07/07/03	6,115	6,115				
■ Louisville & Jefferson County, Kentucky Regional Airport Authority	Special Facilities RB (UPS Project) Series 1999C 0.90%, 07/01/03	29,800	29,800				
+■ Murray, Kentucky	IDRB Revenue Refunding Bond (Dean Foods Co. Project) 1.10%, 07/07/03	6,000	6,000				
+■ Richmond, Kentucky	IDRB (Mikron Project) 1.10%, 07/07/03	7,175	7,175				

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Wickliffe, Kentucky Pollution Control & Solid Waste Disposal Revenue Refunding Bond RB (Westvaco Corp. Project) 1.00%, 07/07/03	4,250	4,250	+■ Ouachita Parish, Louisiana IDRB (Sulzer Escher Wyss, Inc. Project) 1.10%, 07/07/03	1,500	1,500
		141,010	St. James Parish, Louisiana Pollution Control Revenue Refunding TECP (Texaco Project) Series 1988A 1.05%, 07/09/03	36,500	36,500
Louisiana 1.2%			Pollution Control Revenue Refunding TECP (Texaco Project) Series 1988B 1.05%, 07/09/03	44,030	44,030
+■ Calcasieu Parish, Louisiana IDRB (Weingarten Realty Project) 1.05%, 07/07/03	1,990	1,990		158,315	
■ East Baton Rouge Parish, Louisiana Pollution Control Revenue Refunding Bonds RB (Exxon Corp. Project) 0.85%, 07/01/03	12,000	12,000	Maine 0.2%		
+■ Lafayette Parish, Louisiana IDRB (Westwood Village Project) 1.05%, 07/07/03	3,735	3,735	+■ Maine Finance Authority RB (Jackson Laboratories) 1.04%, 07/07/03	6,000	6,000
+■ Lake Charles, Louisiana Harbor & Terminal District Dock & Wharf RB (Conoco, Inc. Project) 1.10%, 07/07/03	10,500	10,500	▲ Maine State TAN 0.80%, 06/30/04	20,000	20,188
+■ Louisiana Public Facilities Authority IDRB (Kenner Hotel LTD. Project) 0.90%, 07/01/03	6,900	6,900	■ Maine State Housing Authority Mortgage Purchase TOB Series 193 1.10%, 07/07/03	5,020	5,020
▶ Lease Purchase RB 1.03%, 07/07/03	20,000	20,000		31,208	
+■ Louisiana State Offshore Terminal Authority Revenue Refunding Bond (1st. Stage Loop, Inc.) 1.00%, 07/07/03	10,000	10,000	Maryland 0.6%		
Revenue Refunding Bond (Deepwater Port) Series 2003B 1.05%, 07/07/03	5,700	5,700	▶ Anne Arundel County, Maryland TECP Series A 1.00%, 10/07/03	5,000	5,000
+■ New Orleans, Louisiana Aviation Board RB Series 1993B 1.05%, 07/07/03	5,460	5,460	TECP Series B 1.00%, 10/08/03	5,000	5,000
			▶ Baltimore County, Maryland Consolidated Public Improvement TECP 1.05%, 07/07/03	20,000	20,000
			■ Maryland State Community Housing Development Administration Department S/F Mortgage Revenue TOBP (PA-634) 1.08%, 07/07/03	5,105	5,105
			TOB Series 1999G 1.13%, 07/07/03	32,335	32,335

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Maryland State Economic Development Corp.			■ RB (Brandon Residential Treatment)		
Economic Development RB (Hunter Douglas Project)			1.00%, 07/07/03	2,355	2,355
1.05%, 07/07/03	3,400	3,400	■ RB (Fiba Technologies)		
IDRB (Dixon Valve Project)			1.05%, 07/07/03	2,200	2,200
1.15%, 07/07/03	2,225	2,225	TECP		
			0.95%, 10/08/03	2,750	2,750
+■ Maryland State Emery Financing Administration			■ Massachusetts State Health & Educational Facilities Authority		
Limited Obligation Local District RB (Comfort Link Project)			+■ RB (Capital Assets Program) Series 1985D		
1.05%, 07/07/03	10,000	10,000	0.90%, 07/01/03	25,900	25,900
		83,065	RB (Harvard University) Series 2000BB		
Massachusetts 2.7%			1.05%, 07/07/03	41,800	41,800
Ayer, Massachusetts			RB (Harvard University) Series 2000Y		
BAN			0.85%, 07/07/03	32,000	32,000
0.89%, 06/24/04	5,000	5,027	RB (Massachusetts Institute of Technology) Series 2001J-1		
Douglas, Massachusetts			0.95%, 07/07/03	15,700	15,700
BAN			RB (Massachusetts Institute of Technology) Series 2001J-2		
1.12%, 04/07/04	14,000	14,094	0.85%, 07/07/03	22,800	22,800
Massachusetts Bay Transportation Authority			RB (Partners Healthcare Systems) Series 2003D-6		
Revenue Refunding Bond (General Transportation System Project) Series 1993A			0.95%, 07/01/03	4,200	4,200
1.11%, 03/01/04	1,000	1,027	RB (Williams College) Series 2003I		
+■ TOBP (PT-1218)			1.10%, 04/01/04	20,400	20,400
0.96%, 07/07/03	9,000	9,000	▶ RB TOB Series 2002D		
▶ Massachusetts State			1.00%, 07/07/03	1,510	1,510
+■ GO TOB Series 2001O			Massachusetts State HFA		
1.00%, 07/07/03	2,785	2,785	+■ RB Series 2003F		
■ Revenue Refunding Bond Series 2001C			0.95%, 07/07/03	3,500	3,500
1.10%, 07/07/03	9,200	9,200	S/F Housing BAN Series 2003M		
TECP			1.15%, 05/01/04	10,000	10,000
0.85%, 08/04/03	56,000	56,000	▶ Massachusetts State Industrial Finance Agency		
+ Massachusetts State Development Finance Agency			RB (Whitehead Institute BioMed Research Project)		
■ RB (Assumption College) Series 2002A			0.90%, 07/07/03	5,000	5,000
0.99%, 07/07/03	6,600	6,600	+■ Massachusetts State Turnpike Authority		
▶ RB (Boston University) Series 2002R-3			Metropolitan Highway System		
1.05%, 07/07/03	10,000	10,000	RB TOB Series 335		
			0.98%, 07/07/03	10,000	10,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
►■ Massachusetts State Water Pollution Abatement Trust TOB (Merlots) Series 1999N 1.04%, 07/07/03	1,500	1,500	►►■ Detroit, Michigan Water Supply System Refunding Revenue Bond (Senior Lien) Series 2003D 1.00%, 07/07/03	21,900	21,900
►►■ Route 3 North Massachusetts Transportation Improvement Association Lease RB Series 2002B 0.90%, 07/07/03	24,950	24,950	►■ Georgetown Township, Michigan Economic Development Corp. Limited Obligation RB (Sunset Manor, Inc. Project) 1.08%, 07/07/03	9,180	9,180
Woburn, Massachusetts BAN 0.95%, 06/11/04	7,850	7,909	►■ Grand Rapids, Michigan Economic Development Corp. RB (Amway Hotel Corp. Project) Series 1991A 1.04%, 07/07/03	8,755	8,755
► Worcester, Massachusetts Regional Transportation Authority RAN 0.88%, 06/30/04	6,000	6,037	►■ Macomb County, Michigan Hospital Finance Authority Hospital Revenue Refunding Bond (Mt. Clemens General) Series 2003A-2 0.98%, 07/01/03	5,000	5,000
		354,244	1.00%, 07/01/03	9,200	9,200
Michigan 5.0%			Michigan State GO 1.00%, 09/30/03	175,000	175,214
►■ Allen Park, Michigan Public School District TOB Series 229 1.05%, 07/07/03	6,410	6,410	► Michigan State Building Authority TECP 1.05%, 08/28/03	55,500	55,500
►■ Ann Arbor, Michigan Economic Development Corp. Limited Obligation RB (Glacier Hills, Inc. Project) Series 2000A 1.08%, 07/07/03	13,245	13,245	Michigan State HDA RB Series D 1.40%, 12/01/03	17,000	17,000
Limited Obligation RB (Glacier Hills, Inc. Project) Series 2000B 1.08%, 07/07/03	9,325	9,325	►►■ TOBP (PT-556) 1.08%, 07/07/03	3,630	3,630
►►■ Detroit, Michigan City School District GO TOB Series 2002A 1.06%, 07/07/03	4,620	4,620	►■ Michigan State Hospital Finance Authority RB (Martin Luther Memorial Home Inc. Project) 1.05%, 07/07/03	7,925	7,925
►►■ Detroit, Michigan Sewage Disposal System RB TOB Series 1999A 1.05%, 07/07/03	34,650	34,650	►■ Michigan State Strategic Fund Limited Obligation RB (Advance Plastics Corp.) 1.20%, 07/07/03	2,130	2,130
RB TOB Series 2002G 1.06%, 07/07/03	4,260	4,260	Limited Obligation RB (American Cancer Society Great Lakes) 1.05%, 07/07/03	4,670	4,670

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Minnesota School District COP (Tax & Aid Anticipation Borrowing Program) 1.47%, 08/20/03	42,745	42,790	+■ Mississippi Business Financial Corp. IDRB (Electric Mills Wood Project) 1.15%, 07/07/03	5,000	5,000
+■ Minnesota State Agriculture & Economic Development RB (Evangelical Lutheran Project) 1.10%, 07/07/03	7,500	7,500	IDRB (Omega Motion Project) 1.10%, 07/07/03	5,000	5,000
■ Minnesota State HFA Residential Housing RB Series 2001B 1.35%, 08/28/03	30,600	30,600	IDRB (VC Regional Assembly & Manufacturing Project) 1.05%, 07/07/03	8,110	8,110
Residential Housing RB Series 2001C 1.35%, 08/28/03	10,000	10,000	+▶■ Mississippi Development Bank Special Obligation TOBP (PT-520) 1.03%, 07/07/03	38,365	38,365
S/F Housing RB Series 2001D 1.35%, 08/28/03	19,920	19,920	+■ Mississippi Hospital Equipment & Facilities Authority RB (Baptist Memorial Hospital Project) 1.01%, 07/07/03	16,870	16,870
+■ Minnesota State Higher Education Facilities Authority RB (St. Thomas University Project) Series 5-L 1.05%, 07/07/03	4,000	4,000	▶■ Mississippi State GO Refunding Bond TOB 1.05%, 07/07/03	14,880	14,880
RB (University of St. Thomas Project) 1.05%, 07/07/03	9,700	9,700	+▶■ Mississippi State HFA S/F TOB Series 1997G 1.13%, 07/07/03	8,440	8,440
Rochester, Minnesota Health Care Facilities					104,465
▶■ RB TOB Series 177 1.04%, 07/07/03	7,130	7,130	Missouri 0.2%		
TECP 1.00%, 08/21/03	1,500	1,500	+■ Clay County, Montana IDRB (KC Salad Real Estate Project) 1.14%, 07/07/03	1,800	1,800
▶ 1.05%, 08/21/03	46,000	46,000	+■ Missouri State Development Finance Board IDRB (Milbank Manufacturing Co. Project) 1.25%, 07/07/03	3,000	3,000
1.05%, 08/21/03	18,550	18,550	+■ Missouri State Health and Educational Facilities Authority Health Facilities RB (National Benevolent Association Project) 1.05%, 07/07/03	2,640	2,640
+■ St. Louis Park, Minnesota M/F Housing RB (At the Park Project) Series 2002A 1.15%, 07/07/03	3,300	3,300			
		281,944			
Mississippi 0.8%					
■ Jackson County, Mississippi Pollution Control Revenue Refunding Bond (Chevron U.S.A., Inc. Project) 0.90%, 07/01/03	7,800	7,800			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ St. Louis, Missouri	IDRB (Kessler Container Project) 1.10%, 07/07/03	2,200	2,200	Nevada 1.5%			
▲ St. Louis, Missouri General Fund	TRAN 0.86%, 06/25/04	10,000	10,111	Clark County, Nevada			
+■ Washington, Missouri	IDRB (Pauwels Transformer Project) 1.28%, 07/07/03	3,000	3,000	+■ Economic Development RB (University of Nevada Las Vegas Project) 1.00%, 07/07/03	560	560	
			22,751	+■ IDRB (Southwest Gas Corp. Project) Series 2003A 1.10%, 07/07/03	12,500	12,500	
Montana 0.1%				+■ TOB Series 801 1.04%, 07/07/03	7,468	7,468	
+■ Montana State Health Facility Authority	RB (Health Care Pooled Loan Program Project) Series 1985A 0.95%, 07/07/03	5,155	5,155	+■ Clark County, Nevada Airport Improvement RB (System Subordinate Lien) Series 1995A2 1.02%, 07/07/03	1,200	1,200	
Nebraska 0.3%				+■ Sub Lien RB Series 1999B1 0.98%, 07/07/03	47,960	47,960	
+■ Dodge County, Nebraska	IDRB (Oilgear Project) 1.24%, 07/07/03	1,390	1,390	+■ Sub Lien RB Series 2001C 0.90%, 07/07/03	10,000	10,000	
+■ Lancaster County, Nebraska Hospital Authority No. 1	RB (Bryan Leigh Medical Center Project) 1.05%, 07/01/03	3,500	3,500	+ Clark County, Nevada Highway Motor Vehicle Fuel Tax TECP 1.05%, 08/21/03	6,700	6,700	
■ Nebraska Investment Finance Authority	S/F Housing RB (Merlot) TOB Series 20000 1.13%, 07/07/03	2,985	2,985	+■ Clark County Nevada School District TOB Series 2001F 1.06%, 07/07/03	21,715	21,715	
	S/F Housing RB TOB Series 1998X 1.13%, 07/07/03	10,735	10,735	+■ Nevada Housing Division M/F Housing RB (Apache Pines Apartments Project) Series 1999A 1.00%, 07/07/03	7,415	7,415	
+■ Stanton County, Nebraska	IDRB (Nucor Corp. Project) 1.13%, 07/07/03	19,300	19,300	M/F Housing RB Series 1989A 0.95%, 07/07/03	5,100	5,100	
			37,910	Multi-Unit Housing RB (Banbridge Apartment Project) Series 2000A 1.00%, 07/07/03	3,960	3,960	
				Multi-Unit Housing RB (City Center Project) Series 2000A 1.00%, 07/07/03	9,350	9,350	
				Multi-Unit Housing RB (Oakmont Project) 1.00%, 07/07/03	4,350	4,350	

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Multi-Unit Housing RB (Reno Apartments Project) Series 2002A 1.00%, 07/07/03	17,850	17,850	+■ New Jersey Economic Development Authority RB (Catholic Community Services Project) 0.95%, 07/07/03	50	50
Multi-Unit Housing RB (Silver Pines Apartments) Series 2002A 0.95%, 07/07/03	5,400	5,400	+►■ New Jersey Sports & Exposition Authority RB Series 1992C 1.00%, 07/07/03	11,000	11,000
Multi-Unit Housing RB (St. Rose Apartments Project) Series 2002A 1.00%, 07/07/03	14,770	14,770	+►■ New Jersey State Transit Corp. TOB (Certificates) Series 2000-148 0.95%, 07/07/03	2,305	2,305
Multi-Unit Housing RB Series 2003A 1.00%, 07/07/03	5,150	5,150	Woodbridge Township, New Jersey BAN 1.50%, 07/08/03 1.52%, 07/08/03	7,000 23,000	7,002 23,003
+►■ Washoe County, Nevada GO TOB 1.06%, 07/07/03	21,000	21,000			60,445
		202,448			
New Hampshire 0.4%			New Mexico 0.3%		
+►■ New Hampshire Health & Education Facilities Authority RB (Dartmouth Hitchcock Obligation) Series 2001A 0.95%, 07/07/03	9,000	9,000	+►■ New Mexico Mortgage Finance Authority TOBP (PT-646) 1.13%, 07/07/03 TOBP (PT-709) 1.13%, 07/07/03	4,220 12,565	4,220 12,565
+■ New Hampshire State Business Finance Authority Solid Waste Disposal RB (Lonza Biologics, Inc. Project) 1.10%, 07/07/03	30,000	30,000	+■ Santa Fe, New Mexico Gross Receipts Tax Wastewater Systems RB Series 1997B 1.04%, 07/07/03	16,800	16,800
+►■ New Hampshire State HFA S/F Revenue TOB Series 1998G 1.13%, 07/07/03 S/F Revenue TOB Series 1998U 1.13%, 07/07/03	3,635 9,995	3,635 9,995			33,585
		52,630	New York 5.5%		
New Jersey 0.5%			+■ Dutchess County, New York IDRB (Trinity Pawling School Corp. Project) 0.95%, 07/07/03	1,725	1,725
East Brunswick Township, New Jersey BAN 1.10%, 02/27/04	16,985	17,085	+■ Long Island, Power Authority New York Electric System RB Series 1998-2B 0.85%, 07/01/03	10,500	10,500

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶	Electric System RB TOB Series 1998A 1.01%, 07/07/03	10,970	10,970		New York City Transitional Finance Authority, New York BAN 1.05%, 11/06/03	8,500	8,542
	Metropolitan Transportation Authority, New York				BAN Series 2 1.10%, 02/19/04	50,000	50,284
▶▶	RB (Dedicated Tax Fund) Series 2002B 0.95%, 07/07/03	4,000	4,000	▶▶	Future Tax Secured RB Series 2001B 0.95%, 07/01/03	1,200	1,200
	RB Series 2002F 1.50%, 11/15/03	15,900	15,989	■	Future Tax Secured TOB Series 1999B 1.04%, 07/07/03	14,790	14,790
	Nassau County Interim Finance Authority, New York			▶▶	RB Subseries 2002-2A 0.95%, 07/01/03	11,500	11,500
	BAN Series 2002B-2 1.15%, 09/11/03	21,920	21,967	▶▶	RB Subseries 2D 0.95%, 07/07/03	11,200	11,200
▶▶	New York City, New York			▶▶	TOBP (PT-1724) 1.01%, 07/07/03	4,640	4,640
	GO Subseries 1993E-3 0.85%, 07/01/03	6,400	6,400	▶▶	New York State Dormitory Authority		
▶	GO Subseries 1994H-3 0.85%, 07/01/03	2,000	2,000		RB TOB Series 15 0.90%, 12/17/03	20,000	20,000
▶	GO Series 1994H-3 0.85%, 07/01/03	4,100	4,100	▶▶	New York State Energy Research & Development Authority		
▶▶	GO Subseries C-3 0.90%, 07/07/03	10,000	10,000		Gas Facilities RB TOB Series 379 1.00%, 07/07/03	1,570	1,570
▶	GO TOB (Merlot) Series 1997C 1.04%, 07/07/03	17,825	17,825		Pollution Control Revenue Refunding Bond RB (Orange & Rockland Utilities, Inc. Project) Series 1994A 0.85%, 07/07/03	19,000	19,000
	TOB Subseries 2003G-2 0.90%, 07/07/03	5,500	5,500	▶▶	New York State HFA		
▶	New York City Municipal Water Finance Authority, New York				RB (101 West End Project) 0.90%, 07/07/03	67,250	67,250
	TECP Series 6 1.07%, 07/17/03	23,800	23,800		RB (150 East 44th Street Project) Series 2000A 0.90%, 07/07/03	3,420	3,420
▶▶	Water & Sewer System RB Series 1993C 0.90%, 07/01/03	5,400	5,400		RB (345 East 94th Street Housing Project) 0.90%, 07/07/03	7,300	7,300
▶▶	Water & Sewer System RB Series 1994G 0.85%, 07/01/03	5,000	5,000		RB (East 84th Street Housing Project) Series 1995A 1.15%, 07/07/03	5,100	5,100
■	Water & Sewer System RB Subseries 2003C-3 0.85%, 07/01/03	24,050	24,050		RB (Union Square South Housing Project) 1.00%, 07/07/03	21,800	21,800
■	Water & Sewer System RB Subseries 2003F-2 0.95%, 07/01/03	1,500	1,500				
▶▶	Water & Sewer System RB TOB Series 158 1.00%, 07/07/03	9,995	9,995				

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
RB (West 23rd Street) 1.00%, 07/07/03	46,000	46,000	North Carolina 1.6%		
RB Series 1997A 1.00%, 07/07/03	27,100	27,100	+■ Burke County, North Carolina Industrial Facilities & Pollution Control Financing Authority		
Service Contract Revenue Refunding Bond Series 2003D 0.90%, 07/07/03	16,500	16,500	IDRB (Bauer Industries, Inc. Project) 1.15%, 07/07/03	2,455	2,455
■ New York State Mortgage Agency			+■ Durham, North Carolina Housing Authority		
RB Series 2000K 1.00%, 07/07/03	5,000	5,000	M/F Housing RB (Pendleton Townhomes Project) 1.05%, 07/07/03	5,490	5,490
RB TOB Series 1999H 1.00%, 07/07/03	14,995	14,995	+■ Fayetteville, North Carolina Public Works Commission		
TOB Series 1999F 1.00%, 07/07/03	10,700	10,700	Revenue Refunding Bond 0.90%, 07/07/03	6,400	6,400
▶ New York State Power Authority			+■ Forsyth County, North Carolina Industrial Facilities & Pollution Control Financing Authority		
TECP 0.90%, 08/14/03	48,000	48,000	RB (Plymouth Printing Project) 1.15%, 07/07/03	1,400	1,400
TECP Series 2 1.08%, 08/07/03	34,700	34,700	+■ Gates County, North Carolina Industrial Facilities & Pollution Control Financing Authority		
Port Authority of New York & New Jersey			IDRB (Coxe-Lewis Project) 1.20%, 07/07/03	1,315	1,315
BAN Series 2003VV 1.03%, 12/15/03	17,600	17,609	+■ Guilford County, North Carolina Industrial Facilities & Pollution Control Financing Authority		
1.12%, 12/15/03	50,000	50,006	RB (Neal Manufacturing Project) 1.10%, 07/07/03	1,800	1,800
+■ Special Obligation RB TOB			RB (Vitafoam, Inc. Project) 1.10%, 07/07/03	5,000	5,000
1.01%, 07/07/03	4,345	4,345	■ Hertford County, North Carolina Industrial Facilities & Pollution Control Financing Authority		
+■ Triborough Bridge & Tunnel Authority, New York			IDRB (Nucor Corp. Project) 1.08%, 07/07/03	17,500	17,500
General Purpose RB Series 2001B 0.90%, 07/07/03	12,000	12,000	IDRB (Nucor Corp. Project) Series 2000A 1.13%, 07/07/03	26,500	26,500
+■ Westchester County, New York IDA			+■ Johnston County, North Carolina Industrial Facilities & Pollution Control Financing Authority		
RB (Levister Redevelopment Co., LLC) Series A 0.90%, 07/07/03	1,000	1,000	RB (Flanders Corp. Project) 1.10%, 07/07/03	4,500	4,500
+■ Yonkers, New York Civic Facilities					
IDRB (Consumers Union Facility Project) Series 1994 1.05%, 07/07/03	460	460			
		716,732			

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
◆ Mecklenburg County, North Carolina GO Series 2003B 1.00%, 07/07/03	7,000	7,000	◆ Sampson County, North Carolina Industrial Facilities & Pollution Control Financing Authority IDRB (Crumpler Plastic Project) 1.15%, 07/07/03	3,700	3,700
◆ North Carolina Capital Facilities Finance Agency Capital Facilities RB (Durham Academy Project) 1.00%, 07/07/03	23,400	23,400	◆ Union County, North Carolina Industrial Facilities & Pollution Control Financing Authority RB (Rock-Tenn Converting County Project) 1.05%, 07/07/03	1,750	1,750
◆ North Carolina Educational Facilities Finance Agency RB (Davidson College) Series 2000B 1.00%, 07/07/03	19,000	19,000	◆ Wake County, North Carolina Public Improvement GO Series 2003B 1.09%, 04/01/04	8,000	8,039
◆ RB (High Point University Project) 1.00%, 07/07/03	4,810	4,810	◆ Wake County, North Carolina Housing Authority M/F Housing RB (Walnut Ridge Apartments Project) 1.05%, 07/07/03	10,075	10,075
◆ RB (Queens College) Series 1999B 1.00%, 07/07/03	5,975	5,975	◆ Wilmington, North Carolina Housing Authority M/F Housing RB (Garden Lake Estates Project) 1.05%, 07/07/03	7,215	7,215
◆ North Carolina HFA TOB Series 1998L 1.65%, 07/10/03	12,000	12,000			212,274
◆ North Carolina Medical Care Community Hospital RB (Pooled Equipment Financing Project) 0.90%, 07/07/03	20,000	20,000	North Dakota 0.1%		
◆ North Carolina State Revenue Refunding Bond GO Series 2002E 0.95%, 07/07/03	10,200	10,200	◆ Richland County, North Dakota Solid Waste Disposal RB (Minn-Dak Farmers Co-Op Project) Series 1986B 1.25%, 07/07/03	740	740
◆ Revenue Refunding Bond RB Series 2002B 0.90%, 07/07/03	550	550	◆ Solid Waste Disposal RB (Minn-Dak Farmers Co-Op Project) Series 1996A 1.25%, 07/07/03	8,080	8,080
◆ Rockingham County, North Carolina Industrial Facilities & Pollution Control Financing Authority IDRB (McMichael Mills Project) 1.10%, 07/07/03	2,100	2,100			8,820
◆ Rowan County, North Carolina Industrial Facilities Pollution Control Financing Authority IDRB (Taylor-Clay Products Project) 1.10%, 07/07/03	4,100	4,100	Ohio 1.2%		
			◆ Cleveland, Ohio Airport System RB Series 1997D 0.98%, 07/07/03	32,275	32,275

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Cuyahoga County, Ohio Economic Development RB (Hathaway Brown School Project) 1.05%, 07/07/03	14,650	14,650	Oklahoma 1.1%		
+►■ Hamilton County, Ohio Sales Tax RB TOB Series 202 1.05%, 07/07/03	14,410	14,410	+■ Broken Bow, Oklahoma Economic Development Authority Solid Waste Disposal RB (J M Huber Project) Series 2003A 1.05%, 07/07/03	7,500	7,500
+►■ Hamilton, Ohio Electric System RB Series 2002A 0.98%, 07/07/03	27,000	27,000	+■ Muldrow, Oklahoma Public Works Authority IDRB (Oklahoma Foods Project) 1.30%, 07/07/03	5,500	5,500
+■ Ohio Air Quality Development Authority RB (JMG Funding, LP) Series 1994A 1.02%, 07/07/03	16,400	16,400	+■ Oklahoma County, Oklahoma Industrial Authority RB (National Cowboy Hall of Fame Project) 1.00%, 07/07/03	1,160	1,160
RB (Limited Partnership Project) Series 1994B 1.10%, 07/07/03	14,400	14,400	+■ Oklahoma Development Finance Authority RB (Shawnee Funding, Ltd.) 1.05%, 07/07/03	3,100	3,100
Ohio State Major New State Infrastructure RB 0.85%, 06/15/04	6,400	6,592	►■ Oklahoma HFA S/F Housing RB TOBP (PT-360) 1.08%, 07/07/03	5,250	5,250
►■ Ohio State HFA Mortgage RB TOB 1.10%, 07/07/03	7,060	7,060	+►■ Oklahoma State Student Loan Authority RB Series 1996A 1.00%, 07/07/03	32,580	32,580
Mortgage RB TOB Series 2000AA 1.13%, 07/07/03	4,475	4,475	RB Series 1997A 1.03%, 07/07/03	33,000	33,000
Mortgage RB TOBP (PA-806) 1.08%, 07/07/03	410	410	RB Series 1998A 1.03%, 07/07/03	33,100	33,100
+ Ohio State Water Development Authority Revenue Refunding Bond (Pure Water Development Project) 1.10%, 12/01/03	4,500	4,554	RB Series 2000A-4 1.03%, 07/07/03	20,945	20,945
+■ Port of Greater Cincinnati, Ohio Development Authority RB (National Underground Railroad) Series 2003RA 1.05%, 07/07/03	15,000	15,000	+■ Tulsa, Oklahoma Industrial Authority Hospital RB (YMCA of Greater Tulsa Project) 1.00%, 07/07/03	2,600	2,600
					144,735
		157,226			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
➔■ Harrisburg, Pennsylvania Water Authority RB Series 2002B 1.05%, 07/07/03	2,500	2,500	➔■ Northampton County, General Purpose Authority, Pennsylvania RB TOB Series 2002-2 1.13%, 12/03/03	6,995	6,995
■ Lancaster County, Pennsylvania Hospital Authority Health Center RB (Brethren Village Project) 1.05%, 07/07/03	4,100	4,100	■ Northampton County IDA, Pennsylvania IDRB (Binney & Smith) Series 2002A 1.10%, 07/07/03	3,250	3,250
▶ Health Center RB (Masonic Homes Project) 1.00%, 07/07/03	17,435	17,435	IDRB (Binney & Smith) Series 2002B 1.10%, 07/07/03	870	870
➔■ Mercer County, Pennsylvania GO TOB (Munitops Certificates) Unlimited Series 2001-18 1.04%, 07/07/03	5,400	5,400	➔■ Pennsylvania Convention Center Authority RB TOBP (PT-1224) 0.99%, 07/07/03	3,900	3,900
■ Montgomery County, Pennsylvania Higher Education & Health Authority RB (Madlyn & Leonard Abramson Project) 1.00%, 07/07/03	2,300	2,300	■ Pennsylvania Energy Development Authority RB (B&W Ebensburg Project) 0.98%, 07/07/03	22,990	22,990
■ Montgomery County, Pennsylvania IDA ■ IDRB (Friends Central School Project) 1.03%, 07/07/03	8,000	8,000	RB (Piney Creek Project) Series 1986A 0.98%, 07/07/03	24,035	24,035
Pollution Control Revenue Refunding TECP 1.05%, 08/18/03	27,160	27,160	RB (Piney Creek Project) Series 1986C 0.98%, 07/07/03	4,155	4,155
1.05%, 08/21/03	9,200	9,200	■ Pennsylvania HFA RB TOB Series 1998Y 1.20%, 09/25/03	8,095	8,095
1.08%, 09/05/03	9,530	9,530	S/F Mortgage RB TOBP (PT-119A) Series 1997 0.99%, 07/07/03	395	395
■ Montgomery County, Pennsylvania Redevelopment Authority M/F Housing RB (Brookside Manor Apartments) Series 2001A 0.85%, 07/07/03	8,210	8,210	S/F Mortgage TOBP (P-1055) 1.03%, 07/07/03	3,895	3,895
M/F Housing RB (Glenmore Association) 1.05%, 07/07/03	3,750	3,750	TOB Series 1999U 1.20%, 08/14/03	24,710	24,710
M/F Housing RB (Kingswood Apartments Project) Series 2001A 0.85%, 07/07/03	1,205	1,205	■ Pennsylvania Higher Education Assistance Agency RB (Ursinus College) 1.05%, 07/07/03	3,200	3,200
			▶ Student Loan RB Series 1984A 1.05%, 07/07/03	27,500	27,500
			▶ Student Loan RB Series 1988A 1.00%, 07/07/03	72,700	72,700

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶ Student Loan RB Series 1988B 1.00%, 07/07/03	24,300	24,300	✦ Exempt Facilities RB (Reliant Energy Seward, LLC Project) Series 2002B 1.15%, 07/07/03	18,000	18,000
▶ Student Loan RB Series 1994A 1.00%, 07/07/03	31,000	31,000	RB (Merck & Co., Inc. West Point Project) 1.05%, 07/07/03	2,300	2,300
▶ Student Loan RB Series 1997A 1.05%, 07/07/03	23,900	23,900	✦▶ Pennsylvania State Public School Building Authority RB Series 1999D 1.05%, 07/07/03	6,900	6,900
▶ Student Loan RB Series 1999A 0.98%, 07/07/03	6,200	6,200	▶ Pennsylvania State Turnpike Commission RB Series 2001U 0.95%, 07/07/03	39,200	39,200
▶ Student Loan RB Series 2000A 1.05%, 07/07/03	39,000	39,000	RB Series A-3 0.95%, 07/07/03	7,000	7,000
▶ Student Loan RB Series 2001A 1.05%, 07/07/03	14,700	14,700	■ Pennsylvania State University, Pennsylvania RB Series 2001A 1.00%, 07/07/03	5,000	5,000
▶ Student Loan RB Series 2003A-1 1.05%, 07/07/03	2,000	2,000	✦ RB Series 2002A 1.00%, 07/07/03	3,700	3,700
▶ Pennsylvania State ✦ TOB Series 1997C 1.05%, 07/07/03	1,000	1,000	✦▶ Philadelphia Authority For Industrial Development IDRB (City Line Holiday Inn Project) 0.95%, 07/07/03	6,800	6,800
✦ TOBP (PA-1035R) 0.90%, 12/18/03	10,000	10,000	IDRB (Girard Estate Aramark Project) 0.95%, 07/07/03	10,000	10,000
✦ TOBP (PA-1112) 0.99%, 07/07/03	14,770	14,770	IDRB (Girard Estate Facility Leasing Project) 0.95%, 07/07/03	13,500	13,500
TOBP (PA-1131) 1.05%, 07/07/03	1,110	1,110	▶ IDRB TOBP (PA-982) (Philadelphia Airport) Series 1998A 1.68%, 07/10/03	12,710	12,710
✦ TOBP (PA-935) 0.99%, 07/07/03	35,325	35,325	✦▶ Philadelphia, Pennsylvania Gas Works RB TOBP (PA-877) 0.99%, 07/07/03	5,995	5,995
■ Pennsylvania State Economic Development Finance Authority ✦ Exempt Facilities RB (AMTRAK Project) Series 2001B 1.00%, 07/07/03	2,600	2,600	✦▶ Philadelphia, Pennsylvania Hospitals & Higher Education Facilities Authority RB (Wills Eye Hospital Project) 0.95%, 07/07/03	13,800	13,800
✦ Exempt Facilities RB (Reliant Energy Seward Project) Series 2001A 1.03%, 07/07/03	58,100	58,100			
✦ Exempt Facilities RB (Reliant Energy Seward, LLC Project) Series 2002A 1.03%, 07/07/03	35,000	35,000			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
RB (Thomas & Betts Corp. Project)	1.15%, 07/07/03	3,250	3,250	+■ South Dakota State Health & Educational Facilities Authority			
+■ South Carolina State Housing Finance & Development Authority				▶RB (Mckenna Hospital)	1.15%, 07/07/03	27,445	27,445
M/F Housing RB (Ashley Apartments Project)	1.05%, 07/07/03	4,300	4,300	RB (Rapid City Regional Hospital)	1.00%, 07/01/03	3,500	3,500
M/F Rental Housing RB (Peidmont) Series 2000B-1	1.05%, 07/07/03	5,755	5,755				67,445
M/F Rental Housing RB (Spartanburg) Series 2000C-1	1.05%, 07/07/03	1,960	1,960	Tennessee 3.1%			
M/F Rental Housing Revenue Refunding Bond RB (Fairway Project) Series 2001A	0.95%, 07/07/03	7,735	7,735	+■ Bristol, Tennessee Health & Educational Facilities Board			
▶ South Carolina State Public Service Authority				RB (Kings College Project)	1.00%, 07/07/03	7,650	7,650
TECP				+■ Chattanooga, Tennessee Health Education & Housing Facilities Board			
1.08%, 07/03/03	11,779	11,779		RB (Baylor School Project)	1.00%, 07/07/03	2,035	2,035
1.08%, 07/09/03	22,424	22,424		+■ Clarksville, Tennessee Public Building Authority			
1.05%, 07/10/03	31,446	31,446		Pooled Financing RB	1.00%, 07/01/03	17,900	17,900
+■ South Carolina Transportation Infrastructure				+■ Franklin County, Tennessee			
RB TOB Series 1999A	1.05%, 07/07/03	22,610	22,610	IDRB (Hi-Tech Project)	1.10%, 07/07/03	4,700	4,700
+■ Spartanburg County, South Carolina				+■ Grundy County, Tennessee			
IDRB (Bemis, Inc.)	1.05%, 07/07/03	4,750	4,750	IDRB Limited Obligation (Toyo Seat USA Corp. Project)	1.30%, 07/07/03	4,255	4,255
			159,649	+■ Hendersonville, Tennessee			
South Dakota 0.5%				IDRB Revenue Refunding Bond (Betty Machinery Co. Project)	1.05%, 07/07/03	5,300	5,300
■ South Dakota HDA				+■ Huntingdon, Tennessee			
▶ Homeownership Mortgage RB Series 2001F	1.15%, 07/07/03	20,000	20,000	IDRB (Associated Rubber Co. Project)	1.05%, 07/07/03	2,500	2,500
+ M/F Housing RB (Harmon Apartments Project)	1.15%, 07/07/03	6,500	6,500	+■ Jackson County, Tennessee			
▶RB (Home Ownership Mortgage Bonds) Series 2003 C-1	0.95%, 07/07/03	10,000	10,000	IDRB Solid Waste Facilities (Ameristeel Corp. Project)	1.10%, 07/07/03	3,800	3,800
				▶RB Energy Authority Gas System	1.00%, 07/07/03	5,900	5,900

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶ RB Energy Authority Water System 1.00%, 07/07/03	5,000	5,000	Local Government Public Improvement Bond Series II-C 1.01%, 07/07/03	855	855
➤ McMinn County, Tennessee IDRB Solid Waste Disposal (Bowater, Inc. Project) 1.10%, 07/07/03	13,500	13,500	Local Government Public Improvement Bond Series III-C1 1.01%, 07/07/03	8,530	8,530
■ Metropolitan Government of Nashville & Davidson County, IDB Tennessee			RB Local Government Public Improvement Bond Series 1995C1 1.01%, 07/07/03	4,555	4,555
➤ IDRB (David Lipscomb University Project) 1.00%, 07/07/03	8,840	8,840	RB Local Government Public Improvement Bond Series 1996D1 1.01%, 07/07/03	1,970	1,970
➤ IDRB (Bind Technologies, Inc.) 1.10%, 07/07/03	3,050	3,050	RB Local Government Public Improvement Bond Series 1996E4 1.01%, 07/07/03	2,515	2,515
➤ M/F Housing IDRB (Arbor Crest) Series 1985B 1.00%, 07/07/03	12,550	12,550	RB Local Government Public Improvement Bond Series 1996F1 1.01%, 07/07/03	8,850	8,850
➤ M/F Housing IDRB (Arbor Knoll) Series 1985A 1.00%, 07/07/03	1,000	1,000	RB Local Government Public Improvement Bond Series 1996F2 1.01%, 07/07/03	6,310	6,310
➤ RB (Nashville Symphony Project) 1.00%, 07/07/03	3,100	3,100			
■ Metropolitan Government of Nashville & Davidson County, Tennessee			➤ Shelby County, Tennessee Health, Education, & Housing Facilities Board		
▶ TOB Series 219 1.05%, 07/07/03	5,995	5,995	■ M/F Housing RB Series 1997A 1.15%, 07/07/03	5,000	5,000
■ Metropolitan Nashville & Davidson County, Tennessee Health & Educational Facilities Board			■ RB (Rhodes College) 1.00%, 07/07/03	9,800	9,800
RB (Ascension Health Credit) Series B-1 1.60%, 07/28/03	20,000	20,000	■ RB (St. Benedict at Auburndale High School Project) 1.03%, 07/07/03	5,000	5,000
➤ RB (Ensworth School Project) 1.00%, 07/07/03	10,000	10,000	TECP 0.95%, 07/21/03	59,300	59,300
➤ Montgomery County, Tennessee Public Building Authority			■ Tennessee HDA		
RB (Pooled Financing) 1.00%, 07/01/03	14,500	14,500	➤ Mortgage Finance TOB Series 1997K 1.13%, 07/07/03	2,435	2,435
➤ Sevier County, Tennessee Public Building Authority			RB TOB Series 2001H 1.11%, 07/07/03	6,035	6,035
Local Government Public Improvement Bond Series 1996G 1.01%, 07/07/03	5,475	5,475			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Tennessee State				+■ Brazos River, Texas Higher Education Authority			
TECP Series A				RB Series 1993B1			
1.12%, 07/11/03		20,000	20,000	0.98%, 07/07/03		33,000	33,000
1.05%, 08/08/03		10,000	10,000	+■ Calhoun County, Texas Navigation District			
1.05%, 08/13/03		10,000	10,000	Solid Waste Disposal RB			
1.05%, 09/10/03		10,000	10,000	(Formosa Plastics Corp. Project)			
0.90%, 09/12/03		15,000	15,000	1.05%, 07/07/03		19,800	19,800
+■ Tennessee Volunteer State Student Loan Funding Corp.				+■ Capital Industrial Development Corp., Texas			
RB Series 1987A				Solid Waste Disposal RB (Texas Disposal System, Inc. Project)			
0.98%, 07/07/03		15,000	15,000	1.10%, 07/07/03		4,500	4,500
RB Series 1987A-2				+■ Clear Creek, Texas Independent School District			
0.98%, 07/07/03		3,100	3,100	TOB Series 793			
RB Series 1997A-3				1.04%, 07/07/03		6,000	6,000
0.98%, 07/07/03		39,100	39,100	+■ Collin County, Texas HFA			
			400,405	M/F Housing RB (Huntington Apartments Project)			
				1.13%, 07/07/03		6,150	6,150
				+■ Dallas Area Rapid Transit, Texas			
				RB TOB			
				1.05%, 07/07/03		16,130	16,130
				+ Dallas Fort Worth, Texas International Airport			
				Joint Revenue Refunding Bond RB			
				1.30%, 11/01/03		2,775	2,808
				■ RB TOB Series 351			
				1.11%, 07/07/03		2,500	2,500
				■ RB TOBP (PA-1061)			
				1.11%, 07/07/03		8,995	8,995
				■ RB TOBP (PA-1125)			
				1.11%, 07/07/03		4,000	4,000
				■ RB TOBP (PT-805)			
				1.15%, 11/13/03		9,995	9,995
				■ Dallas Fort Worth, Texas International Airport Facility Improvement Corp.			
				Revenue Refunding Bond RB			
				(United Parcel Service, Inc. Project)			
				0.90%, 07/01/03		12,500	12,500
Texas 10.8%							
+■ Amarillo, Texas Health Facilities Corp.							
RB (High Plains Baptist Hospital)							
1.20%, 07/07/03		3,000	3,000				
Revenue Refunding Bond RB							
1.10%, 07/07/03		3,155	3,155				
■ Austin, Texas Public Improvement							
TOB							
1.05%, 07/07/03		6,000	6,000				
+■ Austin, Texas Water & Wastewater Systems							
RB TOB Series A63							
1.08%, 07/07/03		6,425	6,425				
+■ Bexar County, Texas Health Facilities Development Corp.							
RB (Chandler Memorial Home Project)							
1.04%, 07/07/03		3,945	3,945				
■ Board of Regents Texas A & M, Texas							
TOB (Permanent University Fund)							
1.05%, 07/07/03		28,445	28,445				

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+► Denton, Texas Utility System			+■ Gulf Coast Industrial Development Authority, Texas		
RB TOB Series 369			IDRB (Gruma Corp. Project)		
1.04%, 07/07/03	5,230	5,230	1.10%, 07/07/03	6,440	6,440
+► El Paso County, Texas			Gulf Coast Waste Disposal Authority, Texas		
Water & Sewer RB TOB Series			■ RB Pollution Control (Amoco Oil Co. Project)		
1999			0.85%, 07/01/03	12,000	12,000
1.13%, 07/07/03	11,535	11,535	RB (Amoco Oil Project)		
+■ Euless, Texas			1.10%, 10/01/03	9,200	9,200
IDRB (Ferguson Enterprises, Inc. Project)			+ Harris County, Texas Flood Control District		
1.05%, 07/07/03	4,950	4,950	TECP		
+■ Grand Prairie, Texas			1.08%, 08/22/03	25,300	25,300
IDRB (NTA Leasing Co. Project)			0.95%, 08/26/03	5,235	5,235
1.15%, 07/07/03	1,515	1,515	+► Harris County, Texas Health Facility Development Corp.		
+■ Grapevine, Texas Industrial Development Corp.			TOB		
Airport RB (Singer County Project)			1.05%, 07/07/03	14,850	14,850
1.15%, 04/01/04	18,975	18,975	+■ Harris County, Texas Housing Finance Corp.		
+■ Greater East Texas Higher Education Authority			M/F Housing RB (Dominion Square Apartments Project)		
RB (Student Loan Corp.) Series 1998A			1.13%, 07/07/03	2,895	2,895
1.04%, 07/07/03	6,500	6,500	+► Harris County, Texas Houston Sports Authority		
Student Loan RB Series 1992B			Special Jr. Lien RB (Rodeo Project) Series 2001C		
1.75%, 07/01/03	14,000	14,000	0.95%, 07/07/03	2,000	2,000
1.04%, 07/07/03	30,200	30,200	+ Houston, Texas Airport System		
Student Loan RB Series 1993A			RB Series 1998B		
1.04%, 07/07/03	48,150	48,150	1.78%, 07/01/03	2,900	2,900
Student Loan RB Series 1993B1			■ Houston, Texas Independent School District		
1.04%, 07/07/03	7,000	7,000	School Building Refunding GO		
Student Loan RB Series 1995A			1.09%, 06/03/04	100,000	99,963
1.05%, 07/07/03	35,700	35,700	■ Houston, Texas Public Improvement		
Student Loan RB Series 1995B			Revenue Refunding TOB Series 1998A		
1.75%, 07/01/03	10,000	10,000	1.05%, 07/07/03	21,655	21,655
Student Loan RB Series 1996A					
1.04%, 07/07/03	56,000	56,000			

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Houston, Texas Water & Sewer System			➔■ Matagorda County, Texas Navigation District No. 1		
➔■ RB TOB Series 2202F 1.06%, 07/07/03	6,530	6,530	RB TOB (Merlots) Series 2001A44 1.13%, 07/07/03	19,385	19,385
➔ Revenue Refunding Bond Series 1992C 1.15%, 12/01/03	2,000	2,038	➔■ North Texas Higher Education Authority		
▶ TECP 1.10%, 07/09/03	25,000	25,000	▶ Income Tax Student Loan RB Series 1996C 1.00%, 07/07/03	5,600	5,600
➔■ Humble, Texas Independent School District			Income Tax Student Loan RB Series 2000A 1.00%, 07/07/03	8,000	8,000
School Building GO 1.06%, 09/18/03	42,000	42,002	Income Tax Student Loan RB Series 2001A 1.00%, 07/07/03	13,405	13,405
➔■ Katy, Texas Independent School District			Income Tax Student Loan Refunding RB Series 1987 1.00%, 07/07/03	87,750	87,750
TOB (School Building) Series 2000A 1.05%, 07/07/03	10,145	10,145	Income Tax Student Loan Refunding RB Series 1990 1.00%, 07/07/03	27,100	27,100
➔■ Lavaca-Navidad River, Texas Authority Contract			▶ Income Tax Student Loan Refunding RB Series 1996A 1.00%, 07/07/03	8,600	8,600
RB (Texas Water Supply System Contract) (Formosa Plastics Corp. Project) 1.05%, 07/07/03	13,600	13,600	▶ Income Tax Student Loan Refunding RB Series 1996B 1.00%, 07/07/03	4,000	4,000
■ Lower Neches Valley, Texas Pollution Control Authority			▶ Income Tax Student Loan Refunding RB Series 1996D 1.00%, 07/07/03	4,000	4,000
RB (Chevron USA, Inc. Project) 1.10%, 08/15/03	3,500	3,500	Income Tax Student Loan Refunding RB Series 1998 1.00%, 07/07/03	9,000	9,000
➔■ Lower Colorado River Authority, Texas			➔■ Panhandle Plains, Texas Higher Education Authority		
Revenue Refunding Bond TOB Series 1999A 1.05%, 07/07/03	10,770	10,770	Student Loan RB Series 1991A 1.03%, 07/07/03	2,200	2,200
➔■ Lubbock, Texas Educational Facilities Authority			Student Loan RB Series 1992A 1.03%, 07/07/03	20,300	20,300
RB (Lubbock Christian University Project) 1.10%, 07/07/03	6,300	6,300	Student Loan RB Series 1993A 1.03%, 07/07/03	45,700	45,700
➔■ Mansfield, Texas Industrial Development Corp.					
RB (Southern Champion Tray Project) 1.05%, 07/07/03	2,500	2,500			

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Robertson County, Texas			1.04%, 08/29/03	2,600	2,607
Industrial Development Corp.			1.05%, 08/29/03	3,000	3,008
IDRB (Sanderson Farms Project)			1.10%, 08/29/03	25,000	25,066
1.10%, 07/07/03	3,700	3,700	1.24%, 08/29/03	1,500	1,504
+■ San Antonio, Texas IDA			1.25%, 08/29/03	3,900	3,909
IDRB (Gruma Corp. Project)			1.40%, 08/29/03	71,500	71,654
1.10%, 07/07/03	4,095	4,095	1.41%, 08/29/03	29,600	29,664
▶■ Southeast Texas Housing Finance Corp.			1.44%, 08/29/03	25,000	25,052
+ TOBP (PT-165)			1.45%, 08/29/03	45,000	45,093
1.08%, 07/07/03	8,575	8,575	1.48%, 08/29/03	10,000	10,020
TOBP (PT-193)			1.49%, 08/29/03	10,000	10,020
1.08%, 07/07/03	8,710	8,710	1.50%, 08/29/03	20,000	20,040
+■ Texas Capital Health Facilities Development Corp.			1.52%, 08/29/03	20,000	20,039
RB (Island On Lake Travis Ltd. Project)			+■ Trinity River Authority, Texas		
0.98%, 07/07/03	8,500	8,500	Solid Waste Disposal RB (Community Waste Project)		
■ Texas Department of Housing & Community Affairs			1.05%, 07/07/03	5,795	5,795
+ M/F Housing RB (Creek Point Apartments Project)			▶■ University of Texas		
1.05%, 07/07/03	7,200	7,200	TOB Series 173		
▶ RB TOB (Residential Mortgage) Series 1999C			1.05%, 07/07/03	5,000	5,000
1.13%, 07/07/03	14,950	14,950	+■ Waco, Texas Educational Finance Corp.		
+▶ Single Family Housing RB TOB Series 178			RB (Baylor University) Series 2002A		
1.10%, 07/07/03	4,250	4,250	1.05%, 07/07/03	9,900	9,900
+▶■ Texas Municipal Gas Corp.					1,411,803
Gas Reserve Senior Lien RB			Utah 1.6%		
1.00%, 07/07/03	2,435	2,435	+▶■ Intermountain Power Agency, Utah		
Texas State			Power Supply RB TOB Series 1997B		
▶ GO (Veterans Housing Fund II) Series 2002A-2			1.04%, 07/07/03	16,495	16,495
1.00%, 07/07/03	6,000	6,000	Power Supply RB TOB Series 409		
▶ Revenue Refunding Bond RB (Veterans Housing Assistance Fund)			1.04%, 07/07/03	15,330	15,330
0.90%, 07/07/03	12,761	12,761	+■ Salt Lake City, Utah		
▶ TOB Series 290			RB (Rowland Hall St. Marks Project)		
1.04%, 07/07/03	8,660	8,660	1.00%, 07/07/03	9,515	9,515
TRAN			+■ Salt Lake City, Utah Airport		
0.83%, 08/29/03	20,000	20,061	RB		
0.98%, 08/29/03	6,550	6,569	1.03%, 07/07/03	9,600	9,600
			+▶■ Salt Lake City, Utah Hospital		
			RB TOB (IHC Health Services)		
			1.05%, 07/07/03	26,730	26,730

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
■ Utah State	TOBP (PT-429) 1.03%, 07/07/03	31,085	31,085	■ Loudoun County, Virginia IDA	RB (Howard Hughes Medical) Series 2003A 0.90%, 07/01/03	18,700	18,700
➤ Utah State Board of Regents	▶ Revenue Refunding TOB Series 1998A 1.05%, 07/07/03	30,060	30,060		RB (Howard Hughes Medical) Series 2003B 0.90%, 07/07/03	4,200	4,200
	▶ Student Loan RB Series 1993A 1.00%, 07/07/03	35,000	35,000		RB (Howard Hughes Medical) Series 2003D 1.00%, 07/07/03	5,000	5,000
	▶ Student Loan RB Series 1995L 1.00%, 07/07/03	27,500	27,500		RB (Howard Hughes Medical) Series 2003F 0.90%, 07/07/03	4,000	4,000
➤ Utah State Building Ownership Authority	Lease Revenue Refunding TOB Series 1998C 1.05%, 07/07/03	9,695	9,695	➤ Montgomery County, Virginia	IDRB (Virginia Tech Foundation Project) 1.00%, 07/07/03	4,655	4,655
➤ Woods Cross City, Utah	M/F Housing RB (Springwood Apartments Project) Series 2001-A 1.00%, 07/07/03	3,605	3,605		IDRB (Virginia Tech Foundation) Series 2001A 1.00%, 07/07/03	9,300	9,300
			214,615		IDRB (Virginia Tech Foundation) Series 2001B 1.10%, 07/07/03	1,585	1,585
Vermont 0.1%				➤ Norfolk, Virginia Parking System	Revenue Refunding TOB 1.05%, 07/07/03	9,450	9,450
➤ Vermont Economic Development Authority	IDRB (AGRI Mark, Inc. Project) Series 1999A 1.15%, 07/07/03	17,000	17,000	➤ Portsmouth, Virginia Redevelopment & Housing Authority	M/F Housing RB (Churchland North Apartments Project) 1.05%, 07/07/03	6,705	6,705
➤ IDRB (AGRI Mark, Inc. Project)	Series 1999B 1.15%, 07/07/03	1,000	1,000	➤ Richmond, Virginia	IDRB (Church Schools of Virginia Diocese) 1.00%, 07/07/03	9,775	9,775
			18,000	➤ Virginia Beach, Virginia Development Authority	M/F Housing RB (Silver Hill at Thalia, LLC Project) 1.05%, 07/07/03	4,300	4,300
Virginia 0.7%							87,670
➤ Chesterfield County, Virginia IDA	Solid Waste Disposal Facility RB (Tidewater Fibre Corp. Project) 1.10%, 07/07/03	6,300	6,300				
➤ King George County, Virginia IDA	Solid Waste Disposal Facility RB (Garnet of Virginia Project) 1.10%, 07/07/03	3,700	3,700				

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Washington 4.5%					
+■ Douglas County, Washington Economic Development Corp. RB (Executive Flight Program) 1.10%, 07/07/03	6,500	6,500	RB (McFarland Cascade Project) 1.10%, 07/07/03	2,000	2,000
+■ Energy Northwest, Washington Electric			RB (Solid Waste Lemay Enterprises Project) 1.05%, 07/07/03	3,070	3,070
▶ RB TOB Project #3 1.05%, 07/07/03	29,700	29,700	+■ Port of Centralia, Washington IDRB Solid Waste Disposal (Lemay Enterprises Project) 1.05%, 07/07/03	1,930	1,930
▶ RB TOB (Project #3) Series 2003A 1.03%, 07/07/03	8,690	8,690	+■ Port of Moses Lake, Washington Public Corp. RB (National Frozen Foods Corp.) 1.00%, 07/07/03	3,800	3,800
▶ RB TOB Series 150 1.05%, 07/07/03	12,495	12,495	+■ Port of Seattle, Washington RB TOBP (PT-728) 1.08%, 07/07/03	4,430	4,430
▶ Revenue Refunding Bond (Project No. 3) Series 2003D-3-2 0.97%, 07/07/03	8,000	8,000	Special Facilities RB TOB Series 1999J 1.13%, 07/07/03	49,795	49,795
Revenue Refunding Bond (Project No. 3) Series 2003E 0.95%, 07/07/03	5,000	5,000	TOBP (PA-759R) 1.08%, 07/07/03	5,100	5,100
▶ TOBP (PT-615) 1.03%, 07/07/03	6,230	6,230	+■ Port of Tacoma, Washington TECP 0.95%, 07/10/03	4,000	4,000
■ Everett, Washington Industrial Development Corp. Exempt Facilities RB (Kimberly Clark Corp. Project) 1.10%, 07/07/03	3,200	3,200	1.05%, 07/10/03	20,000	20,000
+■ IDRB (Partners Trust/Synsor Project) 1.10%, 07/07/03	3,500	3,500	1.10%, 07/10/03	5,000	5,000
King County, Washington BAN 1.52%, 10/01/03	85,000	85,208	+■ Seattle, Washington Drain & Wastewater RB TOBP (PT-1605) 1.03%, 07/07/03	6,875	6,875
+■ Olympia, Washington Economic Development Authority Solid Waste Disposal RB (Lemay Enterprises Project) 1.05%, 07/07/03	7,445	7,445	+■ Seattle, Washington HDA RB (Capitol Hill Housing Improvement & HRG Project) 1.10%, 07/07/03	3,560	3,560
+■ Pierce County, Washington Economic Development Corp. RB (Flex-A-Lite Consolidated Project) 1.10%, 07/07/03	2,550	2,550	RB (Casa Pacifica Apartments Project) 1.10%, 07/07/03	3,000	3,000
RB (K & M Holdings II Project) 1.15%, 07/07/03	1,500	1,500	+■ Snohomish County, Washington Public Utility District 001 Revenue Refunding Bond RB (Generation System) Series 2002A-1 0.90%, 07/07/03	26,300	26,300

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
	Revenue Refunding Bond RB (Generation System) Series 2002A-2 0.90%, 07/07/03	7,000	7,000		RB (Tank Project) Series 1998B 1.10%, 07/07/03	1,210	1,210
+■ Spokane County, Washington Industrial Development Corp.	RB (Metal Sales Manufacturing Corp. Project) 1.18%, 07/07/03	1,260	1,260		Solid Waste Disposal RB (Waste Management Project) Series 2000H 1.06%, 07/07/03	6,825	6,825
+■ Tacoma, Washington Housing Authority	RB (Crown Assisted Living Project) 1.10%, 07/07/03	3,305	3,305		Solid Waste Disposal RB (Waste Management Project) Series 2000I 1.05%, 07/07/03	10,240	10,240
+■ Tacoma, Washington School District No. 10	GO TOB 1.05%, 07/07/03	43,655	43,655		Solid Waste Disposal RB (Waste Management Project) Series 2000L 1.06%, 07/07/03	7,235	7,235
+■ Washington Health Care Facilities Authority	RB (Yakima Valley Farm Workers Clinic) 1.00%, 07/07/03	3,300	3,300		Solid Waste Disposal RB (Waste Management Project) Series 2001C 1.06%, 07/07/03	5,500	5,500
■ Washington State	GO TOB 1.05%, 07/07/03	13,380	13,380	+■ Washington State Housing Finance Commission	M/F Housing Mortgage RB (Brittany Park Phase 3 Project) 0.98%, 07/07/03	3,480	3,480
+ GO TOB Series B	1.05%, 07/07/03	30,485	30,485		M/F Housing Mortgage RB (Canyon Lake II) Series 1993A 0.98%, 07/07/03	4,440	4,440
+ GO TOB Series 228	1.05%, 07/07/03	5,950	5,950		M/F Housing Mortgage RB (Lake Washington Apartments Project) 1.10%, 07/07/03	8,350	8,350
+ TOB Series 2002G	1.09%, 07/07/03	5,170	5,170		M/F Housing Mortgage RB (Meridian Court Apartments) 1.05%, 07/07/03	6,700	6,700
Various Purpose GO TOB Series 1998C 1.05%, 07/07/03	12,150	12,150		M/F Housing Mortgage RB (Merrill Gardens Project) Series 1997A 0.98%, 07/07/03	6,125	6,125	
+■ Washington State Economic Development Finance Authority	IDRB (Tonkin Building) Series 1997A 1.10%, 07/07/03	1,000	1,000		M/F Housing Mortgage RB (Rosecreek Apartments Project) 1.03%, 07/07/03	3,570	3,570
RB (Hunter Douglas Project) Series 1997A 1.05%, 07/07/03	3,500	3,500		M/F Housing Mortgage RB (Woodrose Apartment Project) Series 1999A 0.98%, 07/07/03	6,750	6,750	
RB (Skills, Inc. Project) 1.10%, 07/07/03	3,000	3,000					

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB (Brittany Park Project) 0.98%, 07/07/03	8,405	8,405	+■ Marion County, West Virginia Solid Waste Disposal Facilities RB (Grant Town Project) Series 1990B 1.05%, 07/07/03	22,025	22,025
M/F Housing RB (Carlyle Care Center Project) Series 2000A 1.15%, 07/01/03	3,055	3,055	RB (Grant Town Project) Series 1990C 1.05%, 07/07/03	19,000	19,000
M/F Housing RB (Lakewood Meadows Apartments Project) Series 2000A 1.05%, 07/07/03	3,140	3,140	RB (Grant Town Project) Series 1990D 1.05%, 07/07/03	3,600	3,600
Non-Profit Housing RB (Emerald Heights Project) 1.00%, 07/01/03	1,300	1,300	+■ West Virginia State Hospital Finance Authority RB (St. Joseph's Hospital Project) 1.04%, 07/07/03	1,500	1,500
▶ TOBP (PT-636) 1.13%, 07/07/03	20,280	20,280	+■ West Virginia State Parkways, Economic Development & Tourism Authority Revenue Refunding Bond 0.90%, 07/07/03	17,600	17,600
Washington State Public Power Supply System Revenue Refunding Bond (Nuclear Project No. 2) Series 1998A 1.07%, 07/01/03	11,770	11,770			
+■ Yakama Indian Nation, Washington Confederated Tribes & Bands RB (Yakama Forests Products Project) 1.10%, 07/07/03	4,300	4,300			
+■ Yakima County, Washington Public Corp. IDRB (Cowiche Growers Project) 1.10%, 07/07/03	3,000	3,000			
RB (Hi-Country Foods Project) 1.10%, 07/07/03	5,900	5,900			
RB (Michaelson Packaging Project) 1.10%, 07/07/03	2,100	2,100			
RB (Printing Press Project) 1.10%, 07/07/03	1,200	1,200			
		586,908	Wisconsin 1.1%		
West Virginia 0.6%			+■ Chilton, Wisconsin IDRB (Kaytee Products, Inc. Project) 1.20%, 07/07/03	520	520
+■ Fayette County, West Virginia Solid Waste Disposal Facilities RB (Georgia-Pacific Corp. Project) 1.05%, 07/07/03	11,100	11,100	+■ Colburn, Wisconsin IDRB (Heartland Farms Project) 1.24%, 07/07/03	5,900	5,900
			+■ Kenosha, Wisconsin IDRB (Asyst Tech, LLC Project) 1.06%, 07/07/03	5,000	5,000
			+■ Lac Du Flambeau, Band of Lake Superior, Wisconsin Chippewa Indians Special Obligation Bond (Simpson Electric Co. Project) 1.10%, 07/07/03	3,200	3,200
			+■ Milwaukee County, Wisconsin Airport RB TOBP (PT-681) 1.11%, 07/07/03	18,470	18,470
					74,825

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Racine, Wisconsin School District			Wyoming 0.3%		
TRAN			■ Lincoln County, Wyoming		
1.52%, 07/15/03	26,900	26,904	Pollution Control RB (ExxonMobil Corp. Project) Series 1987A		
➤■ Rhineland, Wisconsin			0.90%, 07/01/03	25,300	25,300
IDRB (Lake Shore, Inc. Project)			■ Unita County, Wyoming		
1.24%, 07/07/03	3,820	3,820	Pollution Control RB (Chevron U.S.A., Inc. Project)		
➤■ Southeast Wisconsin Professional Baseball Park District			0.90%, 07/01/03	5,000	5,000
Sales Tax RB TOB Series 2000Y			■ Wyoming Community Development Authority		
1.08%, 07/07/03	5,000	5,000	Housing RB TOB		
■ Wisconsin Housing & Economic Development Authority			1.08%, 07/07/03	5,560	5,560
▶ Home Ownership RB Series 2002C			Housing RB TOBP (PT-533)		
0.95%, 07/07/03	3,000	3,000	1.08%, 07/07/03	5,975	5,975
▶ Home Ownership RB Series 2002D					41,835
1.00%, 07/07/03	2,375	2,375			
➤■ Home Ownership RB TOB Series 1999R					
1.10%, 07/07/03	17,625	17,625			
➤■ Home Ownership RB TOB Series 1999S					
1.15%, 07/07/03	13,240	13,240			
▶ Home Ownership TOBP (PT-194)					
1.08%, 07/07/03	11,095	11,095			
➤■ Housing RB TOB Series 650					
1.04%, 07/07/03	16,380	16,380			
➤ RB (Ultratec, Inc. Project)					
1.24%, 07/07/03	2,490	2,490			
➤■ Wisconsin Rapids, Wisconsin					
IDRB (Theile Kaolin of Wisconsin, Inc. Project)					
1.05%, 07/07/03	4,500	4,500			
➤■ Wisconsin State Health & Educational Facilities Authority					
RB (Lutheran College)					
1.15%, 07/07/03	7,000	7,000			
		146,519			

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$13,113,511
Cash	85,045
Receivables:	
Fund shares sold	41,893
Interest	36,824
Investments sold	6,752
Prepaid expenses	+ 188
Total assets	13,284,213

Liabilities

Payables:	
Fund shares redeemed	28,499
Dividends to shareholders	2,625
Investments bought	512,094
Investment adviser and administrator fees	227
Transfer agent and shareholder service fees	361
Accrued expenses	+ 501
Total liabilities	544,307

Net Assets

Total assets	13,284,213
Total liabilities	- 544,307
Net assets	\$12,739,906

Net Assets by Source

Capital received from investors	12,741,999
Net investment income not yet distributed	4
Net realized capital losses	(2,097)

Net Assets by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$7,471,834		7,474,393		\$1.00
Value Advantage Shares	\$4,873,912		4,873,714		\$1.00
Select Shares [®]	\$196,252		196,251		\$1.00
Institutional Shares	\$197,908		197,908		\$1.00

The amortized cost for the fund's securities was \$13,113,511. During the reporting period, the fund had \$2,186,231 in transactions with other SchwabFunds[®].

Federal Tax Data

Cost basis of portfolio \$13,113,586

As of December 31, 2002:

Unused capital losses:

Expires 12/31 of:	Loss amount:
2004	\$338
2005	523
2007	775
2008	+ 873
	\$2,509

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$76,209****Net Realized Gains and Losses**

Net realized gains on investments sold 497

Expenses

Investment adviser and administrator fees 21,325

Transfer agent and shareholder service fees:

Sweep Shares 16,775

Value Advantage Shares 5,296

Select Shares[®] 20

Institutional Shares 19

Trustees' fees 31

Custodian and portfolio accounting fees 472

Professional fees 22

Registration fees 189

Shareholder reports 229

Other expenses + 36

Total expenses 44,414

Expense reduction - 8,925

Net expenses 35,489**Increase in Net Assets from Operations****Total investment income 76,209****Net expenses - 35,489****Net investment income 40,720****Net realized gains + 497****Increase in net assets from operations \$41,217**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

Transfer Agent Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05
Select Shares [®]	0.05
Institutional Shares	0.05

Shareholder Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17
Select Shares [®]	0.17
Institutional Shares	0.17

For the fund's independent trustees only.

Includes \$8,152 from the investment adviser (CSIM) and \$773 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the annual operating expenses of this fund through at least April 30, 2004, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.66
Value Advantage Shares	0.45
Select Shares [®]	0.35
Institutional Shares	0.24

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

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$40,720	\$109,422
Net realized gains	+ 497	347
Increase in net assets from operations	41,217	109,769

Distributions Paid**Dividends from Net Investment Income**

Sweep Shares	21,584	64,407
Value Advantage Shares	18,987	45,015
Select Shares [®]	68	—
Institutional Shares	+ 77	—
Total dividends from net investment income	40,716	109,422

Transactions in Fund Shares**Shares Sold**

Sweep Shares	12,529,214	24,400,497
Value Advantage Shares	3,316,817	5,574,437
Select Shares [®]	221,922	—
Institutional Shares	+ 201,633	—
Total shares sold	16,269,586	29,974,934

Shares Reinvested

Sweep Shares	19,982	63,259
Value Advantage Shares	16,193	41,570
Select Shares [®]	17	—
Institutional Shares	+ 24	—
Total shares reinvested	36,216	104,829

Shares Redeemed

Sweep Shares	(12,513,056)	(24,293,754)
Value Advantage Shares	(2,939,412)	(4,913,621)
Select Shares [®]	(25,688)	—
Institutional Shares	+ (3,749)	—
Total shares redeemed	(15,481,905)	(29,207,375)
Net transactions in fund shares	823,897	872,388

Net Assets

Beginning of period	11,915,508	11,042,773
Total increase	+ 824,398	872,735
End of period	\$12,739,906	\$11,915,508

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars. The fund started offering Select Shares[®] and Institutional Shares on June 2, 2003.

Represents shares sold plus shares reinvested, minus shares redeemed.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Fund

The fund discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

The fund offers four share classes: Sweep Shares, Value Advantage Shares, Select Shares and Institutional Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

The fund declares dividends every day it is open for business. These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

The fund may buy securities on a delayed-delivery basis. In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value

at the time of settlement. The fund has set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The fund pays fees for various services. Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The fund discussed in this report is highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund

Schwab Government Money Fund

Schwab U.S. Treasury Money Fund

Schwab Value Advantage Money Fund®

Schwab Municipal Money Fund

Schwab California Municipal Money Fund

Schwab New York Municipal Money Fund

Schwab New Jersey Municipal Money Fund

Schwab Pennsylvania Municipal Money Fund

Schwab Florida Municipal Money Fund

Schwab Massachusetts Municipal Money Fund

Schwab Institutional Advantage Money Fund®

Schwab Retirement Money Fund®

Schwab Government Cash Reserves

the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

The fund may engage in certain transactions involving affiliates. The fund may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

The fund intends to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the fund distributes substantially all of their net investment income and realized net capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

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

Accounting Policies

The following are the main policies the fund uses in preparing their financial statements.

The fund values its securities at amortized cost, which approximates market value.

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

Interest income is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than its face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

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

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

For funds offering multiple share classes, all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

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

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed-income securities” or “debt securities.”

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced security A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TOB	Tender option bond
TOBP	Tender option bond partnership
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

144A security A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

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

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

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

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

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

Notes

Notes

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

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

Internet¹

www.schwab.com

Schwab by Phone™²

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

TeleBroker®

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

Mail

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

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

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

The SchwabFunds Family

Stock Funds

Schwab S&P 500 Fund
Schwab 1000 Fund®
Schwab Small-Cap Index Fund®
Schwab Total Stock Market Index Fund®
Schwab International Index Fund®
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Schwab Hedged Equity Fund™
Schwab Dividend Equity Fund™
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Schwab MarketMasters Funds™
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
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Schwab MarketTrack Portfolios®
 Schwab All Equity Portfolio
 Schwab Growth Portfolio
 Schwab Balanced Portfolio
 Schwab Conservative Portfolio

Bond Funds

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

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

charles SCHWAB

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab California Municipal Money Fund

Semiannual Report

June 30, 2003

charles SCHWAB

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From the Chairman



Charles R. Schwab
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

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

Management's Discussion for the six months ended June 30, 2003



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about world events and the economy—particularly here in California—demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors. Although there has been uncertainty about California's fiscal health, I have confidence in our portfolio team's ability to manage our funds appropriately.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, slightly slanted style.



Kevin Shaughnessy, a portfolio manager, is responsible for the day-to-day management of the fund. Prior to joining the firm in 2000, he worked for more than ten years in fixed-income portfolio management.

The Investment Environment and the Fund

The U.S. economy remained in a holding pattern during the six months of the report period. Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

Already at their lowest level in decades, interest rates fell further as the report period progressed. During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

Falling interest rates pushed money fund yields to new lows (see page 5 for fund yield information). We sought to lessen the effects of falling rates on the fund by maintaining a comparatively long weighted average maturity. Although the fund's yield did decline, we were successful in slowing that decline, and in keeping the fund's yield higher than it otherwise would have been.

Strong issuance of short-term muni debt relative to taxable debt made muni yields attractive compared to taxable yields. Typically, we have seen muni yields average about 80% of taxable yields. During the report period, muni yields at times exceeded 95% of taxable yields (although both were low on an absolute basis). These extremes of valuation allowed us to increase our exposure to high-yielding fixed-rate securities.

California faced an unprecedented \$38 billion deficit going into fiscal 2004. After a protracted and partisan session, the state legislature adopted a budget in late July, closing the gap through a combination of spending cuts, deferrals and the anticipated sale of \$10.7 billion in deficit bonds. The state legislative analyst's office projects a fiscal 2005 deficit of \$8 billion, absent further corrective action.

During the past two years, the state lost 2% of its jobs (mostly in technology-heavy Northern California). It is uncertain how quickly it may regain these jobs.

We invested in securities from a diverse range of California issuers, evaluating each investment individually and buying only those that met our highest standards for credit quality.

Although the state lost a larger percentage of its job base in the recession of the early 1990s, in recent years it had grown more dependent on income taxes. Much of the tax revenue was derived from stock-related income, especially options, which became widely used by the technology and business services industries in the late 1990s. Further, the state increased spending without full regard for the volatility of these revenues. As economic and revenue growth slowed, a politically divided legislature failed to cut spending or raise revenues proportionately, passing deficit budgets and relying on one-time solutions that left the underlying problems largely unaddressed.

After the report period ended, Standard & Poor's and Moody's downgraded their credit ratings for the state. S&P rated California BBB, a low investment-grade rating, and Moody's rated it A3, a mid-level investment-grade rating. Both cited the state's lack of progress in adopting a fiscal 2004 budget and the size of projected future budget gaps. As of the report date, Fitch rated the state A, but both Moody's and Fitch continue to have California on their watch lists for possible further downgrades. Although a budget is now in place for fiscal 2004, the agencies may still adjust their ratings to reflect future shortfall projections and the state's reliance on bond sales to close the gap for fiscal 2004.

Although California has experienced fiscal crises before, so far the state has always paid its general obligation debt on time. General and related obligations have a continuing appropriation that requires the state's controller to make cash payments to its bondholders even if the state has not adopted a budget. We also note that the type of direct state securities the fund buys have constitutional priority over most state spending.

During the report period, the fund took several steps to help ensure that its investments would continue to be of the highest credit quality. First, as the budget crisis deepened, we reduced our holdings of direct state obligations and increased our holdings of other municipal issuers within the state, such as cities, universities, counties and school districts. In addition, we favored securities whose credit was enhanced by highly rated banks and insurance companies. As of the report date, approximately 70% of the portfolio carried these credit enhancements, including many of our direct state holdings.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yields include the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

	Sweep Shares	Value Advantage Shares
Seven-Day Yield¹	0.44%	0.64%
Seven-Day Effective Yield	0.44%	0.64%
Seven-Day Taxable-Equivalent Effective Yield²	0.75%	1.09%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	61 days
Credit Quality of Holdings³ % of portfolio	100% Tier 1
Credit-Enhanced Securities % of portfolio	70%

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

¹ A portion of the fund's expenses was reduced during the reporting period. Without this reduction, the seven-day yields for the fund's Sweep Shares and Value Advantage Shares would have been 0.27% and 0.50%, respectively.

² Taxable-equivalent effective yield assumes a 2003 maximum combined federal regular income and California state personal income tax rate of 41.05%.

³ Portfolio holdings may have changed since the report date.

Financial Statements

Schwab California Municipal Money Fund

Financial Highlights

Sweep Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.02	0.03	0.02	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.02)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.28 ²	0.83	1.99	3.02	2.42	2.64
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.65 ³	0.65	0.65	0.65 ⁴	0.65	0.65
Ratio of gross operating expenses to average net assets	0.82 ³	0.82	0.82	0.83 ⁴	0.85	0.89
Ratio of net investment income to average net assets	0.56 ³	0.83	1.98	2.98	2.41	2.60
Net assets, end of period (\$ x 1,000,000)	4,058	4,056	3,897	3,923	3,457	2,611

Value Advantage Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.02	0.03	0.03	0.03
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.38 ²	1.03	2.19	3.22	2.62	2.84
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.45 ³	0.45	0.45	0.45 ⁵	0.45	0.45
Ratio of gross operating expenses to average net assets	0.59 ³	0.59	0.61	0.62 ⁵	0.65	0.70
Ratio of net investment income to average net assets	0.76 ³	1.03	2.11	3.20	2.60	2.79
Net assets, end of period (\$ x 1,000,000)	3,305	3,081	2,563	2,170	1,604	1,359

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have been 0.66% and 0.84%, respectively, if certain non-routine expenses (proxy fees) had been included.

⁵ The ratios of net and gross operating expenses would have been 0.46% and 0.63%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ✦ Credit-enhanced security
- ▷ Liquidity-enhanced security
- Variable-rate security
- ▲ Delayed delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase. For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
100.0% Municipal Securities	7,797,585	7,797,585
100.0% Total Investments	7,797,585	7,797,585

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Municipal Securities 100.0% of investments

California 97.4%

✦■ ABAG Financing Authority for Non-Profit Corporations, California

COP (Harker School Project) 1.00%, 07/07/03	4,700	4,700
▷ COP (Lucile Salter Packard Project) 0.95%, 07/07/03	4,600	4,600
M/F Housing RB (Artech Building Project) 0.95%, 07/07/03	3,200	3,200

M/F Housing RB (Crossing Apartments) Series 2002A 0.92%, 07/07/03	55,700	55,700
M/F Housing RB (Miramar Apartments) 0.92%, 07/07/03	30,000	30,000
M/F Housing RB (Mountain View Apartments) Series 1997A 1.15%, 07/07/03	6,325	6,325
✦ Munitops RB TOB Series 2002A 1.25%, 07/07/03	9,995	9,995
▷ RB (Lease Pass Thru Obligations) Series 2003A 1.05%, 07/07/03	8,000	8,000
RB (Public Policy Institute of California Project) Series 2002A 1.00%, 07/07/03	9,000	9,000
Revenue Refunding Bond (Valley Christian Schools) 1.05%, 07/07/03	17,000	17,000
✦■ Alameda County, California		
IDRB (Aitchison Family Project) Series 1993A 1.05%, 07/07/03	2,640	2,640
IDRB (JMS Family Partners) Series A 1.05%, 07/07/03	1,000	1,000
IDRB (Malmberg Engineering, Inc. Project) Series 1999A 1.00%, 07/07/03	2,520	2,520
IDRB (Scientific Technology Project) Series 1994A 1.10%, 07/07/03	2,300	2,300
✦▷■ Anaheim, California		
COP (1993 Refunding Project) 0.85%, 07/07/03	10,215	10,215
COP (Police Facility Financing Project) 0.85%, 07/07/03	2,200	2,200
✦■ Anaheim, California Housing Authority		
M/F Housing RB (Casa Grande Apartments) Series 1997A 0.90%, 07/07/03	3,695	3,695

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB (Park Vista Apartments) 1.00%, 07/07/03	21,000	21,000	➦ RB (San Francisco Conservatory) 0.95%, 07/07/03	2,830	2,830
M/F Housing RB (Port Trinidad Apartments) Series 1997C 0.90%, 07/07/03	2,040	2,040	➦➦ RB (St Mary's College Project) Series B 0.95%, 07/07/03	8,150	8,150
M/F Housing RB (Sage Park Project) Series A 0.92%, 07/07/03	5,500	5,500	➦➦ RB (University of Judaism Project) Series A 1.05%, 07/07/03	5,400	5,400
➦➦ Anaheim, California Union High School District COP 0.90%, 07/07/03	5,500	5,500	➦➦ RB (University of San Francisco) 1.00%, 07/07/03	57,000	57,000
➦➦ Bay Area, California Toll Bridge Authority RB (San Francisco Bay Area Project) Series 2001A 1.05%, 07/07/03	6,700	6,700	➦➦ RB TOB Series 413 0.98%, 07/07/03	8,995	8,995
RB (San Francisco Bay Area Project) Series 2001C 0.90%, 07/07/03	34,050	34,050	TECP (Stanford Project) 0.90%, 09/12/03	5,000	5,000
▲ RB (San Francisco Bay Area Project) Series 2003C 0.90%, 07/07/03	33,300	33,300	➦➦ California Health Facilities Financing Authority ▲ RB (California Prebyterian Homes) Series 1998 0.98%, 07/07/03	29,900	29,900
Toll Bridge RB TOB Series 2001Q 1.00%, 07/07/03	10,125	10,125	▶ RB (Catholic Health Care) Series A 1.00%, 07/07/03	9,300	9,300
➦➦ Big Bear Lake, California Water RB TOBP (PA-597) 1.15%, 10/09/03	8,445	8,445	RB (Scripps Memorial Hospital) Series A 0.95%, 07/07/03	13,800	13,800
➦➦ Burbank, California Redevelopment Agency M/F Housing RB 1.00%, 07/07/03	14,060	14,060	▶ TOB Putters Series 181 1.00%, 07/07/03	9,995	9,995
■ California Alternative Energy Source Financing Authority RB (GE Capital Corp. Arroyo Project) Series 1993B 1.00%, 07/07/03	13,360	13,360	➦➦ California HFA ➦ Home Mortgage RB Series 1999J-2 1.00%, 07/07/03	12,855	12,855
RB (GE Capital Corp. Arroyo Project) Series A 0.90%, 07/07/03	25,330	25,330	➦ Home Mortgage RB Series 2002B 1.15%, 07/01/03	22,500	22,500
California Education Facilities Authority ➦➦ RB (Chapman University) 1.10%, 07/07/03	4,800	4,800	➦ Home Mortgage RB Series 2002F 0.95%, 07/01/03	17,000	17,000
			➦ Home Mortgage RB Series N 0.95%, 07/01/03	19,385	19,385
			M/F Housing RB Series 2001G 1.05%, 07/07/03	66,695	66,695
			M/F Housing RB Series 2002A 1.00%, 07/07/03	26,175	26,175
			M/F Housing RB Series 2002E 1.00%, 07/07/03	71,055	71,055
			➦ RB Series 2002P 1.05%, 07/07/03	61,000	61,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ RB Series 2003D 0.93%, 07/07/03	25,000	25,000	+ RB (Green Team of San Jose Project) Series 1997A 1.05%, 07/07/03	1,100	1,100
+ RB Series 2003D 0.93%, 07/07/03	25,000	25,000	+ RB (Wadham Energy Project) Series 1987B 1.00%, 07/07/03	4,000	4,000
+ RB TOBP (PT-651A) 1.12%, 07/07/03	40,445	40,445	+ Resource Recovery RB (Sanger Project) Series 1990A 1.00%, 07/07/03	19,200	19,200
Revenue TOB Series 1998E 1.01%, 07/07/03	5,210	5,210	+ Resource Recovery Solid Waste Disposal RB (Atlas Disposal Industrial Project) Series 1999A 1.10%, 07/07/03	3,000	3,000
+ Revenue TOB Series 1998R 1.50%, 08/28/03	9,995	9,995	+ Solid Waste Disposal RB (Alameda County, Industries Project) Series 2000A 1.05%, 07/07/03	4,075	4,075
California Infrastructure & Economic Development Bank			+ Solid Waste Disposal RB (Athens Disposal Co. Project) Series 1995A 1.05%, 07/07/03	13,020	13,020
+■ IDRB (American Derosa-Lamparts) 1.10%, 07/07/03	4,950	4,950	+ Solid Waste Disposal RB (Athens Disposal Co. Project) Series 1999A 1.05%, 07/07/03	7,000	7,000
+■ IDRB (Fairmont Sign Co. Project) Series 2000A 1.20%, 07/07/03	4,250	4,250	+ Solid Waste Disposal RB (Athens Services Project) Series 2001A 1.05%, 07/07/03	4,500	4,500
+■ IDRB (Independent System Operation Corporation Project) Series A 1.05%, 07/07/03	11,600	11,600	+ Solid Waste Disposal RB (BLT Enterprises) Series 1999A 1.05%, 07/07/03	7,330	7,330
+■ IDRB (Lafayette Textile Industries Project) 1.10%, 07/07/03	1,745	1,745	+ Solid Waste Disposal RB (Blue Line Transfer, Inc. Project) Series 2001A 1.05%, 07/07/03	4,800	4,800
+■ IDRB (Nelson Name Plate Co. Project) 1.10%, 07/07/03	3,450	3,450	+ Solid Waste Disposal RB (Blue Line Transfer, Inc. Project) 1.05%, 07/07/03	4,700	4,700
+■ IDRB (Roller Bearing Co. of America Santa Ana Project) 1.10%, 07/07/03	2,400	2,400	+ Solid Waste Disposal RB (Burrtec Waste Industries Project) Series 1998A 1.55%, 07/07/03	1,270	1,270
+■ RB (Buck Institute) 0.90%, 07/07/03	40,100	40,100	+ Solid Waste Disposal RB (CR & R, Inc. Project) Series A 1.15%, 07/07/03	3,900	3,900
■ RB (J.P. Getty Trust) Series 2003B 1.00%, 07/01/03	20,000	20,000			
■ RB (J.P. Getty Trust) Series 2003C 1.00%, 07/01/03	20,000	20,000			
TECP (J.P. Getty Trust Project) 1.00%, 07/08/03	2,550	2,550			
■ California Pollution Control Financing Authority					
+ RB (Borax, Inc. Project) Series A 0.95%, 07/07/03	10,200	10,200			

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ Solid Waste Disposal RB (California Waste Solutions Project) Series 2002A 1.05%, 07/07/03	3,760	3,760	+ Solid Waste Disposal RB (Orange Avenue) Series 2002A 1.05%, 07/07/03	6,250	6,250
+ Solid Waste Disposal RB (Calsan, Inc. Project) Series 1999B 1.05%, 07/07/03	3,305	3,305	+ Solid Waste Disposal RB (Met Recycling Corporation Project) Series B 1.15%, 07/07/03	4,160	4,160
+ Solid Waste Disposal RB (Cheese & Protein International Project) Series 2001A 1.00%, 07/07/03	10,000	10,000	+ Solid Waste Disposal RB (Mottra Corp. Project) Series 2002A 1.05%, 07/07/03	2,625	2,625
+ Solid Waste Disposal RB (Cold Cyn Landfill Project) 1.10%, 07/07/03	5,845	5,845	+ Solid Waste Disposal RB (NorCal Waste System, Inc. Project) Series 2002A 1.10%, 07/07/03	6,000	6,000
+ Solid Waste Disposal RB (Colmac Energy Project) Series 1990A 0.90%, 07/07/03	7,320	7,320	+ Solid Waste Disposal RB (Norcal Waste System, Inc. Project) Series 2001A 1.10%, 07/07/03	8,740	8,740
+ Solid Waste Disposal RB (Contra Costa Services) Series 1995A 1.05%, 07/07/03	2,600	2,600	+ Solid Waste Disposal RB (Ratto Group Co., Inc. Project) Series 2001A 1.05%, 07/07/03	4,610	4,610
+ Solid Waste Disposal RB (Edco Disposal Corp. Project) Series 1996A 1.05%, 07/07/03	15,720	15,720	+ Solid Waste Disposal RB (Sanco Services LP Project) Series 2002A 1.55%, 07/07/03	4,000	4,000
+ Solid Waste Disposal RB (Federal Disposal Service Project) Series 2001A 1.15%, 07/07/03	2,800	2,800	+ Solid Waste Disposal RB (Santa Clara Project) Series 1998A 1.15%, 07/07/03	3,100	3,100
+ Solid Waste Disposal RB (Greenteam of San Jose Project) Series 2001A 1.05%, 07/07/03	5,000	5,000	+ Solid Waste Disposal RB (Santa Clara Valley Project) Series 2001A 1.05%, 07/07/03	7,075	7,075
+ Solid Waste Disposal RB (Greenwaste of Tehama Project) Series 1999A 1.15%, 07/07/03	2,535	2,535	Solid Waste Disposal RB (Shell Martinez Refining Project) Series 1996A 0.95%, 07/07/03	18,300	18,300
+ Solid Waste Disposal RB (Madera Disposable Project) Series 1998A 1.10%, 07/07/03	1,800	1,800	+ Solid Waste Disposal RB (Solag Disposal Project) Series 1997A 1.15%, 07/07/03	2,670	2,670
+ Solid Waste Disposal RB (Marborg Industries Project) Series 2002A 1.05%, 07/07/03	4,830	4,830	+ Solid Waste Disposal RB (Specialty Solid Waste Project) Series 2001A 1.15%, 07/07/03	3,945	3,945

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ Solid Waste Disposal RB (Talco Plastics Project) Series 1997A 1.10%, 07/07/03	3,925	3,925	California State		
+ Solid Waste Disposal RB (Tri-Ced Community Recycle Project) 1.10%, 07/07/03	1,920	1,920	+ Eagle TOB Series 1997C 1.01%, 07/07/03	10,900	10,900
+ Solid Waste Disposal RB (Waste Management Project) Series 2002A 0.96%, 07/07/03	16,000	16,000	+ Eagle TOB Series 2000 1.01%, 07/07/03	15,580	15,580
+ Solid Waste Disposal RB (Waste Management, Inc. Project) Series 2001A 1.05Su%, 07/07/03	5,000	5,000	+ Eagle TOB Series 2000 1.03%, 07/07/03	9,900	9,900
+ Solid Waste Disposal RB (West Valley Project) Series 1997A 1.10%, 07/07/03	4,560	4,560	+ Eagle TOB Series 2000 1.01%, 07/07/03	13,675	13,675
+ Solid Waste Disposal RB (Zanker Road Landfill Project) Series C 1.15%, 07/07/03	6,370	6,370	+ Eagle TOB Series 2000 1.03%, 07/07/03	30,540	30,540
+ Solid Waste Disposal RB (Burtec Waste Industries) Series 1997B 1.55%, 07/07/03	3,615	3,615	+ GO TOB Series ROC, 2001I-2 1.01%, 07/07/03	17,840	17,840
+ Solid Waste Disposal RB (Escondido Disposal) Series 1998A 1.55%, 07/07/03	7,845	7,845	+ GO Series 2003B-4 1.00%, 07/07/03	13,800	13,800
+ Solid Waste Disposal RB (Browning Ferris Industries) Series 1997A 1.00%, 07/07/03	10,000	10,000	+ GO Series 2003C-1 1.00%, 07/07/03	17,000	17,000
+ California School Cash Reserve Program Authority RB Series 2002A 1.46%, 07/03/03	10,020	10,020	+ GO Series 2003C-2 0.90%, 07/07/03	5,000	5,000
			+ GO Series 2003C-3 0.95%, 07/07/03	5,000	5,000
			+ GO Series 2003C-4 1.00%, 07/07/03	10,000	10,000
			+ GO Series 2003C-4 1.00%, 07/07/03	10,000	10,000
			+ GO TOB Series 779 1.03%, 07/07/03	11,195	11,195
			▶ GO TECP 1.18%, 07/07/03	47,000	47,000
				32,000	32,000
				172,000	172,000
				24,500	24,500
				78,000	78,000
				38,500	38,500
				31,000	31,000
				18,500	18,500
				92,000	92,000
			+ GO TOB Series 195 1.03%, 07/07/03	10,835	10,835
			+ GO TOBP (PA-676R) 1.60%, 04/08/04	26,125	26,125
			+ GO TOBP (PA-815R) 1.04%, 07/07/03	13,835	13,835
			+ GO TOBP (PT-1236) 1.03%, 07/07/03	23,405	23,405
			+ GO TOBP (PT-1257) 1.03%, 07/07/03	29,495	29,495
			▶ Revenue Anticipation Warrant Series A 1.12%, 06/16/04	100,000	100,855
				75,000	75,663

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
▶ Revenue Anticipation Warrant Series B			▶ Power Supply RB TOBP (PT-730)		
1.11%, 06/16/04	205,000	205,000	1.01%, 07/07/03	34,740	34,740
1.12%, 06/16/04	112,500	113,441	▶■ California State Economic Development Financing Authority		
▶■ GO TOB Putters Series 132			IDRB (Calco Project)		
1.00%, 07/07/03	94,950	94,950	1.05%, 07/07/03	565	565
▶■ California State Department of Water Resources			IDRB (Gaiser Tool Project)		
Power Supply RB Series 2002B-2			1.05%, 07/07/03	2,120	2,120
1.10%, 07/01/03	83,800	83,800	IDRB (Mercury Air Group)		
Power Supply RB Series 2002B-3			1.00%, 07/07/03	14,000	14,000
0.95%, 07/01/03	17,500	17,500	RB (Costa Macoroni Project)		
Power Supply RB Series 2002C-1			1.05%, 07/07/03	2,945	2,945
1.05%, 07/07/03	13,300	13,300	RB (Lion Raisin Project)		
Power Supply RB Series 2002C-10			1.00%, 07/07/03	1,350	1,350
0.94%, 07/07/03	44,440	44,440	▶■ California State Public Works Board		
Power Supply RB Series 2002C-14			Lease Revenue TOB Putters Series 209		
1.00%, 07/07/03	31,000	31,000	1.00%, 07/07/03	9,995	9,995
▶ Power Supply RB TOB (Regulation D) Series L-12			Lease Revenue TOB Series 1999F		
1.10%, 11/19/03	15,000	15,000	1.03%, 07/07/03	9,985	9,985
▶ Power Supply RB TOB (Regulation D) Series L-13			Lease Revenue TOB Series 2000D		
1.10%, 11/19/03	7,500	7,500	1.01%, 07/07/03	3,000	3,000
▶ Power Supply RB TOB (Regulation D) Series L-14			▶ California State University Institute		
1.10%, 11/19/03	12,500	12,500	TECP		
▶ Power Supply RB TOB (Regulation D) Series L11			1.05%, 07/11/03	5,400	5,400
1.10%, 11/19/03	33,325	33,325	■ California Statewide Communities Development Authority		
Power Supply RB Series 2002B-1			▶ COP (SVDP Management) Series 1998		
1.00%, 07/01/03	59,940	59,940	0.95%, 07/07/03	7,485	7,485
▶ Power Supply RB Series 2002C-7			▶■ COP TOB Series 1999E		
1.00%, 07/07/03	37,000	37,000	1.03%, 07/07/03	5,000	5,000
▶ Power Supply RB TOBP (PA-1100)			▶ IDRB (13th I Associates Project)		
1.01%, 07/07/03	19,995	19,995	1.80%, 07/07/03	4,400	4,400
▶ Power Supply RB TOBP (PA-1120R)			▶ IDRB (Cowden Metal Stamping Project)		
1.01%, 07/07/03	12,835	12,835	1.80%, 07/07/03	1,430	1,430

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ IDRB (Drip In Irrigation Co. Project) 1.10%, 07/07/03	3,600	3,600	+ RB (Dr. Nichols Pistachio) Series C 1.05%, 07/07/03	600	600
+ IDRB (Bicol Investments, LP) Series 1997B 1.80%, 07/07/03	1,500	1,500	+ RB (Elder Care Alliance) 1.00%, 07/07/03	12,760	12,760
+ IDRB (Golden Valley Project) Series A 1.10%, 07/07/03	1,050	1,050	+ RB (Gemological Institute Project) 0.90%, 07/07/03	34,790	34,790
+ IDRB (Integrated Rolling Co. Project) Series 1999A 1.10%, 07/07/03	2,200	2,200	+ RB (Japanese American Museum Project) Series 2000A 1.00%, 07/07/03	4,800	4,800
+ IDRB (The Diamond Foods Project) Series 1991 1.80%, 07/07/03	790	790	+ RB (Jewish Federation of Los Angeles) Series 2000A 1.05%, 07/07/03	7,400	7,400
+ IDRB Series (RL Group) 1998C 1.10%, 07/07/03	1,715	1,715	RB (Kaiser Permanente) Series 2001A 1.38%, 07/01/03	19,000	19,000
+ Insured RB (Fremont Rideout Project) Series 2001A 0.95%, 07/01/03	31,655	31,655	RB (Kaiser Permanente) Series 2002B 1.05%, 07/07/03	17,000	17,000
+ M/F Housing RB (Cypress Villa Apartments) Series F 0.90%, 07/07/03	4,725	4,725	+ RB (Masters College Project) 0.95%, 07/07/03	11,250	11,250
+ M/F Housing RB (Emerald Gardens Apartments) Series E 0.90%, 07/07/03	7,320	7,320	+ RB (National Public Radio Project) 1.00%, 07/07/03	7,800	7,800
+ M/F Housing RB (Kimberly Woods Project) Series 1995B 1.00%, 07/07/03	13,400	13,400	+ RB (Valley Palms Apartments Project) 0.90%, 07/07/03	12,000	12,000
+ M/F Housing RB (Laurel Park Senior Apartments Project) Series 2003H 0.95%, 07/07/03	5,500	5,500	+ RB (Woodsong Apartments) Series 1997B 0.90%, 07/07/03	3,327	3,327
+ M/F Housing RB (Los Padres Apartments) Series 2003E 0.92%, 07/07/03	10,250	10,250	+ ■ Carlsbad, California M/F Housing Revenue Refunding Bond COP (La Costa Apartment Project) Series 1993A 0.95%, 07/07/03	14,400	14,400
+ M/F Housing RB (Oakmont Concord Project) Series Q 1.10%, 07/07/03	25,000	25,000	+ ■ Concord, California M/F Housing Mortgage RB (Bel Air Apartments Project) Series 1986A 1.00%, 07/07/03	3,000	3,000
+ M/F Housing RB (Park David Senior Apartments Project) Series 1999D 0.95%, 07/07/03	8,220	8,220	+ ■ Contra Costa County, California M/F Housing Mortgage RB (El Cerrito Project) Series A 1.00%, 07/07/03	2,480	2,480
+ M/F Housing RB (Plaza Club Apartments) Series 1997A 1.00%, 07/07/03	10,290	10,290			
+ RB (Biola University Project) Series 2002B 0.95%, 07/07/03	22,900	22,900			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Contra Costa County, California				+■ Water System Subordinated RB			
Board of Education				Series 2002B			
TRAN				0.85%, 07/07/03	9,900	9,900	
1.66%, 07/01/03	26,700	26,700		+■ El Cajon, California			
+■ Davis, California Community				M/F Housing RB (Pinewood			
Facilities District				Apartments Project)			
Special Tax Bond (East Davis				1.00%, 07/07/03	1,450	1,450	
Mace Ranch Project) District				Redevelopment Bond M/F			
No. 1999-2				Housing RB (Mollison &			
1.00%, 07/07/03	3,200	3,200		Madison Project)			
▲ Desert Sands, California				1.00%, 07/07/03	5,000	5,000	
Unified School District				+►■ El Camino, California			
BAN				Community College District			
0.82%, 06/30/04	52,200	52,681		TOB (Election of 2002) Series			
+■ Diamond Bar, California Public				2003-12			
Financing Authority				1.11%, 11/26/03	16,100	16,100	
Lease RB (Community Senior				+■ Emeryville, California			
Center Project) Series 2002A				Redevelopment Agency			
1.05%, 07/07/03	9,755	9,755		M/F Housing RB (Baystreet			
+■ Dublin, California Housing				Apartments)			
Authority				1.00%, 07/07/03	33,215	33,215	
M/F Housing RB (Park Siera				►■ Foothill-De Anza, California			
Project) Series A				Community College District			
0.95%, 07/07/03	12,700	12,700		Merlot TOB Series 2000YY			
+►■ Dublin San Ramon, California				1.03%, 07/07/03	9,990	9,990	
Services District				▲ Fresno County, California			
COP				TRAN			
0.95%, 07/07/03	15,400	15,400		0.90%, 06/30/04	57,000	57,620	
► East Bay, California Municipal				+■ Fresno, California IDA			
Utilities District				RB (Keiser Corp.)			
TECP				1.10%, 07/07/03	1,815	1,815	
1.00%, 07/23/03	12,000	12,000		+■ Golden Empire Schools			
1.05%, 08/07/03	9,500	9,500		Financing Authority of California			
1.00%, 08/12/03	14,800	14,800		Lease RB (Kern High			
1.00%, 08/13/03	31,300	31,300		School District Project)			
1.00%, 08/14/03	7,000	7,000		1.00%, 07/07/03	10,600	10,600	
0.90%, 09/10/03	13,800	13,800		► Golden Gate Bridge Highway &			
+■ Water System Revenue				Transportation District of			
Refunding Bond Subseries				California			
2002A				TECP			
0.85%, 07/07/03	14,800	14,800		1.00%, 09/04/03	19,700	19,700	
+■ Water System Revenue				+■ Hayward, California Housing			
Refunding Bond Subseries				Authority			
2003B				► M/F Housing RB (Shorewood			
0.85%, 07/07/03	20,000	20,000		Apartment Project) Series A			
				0.85%, 07/07/03	19,700	19,700	

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing Revenue Refunding Bond (Huntwood Terrace Apartments) 0.98%, 07/07/03	5,465	5,465	Kern County, California		
+■ Hercules, California Public Financing Authority Lease RB Series 2003A 1.00%, 07/07/03	7,000	7,000	+■ COP (Kern Public Facilities Project) Series A 0.95%, 07/07/03	2,800	2,800
+■ Hercules, California Redevelopment Agency IDRB (Pro Media Project) Series 2000A 1.00%, 07/07/03	2,500	2,500	▲ TRAN 0.92%, 06/30/04	50,000	50,524
+■ Huntington Beach, California M/F Housing RB (Five Points Project) 1.00%, 07/07/03	9,500	9,500	+■ Livermore, California Redevelopment Agency M/F Housing Revenue Refunding Bond (Livermore Apartments) Series 2002A 1.00%, 07/01/03	11,450	11,450
+■ Huntington Park, California Redevelopment Agency M/F Housing RB (Casa Rita Apartments) Series 1994A 1.00%, 07/07/03	4,100	4,100	+■ Lodi, California Electric System COP Series 2002A 0.85%, 07/07/03	38,360	38,360
+■ Indian Wells, California Redevelopment Agency Special Tax TOB Series R-230 1.01%, 07/07/03	4,520	4,520	Long Beach, California Harbor +■ RB Series 2002B 1.15%, 05/14/04	56,560	58,177
+■ Irvine, California Assessment District No. 97-16 0.85%, 07/01/03	1,400	1,400	► TECP 1.05%, 08/06/03	17,250	17,250
RB (Assessment District No. 00-18) Series 2001A 0.85%, 07/01/03	2,500	2,500	+■ Long Beach, California Housing Authority M/F Housing RB (Channel Point Apartments Project) 0.87%, 07/07/03	7,000	7,000
RB (Assessment District No. 87-8) 0.85%, 07/01/03	15,380	15,380	+■ Long Beach, California Unified School District COP (Capital Improvement Refinancing Project) 1.00%, 07/07/03	30,965	30,965
Special Assessment Bond (Assessment District No. 93-14 0.90%, 07/01/03	2,500	2,500	+■ Los Angeles, California M/F Housing RB (Beverly Park Apartments) Series 1988A 0.92%, 07/07/03	34,000	34,000
+■ Irvine Ranch, California Water District COP (Capital Improvement Project) 0.90%, 07/01/03	1,000	1,000	M/F Housing RB (Channel Gateway Apartments) Series 1989B 1.00%, 07/07/03	67,700	67,700
Consolidated RB Series 1985 0.85%, 07/01/03	3,600	3,600	M/F Housing RB (Fountain Park Project) Series 1999P 0.92%, 07/07/03	24,300	24,300
			M/F Housing RB (Fountain Park Project Phase II) Series 2000B 0.92%, 07/07/03	3,500	3,500
			M/F Housing RB (Studio Colony) Series 1985C 0.93%, 07/07/03	15,931	15,931

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB Series 1985K	1.00%, 07/07/03	12,555	12,555		1.03%, 07/07/03	19,995	19,995
M/F Housing Revenue Refunding Bond (Tri City Project) Series 2001I	0.92%, 07/07/03	3,700	3,700	▶	Electric Plant TOB Series 370	11,620	11,620
▶ TOBP (PA-554)	1.01%, 07/07/03	3,150	3,150	+▶	RB TOB Series 1999L	22,090	22,090
+ Los Angeles, California Airport				▶	TOB (PA 1087)	7,120	7,120
TECP Series A	1.00%, 07/07/03	3,000	3,000	+▶	TOB Putters Series 184	15,000	15,000
TECP Series B	1.10%, 07/07/03	11,128	11,128	▶	Water & Power RB Subseries 2001B-1	36,300	36,300
	1.05%, 07/07/03	2,500	2,500	+▶	Waterworks RB TOB Series 754	12,708	12,708
	1.05%, 08/14/03	10,103	10,103				
	1.05%, 08/18/03	22,101	22,101		Los Angeles, California Unified School District		
+▶ Los Angeles, California Community College District				+▶	Munitops TOB Series 1997C	15,400	15,400
Revenue Refunding COP Series 2002A	0.85%, 07/07/03	30,150	30,150	+▶	TOBP (PT-1730)	30,000	30,000
+ Los Angeles, California Community Redevelopment Agency				+▶	TOBP (PT-1764)	9,305	9,305
M/F Housing RB (Metropolitan Lofts Apartments) Series 2002A	0.95%, 07/07/03	17,750	17,750	▲	TRAN Series 2003A	50,000	50,528
M/F Housing Revenue Refunding Bond (Promenade Towers Project) Series 2000	0.90%, 07/07/03	39,600	39,600		TRAN Series B	15,000	15,000
+▶ Los Angeles, California Convention Center & Exhibit Center Authority				▶	Los Angeles, California Wastewater System		
Revenue Refunding Bond Series 2003E	0.97%, 07/07/03	41,700	41,700	+▶	RB TOB Series 2002J	12,245	12,245
Revenue Refunding Bond Sub-Series 2003B-2	0.97%, 07/07/03	4,000	4,000	+▶	Revenue Refunding Bond Series 2001A	18,000	18,000
Los Angeles, California Department of Water & Power				+▶	Revenue Refunding Bond Series 2001B	22,200	22,200
▶ Eagle TOB Series 2001	1.01%, 07/07/03	24,750	24,750	+▶	Revenue Refunding Bond Series 2001C	24,200	24,200
▶ Electric Plant TOB Series 1997I					TECP	24,375	24,375
					1.00%, 07/10/03	34,000	34,000
					0.95%, 08/11/03		
				+▶	TOB 98-25	17,000	17,000
					0.98%, 07/07/03		

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Los Angeles County, California				Revenue Refunding Bond Series			
+■	COP ACES (Los Angeles County Museum of Art Project) Series 1985A 0.90%, 07/07/03	1,500	1,500		1996B 0.85%, 07/07/03	8,600	8,600
+■	COP ACES (Los Angeles County Museum of Art Project) Series 1985B 0.90%, 07/07/03	1,600	1,600	+▲	Los Angeles County, California Schools Pooled Financing Program TRAN Series 2003A 0.92%, 06/30/04	12,000	12,098
▲	TRAN Series 2003A 0.90%, 06/30/04	100,000	101,087	+■	Los Angeles County, California Transportation Commission Sales Tax RB Series 1992A 0.85%, 07/07/03	8,050	8,050
+■	Los Angeles County, California Capital Asset Leasing Corp. TECP 1.05%, 07/14/03	11,000	11,000	+■	Madera, California Public Financing Authority (Municipal Golf Course Revenue Refinancing) RB 0.95%, 07/07/03	3,250	3,250
	1.05%, 07/24/03	6,000	6,000	■	Metropolitan Water District of Southern California		
	0.90%, 09/10/03	16,200	16,200	+■	Revenue Refunding Bond Series 1996A 0.80%, 07/07/03	16,800	16,800
+■	Los Angeles County, California Housing Authority M/F Housing RB (Malibu Canyon Apartments Project) Series B 1.00%, 07/07/03	28,520	28,520		Revenue Refunding Bond Series 1997C 0.90%, 07/07/03	15,000	15,000
+■	Los Angeles County, California Metropolitan Transit Authority				Revenue Refunding Bond Series 1997B 0.85%, 07/07/03	8,500	8,500
■	Eagle Sales Tax Revenue Refunding TOB Series 2001B 1.01%, 07/07/03	24,750	24,750		Revenue Refunding Bond Series 2001-B2 0.85%, 07/07/03	15,500	15,500
■	Revenue Refunding Bond Series 1993A 0.85%, 07/07/03	14,000	14,000		Revenue Refunding Bonds Series 1999C 0.90%, 07/07/03	4,100	4,100
■	Sales Tax RB TOB Series 2003-A 1.15%, 08/06/03	12,600	12,600		Waterworks RB Series 2001B-3 RB (Waterworks) S 0.90%, 07/01/03	9,500	9,500
	TECP 1.00%, 08/11/03	25,266	25,266		Waterworks Revenue TOB Series 19990 1.03%, 07/07/03	18,500	18,500
	1.00%, 08/14/03	57,990	57,990		Waterworks RB Series 2001C-2 0.80%, 07/01/03	32,600	32,600
	0.95%, 09/04/03	25,267	25,267		Waterworks Revenue Refunding Bond Series 2001B-1 0.85%, 07/07/03	45,100	45,100
■	TOB Series 1998B 1.03%, 07/07/03	23,830	23,830				
+■	Los Angeles County, California Pension Revenue Refunding Bond Series 1996C 0.85%, 07/07/03	12,130	12,130				
	Revenue Refunding Bond Series 1996A 0.85%, 07/07/03	16,000	16,000				

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Waterworks Revenue Refunding Bond Series 2002A 1.05%, 07/07/03	9,000	9,000	➔■ Oakland, California Revenue TOB (180 Harrison Foundation Project) Series 2000M 1.03%, 07/07/03	4,500	4,500
➔■ Modesto-Santa Clara-Redding, California Public Power Agency RB (San Juan Project) Subordinate Lien Series 1997E 0.90%, 07/07/03	5,000	5,000	➔■ Oceanside, California M/F Mortgage RB (Riverview Springs) Series 1990A 1.00%, 07/07/03	12,570	12,570
Subordinate Lien RB (San Juan Project) Series 1997D 1.05%, 07/07/03	2,500	2,500	■ Orange County, California Sanitation District COP Series 2002B 0.85%, 07/01/03	3,000	3,000
Moreno Valley, California Unified School District TRAN 1.44%, 07/24/03	7,450	7,457	➔ COP (Sanitation Districts 1-3, 5-7 & 11) Series 1992C 0.85%, 07/07/03	16,200	16,200
➔■ Mount San Jacinto, California Winter Park Authority COP (Palm Springs Aerial Project) Series 1998 1.00%, 07/07/03	7,900	7,900	➔■ Orange County, California COP (Florence Crittenton Services Project) Series 1990 0.97%, 07/07/03	5,500	5,500
COP (Palm Springs Aerial Project) Series 2000B 1.00%, 07/07/03	2,900	2,900	M/F Housing RB (Lantern Pines Project) 0.95%, 07/07/03	14,700	14,700
➔■ Northern California Power Agency Revenue Refunding Bond (Hydroelectric No. 1 Project) Series 2002 A 0.85%, 07/07/03	7,000	7,000	➔■ Orange County, California Apartment Development RB (Hidden Hills) Series 1985C 1.00%, 07/07/03	13,300	13,300
Revenue Refunding Bond (Hydroelectric No.1 Project) Series 2002B 0.95%, 07/07/03	9,010	9,010	RB (Villas Aliento) Series 1998E 0.90%, 07/07/03	4,500	4,500
Revenue Refunding Bond (Hydroelectric Project No. 1) Series 2003A 0.95%, 07/07/03	9,500	9,500	RB Series 1998F 0.90%, 07/07/03	15,900	15,900
➔■ Northern, California Transmission Agency Revenue Refunding Bonds (California-Ore Transmission Project) Series A 0.88%, 07/07/03	9,800	9,800	RB Series (WCLO LF) Series 1998G-3 0.87%, 07/07/03	14,100	14,100
			Revenue Refunding Bond (Jess L. Frost Project) Series 1985B 0.95%, 07/07/03	10,200	10,200
			Revenue Refunding Bond (Pointe Niguel Project) Series 1992C 0.85%, 07/07/03	18,000	18,000
			Revenue Refunding Bond (Vintage Woods) Series 1988H 0.87%, 07/07/03	10,000	10,000

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ Orange County, California			+► Rancho, California Water		
Local Transit Authority			District Financing Authority		
TECP			RB Series 2001B		
0.90%, 09/08/03	38,000	38,000	0.90%, 07/07/03	25,000	25,000
0.90%, 09/10/03	4,000	4,000	+■ Redwood City, California		
► Orange County, California Water			COP (City Hall Project)		
District			1.00%, 07/07/03	2,305	2,305
COP Series 2003A			+► Riverside County, California		
0.95%, 07/07/03	25,000	25,000	Asset Leasing Corp.		
► Palo Alto, California Unified			Leasehold RB (South West		
School District			Justice Center) Series 2000B		
Merlot TOB Series 1997R			0.85%, 07/07/03	15,900	15,900
1.03%, 07/07/03	6,000	6,000	+■ Riverside County, California		
+► Pasadena, California			Housing Authority		
COP (City Hall & Park			M/F Housing RB (Briarwood		
Improvement Projects)			Apartment Project) Series		
0.95%, 07/07/03	35,290	35,290	1985C		
Peralta, California Community			0.95%, 07/07/03	4,500	4,500
College District			M/F Housing RB (Tyler Springs		
BAN			Apartments) Series 1999C		
1.12%, 03/04/04	28,500	28,506	0.87%, 07/07/03	8,000	8,000
+■ Petaluma, California			M/F Housing Revenue		
Community Authority			Refunding Bond (Victoria		
M/F Housing RB (Oakmont At			Spring Apartments)		
Petaluma Project)			1.00%, 07/07/03	9,000	9,000
0.95%, 07/07/03	3,450	3,450	+■ Riverside County, California		
+■ Pinole, California			IDA		
Redevelopment Agency			RB (Calmold, Inc. Project)		
M/F Housing RB (East Bluff			1.50%, 07/07/03	3,070	3,070
Apartments Project)			+► Roseville, California Electric		
Series 1998A			System		
1.15%, 07/07/03	4,959	4,959	COP Series 2002		
+■ Pleasant Hill, California			0.95%, 07/07/03	30,365	30,365
M/F Housing RB (Brookside			Sacramento, California City		
Apartments Project)			Financing Authority		
Series 1998A			Revenue Refunding Bond		
0.90%, 07/07/03	4,600	4,600	1.90%, 07/01/03	3,825	3,825
+ Port of Oakland, California			+ Sacramento, California		
TECP Series D			Municipal Utility District		
1.05%, 07/03/03	13,000	13,000	TECP		
► TOBP (PA-663)			1.00%, 08/29/03	38,850	38,850
1.05%, 07/07/03	8,415	8,415	+■ Sacramento, California		
► Merlot TOB (First Union)			Redevelopment Agency		
Series 2000JJ			M/F Housing RB (18th & L		
1.08%, 07/07/03	15,000	15,000	Apartments) Series 2002E		
			0.92%, 07/07/03	10,525	10,525

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Sacramento County, California COP (Administration Center & Court House Project) 1.00%, 07/07/03	7,665	7,665	M/F Mortgage RB (La Cima) Series 1999K 0.85%, 07/07/03	9,140	9,140
+■ Sacramento County, California Housing Authority M/F Housing RB (Chesapeake Commons Project) Series C 1.00%, 07/07/03	28,000	28,000	M/F Mortgage RB (Nobel Courts) Series 1999L 0.85%, 07/07/03	15,815	15,815
M/F Housing RB (Hidden Oaks Apartments) Series 1999C 0.95%, 07/07/03	6,300	6,300	+►■ San Diego, California Public Facilities Financing Authority Waters RB TOB Series 757 0.98%, 07/07/03	19,840	19,840
►■ Sacramento County, California Sanitation District Financing Authority TOB Series 366 0.98%, 07/07/03	12,445	12,445	San Diego, California Unified School District +►■ Munitop TOB 2002-28 1.13%, 11/05/03	12,280	12,280
TOBP (PA-694) 1.01%, 07/07/03	6,090	6,090	TRAN Series A 1.52%, 07/28/03	61,850	61,917
+■ Sacramento County, California Special Facilities RB (Cessna Aircraft Corp. Project) 1.05%, 07/07/03	3,300	3,300	► San Diego, California Water Authority TECP 1.00%, 08/07/03	10,500	10,500
+■ Salinas, California Apartment Development M/F Housing RB (Mariner Villa Project) Series 1985B 0.95%, 07/07/03	2,825	2,825	+►■ San Francisco, California City & County Airports Commission International Airport Certificates Series 476 0.98%, 07/07/03	16,255	16,255
San Bernardino County, California +►■ COP (Medical Center Financing Project) Series 1998 1.05%, 07/07/03	35,660	35,660	International Airports RB TOBP (PA-662) 1.12%, 07/07/03	12,670	12,670
TRAN 1.68%, 07/01/03	35,000	35,000	+►■ San Francisco, California City & County Financing Corp. Lease RB (Moscone Center Expansion Project) Series 2000-2 0.85%, 07/07/03	10,500	10,500
▲ San Diego, California County & School District TRAN Series 2003A 0.90%, 06/30/04	51,000	51,428	+■ San Francisco, California City & County Redevelopment Agency M/F Housing RB (3rd & Mission) Series 1999C 1.10%, 07/07/03	21,500	21,500
+■ San Diego, California Housing Authority M/F Mortgage RB (Creekside Villa) Series 1999B 1.00%, 07/07/03	6,000	6,000	M/F Housing RB (City Heights) Series 1997A 1.00%, 07/07/03	16,800	16,800
			M/F Housing RB (Fillmore Center Project) Series 1992 A2 0.97%, 07/07/03	3,750	3,750

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
M/F Housing RB (Ocean Beach Apartments) Series 2001B 1.03%, 07/07/03	4,850	4,850	RB (Merged Area Redevelopment Project) Series 1996B 0.90%, 07/07/03	6,000	6,000
M/F Housing RB (Post Street Towers) Series 2000A 0.95%, 07/07/03	17,000	17,000	▶ Tax Allocation TOB Putters Series 158 1.00%, 07/07/03	30,095	30,095
RB (CFD4) 0.90%, 07/07/03	23,440	23,440	▶ San Jose, California Unified School District Santa Clara County GO Series 2002A 1.40%, 08/01/03	2,000	2,004
▶ San Joaquin County, California Transportation Authority Sales Tax Revenue TECP 1.00%, 09/10/03	15,000	15,000	▶ San Marcos, California Redevelopment Agency M/F RB (Grandon Village Project) Series A 1.00%, 07/07/03	13,500	13,500
▶ San Jose, California ▶ GO TOB Series 760 0.98%, 07/07/03	11,223	11,223	▶ Sanger, California Public Financing Authority Revenue Refunding Bond (Utility Systems Financing Project) Series 2002A 1.00%, 07/07/03	10,000	10,000
M/F Housing RB (Almeden Lake Apartments Project) Series 1997A 1.00%, 07/07/03	15,900	15,900	Santa Barbara County, California TRAN Series A 1.52%, 07/25/03	12,000	12,011
M/F Housing RB (Betty Anne Apartments Project) Series 2002A 1.00%, 07/07/03	11,000	11,000	▲ 0.80%, 07/23/04	11,000	11,139
M/F Housing RB (El Paseo Apartments Project) Series 2002B 1.00%, 07/07/03	5,000	5,000	▶ San Jose, California Electric Revenue Series 1985C 0.85%, 07/07/03	16,700	16,700
M/F Housing RB (Seinna at Renaissance Project) Series 1996A 0.92%, 07/07/03	21,500	21,500	▶ Santa Clara County, California M/F Housing Revenue Refunding Bond (Bairwood Apartments Project) Series 1996B 0.87%, 07/07/03	12,400	12,400
▶ San Jose, California Housing Financing Authority Revenue Refunding & Improvement Bond (Hayes Mansion Project) Series 2001D 0.95%, 07/07/03	10,800	10,800	▶ Santa Clara County, California M/F Housing Revenue Refunding Bond (Grove Garden Apartments) Series 1997A 0.87%, 07/07/03	14,000	14,000
▶ San Jose, California Redevelopment Agency M/F Housing (101 San Fernando Apartments Project) Series 1998A 1.00%, 07/07/03	38,000	38,000			

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+■ Santa Clara County— El Camino, California Hospital District	RB (Valley Medical Center Project) Series 1985A 1.50%, 07/07/03	16,200	16,200	+■ Southeast, California Resource Recovery Facilities Authority	Lease Revenue Refunding Bond Series 1995A 0.92%, 07/07/03	18,305	18,305
+■ Santa Clara Valley, California Water District	COP TOB Series 2000-411 0.98%, 07/07/03	15,120	15,120		Lease Revenue Refunding Bond Series 1995B 0.97%, 07/07/03	14,200	14,200
+■ Santa Fe Springs, California IDA	RB (Tri-West) Series 1983 1.35%, 07/30/03	4,000	4,000	■ Southern California HFA	S/F Mortgage RB TOBP (PT-629) 1.12%, 07/07/03	28,350	28,350
+■ Santa Paula, California Public Financing Authority	Lease Water System RB (Aquis Project) Series 1996 1.10%, 07/07/03	9,000	9,000	+■ Southern California Public Power Authority	Revenue Refunding Bond (Palo Verdes Project) Series 1996B 0.85%, 07/07/03	1,100	1,100
+■ Santa Rosa, California Housing Authority	M/F Housing RB (Apple Creek Apartments Project) Series 1985E 0.95%, 07/07/03	17,140	17,140		Subordinate RB (Southern Transmission Project) Series 2000A 0.95%, 07/07/03	6,500	6,500
	M/F Housing RB (Quail Run Apartments) Series 1997A 0.95%, 07/07/03	4,710	4,710		Subordinate Revenue Refunding Bond (Southern Transmission Project) Series 2001A 0.95%, 07/07/03	16,795	16,795
▲ South Coast, California Local Educational Agencies	TRAN Series 2003A 0.80%, 06/30/04	35,000	35,415	+■ Stockton, California Community Facilities District	Special Tax RB (Arch Road East No.99-02) 1.00%, 07/07/03	1,430	1,430
+■ South Placer, California Wastewater Authority	RB Series B 0.95%, 07/07/03	29,500	29,500	+■ Sunnyvale, California	COP (Government Center Site Acquisition) Series 2001A 0.90%, 07/07/03	13,280	13,280
+■ South San Francisco, California Housing Authority	M/F Housing RB (Magnolia Plaza Project) Series A 1.00%, 07/07/03	5,500	5,500	+■ Union City, California	M/F Housing RB (Greenhaven Apartments Project) Series 1997A 0.87%, 07/07/03	10,975	10,975
				University of California Board of Regents			
				■ Eagle TOB Series K	1.01%, 07/07/03	19,430	19,430

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
TOB Series 204 0.95%, 07/07/03	7,295	7,295	➔■ Puerto Rico Public Building Authority Government Facilities RB TOB Putter Series 211 0.95%, 07/07/03 Revenue Guaranteed RB TOB Series II-R-56 1.01%, 07/07/03	13,995	13,995
TOBP (PA-652) 0.96%, 07/07/03	8,730	8,730		6,545	6,545
TOBP (PT-812) 0.96%, 07/07/03	13,050	13,050			
Unlimited GO Series 2001II-R-124 1.10%, 07/07/03	4,995	4,995			
					199,015
➔■ Puerto Rico Commonwealth Highway & Transportation Authority					
Highway RB TOB Series II-R-66 1.01%, 07/07/03	6,200	6,200			
RB Series 1998A 0.95%, 07/07/03	2,700	2,700			
RB TOB Series R-227 1.01%, 07/07/03	3,995	3,995			
RB TOBP (PA-605) 0.96%, 07/07/03	6,590	6,590			
Transportation Revenue Merlot TOB Series 2000FFF 1.00%, 07/07/03	4,970	4,970			
➔■ Puerto Rico Commonwealth Infrastructure Financing Authority					
TOBP (PA-498) 0.96%, 07/07/03	3,290	3,290			
➔■ Puerto Rico Electric Power Authority					
Putters RB TOB Series 147 0.95%, 07/07/03	5,000	5,000			
Eagle RB Series II 1.03%, 07/01/03	7,405	7,405			
RB TOB Putters Series 164 0.95%, 07/07/03	15,765	15,765			
➔■ Puerto Rico Housing Finance Corp.					
RB TOB Series 2000R 1.00%, 07/07/03	5,545	5,545			

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$7,797,585
Cash	44,423
Receivables:	
Fund shares sold	22,512
Interest	21,347
Investments sold	111,430
Prepaid expenses	+ 14
Total assets	7,997,311

Liabilities

Payables:	
Fund shares redeemed	33,263
Dividends to shareholders	1,570
Investments bought	599,321
Investment adviser and administrator fees	175
Transfer agent and shareholder service fees	156
Accrued expenses	+ 265
Total liabilities	634,750

Net Assets

Total assets	7,997,311
Total liabilities	- 634,750
Net assets	\$7,362,561

Net Assets by Source

Capital received from investors	7,363,383
Net realized capital losses	(822)

Net Assets by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$4,058,061		4,059,029		\$1.00
Value Advantage Shares	\$3,304,500		3,304,469		\$1.00

The amortized cost for the fund's securities was \$7,797,585. During the reporting period, the fund had \$621,955 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio \$7,797,585

As of December 31, 2002:

Unused capital losses:

Expires 12/31 of: Loss amount:
2008 \$955

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$42,988****Net Realized Gains and Losses**

Net realized gains on investments sold 319

Expenses

Investment adviser and administrator fees 12,631

Transfer agent and shareholder service fees:

Sweep Shares 9,038

Value Advantage Shares 3,427

Trustees' fees 27

Custodian and portfolio accounting fees 280

Professional fees 20

Registration fees 48

Shareholder reports 118

Other expenses + 20

Total expenses 25,609

Expense reduction - 5,544

Net expenses 20,065**Increase in Net Assets from Operations****Total investment income 42,988****Net expenses - 20,065****Net investment income 22,923****Net realized gains + 319****Increase in net assets from operations \$23,242**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets as follows:

Transfer Agent Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.25
Value Advantage Shares	0.05

Shareholder Services:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.20
Value Advantage Shares	0.17

For the fund's independent trustees only.

Includes \$4,941 from the investment adviser (CSIM) and \$603 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the annual operating expenses of this fund through at least April 30, 2004, as follows:

Share Class	% of Average Daily Net Assets
Sweep Shares	0.65
Value Advantage Shares	0.45

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

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$22,923	\$59,336
Net realized gains	+ 319	419
Increase in net assets from operations	23,242	59,755

Distributions Paid**Dividends from Net Investment Income**

Sweep Shares	11,156	31,864
Value Advantage Shares	+ 11,767	27,472
Total dividends from net investment income	22,923	59,336

Transactions in Fund Shares**Shares Sold**

Sweep Shares	6,213,368	12,462,311
Value Advantage Shares	+ 1,773,249	3,283,142
Total shares sold	7,986,617	15,745,453

Shares Reinvested

Sweep Shares	10,291	31,365
Value Advantage Shares	+ 10,232	26,012
Total shares reinvested	20,523	57,377

Shares Redeemed

Sweep Shares	(6,221,411)	(12,335,422)
Value Advantage Shares	+ (1,560,415)	(2,791,080)
Total shares redeemed	(7,781,826)	(15,126,502)

Net transactions in fund shares

	225,314	676,328
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Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents shares sold plus shares reinvested, minus shares redeemed.

Net Assets

Beginning of period	7,136,928	6,460,181
Total increase	+ 225,633	676,747
End of period	\$7,362,561	\$7,136,928

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Fund

The fund discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

The fund offers two share classes: Sweep Shares and Value Advantage Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

The fund declares dividends every day it is open for business. These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

The fund may buy securities on a delayed-delivery basis. In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value at the time of settlement. The fund has set aside sufficient

securities as collateral for those securities bought on a delayed-delivery basis.

The fund pays fees for various services. Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund

Schwab Government Money Fund

Schwab U.S. Treasury Money Fund

Schwab Value Advantage Money Fund®

Schwab Municipal Money Fund

Schwab California Municipal Money Fund

Schwab New York Municipal Money Fund

Schwab New Jersey Municipal Money Fund

Schwab Pennsylvania Municipal Money Fund

Schwab Florida Municipal Money Fund

Schwab Massachusetts Municipal Money Fund

Schwab Institutional Advantage Money Fund®

Schwab Retirement Money Fund®

Schwab Government Cash Reserves

persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

The fund may engage in certain transactions involving affiliates. The fund may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

The fund intends to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the fund distributes substantially all of its net investment income and realized net capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

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

Accounting Policies

The following are the main policies the fund uses in preparing its financial statements.

The fund values its securities at amortized cost, which approximates market value.

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

Interest income is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

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

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

For funds offering multiple share classes, all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

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

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed-income securities” or “debt securities.”

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced security A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TOB	Tender option bond
TOBP	Tender option bond partnership
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

144A security A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

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

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

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

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

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

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

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

Internet¹

www.schwab.com

Schwab by Phone™²

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

TeleBroker®

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

Mail

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

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

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

The SchwabFunds Family

Stock Funds

Schwab S&P 500 Fund
Schwab 1000 Fund®
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Schwab MarketTrack Portfolios®
 Schwab All Equity Portfolio
 Schwab Growth Portfolio
 Schwab Balanced Portfolio
 Schwab Conservative Portfolio

Bond Funds

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

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

charles SCHWAB

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab Money Funds

Semiannual Report

June 30, 2003

Schwab Money Market Fund

Schwab Government
Money Fund

Schwab U.S. Treasury
Money Fund

Schwab Value Advantage
Money Fund®

charles SCHWAB

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From the Chairman



Charles R. Schwab
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

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

Management's Discussion for the six months ended June 30, 2003



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, slightly slanted style.



Linda Klingman, a vice president of the investment advisor and senior portfolio manager, has overall responsibility for the management of the Money Market and Value Advantage Money funds. She joined the firm in 1990 and has managed money market funds since 1988.

Mike Neitzke, a portfolio manager, has day-to-day responsibility for management of the Money Market and Value Advantage Money funds. Prior to joining the firm in March 2001, he worked for more than 15 years in the financial industry as a portfolio manager.



Karen Wiggan, a portfolio manager, has been responsible for day-to-day management of the Government Money and U.S. Treasury Money funds since 1999. She joined the firm in 1987 and has worked in fixed-income portfolio management since 1991.

The Investment Environment and the Funds

The U.S. economy remained in a holding pattern during the six months of the report period. Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

Already at their lowest level in decades, interest rates fell further as the report period progressed. During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

Falling interest rates pushed money fund yields to new lows (see next page for fund yield information). We sought to lessen the effects of falling rates on the funds by maintaining comparatively long weighted average maturities. Although the funds' yields did decline, we were successful in slowing that decline, and in keeping the yields higher than they otherwise would have been.

The funds also benefited from the decision to purchase Freddie Mac securities. Although some of this issuer's accounting practices were called into question during the report period, our analysis indicated that the creditworthiness of its securities was not in doubt.

In the two non-government funds, we added to our holdings in government and agency securities. Typically, these securities offer lower yields than bank CDs and commercial paper because of their higher creditworthiness. However, during the report period yields in the corporate and government markets converged. We took advantage of this opportunity to buy higher credit quality securities with little or no sacrifice in yield.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields¹

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market

fund yields fluctuate, and that past performance is not an indication of future results.

	Money Market Fund	Government Money Fund	U.S. Treasury Money Fund	Value Advantage Money Fund [®]		
				Investor Shares	Select Shares [®]	Institutional Shares
Seven-Day Yield¹	0.46%	0.45%	0.46%	0.76%	0.86%	0.97%
Seven-Day Effective Yield	0.46%	0.45%	0.46%	0.76%	0.87%	0.98%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in

any security whose effective maturity is longer than 397 days (approximately 13 months).

	Money Market Fund	Government Money Fund	U.S. Treasury Money Fund	Value Advantage Money Fund
Weighted Average Maturity	60 days	59 days	81 days	59 days
Credit Quality of Holdings² % of portfolio	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

¹ A portion of each fund's expenses was reduced during the reporting period. Without this reduction, the seven-day yields for Schwab Money Market, Government Money and U.S. Treasury Money Funds would have been 0.43%, 0.37% and 0.29%, respectively. The seven-day yields for Schwab Value Advantage Money Fund's Investor Shares, Select Shares and Institutional Shares would have been 0.66%.

² Portfolio holdings may have changed since the report date.

Financial Statements

Schwab Money Market Fund

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.04	0.06	0.05	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.04)	(0.06)	(0.05)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.31 ²	1.23	3.73	5.84	4.64	4.99
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.75 ³	0.75	0.75	0.75 ⁴	0.75	0.75
Ratio of gross operating expenses to average net assets	0.78 ³	0.78	0.79	0.80 ⁴	0.84	0.86
Ratio of net investment income to average net assets	0.62 ³	1.22	3.63	5.70	4.56	4.87
Net assets, end of period (\$ x 1,000,000)	51,642	51,063	49,116	41,823	36,099	27,439

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have been 0.76% and 0.81%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
77.8% Fixed-Rate Obligations	40,384,663	40,384,663
8.4% U.S. Government Securities	4,384,761	4,384,761
4.4% Variable-Rate Obligations	2,265,187	2,265,187
9.4% Other Investments	4,852,258	4,852,258
100.0% Total Investments	51,886,869	51,886,869

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

Fixed-Rate Obligations 77.8% of investments

Commercial Paper & Other Corporate Obligations 42.3%

AB Spintab	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.22%, 07/14/03	50,000	49,978
0.92%, 10/30/03	50,000	49,845

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Alliance & Leicester, PLC, 144A		
1.31%, 07/09/03	16,000	15,995
1.26%, 07/14/03	24,000	23,989
1.20%, 09/02/03	13,000	12,973
0.99%, 09/17/03	10,000	9,979
Amstel Funding Corp.		
1.00%, 09/16/03	60,000	59,872
◆+ Amsterdam Funding Corp., 144A		
1.21%, 07/10/03	48,000	47,985
1.23%, 07/24/03	95,000	94,925
1.23%, 08/07/03	40,000	39,949
1.20%, 09/02/03	55,000	54,884
1.16%, 09/05/03	50,000	49,894
1.20%, 09/05/03	30,000	29,934
0.95%, 09/25/03	44,000	43,900
1.09%, 09/26/03	31,000	30,918
◆+ ANZ (Delaware), Inc.		
1.19%, 08/22/03	50,000	49,914
◆+ Apreco, Inc., 144A		
1.25%, 07/15/03	10,000	9,995
1.23%, 08/15/03	19,000	18,971
0.98%, 09/16/03	20,000	19,958
0.99%, 09/16/03	20,000	19,958
1.23%, 09/16/03	10,000	9,974
◆+ Aquinas Funding, L.L.C., 144A		
1.23%, 08/20/03	37,000	36,937
1.22%, 08/25/03	34,000	33,937
1.13%, 09/08/03	50,000	49,892
1.00%, 09/09/03	50,000	49,903
1.06%, 12/10/03	50,000	49,764
ASAP Funding, Ltd., 144A		
1.29%, 07/01/03	36,970	36,970
1.28%, 07/14/03	20,000	19,991
1.29%, 07/18/03	57,074	57,039
1.28%, 07/24/03	50,000	49,959
1.01%, 09/12/03	43,000	42,912
◆+ Asset Portfolio Funding Corp.		
0.95%, 09/22/03	80,000	79,825
◆+ Asset Securitization Cooperative Corp., 144A		
1.24%, 08/08/03	94,700	94,576
1.22%, 08/12/03	70,360	70,260
◆+ Atlantis One Funding Corp., 144A		
1.24%, 07/02/03	143,000	142,995
1.27%, 07/24/03	104,293	104,209
1.26%, 07/25/03	28,000	27,977

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.26%, 07/28/03	47,324	47,279	+ CBA (Delaware) Finance, Inc.		
1.23%, 08/08/03	48,963	48,899	1.25%, 07/07/03	50,000	49,990
1.23%, 08/14/03	276,609	276,193	1.21%, 07/10/03	100,000	99,970
1.22%, 08/19/03	142,000	141,764	1.21%, 08/15/03	68,500	68,397
1.12%, 09/04/03	75,000	74,850	1.19%, 08/22/03	18,000	17,969
1.20%, 09/11/03	17,000	16,959	◆ CC (USA), Inc., 144A		
1.11%, 09/16/03	143,783	143,445	1.33%, 07/08/03	50,000	49,987
1.20%, 09/16/03	161,703	161,291	1.23%, 07/10/03	25,000	24,992
0.91%, 11/13/03	15,000	14,949	1.31%, 07/10/03	17,000	16,994
0.90%, 12/18/03	10,000	9,957	1.23%, 07/29/03	30,000	29,971
1.08%, 12/19/03	14,000	13,929	1.23%, 08/07/03	50,000	49,937
Bank of Ireland			1.23%, 08/15/03	11,000	10,983
1.21%, 08/19/03	90,000	89,852	1.00%, 09/10/03	30,000	29,941
1.20%, 08/20/03	116,000	115,807	Citicorp		
Bank of Nova Scotia			1.25%, 07/18/03	39,000	38,977
1.21%, 07/14/03	125,000	124,945	1.25%, 07/21/03	80,000	79,944
Bank One Corp.			1.25%, 07/24/03	160,000	159,872
1.22%, 07/29/03	45,000	44,957	1.21%, 08/08/03	57,000	56,927
Bank of America Corp.			Citigroup Global Markets Holdings, Inc.		
1.25%, 07/18/03	217,000	216,872	1.22%, 07/10/03	20,000	19,994
1.25%, 07/22/03	250,000	249,818	1.22%, 07/15/03	23,000	22,989
+ Barclays U.S. Funding Corp.			1.27%, 07/30/03	19,000	18,981
1.19%, 08/18/03	115,520	115,337	1.20%, 08/11/03	205,000	204,720
1.20%, 10/16/03	65,000	64,770	1.22%, 08/12/03	136,000	135,806
Bear Stearns Companies, Inc.			1.19%, 08/14/03	90,000	89,869
1.21%, 07/10/03	49,000	48,985	1.19%, 08/15/03	100,000	99,851
1.25%, 07/25/03	91,000	90,924	1.19%, 08/20/03	165,000	164,727
1.20%, 08/22/03	27,000	26,953	1.20%, 09/04/03	31,000	30,933
1.21%, 08/28/03	86,000	85,833	◆+ Clipper Receivables Corp.		
0.91%, 09/26/03	51,000	50,888	1.27%, 07/25/03	65,000	64,945
◆+ Beta Finance, Inc., 144A			1.26%, 08/07/03	81,000	80,896
1.31%, 07/15/03	50,000	49,975	◆ Concord Minutemen Capital Co., L.L.C., 144A		
1.26%, 07/25/03	26,000	25,978	Series A		
1.23%, 08/01/03	97,000	96,897	1.24%, 07/02/03	40,000	39,999
1.21%, 08/28/03	35,000	34,932	1.23%, 07/08/03	100,000	99,976
0.99%, 09/17/03	50,000	49,893	1.25%, 07/08/03	17,000	16,996
1.03%, 09/17/03	50,000	49,888	1.27%, 07/08/03	50,000	49,988
0.93%, 09/22/03	17,000	16,964	1.25%, 07/09/03	13,000	12,996
1.58%, 11/20/03	50,000	50,000	1.27%, 07/11/03	30,164	30,153
+ BNP Paribas Finance, Inc.			1.27%, 07/18/03	11,000	10,993
1.20%, 08/29/03	58,000	57,886	1.24%, 08/05/03	39,122	39,075
0.90%, 12/30/03	225,000	223,976	1.07%, 08/07/03	50,000	49,945
◆+ CAFCO, L.L.C., 144A			1.24%, 08/15/03	5,336	5,328
1.20%, 08/04/03	100,000	99,887	1.22%, 08/18/03	115,000	114,813
1.15%, 09/10/03	40,000	39,909	◆+ CRC Funding, L.L.C., 144A		
			1.20%, 08/04/03	100,000	99,887
			1.00%, 09/12/03	85,000	84,829

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ Credit Lyonnais N.A., Inc.			1.21%, 08/26/03	87,393	87,229
1.15%, 09/08/03	13,000	12,971	1.22%, 08/26/03	30,000	29,943
1.00%, 09/15/03	10,000	9,979	1.04%, 09/17/03	30,000	29,933
0.98%, 10/09/03	9,000	8,976	0.95%, 09/24/03	21,000	20,953
◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, 144A			◆ Dorada Finance, Inc., 144A		
1.22%, 07/01/03	40,000	40,000	1.96%, 09/16/03	30,000	30,000
1.22%, 07/02/03	15,000	14,999	◆+ Edison Asset Securitization Corp., L.L.C., 144A		
1.25%, 07/08/03	50,000	49,988	1.31%, 07/08/03	180,000	179,955
1.23%, 07/21/03	20,000	19,986	1.31%, 07/11/03	98,029	97,993
1.07%, 08/04/03	195,000	194,803	1.29%, 08/07/03	6,000	5,992
1.07%, 08/05/03	10,000	9,990	1.23%, 08/13/03	229,000	228,664
1.24%, 08/05/03	50,000	49,940	0.93%, 09/23/03	200,000	199,566
1.07%, 08/07/03	15,000	14,984	1.05%, 12/10/03	150,000	149,298
1.22%, 08/28/03	40,000	39,921	◆+ Fairway Finance Corp., 144A		
1.21%, 08/29/03	20,000	19,960	1.25%, 07/15/03	30,000	29,985
1.13%, 09/05/03	50,000	49,896	1.25%, 07/23/03	21,003	20,987
1.09%, 09/09/03	50,000	49,894	1.26%, 07/25/03	48,948	48,907
1.05%, 09/10/03	40,000	39,917	1.25%, 07/29/03	18,546	18,528
+ Danske Corp.			1.25%, 08/01/03	53,750	53,692
1.22%, 07/14/03	20,000	19,991	0.97%, 09/12/03	15,000	14,970
1.25%, 07/17/03	85,000	84,953	1.00%, 09/12/03	46,000	45,907
1.22%, 08/13/03	125,000	124,818	1.22%, 09/15/03	50,000	49,872
1.19%, 08/22/03	74,000	73,873	1.22%, 11/10/03	20,000	19,912
1.04%, 08/29/03	75,000	74,872	1.21%, 11/17/03	25,000	24,884
0.96%, 09/18/03	82,000	81,827	◆+ Falcon Asset Securitization Corp., 144A		
1.06%, 12/09/03	120,000	119,434	1.07%, 07/31/03	253,649	253,423
Den Norske Bank ASA			1.23%, 08/11/03	70,846	70,747
1.23%, 08/04/03	83,600	83,503	0.97%, 09/15/03	43,000	42,912
1.23%, 08/15/03	10,000	9,985	1.23%, 09/22/03	14,550	14,509
1.19%, 09/02/03	70,000	69,855	ForeningsSparbanken AB (Swedbank)		
1.26%, 09/04/03	25,000	24,943	1.26%, 07/07/03	97,000	96,980
DePfa Bank, 144A			1.00%, 09/10/03	70,000	69,862
1.03%, 09/16/03	28,000	27,938	1.09%, 09/10/03	27,000	26,942
+ Dexia Delaware, L.L.C.			+ Forrestral Funding Master Trust Notes 2000A, 144A		
0.89%, 09/25/03	43,000	42,909	1.08%, 07/29/03	56,726	56,678
◆ Dorada Finance, Inc., 144A			1.09%, 07/29/03	30,000	29,975
1.24%, 07/07/03	10,000	9,998	+ Fortis Funding, L.L.C., 144A		
1.24%, 07/10/03	19,000	18,994	1.30%, 07/15/03	50,000	49,975
1.27%, 07/11/03	38,000	37,987	◆+ Galaxy Funding, Inc., 144A		
1.25%, 07/18/03	72,000	71,958	1.24%, 07/08/03	40,000	39,990
1.27%, 07/18/03	40,000	39,976	1.23%, 07/18/03	55,000	54,968
1.23%, 07/29/03	41,000	40,961	1.23%, 07/23/03	46,000	45,965
1.23%, 08/01/03	125,000	124,868	1.26%, 07/23/03	25,000	24,981
1.24%, 08/12/03	61,000	60,912	1.26%, 07/24/03	25,000	24,980
1.23%, 08/13/03	18,000	17,974	1.26%, 07/29/03	30,000	29,971
			1.21%, 08/14/03	86,000	85,873

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.22%, 08/22/03	41,000	40,928	0.98%, 09/15/03	147,887	147,581
1.21%, 08/26/03	73,000	72,863	0.94%, 09/24/03	50,000	49,889
0.92%, 09/25/03	49,000	48,892	◆◆ Grampian Funding, Ltd., 144A		
0.92%, 09/26/03	12,000	11,973	1.23%, 08/19/03	10,000	9,983
◆ GE Capital International Funding, Inc., 144A			0.98%, 10/01/03	33,000	32,918
1.25%, 07/23/03	91,000	90,930	◆◆ Greenwich Funding Corp., 144A		
1.26%, 07/25/03	21,000	20,982	0.95%, 09/12/03	75,000	74,856
1.23%, 08/12/03	43,000	42,938	◆◆ Hatteras Funding Corp., 144A		
1.19%, 08/25/03	121,000	120,780	1.26%, 07/14/03	49,000	48,978
1.05%, 12/09/03	50,000	49,767	1.24%, 08/08/03	67,469	67,381
1.02%, 12/11/03	61,000	60,721	1.26%, 08/11/03	38,000	37,946
0.92%, 12/18/03	193,000	192,162	1.23%, 08/14/03	13,000	12,980
0.90%, 12/23/03	17,000	16,926	1.13%, 08/26/03	60,000	59,895
GE Financial Assurance Holdings, Inc., 144A			◆ HBOS Treasury Services, PLC		
1.01%, 09/04/03	53,000	52,903	1.25%, 07/25/03	156,000	155,870
0.94%, 09/16/03	46,900	46,806	1.25%, 07/28/03	53,000	52,950
0.96%, 10/16/03	20,000	19,943	1.22%, 08/05/03	90,900	90,792
0.92%, 12/18/03	75,000	74,674	1.28%, 08/05/03	84,000	83,896
General Electric Capital Corp.			0.97%, 09/16/03	30,000	29,938
1.20%, 07/09/03	148,000	147,961	1.01%, 09/16/03	45,000	44,903
1.27%, 07/15/03	115,000	114,944	◆◆ Independence Funding, L.L.C., 144A		
1.23%, 07/16/03	95,000	94,951	1.25%, 07/02/03	57,000	56,998
1.25%, 07/21/03	184,000	183,872	1.07%, 08/12/03	143,000	142,822
1.28%, 08/06/03	160,000	159,797	◆ ING (U.S.) Funding, L.L.C.		
1.28%, 08/07/03	50,000	49,935	1.21%, 07/07/03	97,000	96,980
1.20%, 08/26/03	13,000	12,976	1.21%, 07/10/03	30,000	29,991
1.20%, 08/28/03	115,000	114,778	1.23%, 07/11/03	17,000	16,994
1.29%, 09/23/03	106,000	105,683	1.30%, 07/18/03	45,000	44,973
1.11%, 12/03/03	146,000	145,309	1.23%, 08/08/03	100,000	99,871
General Electric Capital Services			◆◆ Intrepid Funding Master Trust, 144A		
1.25%, 07/21/03	60,000	59,958	1.07%, 07/31/03	29,000	28,974
1.25%, 07/23/03	95,000	94,928	1.10%, 07/31/03	50,000	49,954
1.25%, 07/24/03	39,000	38,969	Irish Life & Permanent, PLC, 144A		
General Electric Co.			0.95%, 09/17/03	22,000	21,955
1.25%, 07/22/03	105,000	104,923	J.P. Morgan Chase & Co.		
1.25%, 07/24/03	98,000	97,922	1.25%, 07/23/03	67,000	66,949
1.25%, 07/25/03	35,000	34,971	1.25%, 08/04/03	90,000	89,894
◆◆ Giro Funding U.S. Corp., 144A			1.22%, 08/18/03	125,000	124,797
1.21%, 07/08/03	50,000	49,988	◆◆ Jupiter Securitization Corp., 144A		
1.24%, 07/31/03	40,000	39,959	1.23%, 07/08/03	76,144	76,126
1.07%, 08/05/03	100,000	99,896	1.07%, 07/29/03	230,830	230,638
1.26%, 08/06/03	34,000	33,957	1.07%, 07/30/03	75,072	75,007
1.23%, 08/11/03	12,846	12,828	1.25%, 07/31/03	26,918	26,890
1.23%, 08/13/03	18,278	18,251	1.23%, 08/11/03	25,321	25,286
1.21%, 08/15/03	28,473	28,430			
1.20%, 08/20/03	79,212	79,080			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
◆+ K2 (USA), L.L.C.			◆ Newcastle Certificates Program, 144A		
1.33%, 07/07/03	10,000	9,998	Series 2000A		
1.28%, 07/10/03	11,500	11,496	1.24%, 07/08/03	46,900	46,889
1.30%, 07/15/03	28,000	27,986	1.26%, 07/15/03	83,000	82,960
1.27%, 07/17/03	10,000	9,994	1.26%, 07/23/03	30,000	29,977
1.25%, 07/25/03	7,000	6,994	1.21%, 08/14/03	70,000	69,896
1.28%, 09/02/03	113,000	112,748	0.95%, 09/19/03	50,000	49,894
1.29%, 09/02/03	7,200	7,184	0.94%, 09/25/03	82,000	81,816
1.13%, 09/17/03	32,000	31,922	+ Nordea N.A., Inc.		
1.18%, 10/23/03	14,500	14,446	1.20%, 07/07/03	93,000	92,981
+ KBC Financial Products International, Ltd., 144A			0.99%, 09/22/03	115,000	114,739
1.23%, 08/06/03	103,000	102,873	1.22%, 11/03/03	30,000	29,874
◆+ Kitty Hawk Funding Corp., 144A			0.90%, 12/22/03	31,000	30,865
0.94%, 09/22/03	48,616	48,511	◆+ Preferred Receivables Funding Corp., 144A		
0.95%, 09/22/03	40,000	39,912	1.07%, 07/31/03	78,000	77,931
+ Landesbank Schleswig-Holstein Girozentrale, 144A			1.23%, 08/12/03	25,725	25,688
1.22%, 08/15/03	13,000	12,980	1.20%, 08/29/03	55,000	54,892
1.26%, 08/27/03	100,000	99,802	+ Santander Central Hispano Finance (Delaware), Inc.		
1.29%, 03/09/04	108,000	107,040	1.21%, 09/02/03	110,000	109,767
1.34%, 03/18/04	50,000	49,522	1.21%, 09/05/03	185,000	184,591
1.24%, 03/26/04	10,000	9,909	1.10%, 09/09/03	20,000	19,957
1.33%, 03/26/04	35,000	34,657	◆+ Sigma Finance, Inc., 144A		
1.35%, 04/15/04	10,000	9,893	1.25%, 07/14/03	12,000	11,995
◆ Lexington Parker Capital Co., L.L.C., 144A			1.26%, 07/14/03	15,000	14,993
1.27%, 07/11/03	20,000	19,993	1.27%, 07/14/03	48,000	47,978
1.30%, 07/22/03	15,000	14,989	1.25%, 07/16/03	80,000	79,958
1.27%, 07/24/03	160,000	159,871	1.25%, 07/22/03	40,000	39,971
1.23%, 07/25/03	47,000	46,962	1.29%, 08/05/03	60,000	59,925
1.28%, 07/25/03	64,000	63,946	1.21%, 08/20/03	10,000	9,983
1.23%, 09/02/03	67,000	66,855	1.28%, 08/26/03	67,000	66,868
1.11%, 09/03/03	50,000	49,901	1.22%, 08/29/03	50,000	49,900
1.28%, 10/16/03	38,757	38,611	1.23%, 09/02/03	100,000	99,786
◆+ Links Finance, L.L.C., 144A			0.97%, 09/08/03	33,000	32,939
1.13%, 09/15/03	15,000	14,964	1.13%, 09/08/03	10,000	9,978
Lloyds TSB Bank, PLC			0.95%, 09/15/03	26,000	25,948
1.19%, 07/29/03	96,000	95,911	0.98%, 09/15/03	23,500	23,451
◆+ Mont Blanc Capital Corp., 144A			+ Societe Generale N.A., Inc.		
1.23%, 07/03/03	16,000	15,999	1.20%, 07/01/03	99,000	99,000
1.23%, 07/10/03	53,000	52,984	1.20%, 07/02/03	290,000	289,990
1.23%, 08/12/03	20,066	20,037	1.22%, 07/10/03	50,000	49,985
1.23%, 09/03/03	43,202	43,108	1.23%, 07/10/03	140,000	139,957
Morgan Stanley			1.22%, 07/15/03	125,000	124,941
1.23%, 07/23/03	95,000	94,929	1.26%, 07/17/03	10,000	9,994
1.25%, 07/25/03	75,000	74,938	1.10%, 09/10/03	56,000	55,879
1.20%, 08/26/03	125,000	124,767	◆+ Stellar Funding Group, Inc., 144A		
			1.25%, 07/14/03	34,170	34,155

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.26%, 07/14/03	7,136	7,133	Bank of Montreal		
1.27%, 07/14/03	15,630	15,623	1.21%, 07/09/03	100,000	100,000
+ Svenska Handelsbanken, Inc.			1.19%, 08/28/03	80,000	80,000
1.28%, 07/21/03	15,000	14,989	1.25%, 10/17/03	99,000	99,000
1.22%, 08/15/03	149,000	148,773	Bank of New York		
◆+ Thunder Bay Funding, Inc., 144A			1.29%, 08/18/03	44,000	44,000
1.24%, 07/09/03	11,201	11,198	Bank of Nova Scotia		
1.26%, 07/21/03	40,000	39,972	1.20%, 07/09/03	50,000	50,000
1.25%, 07/25/03	45,301	45,263	1.21%, 07/11/03	125,000	125,000
1.23%, 08/11/03	30,098	30,056	1.21%, 07/14/03	145,000	145,000
1.21%, 08/20/03	68,227	68,112	1.19%, 08/25/03	87,000	87,000
+ Toronto-Dominion Holdings			Bank of Scotland		
1.26%, 07/15/03	67,500	67,467	1.23%, 08/07/03	50,000	50,000
1.18%, 08/19/03	100,000	99,839	Barclays Bank, PLC		
◆+ Tulip Funding Corp., 144A			1.25%, 07/15/03	45,000	45,000
1.07%, 07/31/03	45,000	44,960	1.25%, 07/28/03	55,000	55,000
◆+ Variable Funding Capital Corp., 144A			1.26%, 07/28/03	220,000	220,000
1.21%, 08/25/03	60,000	59,889	1.20%, 08/04/03	52,000	52,002
1.01%, 09/10/03	43,000	42,914	1.06%, 08/12/03	98,000	98,000
WestLB AG, 144A			1.19%, 08/28/03	330,000	330,000
1.19%, 08/19/03	23,000	22,963	1.03%, 09/10/03	100,000	100,014
+ Westpac Capital Corp.			1.60%, 11/25/03	120,000	120,002
1.25%, 07/07/03	28,000	27,994	1.10%, 04/19/04	46,000	46,092
1.20%, 09/03/03	149,000	148,683	Bayerische Landesbank Girozentrale		
◆+ Windmill Funding Corp., 144A			1.22%, 08/18/03	113,000	113,000
1.23%, 07/25/03	40,000	39,967	1.19%, 08/29/03	80,000	80,000
1.23%, 08/07/03	35,000	34,956	1.27%, 09/02/03	95,000	95,000
1.21%, 08/13/03	15,000	14,978	1.20%, 09/03/03	215,000	215,000
1.22%, 08/13/03	20,000	19,971	1.25%, 03/15/04	30,000	29,999
1.21%, 08/15/03	55,000	54,917	1.30%, 03/26/04	195,000	194,989
0.95%, 09/25/03	15,000	14,966	BNP Paribas		
		21,927,566	1.25%, 07/21/03	175,000	175,000
Certificates of Deposit 31.5%			1.25%, 07/23/03	200,000	200,000
ABN AMRO Bank, NV			1.23%, 08/01/03	200,000	200,000
1.19%, 08/27/03	50,000	50,005	1.22%, 08/18/03	50,000	50,000
Alliance & Leicester, PLC			1.09%, 11/10/03	230,000	230,000
1.20%, 11/19/03	90,000	90,000	1.05%, 12/10/03	150,000	150,000
American Express Centurion Bank			0.90%, 12/30/03	61,000	61,000
0.92%, 09/22/03	85,000	85,000	Canadian Imperial Bank of Commerce		
0.92%, 09/23/03	50,000	50,000	1.23%, 08/14/03	30,000	30,000
0.92%, 09/24/03	20,000	20,000	1.20%, 08/28/03	14,000	14,000
Australia & New Zealand Banking Group, Ltd.			Chase Manhattan Bank (USA), N.A.		
1.24%, 07/08/03	50,000	50,000	1.27%, 07/22/03	215,000	215,000
1.24%, 07/10/03	100,000	100,000	1.27%, 07/23/03	69,000	69,000
			1.23%, 08/11/03	196,000	196,006

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Citibank, N.A.			ForeningsSparbanken, AB (Swedbank)		
1.25%, 07/28/03	200,000	200,000	1.25%, 07/31/03	24,000	24,000
1.25%, 07/30/03	50,000	50,000	Fortis Bank		
1.23%, 08/06/03	135,000	135,000	1.23%, 07/09/03	41,000	41,000
1.23%, 08/07/03	20,000	20,000	1.23%, 07/10/03	60,000	60,000
1.23%, 08/21/03	240,000	240,000	1.23%, 07/14/03	50,000	50,000
1.20%, 08/27/03	155,000	155,000	1.18%, 08/25/03	48,000	48,000
1.10%, 09/10/03	95,000	95,000	1.27%, 09/03/03	45,000	45,000
1.11%, 09/10/03	75,000	75,000	+HBOS Treasury Services, PLC		
1.10%, 09/12/03	140,000	140,000	1.21%, 07/03/03	55,000	55,000
0.96%, 09/18/03	200,000	200,000	1.27%, 08/11/03	150,000	150,000
0.96%, 09/19/03	90,000	90,000	1.20%, 08/26/03	40,000	39,999
0.95%, 09/24/03	80,000	80,000	1.11%, 09/12/03	10,000	10,000
0.93%, 09/25/03	48,000	48,000	ING Bank, N.V.		
Credit Agricole Indosuez			1.21%, 07/03/03	130,000	130,000
1.20%, 07/10/03	11,000	11,000	1.25%, 07/08/03	60,000	60,000
1.30%, 07/17/03	159,000	159,000	1.22%, 07/09/03	70,000	70,000
1.06%, 08/05/03	138,000	138,000	1.25%, 07/14/03	10,000	10,000
Credit Lyonnais S.A.			1.31%, 07/14/03	38,000	38,000
1.00%, 09/17/03	177,000	177,000	1.31%, 07/15/03	30,000	30,000
Credit Suisse First Boston .			1.25%, 07/31/03	100,000	100,000
1.30%, 07/16/03	232,000	232,000	1.23%, 08/08/03	350,000	350,000
1.25%, 07/17/03	10,000	10,000	1.22%, 08/13/03	250,000	250,000
Danske Bank A/S			Landesbank Baden Wurttemberg		
1.22%, 08/15/03	100,000	100,000	1.20%, 07/03/03	95,000	95,000
Den Norske Bank ASA			1.06%, 08/12/03	135,000	135,001
1.15%, 09/08/03	15,000	15,001	1.20%, 08/22/03	100,000	100,000
DePfa Bank, PLC			1.20%, 08/29/03	100,000	100,000
0.92%, 12/23/03	74,000	74,000	1.20%, 09/03/03	65,000	65,000
Deutsche Bank, AG			0.96%, 09/12/03	100,000	100,024
1.31%, 07/01/03	315,000	315,000	0.91%, 12/12/03	21,000	21,012
1.32%, 07/09/03	20,000	20,000	0.90%, 12/29/03	50,000	50,000
1.21%, 07/16/03	292,000	292,000	0.91%, 12/30/03	55,000	55,000
1.21%, 07/17/03	300,000	300,000	Landesbank Hessen-Thuringen Girozentrale		
1.19%, 08/27/03	282,000	282,000	1.40%, 07/09/03	45,000	45,000
1.10%, 09/09/03	160,000	160,000	1.30%, 08/21/03	10,000	10,000
0.90%, 09/25/03	85,000	85,006	1.27%, 08/29/03	157,000	157,000
1.85%, 10/15/03	150,000	149,996	1.30%, 02/03/04	108,000	108,068
1.10%, 11/10/03	160,000	160,046	Lloyds TSB Bank, PLC		
1.50%, 05/24/04	300,000	300,000	1.10%, 09/15/03	50,000	50,000
Dexia Bank, SA			Natexis Banques Populaires		
2.41%, 07/18/03	133,000	132,999	1.20%, 08/29/03	156,000	156,000
ForeningsSparbanken (Swedbank)			National City Bank, Cleveland		
1.25%, 07/30/03	42,000	42,000	1.20%, 07/07/03	100,000	100,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Bank Notes 2.0%					
Bank of America, N.A.					
1.20%, 08/06/03	218,000	218,000	1.04%, 10/20/03	103,400	103,070
1.20%, 08/07/03	300,000	300,000	1.04%, 10/22/03	27,000	26,912
Lasalle National Bank, N.A.					
1.20%, 07/07/03	135,000	135,000	1.09%, 10/24/03	210,000	209,269
1.19%, 08/22/03	90,000	90,000	1.00%, 10/31/03	100,000	99,661
0.90%, 09/23/03	33,000	33,000	1.01%, 10/31/03	147,069	146,568
Standard Federal Bank, N.A.					
1.25%, 07/21/03	82,000	82,000	1.02%, 11/12/03	49,900	49,711
1.19%, 08/26/03	80,000	80,000	1.03%, 12/04/03	60,339	60,071
1.00%, 09/12/03	90,000	90,000	1.05%, 12/04/03	129,100	128,515
			1.06%, 12/04/03	18,000	17,918
			0.95%, 12/19/03	300,000	298,660
			0.95%, 12/31/03	200,000	199,039
			0.96%, 12/31/03	94,000	93,546
			1.23%, 03/12/04	19,775	19,605
			1.00%, 03/25/04	19,671	19,526
			1.30%, 03/25/04	155,858	154,373
		1,028,000			
					4,384,761

U.S. Government Securities 8.4% of investments**Discount Notes 8.4%**

Fannie Mae		
1.18%, 08/27/03	115,000	114,786
1.13%, 09/03/03	105,000	104,789
0.89%, 09/24/03	50,000	49,895
▲ 0.94%, 10/01/03	95,000	94,772
0.89%, 11/20/03	80,000	79,721
1.03%, 12/03/03	40,000	39,823
1.05%, 12/03/03	305,000	303,628
1.06%, 12/03/03	170,000	169,232
0.89%, 12/10/03	115,200	114,741
1.06%, 12/12/03	15,000	14,928
0.89%, 12/17/03	224,762	223,825
0.90%, 12/17/03	100,000	99,578
1.04%, 12/29/03	150,000	149,223
1.22%, 03/05/04	223,120	221,260
Federal Home Loan Bank		
1.03%, 12/05/03	50,000	49,776
Freddie Mac		
1.05%, 08/29/03	50,000	49,914
1.10%, 09/04/03	160,000	159,682
1.13%, 09/04/03	100,000	99,796
1.10%, 09/11/03	100,000	99,782
1.01%, 09/17/03	60,500	60,368
1.10%, 09/22/03	50,000	49,874
1.02%, 09/29/03	100,000	99,745
1.00%, 09/30/03	78,000	77,803
1.02%, 09/30/03	231,974	231,376

Variable-Rate Obligations 4.4% of investments

+ 6700 Cherry Avenue Partners		
Demand Bond Series 1993		
1.13%, 07/07/03	9,300	9,300
+ ABAG Financial Authority for Nonprofit Corps., California		
RB (Public Pole Institute)		
Series 2002B		
1.18%, 07/07/03	17,905	17,905
Bank of New York Co., Inc., 144A		
1.01%, 07/28/03	75,000	75,000
+ Brooks County, Georgia Development Authority		
RD (Langboard, Inc. Project)		
1.02%, 07/07/03	10,000	10,000
Canadian Imperial Bank of Commerce		
1.20%, 07/15/03	100,000	100,000
+ CFM International, Inc., 144A		
1.15%, 07/07/03	27,055	27,055
Chase Manhattan Bank (USA)		
1.07%, 07/30/03	100,000	100,000
• GE Life & Annuity Assurance Co.		
1.37%, 07/01/03	50,000	50,000
1.38%, 07/01/03	100,000	100,000
1.39%, 08/01/03	50,000	50,000

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
General Electric Capital Corp.			Pacific Life Insurance Co.		
1.32%, 07/08/03	175,000	175,000	1.33%, 07/01/03	100,000	100,000
1.17%, 07/16/03	75,000	75,000	Royal Bank of Scotland		
+ Loanstar Assets Partners II, L.P., 144A			1.14%, 07/16/03	100,000	100,000
1.03%, 07/07/03	45,000	45,000	+ Santa Rosa, California		
+ Lowndes Corp., Georgia			Wastewater RB Series 2001A		
Taxable Demand Bond			1.18%, 07/07/03	15,050	15,050
Series 1997, 144A			+ SE Christian Church,		
1.04%, 07/07/03	5,250	5,250	Jefferson County, Kentucky		
+ Merlot Trust			Series 2003		
Series 2000B, 144A			1.07%, 07/03/03	11,700	11,700
1.17%, 07/07/03	32,630	32,630	◆ Sigma Finance, Inc., 144A		
Series 2001A7, 144A			1.30%, 07/01/03	200,000	199,993
1.17%, 07/07/03	15,470	15,470	1.27%, 07/07/03	125,000	124,996
Series 2001A67, 144A			1.14%, 07/15/03	45,000	44,995
1.17%, 07/07/03	35,065	35,065	1.23%, 07/15/03	50,000	49,990
• Metropolitan Life Insurance Co.			1.04%, 07/23/03	90,000	89,998
1.33%, 07/30/03	50,000	50,000	1.26%, 08/06/03	50,000	50,000
1.39%, 08/01/03	100,000	100,000	+ Sisters of Mercy of the Americas Regional Community		
• Monumental Life Insurance Co.			of Omaha, Nebraska		
1.49%, 07/01/03	100,000	100,000	Series 2001		
Morgan Stanley 144A			1.02%, 07/07/03	11,860	11,860
1.28%, 07/15/03	50,000	50,000	• Travelers Insurance Co.		
+ New Jersey Economic Development Authority			1.37%, 08/01/03	100,000	100,000
Adjustable Rate Lease Revenue			Wells Fargo & Co.		
Taxable Bonds (Camden Center			1.31%, 07/02/03	75,000	75,000
Project) Series 2002A					2,265,187
1.03%, 07/07/03	23,000	23,000			
Adjustable Rate Lease Revenue					
Taxable Bonds (Camden Center					
Project) Series 2002B					
1.03%, 07/07/03	20,000	20,000			
Adjustable Rate Lease Revenue					
Taxable Bonds (Barnes & Noble,					
Inc. Distribution & Freight					
Consolidation Center Project)					
Series 1995A					
1.03%, 07/07/03	15,930	15,930			
Adjustable Rate Lease Revenue					
Taxable Bonds (Barnes & Noble,					
Inc. Distribution & Freight					
Consolidation Center Project)					
Series 1995B					
1.03%, 07/01/03	10,000	10,000			

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Other Investments	9.4% of investments
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Repurchase Agreements	9.4%
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Bank of America Securities, L.L.C.

Tri-Party Repurchase Agreement

Collateralized by U.S.

Government Securities with a
value of \$1,020,000

1.32%, issued 06/30/03,
due 07/01/03

1,000,037	1,000,000
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Portfolio Holdings continued

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Bear Stearns & Co., Inc.			UBS Financial Services, Inc.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$190,743 1.32%, issued 06/30/03, due 07/01/03	127,005	127,000	Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$2,325,614 1.32%, issued 06/30/03, due 07/01/03	1,000,037	1,000,000
1.29%, issued 01/15/03, due 07/07/03	60,372	60,000	0.92%, issued 06/23/03, due 07/07/03	200,072	200,000
Credit Suisse First Boston L.L.C.			0.93%, issued 06/20/03, due 07/07/03	400,176	400,000
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$785,666 1.32%, issued 06/30/03, due 07/01/03	770,286	770,258	1.18%, issued 06/02/02, due 07/07/03	680,780	680,000
Lehman Brothers, Inc.				4,852,258	
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$336,605 1.20%, issued 04/07/03, due 07/07/03	170,516	170,000	<hr/>		
1.20%, issued 05/07/03, due 07/07/03	160,325	160,000	End of portfolio holdings. For totals, please see the first page of holdings for this fund.		
Morgan Stanley & Co., Inc.					
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$290,700 1.18%, issued 06/03/03, due 07/07/03	285,318	285,000			

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$51,886,869
Interest receivable	64,859
Prepaid expenses	+ 738
Total assets	51,952,466

Includes illiquid restricted securities worth \$1,770,856, or 3.41% of the fund's investments. The fund's amortized cost for these securities was \$51,886,869

Liabilities

Payables:	
Dividends to shareholders	9,335
Investments bought	295,671
Investment adviser and administrator fees	1,180
Transfer agent and shareholder service fees	1,906
Accrued expenses	+ 2,586
Total liabilities	310,678

Net Assets

Total assets	51,952,466
Total liabilities	- 310,678
Net assets	\$51,641,788

Net Assets by Source

Capital received from investors	51,641,864
Net realized capital losses	(76)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$51,641,788		51,642,396		\$1.00

Federal Tax Data**Cost basis of portfolio** \$51,886,869**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2003	\$27
2007	+ 49
	\$76

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$355,894****Expenses**

Investment adviser and administrator fees	79,499
Transfer agent and shareholder service fees	116,546
Trustees' fees	94
Custodian and portfolio accounting fees	2,202
Professional fees	47
Registration fees	510
Shareholder reports	2,874
Other expenses	+ 222
Total expenses	201,994
Expense reduction	- 7,750
Net expenses	194,244

Increase in Net Assets from Operations

Total investment income	355,894
Net expenses	- 194,244
Net investment income	161,650
Increase in net assets from operations	\$161,650

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004 to 0.75% of average daily net assets. This limit does not include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$161,650	\$613,708
Increase in net assets from operations	161,650	613,708

Distributions Paid

Dividends from net investment income	161,650	613,708
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Transactions in Fund Shares

Shares sold	64,535,495	137,199,724
Shares reinvested	150,426	604,716
Shares redeemed	+ (64,107,516)	(135,856,854)
Net transactions in fund shares	578,405	1,947,586

Net Assets

Beginning of period	51,063,383	49,115,797
Total increase	+ 578,405	1,947,586
End of period	\$51,641,788	\$51,063,383

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$613,708
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Statements

Schwab Government Money Fund

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.04	0.06	0.04	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.04)	(0.06)	(0.04)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.30 ²	1.20	3.63	5.69	4.50	4.88
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.75 ³	0.75	0.75	0.75 ⁴	0.75	0.75
Ratio of gross operating expenses to average net assets	0.83 ³	0.83	0.84	0.84 ⁴	0.85	0.92
Ratio of net investment income to average net assets	0.60 ³	1.19	3.52	5.54	4.42	4.76
Net assets, end of period (\$ x 1,000,000)	3,078	3,092	3,054	2,509	2,545	2,207

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have been 0.76% and 0.85%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbol below to designate certain characteristics:

▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
61.7% U.S. Government-Securities	1,915,866	1,915,866
38.3% Other Investments	1,189,536	1,189,536
100.0% Total Investments	3,105,402	3,105,402

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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U.S. Government Securities
61.7% of investments

Discount Notes 54.3%**Fannie Mae**

1.20%, 07/09/03	10,000	9,997
1.13%, 07/11/03	20,000	19,994
1.21%, 07/16/03	40,000	39,980
1.19%, 07/18/03	68,905	68,866
1.10%, 07/25/03	30,000	29,978
1.77%, 07/25/03	35,000	34,959
1.17%, 07/30/03	13,913	13,900
1.23%, 07/30/03	26,000	25,974

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.15%, 08/13/03	3,470	3,465
1.14%, 08/20/03	15,000	14,976
1.18%, 08/20/03	30,000	29,951
1.20%, 08/20/03	20,000	19,967
1.17%, 08/27/03	60,000	59,889
1.18%, 08/27/03	20,000	19,963
1.20%, 09/02/03	48,000	47,900
1.06%, 09/03/03	25,000	24,953
1.13%, 09/03/03	40,000	39,920
1.17%, 09/03/03	30,000	29,938
1.09%, 09/10/03	25,000	24,947
1.75%, 09/19/03	12,000	11,954
1.77%, 09/19/03	20,000	19,922
▲ 0.94%, 10/01/03	30,000	29,928
1.31%, 11/14/03	15,000	14,927
1.33%, 11/14/03	10,000	9,951
1.38%, 11/14/03	15,000	14,923
1.57%, 11/14/03	8,000	7,953
1.06%, 12/03/03	3,344	3,329
1.05%, 12/12/03	4,600	4,578
1.06%, 01/09/04	8,360	8,313
1.20%, 03/05/04	10,000	9,918
1.33%, 03/05/04	2,300	2,279
1.22%, 04/02/04	15,000	14,861
1.32%, 04/02/04	15,000	14,851
Federal Farm Credit Bank		
1.27%, 02/13/04	20,000	19,842
Federal Home Loan Bank		
1.20%, 07/09/03	23,600	23,594
1.15%, 07/23/03	28,000	27,980
Freddie Mac		
1.11%, 07/10/03	11,831	11,828
1.77%, 07/17/03	20,000	19,985
1.96%, 07/17/03	20,000	19,983
2.02%, 07/17/03	10,000	9,991
1.77%, 07/30/03	21,227	21,197
1.15%, 07/31/03	15,000	14,986
1.14%, 08/01/03	25,000	24,976
1.18%, 08/11/03	5,000	4,993
1.17%, 08/14/03	25,000	24,964
1.25%, 08/14/03	15,000	14,977
1.78%, 08/14/03	20,000	19,957
1.15%, 08/21/03	23,000	22,963
1.39%, 08/22/03	11,265	11,243
1.05%, 08/29/03	30,000	29,948
1.14%, 08/29/03	37,000	36,931
1.10%, 09/04/03	30,000	29,940

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.17%, 09/04/03	50,000	49,894			
1.14%, 09/12/03	30,000	29,931			
0.96%, 09/17/03	7,000	6,985			
0.90%, 09/18/03	34,180	34,112			
1.44%, 09/22/03	10,000	9,967			
1.21%, 09/24/03	40,000	39,887			
1.16%, 10/09/03	30,000	29,904			
1.77%, 10/09/03	10,000	9,952			
0.90%, 10/20/03	30,000	29,917			
0.91%, 10/20/03	50,000	49,860			
1.04%, 10/20/03	25,000	24,920			
1.48%, 10/20/03	12,000	11,946			
0.91%, 10/24/03	36,782	36,676			
1.09%, 10/24/03	30,000	29,896			
0.91%, 10/28/03	30,000	29,910			
1.10%, 11/06/03	4,567	4,549			
1.11%, 11/07/03	25,000	24,901			
0.90%, 11/20/03	12,238	12,195			
0.99%, 11/26/03	20,000	19,919			
0.97%, 12/04/03	3,000	2,987			
1.05%, 12/04/03	15,232	15,163			
1.09%, 12/04/03	25,000	24,883			
1.27%, 03/25/04	15,000	14,860			
1.30%, 03/25/04	23,000	22,781			
Tennessee Valley Authority					
1.15%, 07/31/03	2,000	1,998			
		1,685,475			
Coupon Notes 7.4%					
Fannie Mae					
4.75%, 11/14/03	13,710	13,873			
3.63%, 04/15/04	20,000	20,357			
Federal Home Loan Bank					
4.13%, 08/15/03	21,790	21,868			
5.13%, 09/15/03	42,675	43,007			
3.13%, 11/14/03	17,000	17,102			
1.36%, 03/05/04	15,000	15,000			
3.75%, 04/15/04	25,000	25,482			
1.40%, 05/10/04	10,000	10,000			
Freddie Mac					
5.75%, 07/15/03	5,000	5,008			
3.25%, 12/15/03	22,936	23,163			
3.25%, 01/15/04	15,000	15,149			
3.75%, 04/15/04	20,000	20,382			
		230,391			
Other Investments 38.3% of investments					
Repurchase Agreements 38.3%					
Bank of America Securities, L.L.C.					
Tri-Party Repurchase Agreement					
Collateralized by U.S.					
Government Securities with a					
value of \$107,100					
1.32%, issued 06/30/03,					
due 07/01/03			105,004		105,000
Bear Stearns & Co., Inc.					
Tri-Party Repurchase Agreement					
Collateralized by U.S.					
Government Securities with a					
value of \$178,506					
1.32%, issued 06/30/03,					
due 07/01/03			105,004		105,000
1.03%, issued 06/18/03,					
due 07/07/03			40,022		40,000
1.22%, issued 05/07/03,					
due 07/07/03			30,062		30,000
Credit Suisse First Boston L.L.C.					
Tri-Party Repurchase Agreement					
Collateralized by					
U.S. Government Securities					
with a value of \$259,638					
1.20%, issued 05/02/03,					
due 07/01/03			70,140		70,000
1.25%, issued 06/03/02,					
due 07/01/03			25,024		25,000
1.32%, issued 06/30/03,					
due 07/01/03			104,540		104,536
1.22%, issued 04/17/03,					
due 07/07/03			30,082		30,000
1.23%, issued 04/15/03,					
due 07/07/03			25,071		25,000
Lehman Brothers, Inc.					
Tri-Party Repurchase Agreement					
Collateralized by					
U.S. Government Securities					
with a value of \$91,807					
1.20%, issued 04/07/03,					
due 07/07/03			50,152		50,000
1.20%, issued 05/07/03,					
due 07/07/03			30,061		30,000

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.22%, issued 04/14/03, due 07/07/03	10,028	10,000
Morgan Stanley & Co., Inc.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$229,501		
0.98%, issued 06/13/03, due 07/07/03	30,020	30,000
1.18%, issued 06/03/03, due 07/07/03	30,033	30,000
1.21%, issued 04/28/03, due 07/07/03	35,082	35,000
1.21%, issued 05/06/03, due 07/07/03	40,083	40,000
1.22%, issued 04/25/03, due 07/07/03	40,099	40,000
1.22%, issued 05/05/03, due 07/07/03	20,043	20,000
1.22%, issued 05/15/03, due 07/07/03	30,054	30,000
UBS Financial Services, Inc.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$346,782		
0.94%, issued 06/23/03, due 07/07/03	50,018	50,000
1.01%, issued 06/16/03, due 07/07/03	160,094	160,000
1.02%, issued 06/20/03, due 07/07/03	40,019	40,000
1.06%, issued 06/17/03, due 07/07/03	65,038	65,000
1.22%, issued 04/14/03, due 07/07/03	25,071	25,000
	1,189,536	

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$1,915,866
Repurchase agreements, at market value	1,189,536
Interest receivable	3,302
Prepaid expenses	+ 60
Total assets	3,108,764

The amortized cost for the fund's securities was \$3,105,402.

Liabilities

Payables:	
Dividends to shareholders	541
Investments bought	29,928
Investment adviser and administrator fees	70
Transfer agent and shareholder service fees	114
Accrued expenses	+ 157
Total liabilities	30,810

Net Assets

Total assets	3,108,764
Total liabilities	- 30,810
Net assets	\$3,077,954

Net Assets by Source

Capital received from investors	3,078,836
Net realized capital losses	(882)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$ 3,077,954		3,079,066		\$1.00

Federal Tax Data

Cost basis of portfolio \$3,105,409

As of December 31, 2002:**Unused capital losses:**

Expires 12/31 of:	Loss amount:
2003	\$161
2004	162
2005	226
2006	119
2007	184
2008	13
2010	+ 1
	\$866

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$21,010****Net Realized Gains and Losses**

Net realized losses on investments sold (16)

Expenses

Investment adviser and administrator fees 5,581

Transfer agent and shareholder service fees 6,984

Trustees' fees 22

Custodian and portfolio accounting fees 122

Professional fees 13

Registration fees 92

Shareholder reports 85

Other expenses + 13

Total expenses 12,912

Expense reduction - 1,271

Net expenses 11,641**Increase in Net Assets from Operations****Total investment income 21,010****Net expenses - 11,641****Net investment income 9,369****Net realized losses + (16)****Increase in net assets from operations \$9,353**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004 to 0.75% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$9,369	\$38,140
Net realized losses	+ (16)	(1)
Increase in net assets from operations	9,353	38,139

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$38,140
Long-term capital gains	\$-

Distributions Paid

Dividends from net investment income	9,369	38,140
--------------------------------------	--------------	---------------

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Transactions in Fund Shares

Shares sold	4,055,824	7,912,017
Shares reinvested	8,727	37,703
Shares redeemed	+ (4,078,152)	(7,911,680)
Net transactions in fund shares	(13,601)	38,040

Net Assets

Beginning of period	3,091,571	3,053,532
Total increase or decrease	+ (13,617)	38,039
End of period	\$3,077,954	\$3,091,571

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Statements

Schwab U.S. Treasury Money Fund

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.04	0.05	0.04	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.04)	(0.05)	(0.04)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.30 ²	1.15	3.61	5.40	4.25	4.69
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.65 ³	0.65	0.65	0.65 ⁴	0.65	0.65
Ratio of gross operating expenses to average net assets	0.82 ³	0.82	0.84	0.84 ⁴	0.86	0.91
Ratio of net investment income to average net assets	0.61 ³	1.15	3.44	5.27	4.18	4.58
Net assets, end of period (\$ x 1,000,000)	4,032	4,323	4,042	2,750	2,592	2,131

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have been 0.66% and 0.85%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
100.0% U.S. Government Securities	4,020,206	4,020,206
100.0% Total Investments	4,020,206	4,020,206

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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U.S. Government Securities

100.0% of investments

Treasury Bills 77.9%**U.S. Treasury Bills**

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
0.86%, 07/03/03	8,515	8,515
1.10%, 07/03/03	7,440	7,440
1.12%, 07/03/03	5,180	5,180
1.16%, 07/03/03	5,840	5,840
1.21%, 07/03/03	95,000	94,994
0.88%, 07/17/03	18,950	18,943
1.14%, 07/17/03	7,365	7,361
1.16%, 07/17/03	112,285	112,228
1.17%, 07/17/03	200,000	199,897
1.18%, 07/17/03	15,000	14,992
1.23%, 07/17/03	150,000	149,918
1.09%, 07/31/03	20	20
1.11%, 07/31/03	40,620	40,582
1.13%, 07/31/03	47,615	47,570
1.16%, 07/31/03	7,495	7,488
1.17%, 07/31/03	200,000	199,807
1.14%, 08/14/03	4,380	4,374

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.16%, 08/14/03	2,416	2,412
1.18%, 08/14/03	14,470	14,449
0.85%, 08/28/03	5,320	5,313
0.86%, 08/28/03	78,600	78,492
0.98%, 08/28/03	4,940	4,932
1.10%, 08/28/03	64,255	64,141
1.12%, 08/28/03	82,525	82,377
1.16%, 08/28/03	125,000	124,767
1.17%, 08/28/03	65,000	64,878
1.18%, 08/28/03	50,000	49,906
0.85%, 09/18/03	200,000	199,629
0.98%, 09/18/03	100,000	99,785
1.05%, 09/18/03	6,815	6,799
1.07%, 09/18/03	20,175	20,128
1.08%, 09/18/03	79,225	79,038
1.09%, 09/18/03	67,225	67,065
1.12%, 09/18/03	35,185	35,099
0.85%, 10/02/03	150,000	149,671
1.07%, 10/02/03	30,000	29,917
1.16%, 10/02/03	50,000	49,851
0.85%, 10/16/03	41,335	41,231
0.86%, 10/16/03	2,850	2,843
1.16%, 10/16/03	50,000	49,829
1.19%, 10/16/03	200,000	199,298
0.96%, 10/30/03	100,000	99,679
1.15%, 10/30/03	150,000	149,423
1.16%, 10/30/03	25,000	24,903
1.09%, 11/13/03	50,000	49,796
1.05%, 11/20/03	575	573
1.06%, 11/20/03	2,495	2,485
1.09%, 11/28/03	225,000	223,984
0.80%, 12/11/03	9,105	9,072
0.81%, 12/11/03	6,905	6,880
0.82%, 12/11/03	19,380	19,308
0.99%, 12/11/03	100,000	99,556
		3,132,658

Treasury Notes 22.1%**U.S. Treasury Notes**

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
3.88%, 07/31/03	73,455	73,608
5.25%, 08/15/03	240,535	241,750
5.75%, 08/15/03	180,000	181,018
3.63%, 08/31/03	29,360	29,469
2.75%, 09/30/03	10,000	10,033
4.25%, 11/15/03	95,000	96,098
3.00%, 11/30/03	76,110	76,791
3.25%, 12/31/03	71,049	71,899

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
3.00%, 01/31/04	50,000	50,566
5.88%, 02/15/04	30,000	30,881
3.63%, 03/31/04	10,000	10,175
3.38%, 04/30/04	15,000	15,260
		<hr/> 887,548

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$4,020,206
Interest receivable	12,424
Prepaid expenses	+ 87
Total assets	4,032,717

The amortized cost for the fund's securities was \$4,020,206.

Liabilities

Payables:	
Dividends to shareholders	723
Investment adviser and administrator fees	61
Transfer agent and shareholder service fees	150
Accrued expenses	+ 148
Total liabilities	1,082

Net Assets

Total assets	4,032,717
Total liabilities	- 1,082
Net assets	\$4,031,635

Net Assets by Source

Capital received from investors	4,032,494
Net realized capital losses	(859)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$4,031,635		4,032,558		\$1.00

Federal Tax Data

Cost basis of portfolio \$4,020,238

As of December 31, 2002:

Unused capital losses:

Expires 12/31 of:	Loss amount:
2005	\$62
2006	89
2007	580
2010	+ 66
	\$797

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$26,328****Net Realized Gains and Losses**

Net realized losses on investments sold (43)

Expenses

Investment adviser and administrator fees 7,478

Transfer agent and shareholder service fees 9,423

Trustees' fees 22

Custodian and portfolio accounting fees 156

Professional fees 13

Registration fees 74

Shareholder reports 53

Other expenses + 17

Total expenses 17,236

Expense reduction - 3,625

Net expenses 13,611**Increase in Net Assets from Operations****Total investment income 26,328****Net expenses - 13,611****Net investment income 12,717****Net realized losses + (43)****Increase in net assets from operations \$12,674**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004 to 0.65% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$12,717	\$45,709
Net realized losses	+ (43)	(72)
Increase in net assets from operations	12,674	45,637

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$45,709
Long-term capital gains	\$—

Distributions Paid

Dividends from net investment income	12,717	45,709
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Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Transactions in Fund Shares

Shares sold	4,910,082	10,640,600
Shares reinvested	11,854	45,056
Shares redeemed	+ (5,213,640)	(10,404,554)
Net transactions in fund shares	(291,704)	281,102

Net Assets

Beginning of period	4,323,382	4,042,352
Total increase or decrease	+ (291,747)	281,030
End of period	\$4,031,635	\$4,323,382

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Statements

Schwab Value Advantage Money Fund

Financial Highlights

Investor Shares	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.02	0.04	0.06	0.05	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.02)	(0.04)	(0.06)	(0.05)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.46 ²	1.55	4.05	6.22	5.01	5.35
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.45 ³	0.45	0.43	0.40 ⁴	0.40	0.40
Ratio of gross operating expenses to average net assets	0.55 ³	0.54	0.56	0.59 ⁴	0.61	0.67
Ratio of net investment income to average net assets	0.93 ³	1.55	3.92	6.07	4.91	5.21
Net assets, end of period (\$ x 1,000,000)	34,255	38,728	44,247	36,319	27,265	22,196

Select Shares ⁵	2/28/03 ⁵ – 6/30/03*
Per-Share Data (\$)	
Net asset value at beginning of period	1.00
Income from investment operations:	
Net investment income	0.00 ¹
Less distributions:	
Dividends from net investment income	(0.00) ¹
Net asset value at end of period	1.00
Total return (%)	0.33 ²
Ratios/Supplemental Data (%)	
Ratio of net operating expenses to average net assets	0.35 ³
Ratio of gross operating expenses to average net assets	0.55 ³
Ratio of net investment income to average net assets	0.95 ³
Net assets, end of period (\$ x 1,000,000)	941

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have been 0.41% and 0.60%, respectively, if certain non-routine expenses (proxy fees) had been included.

⁵ Commencement of operations.

Institutional Shares	1/1/03– 6/30/03*	7/1/02 ¹ – 12/31/02
Per-Share Data (\$)		
Net asset value at beginning of period	1.00	1.00
Income from investment operations:		
Net investment income	0.01	0.01
Less distributions:		
Dividends from net investment income	(0.01)	(0.01)
Net asset value at end of period	1.00	1.00
Total return (%)	0.56 ²	0.81 ²
Ratios/Supplemental Data (%)		
Ratio of net operating expenses to average net assets	0.24 ³	0.24 ³
Ratio of gross operating expenses to average net assets	0.55 ³	0.55 ³
Ratio of net investment income to average net assets	1.13 ³	1.57 ³
Net assets, end of period (\$ x 1,000,000)	682	521

* Unaudited.

¹ Commencement of operations.

² Not annualized.

³ Annualized.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security
- ▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
78.1% Fixed-Rate Obligations	28,460,378	28,460,378
7.9% U.S. Government Securities	2,882,247	2,882,247
5.9% Variable-Rate Obligations	2,162,953	2,162,953
8.1% Other Investments	2,937,699	2,937,699
100.0% Total Investments	36,443,277	36,443,277

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Fixed-Rate Obligations 78.1% of investments

Commercial Paper & Other Corporate Obligations 42.1%

AB Spintab

1.22%, 07/14/03	73,000	72,968
1.23%, 08/11/03	14,000	13,980
0.92%, 10/30/03	20,000	19,938

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Alliance & Leicester, PLC, 144A		
1.26%, 07/14/03	37,000	36,983
0.99%, 09/17/03	20,000	19,957
◆ Amstel Funding Corp., 144A		
1.21%, 08/19/03	24,000	23,961
1.22%, 09/02/03	21,000	20,955
◆+ Amsterdam Funding Corp., 144A		
1.23%, 07/10/03	97,000	96,970
1.23%, 08/07/03	59,000	58,925
1.21%, 08/15/03	50,000	49,924
1.20%, 09/02/03	39,000	38,918
1.20%, 09/05/03	20,000	19,956
1.09%, 09/26/03	15,000	14,961
✦ ANZ (Delaware), Inc.		
1.19%, 08/22/03	46,000	45,921
◆+ Aquinas Funding, L.L.C., 144A		
1.23%, 08/20/03	28,000	27,952
1.22%, 08/25/03	34,000	33,937
◆ ASAP Funding, Ltd., 144A		
1.28%, 07/24/03	50,000	49,959
1.01%, 09/12/03	97,515	97,315
◆ Asset Portfolio Funding Corp., 144A		
0.93%, 09/22/03	40,000	39,914
0.95%, 09/22/03	64,880	64,738
◆+ Asset Securitization Cooperative Corp., 144A		
1.22%, 08/12/03	20,000	19,972
1.06%, 08/13/03	44,000	43,944
1.21%, 08/22/03	33,500	33,441
◆+ Atlantis One Funding Corp., 144A		
1.24%, 07/02/03	30,000	29,999
1.21%, 07/09/03	74,000	73,980
1.26%, 07/25/03	12,000	11,990
1.26%, 07/28/03	25,000	24,976
1.21%, 08/13/03	32,700	32,653
1.22%, 08/15/03	58,000	57,912
1.20%, 09/11/03	74,979	74,799
1.11%, 09/16/03	55,000	54,871
1.19%, 09/16/03	126,000	125,679
0.91%, 11/13/03	80,000	79,727
0.91%, 12/16/03	39,000	38,834
0.90%, 12/17/03	20,000	19,916
0.90%, 12/18/03	84,000	83,643
Bank of Ireland		
1.21%, 08/19/03	65,000	64,893
1.20%, 08/20/03	75,000	74,875

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Bank of Nova Scotia			1.25%, 07/11/03	196,000	195,932
1.21%, 07/08/03	110,000	109,974	1.27%, 07/25/03	30,000	29,975
Bank One Corp.			1.25%, 08/07/03	34,000	33,956
1.22%, 07/29/03	10,000	9,991	1.21%, 08/12/03	50,000	49,929
1.22%, 08/04/03	25,000	24,971	1.25%, 08/12/03	42,287	42,225
Bank of America Corp.			1.21%, 08/28/03	23,000	22,955
1.25%, 07/18/03	22,000	21,987	◆ Concord Minutemen Capital Co., L.L.C., 144A		
+ Barclays U.S. Funding Corp.			Series A		
1.19%, 08/18/03	60,000	59,905	1.24%, 07/02/03	55,315	55,313
Bear Stearns Companies, Inc.			1.27%, 07/11/03	20,000	19,993
1.24%, 07/24/03	10,000	9,992	1.27%, 07/18/03	25,000	24,985
1.25%, 07/25/03	25,000	24,979	1.25%, 08/05/03	50,000	49,940
0.95%, 09/17/03	20,000	19,959	1.07%, 08/06/03	30,000	29,968
0.94%, 09/23/03	100,000	99,781	1.24%, 08/08/03	38,000	37,950
0.91%, 09/26/03	37,000	36,919	1.22%, 08/18/03	83,000	82,865
◆+ Beta Finance, Inc., 144A			1.28%, 10/10/03	27,000	26,904
1.31%, 07/15/03	31,500	31,484	◆+ CAFCO, L.L.C., 144A		
1.08%, 08/04/03	43,000	42,956	1.15%, 09/10/03	55,000	54,875
1.23%, 08/18/03	38,300	38,237	◆+ CRC Funding, L.L.C., 144A		
1.02%, 09/18/03	6,000	5,987	1.17%, 09/09/03	47,000	46,893
1.58%, 11/20/03	48,000	48,000	1.00%, 09/12/03	62,000	61,875
+ BNP Paribas Finance, Inc.			+ Credit Lyonnais N.A., Inc.		
1.20%, 08/29/03	120,000	119,764	1.00%, 09/15/03	101,000	100,787
+ CBA (Delaware) Finance, Inc.			0.98%, 10/09/03	17,000	16,954
1.21%, 07/10/03	96,000	95,971	◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, 144A		
1.18%, 08/21/03	89,000	88,851	1.22%, 07/01/03	58,000	58,000
1.19%, 08/22/03	32,000	31,945	1.23%, 07/08/03	80,000	79,981
◆ CC (USA), Inc., 144A			1.25%, 07/08/03	30,000	29,993
1.23%, 07/10/03	68,000	67,979	1.23%, 07/21/03	55,000	54,962
1.31%, 07/10/03	15,500	15,495	1.07%, 08/05/03	90,000	89,906
1.23%, 08/18/03	25,000	24,959	1.09%, 09/09/03	49,000	48,896
1.23%, 08/26/03	10,000	9,981	1.05%, 09/10/03	60,000	59,876
0.99%, 09/10/03	25,000	24,951	+ Danske Corp.		
Citicorp			1.25%, 07/08/03	99,000	98,976
1.25%, 07/21/03	62,000	61,957	1.22%, 07/14/03	23,000	22,990
1.21%, 08/08/03	150,000	149,808	1.25%, 07/17/03	15,000	14,992
Citigroup Global Markets Holdings, Inc.			1.18%, 08/20/03	150,000	149,754
1.27%, 07/30/03	80,000	79,919	1.19%, 08/22/03	50,000	49,914
1.20%, 08/11/03	45,000	44,939	0.96%, 09/18/03	117,000	116,754
1.22%, 08/12/03	100,000	99,858	1.24%, 10/27/03	16,000	15,936
1.20%, 08/13/03	95,000	94,864	Den Norske Bank ASA		
1.23%, 08/14/03	173,000	172,741	1.21%, 08/14/03	24,000	23,965
1.19%, 08/15/03	80,000	79,881	1.23%, 08/15/03	20,000	19,969
◆+ Clipper Receivables Corp.			1.26%, 09/04/03	105,000	104,762
1.24%, 07/11/03	33,576	33,564			

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ Dexia Delaware, L.L.C.			+ GE Capital International Funding, Inc., 144A		
0.89%, 09/25/03	43,000	42,909	1.22%, 07/11/03	68,000	67,977
◆ Dorada Finance, Inc., 144A			1.26%, 07/24/03	100,000	99,920
1.27%, 07/11/03	10,000	9,997	1.19%, 08/25/03	104,000	103,811
1.26%, 07/18/03	70,000	69,958	1.20%, 08/26/03	74,000	73,862
1.31%, 07/25/03	75,000	74,935	1.21%, 08/28/03	225,000	224,561
1.23%, 07/30/03	21,335	21,314	1.05%, 12/09/03	50,000	49,767
1.23%, 08/13/03	48,500	48,429	1.02%, 12/11/03	29,000	28,867
1.21%, 08/26/03	16,000	15,970	General Electric Capital Corp.		
1.21%, 08/28/03	20,000	19,961	1.27%, 07/15/03	300,000	299,853
1.04%, 09/17/03	20,000	19,955	1.25%, 07/21/03	22,000	21,985
◆ Dorada Finance, Inc., 144A			1.28%, 08/07/03	40,000	39,948
1.95%, 09/16/03	122,000	122,000	1.29%, 09/23/03	50,000	49,851
1.96%, 09/16/03	45,000	45,000	1.11%, 12/03/03	104,000	103,507
◆+ Edison Asset Securitization Corp., L.L.C., 144A			General Electric Capital Services		
1.31%, 07/08/03	67,000	66,983	1.25%, 07/23/03	115,000	114,912
0.93%, 09/23/03	228,000	227,505	1.25%, 07/24/03	185,000	184,852
1.10%, 11/10/03	20,000	19,920	1.25%, 07/25/03	120,000	119,900
1.20%, 11/10/03	46,000	45,799	1.25%, 07/28/03	130,000	129,878
1.05%, 12/10/03	75,000	74,649	General Electric Co.		
◆+ Fairway Finance Corp., 144A			1.25%, 07/22/03	286,000	285,791
0.97%, 09/12/03	106,739	106,529	◆+ Giro Funding U.S. Corp., 144A		
0.98%, 09/15/03	50,131	50,027	1.25%, 07/16/03	45,000	44,977
1.22%, 09/15/03	44,000	43,888	1.24%, 07/31/03	60,000	59,938
0.97%, 09/16/03	33,000	32,932	1.07%, 08/05/03	11,000	10,989
◆+ Falcon Asset Securitization Corp., 144A			1.26%, 08/06/03	70,000	69,912
0.97%, 09/15/03	37,136	37,060	1.21%, 08/15/03	70,000	69,894
0.98%, 09/15/03	85,145	84,969	1.02%, 09/12/03	30,694	30,631
ForeningsSparbanken AB (Swedbank)			0.98%, 09/15/03	45,000	44,907
1.26%, 07/07/03	80,000	79,983	0.94%, 09/24/03	48,000	47,893
1.09%, 09/10/03	19,000	18,959	◆+ Grampian Funding, Ltd., 144A		
◆+ Forrester Funding Master Trust Notes 2000A, 144A			0.98%, 10/01/03	23,000	22,943
1.08%, 07/29/03	140,000	139,882	◆+ Greenwich Funding Corp., 144A		
Fortis Funding, L.L.C., 144A			1.23%, 07/11/03	30,725	30,715
1.27%, 07/21/03	49,000	48,966	1.25%, 07/15/03	46,655	46,632
1.25%, 07/22/03	43,455	43,423	0.95%, 09/12/03	40,000	39,923
◆+ Galaxy Funding, Inc., 144A			◆+ Hatteras Funding Corp., 144A		
1.25%, 07/23/03	100,000	99,924	1.26%, 08/11/03	58,000	57,917
1.26%, 07/24/03	35,000	34,972	1.23%, 08/14/03	19,000	18,971
1.25%, 07/28/03	35,000	34,967	1.13%, 08/26/03	50,000	49,912
1.25%, 07/29/03	25,000	24,976	1.19%, 09/22/03	16,000	15,956
0.98%, 09/12/03	13,000	12,974	0.96%, 10/17/03	52,000	51,850
0.92%, 09/26/03	28,000	27,938	+ HBOS Treasury Services, PLC		
			1.25%, 07/25/03	144,000	143,880

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.07%, 08/07/03	19,000	18,979	1.33%, 03/26/04	30,000	29,706
0.97%, 09/16/03	20,000	19,959	1.35%, 04/15/04	35,000	34,625
1.01%, 09/16/03	30,000	29,935	◆ Lexington Parker Capital Co., L.L.C., 144A		
1.10%, 11/19/03	113,283	112,799	1.23%, 07/10/03	100,000	99,969
◆+ Independence Funding, L.L.C., 144A			1.28%, 07/11/03	24,000	23,992
1.25%, 07/02/03	86,296	86,293	1.32%, 07/14/03	35,724	35,707
1.07%, 08/12/03	50,000	49,938	1.30%, 07/22/03	45,000	44,966
+ ING (U.S.) Funding, L.L.C.			1.27%, 07/24/03	40,000	39,968
1.21%, 07/10/03	70,000	69,979	1.28%, 07/25/03	47,000	46,960
1.23%, 07/11/03	73,000	72,975	1.23%, 09/02/03	33,000	32,929
1.30%, 07/18/03	10,000	9,994	◆+ Links Finance, L.L.C., 144A		
1.23%, 08/08/03	48,000	47,938	1.10%, 09/08/03	20,000	19,958
1.04%, 12/10/03	147,000	146,319	1.00%, 09/12/03	11,000	10,978
◆+ Intrepid Funding Master Trust, 144A			1.13%, 09/15/03	13,000	12,969
1.09%, 07/14/03	54,056	54,035	Lloyds TSB Bank, PLC		
Irish Life & Permanent, PLC, 144A			1.19%, 08/01/03	100,000	99,898
0.95%, 09/17/03	23,000	22,953	1.18%, 08/20/03	84,000	83,863
J.P. Morgan Chase & Co.			◆+ Mont Blanc Capital Corp., 144A		
1.25%, 08/04/03	115,000	114,865	1.26%, 07/14/03	15,000	14,993
1.22%, 08/18/03	118,000	117,808	1.10%, 07/28/03	24,000	23,980
◆+ Jupiter Securitization Corp., 144A			1.06%, 08/13/03	100,000	99,873
1.25%, 07/14/03	99,000	98,955	1.23%, 09/03/03	25,000	24,945
1.07%, 07/25/03	159,000	158,887	Morgan Stanley		
1.07%, 07/29/03	15,000	14,988	1.23%, 07/23/03	150,000	149,887
1.21%, 08/18/03	9,965	9,949	1.25%, 07/25/03	48,000	47,960
1.20%, 09/02/03	9,000	8,981	1.20%, 08/26/03	100,000	99,813
◆+ K2 (USA), L.L.C.			◆ Newcastle Certificates Program, 144A		
1.23%, 07/03/03	8,000	7,999	Series 2000A		
1.32%, 07/14/03	21,000	20,990	1.26%, 07/15/03	16,000	15,992
1.30%, 07/15/03	18,500	18,491	1.24%, 08/06/03	9,000	8,989
1.32%, 07/16/03	19,000	18,990	1.23%, 08/14/03	137,155	136,949
1.27%, 07/21/03	7,000	6,995	0.94%, 09/25/03	91,000	90,796
1.28%, 09/02/03	50,000	49,888	+ Nordea N.A., Inc.		
1.13%, 09/17/03	18,000	17,956	0.98%, 08/21/03	125,000	124,826
1.18%, 10/20/03	26,000	25,906	0.99%, 09/22/03	60,000	59,864
KBC Financial Products International, Ltd., 144A			◆+ Old Line Funding Corp., 144A		
1.22%, 07/08/03	30,000	29,993	1.08%, 07/24/03	40,191	40,163
◆+ Kitty Hawk Funding Corp., 144A			◆+ Preferred Receivables Funding Corp., 144A		
1.07%, 07/28/03	52,131	52,089	1.20%, 08/29/03	44,592	44,504
0.98%, 09/15/03	8,000	7,983	◆+ Quincy Capital Corp., 144A		
0.95%, 09/22/03	36,431	36,351	1.08%, 07/24/03	25,553	25,535
+ Landesbank Schleswig-Holstein Girozentrale, 144A			+ San Paolo IMI U.S. Financial Co.		
1.26%, 08/27/03	95,000	94,812	1.04%, 12/09/03	25,000	24,885
1.29%, 03/09/04	90,000	89,200			

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+ Santander Central Hispano Finance (Delaware), Inc.			0.95%, 09/25/03	35,000	34,921
1.21%, 09/02/03	86,000	85,818			
1.21%, 09/03/03	50,000	49,892			
1.21%, 09/05/03	11,000	10,976			
1.10%, 09/09/03	70,000	69,850			
◆ Sigma Finance, Inc., 144A					15,346,166
1.23%, 07/07/03	10,000	9,998	ABN AMRO Bank, NV		
1.23%, 07/09/03	50,000	49,986	2.42%, 07/18/03	125,000	124,998
1.31%, 07/15/03	10,000	9,995	1.19%, 08/27/03	50,000	50,004
1.27%, 07/16/03	35,000	34,982	Alliance & Leicester, PLC		
1.24%, 08/05/03	44,000	43,947	1.20%, 11/19/03	50,000	50,000
1.29%, 08/05/03	8,000	7,990	American Express Centurion Bank		
1.29%, 08/11/03	29,000	28,958	0.92%, 09/22/03	100,000	100,000
1.28%, 08/26/03	8,000	7,984	Australia & New Zealand Banking Group, Ltd.		
1.22%, 08/29/03	15,000	14,970	1.24%, 07/08/03	145,000	145,000
0.97%, 09/12/03	17,000	16,967	1.24%, 07/09/03	100,000	100,000
0.98%, 09/15/03	21,000	20,957	Bank of Montreal		
+ Societe Generale N.A., Inc.			1.21%, 07/09/03	85,000	85,000
1.20%, 07/01/03	11,000	11,000	1.19%, 08/28/03	70,000	70,000
1.20%, 07/02/03	400,000	399,987	Bank of New York		
1.23%, 07/10/03	15,000	14,995	1.29%, 08/18/03	44,000	44,000
1.03%, 09/10/03	96,000	95,805	Bank of Nova Scotia		
1.04%, 12/08/03	15,000	14,931	1.21%, 07/08/03	91,000	91,000
+ Stadshypotek Delaware, Inc., 144A			1.20%, 07/09/03	49,000	49,000
1.25%, 07/01/03	15,000	15,000	1.21%, 07/11/03	75,000	75,000
◆+ Stellar Funding Group, Inc., 144A			1.21%, 07/14/03	40,000	40,000
1.25%, 07/14/03	7,018	7,015	1.18%, 08/25/03	47,000	47,000
+ Svenska Handelsbanken, Inc.			Barclays Bank, PLC		
1.21%, 07/01/03	100,000	100,000	1.25%, 07/15/03	150,000	150,000
◆+ Thunder Bay Funding, Inc., 144A			1.25%, 07/16/03	98,000	98,000
1.26%, 07/01/03	60,000	60,000	1.25%, 07/28/03	50,000	50,000
1.10%, 08/04/03	35,016	34,980	1.26%, 07/28/03	161,000	161,000
1.07%, 08/19/03	30,050	30,006	1.20%, 08/04/03	41,000	41,002
1.21%, 08/20/03	18,059	18,029	1.06%, 08/12/03	300,000	300,000
◆+ Tulip Funding Corp., 144A			1.19%, 08/28/03	18,000	18,000
1.07%, 07/31/03	34,000	33,970	1.60%, 11/25/03	174,000	174,004
+ Westpac Capital Corp.			1.10%, 04/19/04	25,000	25,050
1.25%, 07/07/03	72,000	71,985	Bayerische Landesbank Girozentrale		
1.03%, 09/09/03	47,500	47,405	1.19%, 08/29/03	80,000	80,000
+ Westpac Trust Securities NZ			1.27%, 09/02/03	189,000	189,000
1.20%, 09/04/03	50,000	49,892	1.20%, 09/03/03	50,000	50,000
◆+ Windmill Funding Corp., 144A			1.25%, 03/15/04	100,000	99,992
1.21%, 08/08/03	25,000	24,968	1.30%, 03/26/04	100,000	99,994
1.21%, 08/15/03	18,000	17,973	BNP Paribas		
			1.25%, 07/21/03	265,000	265,000
			1.25%, 07/23/03	181,000	181,000

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.23%, 08/01/03	297,000	297,000	ForeningsSparbanken, AB (Swedbank)		
1.09%, 11/10/03	225,000	225,000	1.25%, 07/30/03	20,000	20,000
1.03%, 12/09/03	90,000	90,016	0.90%, 11/25/03	11,000	11,000
1.05%, 12/10/03	90,000	90,000	Fortis Bank		
Canadian Imperial Bank of Commerce			1.18%, 08/25/03	25,000	25,000
1.24%, 07/15/03	80,000	80,000	+HBOS Treasury Services, PLC		
1.14%, 09/15/03	40,000	40,000	1.27%, 08/11/03	150,000	150,000
Chase Manhattan Bank (USA), N.A.			1.11%, 09/12/03	40,000	40,000
1.27%, 07/22/03	50,000	50,000	ING Bank, N.V.		
1.27%, 07/23/03	129,000	129,000	1.21%, 07/03/03	76,000	76,000
Citibank, N.A.			1.25%, 07/08/03	50,000	50,000
1.25%, 07/28/03	125,000	125,000	1.25%, 07/17/03	120,000	120,000
1.23%, 08/06/03	150,000	150,000	1.25%, 07/31/03	13,000	13,000
1.23%, 08/07/03	20,000	20,000	1.23%, 08/08/03	180,000	180,000
1.22%, 08/20/03	80,000	80,000	1.22%, 08/13/03	120,000	120,000
1.20%, 08/27/03	170,000	170,000	KBC Bank NV		
1.10%, 09/10/03	65,000	65,000	1.21%, 07/07/03	47,000	47,000
1.11%, 09/10/03	53,000	53,000	Landesbank Baden Wurttemberg		
0.95%, 09/18/03	45,000	45,000	1.06%, 08/12/03	35,000	35,000
0.96%, 09/19/03	75,000	75,000	1.20%, 08/22/03	95,000	95,000
0.95%, 09/24/03	270,000	270,000	1.20%, 09/03/03	10,000	10,000
0.93%, 09/25/03	48,000	48,000	0.96%, 09/12/03	100,000	100,024
Credit Agricole Indosuez			1.73%, 09/30/03	25,000	25,004
1.20%, 07/10/03	47,000	47,000	1.85%, 10/17/03	94,000	94,000
1.30%, 07/17/03	75,000	75,000	0.91%, 12/12/03	20,000	20,012
1.06%, 08/04/03	94,000	94,000	0.91%, 12/30/03	45,000	45,000
Credit Lyonnais S.A.			Landesbank Hessen-Thuringen Girozentrale		
0.91%, 09/23/03	25,000	25,002	1.40%, 07/09/03	30,000	30,000
Credit Suisse First Boston			1.30%, 08/21/03	60,000	60,000
1.30%, 07/16/03	45,000	45,000	1.86%, 10/20/03	70,000	70,000
1.25%, 07/17/03	50,000	50,000	1.30%, 02/03/04	36,000	36,023
DePfa Bank, PLC			Natexis Banques Populaires		
0.98%, 09/18/03	66,000	66,000	1.20%, 08/29/03	107,000	107,000
Deutsche Bank, AG			National City Bank, Cleveland		
1.31%, 07/01/03	80,000	80,000	1.20%, 07/07/03	100,000	100,000
1.32%, 07/09/03	223,000	223,000	Norddeutsche Landesbank Girozentrale		
1.21%, 07/16/03	200,000	200,000	1.25%, 07/18/03	40,000	40,000
1.21%, 07/17/03	200,000	200,000	1.27%, 08/21/03	35,000	35,001
1.19%, 08/27/03	87,000	87,000	1.18%, 08/25/03	10,000	10,000
1.10%, 09/09/03	160,000	160,000	1.57%, 11/07/03	25,000	24,999
0.90%, 09/25/03	46,000	46,003	0.90%, 12/29/03	63,000	63,000
1.85%, 10/15/03	247,000	246,993	1.49%, 12/29/03	48,000	48,000
1.10%, 11/10/03	100,000	100,029	1.25%, 04/05/04	50,000	50,000
1.50%, 05/24/04	100,000	100,000	1.30%, 04/13/04	55,000	54,998

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.09%, 11/26/03	128,250	127,679	Chase Manhattan Bank (USA)		
1.05%, 12/03/03	10,000	9,955	1.07%, 07/30/03	100,000	100,000
1.08%, 12/12/03	12,099	12,040	+ City of New Britain, Connecticut		
0.89%, 12/17/03	49,404	49,199	GO Pension Bonds		
0.90%, 12/17/03	105,000	104,556	1.12%, 07/07/03	40,000	40,000
1.04%, 12/29/03	150,000	149,223	+ Columbus, Georgia Development Authority		
Freddie Mac			Taxable RB (Jay Leasing, Inc. Project) Series 1997		
1.05%, 08/29/03	153,600	153,336	1.12%, 07/07/03	6,310	6,310
1.10%, 09/04/03	105,000	104,791	◆ Dorada Finance, Inc., 144A		
1.10%, 09/11/03	84,000	83,817	1.00%, 07/25/03	30,000	29,996
1.01%, 09/17/03	50,000	49,891	+ Fillmore, California Public Financing Authority		
1.10%, 09/22/03	20,000	19,950	VRD Tax Allocation Bond (Fillmore Redevelopment Agency Central City Redevelopment Project Area)		
1.02%, 09/30/03	270,000	269,304	Series 1998A		
0.99%, 10/24/03	25,000	24,921	1.17%, 07/07/03	10,120	10,120
1.02%, 10/24/03	12,000	11,961	• GE Life & Annuity Assurance Co.		
1.09%, 10/24/03	250,000	249,129	1.37%, 07/01/03	50,000	50,000
1.00%, 10/31/03	150,000	149,492	General Electric Capital Corp.		
1.03%, 11/12/03	98,517	98,139	1.17%, 07/17/03	225,000	225,000
1.09%, 11/21/03	65,000	64,720	+ Loanstar Assets Partners II, L.P., 144A		
0.99%, 11/26/03	80,000	79,676	1.03%, 07/07/03	25,000	25,000
1.00%, 12/04/03	34,000	33,853	+ Merlot Trust		
1.02%, 12/04/03	99,000	98,567	Series 2000B, 144A		
1.03%, 12/04/03	70,000	69,689	1.17%, 07/07/03	30,000	30,000
1.00%, 12/05/03	150,000	149,349	• Metropolitan Life Insurance Co.		
1.00%, 03/25/04	50,000	49,631	1.33%, 07/30/03	50,000	50,000
		2,882,247	1.39%, 08/01/03	100,000	100,000
			• Monumental Life Insurance Co.		
			1.40%, 07/01/03	100,000	100,000
			1.42%, 07/01/03	100,000	100,000
			1.49%, 07/01/03	10,000	10,000
			Morgan Stanley, 144A		
			1.28%, 07/15/03	50,000	50,000
			+ New Jersey Economic Development Authority		
			Taxable Economic Development Bonds (MSNBC CNBC Project)		
			Series 1997A, 144A		
			1.30%, 07/01/03	25,600	25,600
			Royal Bank of Scotland		
			1.14%, 07/16/03	100,000	100,000

Variable-Rate Obligations 5.9% of investments

+ Access Loans for Learning Student Loan Corp.

Taxable Student Loan RB
Series II-A-6
1.12%, 07/07/03 27,800 27,800

+ Active Living of Glenview, L.L.C.

Senior Floating Rate Note
Series 1998, 144A
1.07%, 07/07/03 10,900 10,900

Bank of New York Co., Inc., 144A

1.01%, 07/28/03 50,000 50,000

◆+ Beta Finance, Inc., 144A

1.15%, 07/15/03 80,000 79,998

Canadian Imperial Bank of Commerce

1.20%, 07/15/03 100,000 100,000

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ Santa Rosa, California					
Wastewater RB Series 1998A 1.18%, 07/07/03	17,000	17,000	Bear Stearns & Co., Inc. Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$183,601 1.29%, issued 01/15/03, due 07/07/03	180,116	180,000
Wastewater RB Series 2002A 1.18%, 07/07/03	40,000	40,000			
• Security Life of Denver Insurance Co.					
1.43%, 07/22/03	100,000	100,000			
◆ Sigma Finance, Inc., 144A					
1.30%, 07/01/03	30,000	29,999	Credit Suisse First Boston L.L.C. Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$422,993 1.32%, issued 06/30/03, due 07/01/03	414,714	414,699
1.42%, 07/02/03	20,000	20,006			
1.28%, 07/07/03	35,000	34,995			
1.30%, 07/07/03	97,000	96,996			
1.14%, 07/15/03	150,000	149,988			
1.04%, 07/23/03	100,000	99,998			
1.26%, 08/06/03	50,000	49,999			
1.25%, 08/15/03	100,000	99,998			
+ Town of Islip, New York IDA					
Taxable Adjustable Rate IDR (Nussdorf Associates/Quality King Distributions, Inc. Facility) Series 1992, 144A 1.25%, 07/07/03	3,250	3,250	Lehman Brothers, Inc. Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$291,723 1.20%, issued 04/07/03, due 07/07/03	126,382	126,000
• Travelers Insurance Co.					
1.37%, 08/01/03	50,000	50,000	UBS Financial Services, Inc. Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$1,336,205 1.32%, issued 06/30/03, due 07/01/03	1,000,037	1,000,000
1.36%, 08/21/03	50,000	50,000			
		2,162,953	0.93%, issued 06/30/03, due 07/07/03	310,136	310,000
					2,937,699
Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)			
Other Investments 8.1% of investments					

Repurchase Agreements 8.1%**Bank of America Securities, L.L.C.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$761,940 1.32%, issued 06/30/03, due 07/01/03	747,027	747,000
---	---------	---------

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$36,443,277
Receivables:	
Fund shares sold	113,928
Interest	52,392
Prepaid expenses	+ 467
Total assets	36,610,064

Liabilities

Payables:	
Fund shares redeemed	165,119
Dividends to shareholders	10,844
Investments bought	554,786
Investment adviser and administrator fees	628
Transfer agent and shareholder service fees	624
Accrued expenses	+ 643
Total liabilities	732,644

Net Assets

Total assets	36,610,064
Total liabilities	- 732,644
Net assets	\$35,877,420

Net Assets by Source

Capital received from investors	35,877,524
Net realized capital losses	(104)

Net Assets by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$34,254,988		34,255,201		\$1.00
Select Shares®	\$940,910		940,910		\$1.00
Institutional Shares	\$681,522		681,522		\$1.00

Includes illiquid restricted securities worth \$1,462,270, or 4.01% of the fund's investments. The amortized cost for the fund's securities was \$36,443,277.

Federal Tax Data**Cost basis of portfolio** \$36,443,277**As of December 31, 2002:****Unused capital losses:**

Expires 12/31 of:	Loss amount:
2003	\$104

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$265,528****Expenses**

Investment adviser and administrator fees 61,387

Transfer agent and shareholder service fees:

Investor Shares 41,086

Select Shares® 513

Institutional Shares 766

Trustees' fees 89

Custodian and portfolio accounting fees 1,663

Professional fees 57

Registration fees 439

Shareholder reports 201

Other expenses + 146

Total expenses 106,347

Expense reduction - 20,657

Net expenses 85,690**Increase in Net Assets from Operations****Total investment income 265,528****Net expenses - 85,690****Net investment income 179,838****Increase in net assets from operations \$179,838**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services 0.17% of the fund's assets.

For the fund's independent trustees only.

Includes \$19,693 from the investment adviser (CSIM) and \$964 from the transfer agent and shareholder service agent (Schwab). These reductions reflect a guarantee by CSIM and Schwab to limit the annual operating expenses of this fund through at least April 30, 2004, as follows:

Share Class	% of Average Daily Net Assets
Investor Shares	0.45
Select Shares®	0.35
Institutional Shares	0.24

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

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$179,838	\$650,804
Increase in net assets from operations	179,838	650,804

Distributions Paid

Dividends from net investment income		
Investor Shares	173,702	648,150
Select Shares [®]	2,208	—
Institutional Shares	+ 3,928	2,654
Total dividends from net investment income	179,838	650,804

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$650,804
Long-term capital gains	\$—

Transactions in Fund Shares**Shares Sold**

Investor Shares	12,638,928	34,345,512
Select Shares [®]	1,411,980	—
Institutional Shares	+ 1,205,494	1,058,467
Total shares sold	15,256,402	35,403,979

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars. The fund started offering Select Shares[®] on February 28, 2003.

Shares Reinvested

Investor Shares	152,416	608,484
Select Shares [®]	1,688	—
Institutional Shares	+ 3,101	1,551
Total shares reinvested	157,205	610,035

Shares Redeemed

Investor Shares	(17,264,310)	(40,473,102)
Select Shares [®]	(472,758)	—
Institutional Shares	+ (1,048,465)	(538,626)
Total shares redeemed	(18,785,533)	(41,011,728)

Net transactions in fund shares

(3,371,926)	(4,997,714)
--------------------	--------------------

Represents shares sold plus shares reinvested, minus shares redeemed.

Net Assets

Beginning of period	39,249,346	44,247,060
Total decrease	+ (3,371,926)	(4,997,714)
End of period	\$35,877,420	\$39,249,346

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Funds

Each of the funds discussed in this report is a series of **The Charles Schwab Family of Funds™**, a **no-load, open-end management investment company**. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

The Schwab Value Advantage Money Fund® offers **three share classes**: Investor Shares, Select Shares® and Institutional Shares. Shares of each class represent interests in the same portfolio, but each class has different expenses and investment minimums. The Schwab Money Market, Government Money and U.S. Treasury Money Funds each offers one share class.

Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

The funds declare dividends every day they are open for business. These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

The funds may buy securities on a delayed-delivery basis. In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before set-

tlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The funds may enter into repurchase agreements. In a repurchase agreement, a fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreements with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The funds' repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the funds' custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

The funds pay fees for various services. Through their trust, the funds have agreements with Charles Schwab

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

- Schwab Money Market Fund
- Schwab Government Money Fund
- Schwab U.S. Treasury Money Fund
- Schwab Value Advantage Money Fund®
- Schwab Municipal Money Fund
- Schwab California Municipal Money Fund
- Schwab New York Municipal Money Fund
- Schwab New Jersey Municipal Money Fund
- Schwab Pennsylvania Municipal Money Fund
- Schwab Florida Municipal Money Fund
- Schwab Massachusetts Municipal Money Fund
- Schwab Institutional Advantage Money Fund®
- Schwab Retirement Money Fund®
- Schwab Government Cash Reserves

Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

The funds may engage in certain transactions involving affiliates. The funds may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

The funds intend to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the funds distribute substantially all of their net investment income and realized net capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

Under the funds' organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds. In addition, in the normal course of business the funds

enter into contracts with their vendors and others that provide general indemnifications. The funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the funds. However, based on experience, the funds expect the risk of loss to be remote.

Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

The funds value their securities at amortized cost, which approximates market value.

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

Interest income is recorded as it accrues. If a fund bought a debt security at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

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

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

For funds offering multiple share classes, all of the realized and unrealized gains or losses and net investment income, other than class specific expenses, are allocated daily to each class in proportion to its net assets.

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

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed-income securities” or “debt securities.”

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced security A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TOB	Tender option bond
TOBP	Tender option bond partnership
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

144A security A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

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

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

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

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

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

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

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

Internet¹

www.schwab.com

Schwab by Phone™²

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

TeleBroker®

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

Mail

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

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

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

The SchwabFunds Family

Stock Funds

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

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab All Equity Portfolio
 Schwab Growth Portfolio
 Schwab Balanced Portfolio
 Schwab Conservative Portfolio

Bond Funds

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

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

charles SCHWAB

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab Government Cash Reserves

Semiannual Report

June 30, 2003

In This Report

Management's Discussion	2
Fund yield figures and portfolio statistics, plus a discussion of factors that affected fund performance during the report period.	
Financial Statements	
Portfolio holdings and fund financials.	
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Ticker Symbol: SWHXX	
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From the Chairman



Charles R. Schwab
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

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

Management's Discussion for the six months ended June 30, 2003



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, slightly slanted style.



Karen Wiggan, a portfolio manager, has been responsible for day-to-day management of the fund since 1999. She joined the firm in 1987 and has worked in fixed-income portfolio management since 1991.

The Investment Environment and the Fund

The U.S. economy remained in a holding pattern during the six months of the report period. Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

Already at their lowest level in decades, interest rates fell further as the report period progressed. During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

Falling interest rates pushed money fund yields to new lows (see next page for fund yield information). Among agency discount note securities, the decline in rates was somewhat mitigated by a very high level of issuance, in part a result of the continued rapid pace of home refinancings.

The fund benefited from the decision to continue purchases of Freddie Mac securities. Although some of this issuer's accounting practices were called into question during the report period, our analysis indicated that the creditworthiness of its securities was not in doubt.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

Seven-Day Yield¹	0.05%
Seven-Day Effective Yield	0.05%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

Weighted Average Maturity	20 days
Credit Quality of Holdings² % of portfolio	100% Tier 1

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

¹ A portion of the fund's expenses was reduced during the reporting period. Without this reduction, the fund's seven-day yield would have been -0.15%. Please refer to the Statement of Operations on page 9 for additional information on expense waivers.

² Portfolio holdings may have changed since the report date.

Financial Statements

Schwab Government Cash Reserves

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	4/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ²	0.01	0.03	0.05	0.04	0.03
Less distributions:						
Dividends from net investment income	(0.00) ²	(0.01)	(0.03)	(0.05)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.05 ³	0.68	3.08	5.33	4.28	3.46 ³
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	1.24 ⁴	1.25	1.25	1.13 ⁵	0.95	0.95 ⁴
Ratio of gross operating expenses to average net assets	1.45 ⁴	1.41	1.50	1.46 ⁵	1.09	1.72 ⁴
Ratio of net investment income to average net assets	0.11 ⁴	0.67	2.99	5.24	4.34	4.41 ⁴
Net assets, end of period (\$ x 1,000,000)	628	639	562	412	198	25

* Unaudited.

¹ Commencement of operations.

² Per-share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized. Also, please refer to the Statement of Operations on page 9 for additional information on expense waivers.

⁵ The ratios of net and gross operating expenses would have been 1.14% and 1.47%, respectively, if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbol below to designate certain characteristics:

▲ Delayed-delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
52.0% U.S. Government Securities	330,509	330,509
48.0% Other Investments	304,673	304,673
100.0% Total Investments	635,182	635,182

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

U.S. Government Securities
52.0% of investments

Discount Notes 49.4%**Fannie Mae**

0.95%, 07/01/03	95,000	95,000
1.17%, 07/01/03	1,300	1,300
1.17%, 07/02/03	8,434	8,434
1.20%, 07/09/03	5,010	5,009
1.13%, 07/11/03	8,000	7,997
1.21%, 07/16/03	10,000	9,995
1.20%, 07/23/03	10,000	9,993
1.77%, 07/25/03	5,000	4,994
1.23%, 07/30/03	3,754	3,750
1.23%, 08/06/03	4,000	3,995

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.20%, 08/14/03	4,167	4,161
1.84%, 08/22/03	1,109	1,106
1.06%, 09/03/03	10,650	10,630
0.90%, 09/10/03	9,845	9,828
1.75%, 09/19/03	3,000	2,989
1.77%, 09/19/03	3,000	2,988
▲ 0.94%, 10/01/03	7,042	7,025
1.31%, 11/14/03	5,000	4,976
1.57%, 11/14/03	2,000	1,988
Federal Farm Credit Bank		
1.29%, 09/26/03	3,911	3,899
Federal Home Loan Bank		
1.20%, 07/01/03	2,011	2,011
1.17%, 07/02/03	2,200	2,200
1.18%, 07/02/03	10,000	10,000
1.17%, 07/09/03	1,500	1,500
1.39%, 07/21/03	1,593	1,592
Freddie Mac		
1.17%, 07/10/03	1,000	1,000
1.20%, 07/10/03	7,195	7,192
1.22%, 07/10/03	5,773	5,771
1.20%, 07/15/03	1,500	1,499
1.20%, 07/17/03	8,000	7,996
1.96%, 07/17/03	5,000	4,996
2.02%, 07/17/03	2,000	1,998
1.77%, 07/30/03	10,000	9,986
1.00%, 08/11/03	4,000	3,995
1.00%, 08/14/03	3,020	3,016
1.28%, 08/14/03	2,115	2,112
1.35%, 08/14/03	1,300	1,298
1.80%, 08/14/03	1,250	1,247
1.00%, 08/21/03	2,000	1,997
1.00%, 09/08/03	1,600	1,597
0.96%, 09/17/03	10,805	10,783
1.20%, 09/17/03	1,071	1,068
1.44%, 09/22/03	2,000	1,993
0.90%, 09/25/03	8,765	8,746
1.81%, 09/29/03	3,000	2,987
1.77%, 10/09/03	2,000	1,990
0.92%, 10/20/03	1,200	1,197
1.48%, 10/27/03	6,131	6,102
1.33%, 11/14/03	5,000	4,975
1.39%, 12/04/03	1,000	994

313,895

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

Coupon Notes 2.6%**Fannie Mae**

4.75%, 11/14/03	2,832	2,866
5.80%, 12/10/03	1,000	1,019

Federal Home Loan Bank

5.13%, 09/15/03	3,000	3,020
3.13%, 11/14/03	3,000	3,018

Freddie Mac

5.75%, 07/15/03	6,680	6,691
		16,614

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

Other Investments 48.0% of investments**Repurchase Agreements 48.0%****Bank of America Securities, L.L.C.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$69,360 1.32%, issued 06/30/03, due 07/01/03	68,002	68,000
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Bear Stearns & Co., Inc.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$69,363 1.32%, issued 06/30/03, due 07/01/03	68,002	68,000
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Credit Suisse First Boston L.L.C.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$75,150 1.20%, issued 05/02/03, due 07/01/03	10,020	10,000
1.32%, issued 06/30/03, due 07/01/03	63,675	63,673

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Lehman Brothers, Inc.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$10,200 1.22%, issued 04/14/03, due 07/07/03	10,028	10,000
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UBS Financial Services, Inc.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$86,700 1.07%, issued 06/19/03, due 07/03/03	85,035	85,000
		304,673

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$330,509
Repurchase agreements, at market value	304,673
Interest receivable	339
Prepaid expenses	+ 221
Total assets	635,742

The amortized cost for the fund's securities was \$635,182.

Liabilities

Payables:	
Dividends to shareholders	12
Investments bought	7,025
Transfer agent and shareholder service fees	22
Transaction service fees	377
Accrued expenses	+ 63
Total liabilities	7,499

Net Assets

Total assets	635,742
Total liabilities	- 7,499
Net assets	\$628,243

Net Assets by Source

Capital received from investors	628,266
Net realized capital losses	(23)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$628,243		628,266		\$1.00

Federal Tax Data

Cost basis of portfolio \$635,183

As of December 31, 2002:

Unused capital losses:

Expires 12/31 of: Loss amount:
2007 \$1

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$4,360****Net Realized Gains and Losses**

Net realized loss on investments sold (22)

Expenses

Investment adviser and administrator fees 1,227

Transfer agent and shareholder service fees 1,453

Transaction service fees 1,775

Trustees' fees 15

Custodian and portfolio accounting fees 31

Professional fees 11

Registration fees 97

Shareholder reports 51

Other expenses + 4

Total expenses 4,664

Expense reduction - 647

Net expenses 4,017**Increase in Net Assets from Operations****Total investment income 4,360****Net expenses - 4,017****Net investment income 343****Net realized losses + (22)****Increase in net assets from operations \$321**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.25% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For transaction services, Schwab receives a fee based on the number and type of transactions provided.

For the fund's independent trustees only.

This reduction consisted of two components. A reduction of \$629, which reduced the fund's annualized operating expense ratio (OER) by 0.20%, was made by the investment adviser (CSIM) to reflect a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual OER of this fund through at least April 30, 2004, to 1.25% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses. Also, CSIM voluntarily waived an additional \$18 of the fund's expenses, which reduced the fund's annualized OER by an additional 0.01%. The combination of these two waivers resulted in a net annualized OER for the period of 1.24%.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$343	\$3,885
Net realized losses	+ (22)	—
Increase in net assets from operations	321	3,885

Distributions Paid

Dividends from net investment income	343	3,885
--------------------------------------	------------	--------------

Transactions in Fund Shares

Shares sold	3,046,662	5,847,747
Shares reinvested	318	3,716
Shares redeemed	+ (3,058,203)	(5,773,588)
Net transactions in fund shares	(11,223)	77,875

Net Assets

Beginning of period	639,488	561,613
Total increase or decrease	+ (11,245)	77,875
End of period	\$628,243	\$639,488

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$3,885
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Fund

The fund discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the fund in this report and its trust.

The fund offers one share class. Shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the fund's investments are described in sections earlier in this report. However, there are certain other investments and policies that may affect the fund's financials. The most significant of these are described below. Other policies concerning the fund's business operations also are described here.

The fund declares dividends every day it is open for business. These dividends, which are equal to the fund's net investment income for that day, are paid out to shareholders once a month. The fund may make distributions from any net realized capital gains once a year.

The fund may buy securities on a delayed-delivery basis. In these transactions, the fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, the fund could end up paying more for the security than its market value at the time of settlement. The fund has set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The fund may enter into repurchase agreements. In a repurchase agreement, the fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreement with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The fund's repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the fund's custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

The fund pays fees for various services. Through its trust, the fund has agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent, shareholder services and transaction services.

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The fund discussed in this report is highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

- Schwab Money Market Fund
- Schwab Government Money Fund
- Schwab U.S. Treasury Money Fund
- Schwab Value Advantage Money Fund®
- Schwab Municipal Money Fund
- Schwab California Municipal Money Fund
- Schwab New York Municipal Money Fund
- Schwab New Jersey Municipal Money Fund
- Schwab Pennsylvania Municipal Money Fund
- Schwab Florida Municipal Money Fund
- Schwab Massachusetts Municipal Money Fund
- Schwab Institutional Advantage Money Fund®
- Schwab Retirement Money Fund®

Schwab Government Cash Reserves

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the fund that may limit the total expenses charged. The rates and limitations for these fees are described in the fund's Statement of Operations.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab.

Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in the fund's Statement of Operations.

The fund may engage in certain transactions involving affiliates.

The fund may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

The fund intends to meet federal income and excise tax requirements for regulated investment companies.

Accordingly, the fund distributes substantially all of its net investment income and realized net capital gains (if any) to its respective shareholders each year. As long as the fund meets the tax requirements, it is not required to pay federal income tax.

Under the fund's organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the funds.

In addition, in the normal course of business the fund enters into contracts with its vendors and others that provide general indemnifications. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the fund. However, based on experience, the fund expects the risk of loss to be remote.

Accounting Policies

The following are the main policies the fund uses in preparing its financial statements.

The fund values its securities at amortized cost, which approximates market value.

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

Interest income is recorded as it accrues. If the fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than its face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

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

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

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

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed-income securities” or “debt securities.”

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced security A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TOB	Tender option bond
TOBP	Tender option bond partnership
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

144A security A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

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

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

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

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

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

Notes

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

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

Internet¹

www.schwab.com

Schwab by Phone™²

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

TeleBroker®

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

Mail

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

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

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

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Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

charles SCHWAB

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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Schwab Institutional Advantage Money Fund[®]
Schwab Retirement Money Fund[®]

Semiannual Report

June 30, 2003

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From the Chairman



Charles R. Schwab
Chairman

Without question, these are challenging times for America's investors. For money fund shareholders, one of the main concerns has been decline of short-term interest rates, since money fund yields are a reflection of those rates.

Given the choice, I'm sure most of us would prefer that yields were higher. At the same time, I believe that a look at the larger picture reveals that the current low interest rate environment has a beneficial side that shouldn't be ignored.

For example, Americans have recently had the opportunity to borrow money at the most attractive rates in decades, whether for buying a home, refinancing or realizing a life-long goal like starting a business. More importantly, the Federal Reserve's monetary policy, along with fiscal policies enacted by Congress and the President, should provide a powerful stimulus to economic recovery. That, too, is something that would benefit all Americans.

Here at Schwab, we are actively exploring ways to help investors meet their financial objectives. At SchwabFunds®, these efforts are being led by the new president of SchwabFunds, Randall Merk. Randy brings a wealth of experience to the job, and we welcome his leadership, vision and wisdom.

On behalf of SchwabFunds, I'd like to thank you for investing with us. Your continued trust and support mean a great deal. In turn, it's our mission to help you meet your financial goals.

Sincerely,

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

Management's Discussion for the six months ended June 30, 2003



Randall W. Merk is President and CEO of Charles Schwab Investment Management, Inc. and is president of each of the funds covered in this report. He joined the firm in August of 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

As one of the newer members of the SchwabFunds® team, I've been struck by the talent and integrity of the people here, and especially with their dedication to understanding the concerns of investors.

That dedication is particularly important right now. Times of uncertainty about the economy and world events demand diligence from investment professionals. At SchwabFunds, we are keenly aware of this, and continue to work for the best interests of our shareholders.

In recent months, money market funds have faced a very challenging environment. With interest rates on short-term investments falling in connection with the Fed's actions, some investors have expressed concerns about the potential for fund yields to fall to zero or even lower.

I can assure you that we at SchwabFunds will continue to monitor the yields in all our money market funds. In consultation with fund trustees, we will take appropriate measures to maintain competitive yields.

One thing we won't do in pursuit of yields is compromise our high standards for investment credit quality. We'll also continue to follow our time-tested management procedures and controls. In other words, we won't take short cuts that may jeopardize our long-term commitment to our investors.

Thank you for choosing SchwabFunds. We're here to help you reach your financial goals. If there is something more that we can do to help, I hope you'll let us know.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk". The signature is written in a cursive, slightly slanted style.



Linda Klingman, a vice president of the investment advisor and senior portfolio manager, has overall responsibility for the management of the funds. She joined the firm in 1990 and has managed money market funds since 1988.

Mike Neitzke, a portfolio manager, has day-to-day responsibility for management of the funds. Prior to joining the firm in March 2001, he worked for more than 15 years in the financial industry as a portfolio manager.

The Investment Environment and the Funds

The U.S. economy remained in a holding pattern during the six months of the report period. Concerned by geopolitical uncertainties, businesses put off making major decisions about capital spending and hiring, even after the major combat phase of the war in Iraq was over. Economic indicators reported during the period were mixed, providing little incentive for businesses to pursue expansion plans.

Already at their lowest level in decades, interest rates fell further as the report period progressed. During the first months of 2003, a major factor in the decline of rates was anticipation of the war in Iraq. Toward the end of the period, deflation fears came to the forefront, leading to expectations that the Federal Reserve (the Fed) would cut interest rates. These expectations were confirmed on June 25, when the Fed, seeking to provide yet further economic stimulus, cut the Fed funds rate by 0.25%.

Falling interest rates pushed money fund yields to new lows (see next page for fund yield information). We sought to lessen the effects of falling rates on the funds by maintaining comparatively long weighted average maturities. Although the funds' yields did decline, we were successful in slowing that decline, and in keeping the yields higher than they otherwise would have been.

The funds also benefited from the decision to purchase Freddie Mac securities. Although some of this issuer's accounting practices were called into question during the report period, our analysis indicated that the creditworthiness of its securities was not in doubt.

We increased our holdings in government and agency securities during the report period. Typically, these securities offer lower yields than bank CDs and commercial paper because of their higher creditworthiness. However, during the report period yields in the corporate and government markets converged. We took advantage of this opportunity to buy higher credit quality securities with little or no sacrifice in yield.

The views expressed here are those of fund management only. Nothing in this report represents a recommendation of a security by the investment adviser. Manager views and portfolio holdings may have changed since the report date.

Performance and Fund Facts as of 6/30/03

Seven-Day Yields

The seven-day yields are calculated using standard SEC formulas. The effective yield includes the effect of reinvesting daily dividends. Please remember that money market fund yields fluctuate, and that past performance is not an indication of future results.

	Institutional Advantage Money Fund®	Retirement Money Fund®
Seven-Day Yield	0.69% ¹	0.54%
Seven-Day Effective Yield	0.69%	0.54%

Statistics

Money funds must maintain a dollar-weighted average maturity of no longer than 90 days, and cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).

	Institutional Advantage Money Fund	Retirement Money Fund
Weighted Average Maturity	60 days	58 days
Credit Quality of Holdings² % of portfolio	100% Tier 1	100% Tier 1

An investment in a money fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in a money fund.

¹ A portion of the fund's expenses was reduced during the reporting period. Without this reduction, the fund's seven-day yield would have been 0.56%.

² Portfolio holdings may have changed since the report date.

Financial Statements

Schwab Institutional Advantage Money Fund[®]

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.04	0.06	0.05	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.04)	(0.06)	(0.05)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.43 ²	1.48	3.96	6.12	4.90	5.26
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.50 ³	0.50	0.50	0.50 ⁴	0.50	0.50
Ratio of gross operating expenses to average net assets	0.63 ³	0.63	0.66	0.68 ⁴	0.71	0.79
Ratio of net investment income to average net assets	0.87 ³	1.46	3.83	5.96	4.84	5.12
Net assets, end of period (\$ x 1,000,000)	891	907	797	647	604	369

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have been 0.51% and 0.69%, respectively, if certain non-routine (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
79.4% Fixed-Rate Obligations	714,761	714,761
9.7% U.S. Government Securities	86,723	86,723
5.1% Variable-Rate Obligations	45,874	45,874
5.8% Other Investments	52,518	52,518
100.0% Total Investments	899,876	899,876

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

Fixed-Rate Obligations 79.4% of investments

Commercial Paper & Other Corporate Obligations 43.1%

AB Spintab		
1.22%, 07/14/03	2,000	1,999
0.94%, 10/27/03	3,000	2,991

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Alliance & Leicester, PLC, 144A		
0.99%, 09/17/03	2,000	1,996
◆ Amstel Funding Corp., 144A		
1.21%, 08/19/03	1,000	998
◆✦ Amsterdam Funding Corp., 144A		
1.23%, 07/24/03	5,000	4,996
1.23%, 08/07/03	1,000	999
0.95%, 09/25/03	6,000	5,986
✦ ANZ (Delaware), Inc.		
1.19%, 08/22/03	3,000	2,995
◆✦ Apreco, Inc., 144A		
1.23%, 08/15/03	1,000	998
◆✦ Aquinas Funding, L.L.C., 144A		
1.23%, 08/20/03	4,000	3,993
ASAP Funding, Ltd., 144A		
1.01%, 09/12/03	4,000	3,992
◆✦ Atlantis One Funding Corp., 144A		
1.24%, 07/02/03	2,000	2,000
1.21%, 07/09/03	1,070	1,070
1.26%, 07/25/03	1,135	1,134
1.26%, 07/28/03	3,000	2,997
1.23%, 08/14/03	2,008	2,005
1.11%, 09/16/03	5,000	4,988
1.19%, 09/16/03	1,000	997
0.91%, 12/16/03	1,000	996
0.90%, 12/18/03	5,000	4,979
Bank of Ireland		
1.20%, 08/20/03	4,000	3,993
Bank of America Corp.		
1.25%, 07/18/03	4,000	3,998
Bear Stearns Companies, Inc.		
1.25%, 07/25/03	1,000	999
0.91%, 09/26/03	4,000	3,991
◆✦ Beta Finance, Inc., 144A		
1.26%, 07/25/03	4,000	3,997
1.24%, 08/14/03	1,000	998
1.21%, 08/28/03	1,000	998
✦ BNP Paribas Finance, Inc.		
0.90%, 12/30/03	4,000	3,982
✦ CBA (Delaware) Finance, Inc.		
1.18%, 08/21/03	5,000	4,992
◆ CC (USA), Inc., 144A		
1.23%, 08/15/03	4,000	3,994

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Citicorp			1.20%, 08/22/03	1,000	998
1.25%, 07/21/03	2,000	1,999	0.93%, 09/23/03	5,000	4,989
Citigroup Global Markets Holdings, Inc.			1.03%, 10/09/03	1,000	997
1.22%, 07/15/03	2,000	1,999	1.10%, 11/10/03	2,000	1,992
1.22%, 08/12/03	11,000	10,984	◆◆ Fairway Finance Corp., 144A		
◆◆ Clipper Receivables Corp.			1.00%, 09/12/03	4,000	3,992
1.25%, 07/11/03	4,000	3,999	◆ Fortis Funding, L.L.C., 144A		
1.27%, 07/25/03	1,000	999	1.27%, 07/21/03	1,000	999
◆ Concord Minutemen Capital Co., L.L.C., 144A			◆ GE Capital International Funding, Inc., 144A		
Series A			1.22%, 07/11/03	1,000	1,000
1.22%, 07/02/03	3,000	3,000	1.19%, 08/25/03	6,000	5,989
1.25%, 07/07/03	1,000	1,000	1.20%, 08/26/03	1,000	998
1.24%, 08/08/03	3,000	2,996	1.21%, 08/28/03	4,000	3,992
◆◆ CRC Funding L.L.C., 144A			0.90%, 12/23/03	4,000	3,982
1.00%, 09/12/03	3,000	2,994	GE Financial Assurance Holdings, Inc., 144A		
◆ Credit Lyonnais N.A., Inc.			0.94%, 09/16/03	3,000	2,994
1.00%, 09/15/03	2,000	1,996	General Electric Capital Corp.		
◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, 144A			1.23%, 07/16/03	1,000	999
1.22%, 07/01/03	2,000	2,000	1.26%, 09/04/03	10,000	9,977
1.22%, 07/29/03	2,000	1,998	1.29%, 09/23/03	4,000	3,988
1.09%, 09/09/03	1,000	998	1.11%, 12/03/03	3,000	2,986
◆ Danske Corp.			General Electric Capital Services		
1.22%, 07/14/03	4,000	3,998	1.25%, 07/24/03	3,000	2,998
1.25%, 07/14/03	2,100	2,099	1.25%, 07/25/03	10,000	9,992
1.22%, 08/13/03	3,000	2,996	General Electric Co.		
1.20%, 08/20/03	1,000	998	1.25%, 07/22/03	4,000	3,997
1.19%, 08/22/03	1,000	998	1.25%, 07/24/03	2,000	1,998
1.24%, 10/27/03	2,000	1,992	◆◆ Giro Funding U.S. Corp., 144A		
Den Norske Bank ASA			1.23%, 08/11/03	3,000	2,996
1.21%, 08/14/03	1,000	999	1.23%, 08/13/03	5,000	4,993
◆ Dexia Delaware, L.L.C.			1.02%, 09/12/03	1,000	998
0.89%, 09/25/03	5,000	4,989	0.94%, 09/24/03	1,000	998
◆ Dorada Finance, Inc., 144A			◆◆ Greenwich Funding Corp., 144A		
1.23%, 07/07/03	2,000	2,000	1.23%, 08/21/03	3,000	2,995
1.24%, 07/10/03	1,000	1,000	◆◆ Hatteras Funding Corp., 144A		
1.27%, 07/11/03	1,000	1,000	1.25%, 07/02/03	2,411	2,411
1.26%, 07/18/03	3,000	2,998	◆ HBOS Treasury Services, PLC		
1.23%, 07/30/03	1,000	999	1.25%, 07/28/03	4,000	3,996
◆ Dorada Finance, Inc., 144A			0.97%, 09/16/03	3,000	2,994
1.96%, 09/16/03	2,000	2,000	1.10%, 11/19/03	2,000	1,991
◆◆ Edison Asset Securitization Corp., L.L.C., 144A			◆ ING (U.S.) Funding, L.L.C.		
1.31%, 07/08/03	7,000	6,998	1.21%, 07/07/03	3,000	2,999
1.24%, 08/05/03	1,978	1,976	1.23%, 07/11/03	2,000	1,999
1.23%, 08/11/03	3,000	2,996	1.30%, 07/18/03	2,000	1,999

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
◆◆ Intrepid Funding Master Trust, 144A			◆ Societe Generale N.A., Inc.		
1.07%, 07/31/03	1,032	1,031	1.20%, 07/01/03	3,000	3,000
Irish Life & Permanent, PLC, 144A			1.20%, 07/02/03	1,000	1,000
0.95%, 09/17/03	1,600	1,597	1.23%, 07/10/03	5,000	4,998
J.P. Morgan Chase & Co.			1.22%, 07/15/03	2,000	1,999
1.22%, 08/18/03	7,000	6,989	1.03%, 09/10/03	1,000	998
◆◆ Jupiter Securitization Corp., 144A			◆ Svenska Handelsbanken, Inc.		
1.07%, 07/25/03	1,000	999	1.22%, 08/15/03	1,000	998
◆◆ K2 (USA), L.L.C.			◆◆ Thunder Bay Funding, Inc., 144A		
1.28%, 07/10/03	3,000	2,999	1.25%, 07/25/03	1,000	999
1.19%, 10/20/03	1,000	996	◆◆ Tulip Funding Corp., 144A		
KBC Financial Products International, Ltd., 144A			1.07%, 07/31/03	6,000	5,995
1.22%, 07/08/03	2,000	2,000	◆◆ Variable Funding Capital Corp., 144A		
◆◆ Kitty Hawk Funding Corp., 144A			1.21%, 08/25/03	10,000	9,982
0.95%, 09/22/03	10,000	9,978	1.01%, 09/10/03	3,000	2,994
+ Landesbank Schleswig-Holstein Girozentrale, 144A			◆◆ Windmill Funding Corp., 144A		
1.21%, 08/15/03	1,000	998	1.21%, 07/10/03	3,000	2,999
1.22%, 08/15/03	5,000	4,992	387,729		
◆ Lexington Parker Capital Co., L.L.C., 144A			Certificates of Deposit 33.3%		
1.23%, 07/10/03	1,000	1,000	American Express Centurion Bank		
1.28%, 07/25/03	2,000	1,998	0.92%, 09/22/03	5,000	5,000
1.23%, 09/02/03	2,000	1,996	Bank of Montreal		
Lloyds TSB Bank, PLC			1.21%, 07/09/03	5,000	5,000
1.18%, 08/20/03	6,000	5,990	Bank of New York		
Morgan Stanley			1.29%, 08/18/03	5,000	5,000
1.20%, 08/26/03	15,000	14,972	Bank of Nova Scotia		
◆ Newcastle Certificates Program, 144A			1.21%, 07/08/03	2,000	2,000
Series 2000A			1.18%, 08/25/03	3,000	3,000
1.26%, 07/15/03	1,000	1,000	Barclays Bank, PLC		
0.94%, 09/25/03	4,000	3,991	1.26%, 07/28/03	10,000	10,000
+ Nordea N.A., Inc.			1.06%, 08/12/03	1,000	1,000
1.20%, 07/07/03	3,000	2,999	1.19%, 08/28/03	2,000	2,000
0.99%, 09/22/03	1,000	998	1.03%, 09/10/03	5,000	5,001
◆◆ Old Line Funding Corp., 144A			1.60%, 11/25/03	4,000	4,000
1.08%, 07/24/03	2,000	1,999	Bayerische Landesbank Girozentrale		
+ Santander Central Hispano Finance (Delaware), Inc.			1.22%, 08/18/03	2,000	2,000
1.10%, 09/09/03	5,000	4,989	1.27%, 09/02/03	3,000	3,000
◆ Sigma Finance, Inc., 144A			1.30%, 03/26/04	3,000	3,000
1.23%, 07/07/03	2,000	2,000	BNP Paribas		
1.27%, 07/14/03	2,000	1,999	1.25%, 07/21/03	3,000	3,000
0.97%, 09/08/03	2,000	1,996	1.25%, 07/23/03	6,000	6,000
0.98%, 09/15/03	7,000	6,986	1.09%, 11/10/03	7,000	7,000
			0.90%, 12/30/03	10,000	10,000

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Canadian Imperial Bank of Commerce			1.85%, 10/17/03	4,000	4,000
1.24%, 07/15/03	5,000	5,000	0.91%, 12/12/03	1,000	1,001
Chase Manhattan Bank (USA), N.A.			Natexis Banques Populaires		
1.27%, 07/23/03	9,000	9,000	1.20%, 08/29/03	3,000	3,000
1.23%, 08/11/03	1,000	1,000	National City Bank, Cleveland		
Citibank, N.A.			1.20%, 07/07/03	5,000	5,000
1.25%, 07/28/03	5,000	5,000	Norddeutsche Landesbank Girozentrale		
1.23%, 08/06/03	5,000	5,000	1.25%, 07/18/03	3,000	3,000
1.23%, 08/07/03	5,000	5,000	1.18%, 08/25/03	2,000	2,000
1.11%, 09/10/03	2,000	2,000	0.90%, 12/29/03	1,000	1,000
0.95%, 09/24/03	8,000	8,000	1.49%, 12/29/03	2,000	2,000
0.93%, 09/25/03	3,000	3,000	Nordea Bank Finland, PLC		
Credit Agricole Indosuez			1.22%, 08/15/03	6,000	6,000
1.30%, 07/17/03	5,000	5,000	Royal Bank of Scotland, PLC		
Credit Lyonnais S.A.			1.19%, 09/17/03	10,000	10,030
1.00%, 09/17/03	2,000	2,000	San Paolo IMI, SPA		
Credit Suisse First Boston			1.30%, 07/17/03	2,000	2,000
1.30%, 07/16/03	7,000	7,000	Societe Generale		
DePfa Bank, PLC			1.25%, 07/18/03	5,000	5,000
0.98%, 09/18/03	3,000	3,000	1.25%, 10/16/03	2,000	2,000
0.92%, 12/23/03	2,000	2,000	Southtrust Bank		
Deutsche Bank, AG			1.05%, 12/19/03	1,000	1,000
1.31%, 07/01/03	10,000	10,000	State Street Bank & Trust Co., N.A.		
1.32%, 07/09/03	1,000	1,000	1.10%, 12/04/03	4,000	4,000
1.21%, 07/16/03	5,000	5,000	Toronto Dominion Bank		
1.19%, 08/27/03	1,000	1,000	1.20%, 11/13/03	2,000	2,000
1.10%, 09/09/03	10,000	10,000	UBS, AG		
0.90%, 09/25/03	8,000	8,000	1.59%, 12/16/03	5,000	5,000
ForeningsSparbanken, AB (Swedbank)			Unicredito Italiano SPA		
1.25%, 07/31/03	1,000	1,000	1.22%, 07/03/03	2,000	2,000
0.90%, 11/25/03	3,000	3,000	1.25%, 07/16/03	2,000	2,000
Fortis Bank			1.28%, 07/17/03	3,000	3,000
1.23%, 07/09/03	5,000	5,000	1.31%, 07/17/03	1,000	1,000
1.27%, 09/03/03	3,000	3,000	0.96%, 09/15/03	3,000	3,000
+ HBOS Treasury Services, PLC			0.98%, 09/19/03	1,000	1,000
1.20%, 08/26/03	4,000	4,000	WestLB AG		
ING Bank, N.V.			1.35%, 07/08/03	4,000	4,000
1.31%, 07/14/03	4,000	4,000	1.93%, 09/18/03	5,000	5,000
1.23%, 08/08/03	5,000	5,000	1.26%, 04/02/04	2,000	2,000
1.22%, 08/13/03	5,000	5,000	1.34%, 04/14/04	1,000	1,000
Landesbank Baden Wurttemberg			Wilmington Trust Co.		
1.20%, 07/03/03	4,000	4,000	1.20%, 09/15/03	5,000	5,000
1.20%, 08/22/03	1,000	1,000			
Landesbank Hessen-Thuringen Girozentrale					
1.27%, 08/29/03	5,000	5,000			
					300,032

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Promissory Notes 2.0%**• The Goldman Sachs Group, Inc.**

1.29%, 07/15/03	5,000	5,000
1.36%, 08/05/03	1,000	1,000
1.35%, 09/08/03	2,000	2,000
1.26%, 09/22/03	1,000	1,000
1.31%, 10/24/03	1,000	1,000
1.26%, 12/05/03	4,000	4,000
1.12%, 12/11/03	3,000	3,000
1.02%, 12/18/03	1,000	1,000
		18,000

Bank Notes 1.0%**Bank One, N.A.**

1.29%, 07/10/03	4,000	4,000
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Standard Federal Bank, N.A.

1.25%, 07/21/03	2,000	2,000
1.19%, 08/26/03	1,000	1,000
1.20%, 09/05/03	2,000	2,000
		9,000

U.S. Government Securities 9.7% of investments**Discount Notes 9.7%****Fannie Mae**

1.18%, 08/27/03	10,000	9,981
1.09%, 11/26/03	6,000	5,974
1.06%, 12/03/03	4,840	4,818
1.06%, 12/12/03	5,000	4,976
1.06%, 12/16/03	7,516	7,479
0.90%, 12/17/03	5,000	4,979
1.22%, 03/05/04	4,700	4,661

Freddie Mac

1.10%, 09/11/03	12,000	11,974
1.00%, 09/30/03	2,000	1,995
1.04%, 10/20/03	10,000	9,968
1.09%, 10/24/03	5,000	4,982
0.99%, 11/17/03	3,000	2,989
1.00%, 12/04/03	10,000	9,957
0.96%, 12/31/03	2,000	1,990
		86,723

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Variable-Rate Obligations 5.1% of investments**◆ Beta Finance, Inc., 144A**

1.15%, 07/15/03	10,000	10,000
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✦ BMC Special Care Facilities Financing Authority of the City of Montgomery, Alabama

Taxable RB (Montgomery Baptist Outreach Services Corp. Project) Series 1997A		
1.15%, 07/07/03	8,600	8,600
Taxable RB (Montgomery Baptist Outreach Services Corp. Project) Series 1997B		
1.15%, 07/07/03	2,200	2,200

✦ City of New Britain, Connecticut GO, 144A

1.12%, 07/07/03	4,900	4,900
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✦ Loanstar Assets Partners II, L.P., 144A

1.03%, 07/07/03	5,000	5,000
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✦ New York City IDA

Taxable Industrial Revenue Refunding Bond (Allway Tools, Inc. Project) Series 1997		
1.20%, 07/07/03	175	175

✦ Palm Springs, California

COP (Downtown Parking Project) Series 2002A		
1.20%, 07/07/03	7,000	7,000

◆ Sigma Finance, Inc., 144A

1.28%, 07/07/03	5,000	4,999
1.30%, 07/07/03	1,000	1,000
1.14%, 07/15/03	2,000	2,000
		45,874

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Other Investments 5.8% of investments

Repurchase Agreements 5.8%

Credit Suisse First Boston L.L.C.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$49,490 1.32%, issued 06/30/03, due 07/01/03	48,519	48,518
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Lehman Brothers, Inc.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$4,081 1.20%, issued 04/07/03, due 07/07/03	4,012	4,000
		52,518

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$899,876
Receivables:	
Fund shares sold	2,061
Interest	1,388
Prepaid expenses	+ 40
Total assets	903,365

Includes illiquid restricted securities worth \$20,995, or 2.33% of the fund's investments. The amortized cost for the fund's securities was \$899,876.

Liabilities

Payables:	
Fund shares redeemed	10,591
Dividends to shareholders	244
Investments bought	1,000
Investment adviser and administrator fees	19
Transfer agent and shareholder service fees	16
Accrued expenses	+ 49
Total liabilities	11,919

Net Assets

Total assets	903,365
Total liabilities	- 11,919
Net assets	\$891,446

Net Assets by Source

Capital received from investors	891,447
Net realized capital losses	(1)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$891,446		891,504		\$1.00

Federal Tax Data

Cost basis of portfolio \$899,876

As of December 31, 2002:**Unused capital losses:**

Expires 12/31 of: Loss amount:
2004 \$1

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$6,160****Expenses**

Investment adviser and administrator fees 1,713

Transfer agent and shareholder service fees 992

Trustees' fees 16

Custodian and portfolio accounting fees 51

Professional fees 10

Registration fees 30

Shareholder reports 9

Other expenses + 6

Total expenses 2,827

Expense reduction - 574

Net expenses 2,253**Increase in Net Assets from Operations****Total investment income 6,160****Net expenses - 2,253****Net investment income 3,907****Increase in net assets from operations \$3,907**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services, 0.17% of the fund's assets.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.50% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$3,907	\$12,097
Increase in net assets from operations	3,907	12,097

Distributions Paid

Dividends from net investment income	3,907	12,097
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Transactions in Fund Shares

Shares sold	344,079	810,966
Shares reinvested	3,636	12,003
Shares redeemed	+ (363,130)	(712,969)
Net transactions in fund shares	(15,415)	110,000

Net Assets

Beginning of period	906,861	796,861
Total increase or decrease	+ (15,415)	110,000
End of period	\$891,446	\$906,861

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$12,097
Long-term capital gains	\$—

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Statements

Schwab Retirement Money Fund®

Financial Highlights

	1/1/03– 6/30/03*	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99	1/1/98– 12/31/98
Per-Share Data (\$)						
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00	1.00
Income from investment operations:						
Net investment income	0.00 ¹	0.01	0.04	0.06	0.05	0.05
Less distributions:						
Dividends from net investment income	(0.00) ¹	(0.01)	(0.04)	(0.06)	(0.05)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.35 ²	1.30	3.75	5.90	4.68	5.03
Ratios/Supplemental Data (%)						
Ratio of net operating expenses to average net assets	0.66 ³	0.68	0.70	0.71 ⁴	0.72	0.73
Ratio of gross operating expenses to average net assets	0.66 ³	0.68	0.70	0.71 ⁴	0.74	0.80
Ratio of net investment income to average net assets	0.70 ³	1.28	3.61	5.77	4.62	4.88
Net assets, end of period (\$ x 1,000,000)	596	566	515	399	322	225

* Unaudited.

¹ Per-share amount was less than \$0.01.

² Not annualized.

³ Annualized.

⁴ The ratios of net and gross operating expenses would have both been 0.72% if certain non-routine expenses (proxy fees) had been included.

Portfolio Holdings as of June 30, 2003; unaudited.

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

We use the symbols below to designate certain characteristics:

- ◆ Asset-backed security
- ✦ Credit-enhanced security
- Illiquid restricted security
- ▲ Delayed delivery security

For fixed-rate obligations, the rate shown is the effective yield at the time of purchase, except for U.S. government agency coupon notes and U.S. Treasury notes, for which the rate shown is the interest rate (the rate established when the obligation was issued). For variable-rate obligations, the rate shown is the rate as of the report date. For variable-rate obligations with scheduled maturities greater than 397 days, the maturity shown is the later of the next interest rate change date or demand date. For variable-rate obligations with scheduled maturities less than 397 days, the maturity shown is the earlier of the next interest rate change date or demand date. For variable-rate obligations without demand features, the maturity shown is the next interest rate change date.

Holdings by Category	Cost (\$x1,000)	Market Value (\$x1,000)
79.3% Fixed-Rate Obligations	481,874	481,874
9.1% U.S. Government Securities	55,343	55,343
4.6% Variable-Rate Obligations	27,899	27,899
7.0% Other Investments	42,254	42,254
100.0% Total Investments	607,370	607,370

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Fixed-Rate Obligations 79.3% of investments

Commercial Paper & Other Corporate Obligations 41.3%

AB Spintab		
1.23%, 08/11/03	3,000	2,996
0.94%, 10/27/03	2,000	1,994

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Alliance & Leicester, PLC, 144A		
1.26%, 07/10/03	1,500	1,500
◆ Amsterdam Funding Corp., 144A		
1.23%, 07/10/03	3,000	2,999
1.20%, 09/02/03	2,000	1,996
✦ ANZ (Delaware), Inc.		
1.20%, 07/30/03	3,800	3,796
◆✦ Aquinas Funding, L.L.C., 144A		
1.23%, 08/20/03	2,500	2,496
ASAP Funding, Ltd., 144A		
1.28%, 07/17/03	1,000	999
1.01%, 09/12/03	2,000	1,996
◆✦ Asset Securitization Cooperative Corp., 144A		
1.22%, 08/12/03	5,000	4,993
1.06%, 08/13/03	1,000	999
1.21%, 08/22/03	2,000	1,997
◆✦ Atlantis One Funding Corp., 144A		
1.26%, 07/25/03	1,000	999
1.23%, 08/14/03	2,000	1,997
0.91%, 11/13/03	4,000	3,986
Bank of Ireland		
1.20%, 08/20/03	2,000	1,997
Bank of America Corp.		
1.25%, 07/18/03	2,000	1,999
Bear Stearns Companies, Inc.		
1.21%, 07/10/03	1,000	1,000
0.91%, 09/26/03	3,000	2,993
◆✦ Beta Finance, Inc., 144A		
1.08%, 08/04/03	4,000	3,996
1.24%, 08/14/03	1,000	998
✦ BNP Paribas Finance, Inc.		
1.20%, 08/29/03	3,000	2,994
✦ CBA (Delaware) Finance, Inc.		
1.21%, 07/10/03	3,000	2,999
1.18%, 08/21/03	3,000	2,995
◆ CC (USA), Inc., 144A		
1.23%, 07/10/03	1,000	1,000
1.23%, 08/15/03	3,000	2,995
Citicorp		
1.25%, 07/24/03	3,000	2,998
Citigroup Global Markets Holdings, Inc.		
1.22%, 07/10/03	1,000	1,000
1.27%, 07/30/03	1,000	999

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
1.23%, 08/14/03	2,000	1,997	General Electric Capital Services		
1.19%, 08/20/03	5,000	4,992	1.25%, 07/24/03	6,000	5,995
◆ Concord Minutemen Capital Co., L.L.C., 144A			General Electric Co.		
Series A			1.25%, 07/22/03	5,000	4,996
1.24%, 07/02/03	2,000	2,000	◆◆ Giro Funding U.S. Corp., 144A		
1.27%, 07/18/03	3,000	2,998	1.23%, 08/13/03	5,000	4,993
◆◆ CRC Funding, L.L.C., 144A			1.21%, 08/15/03	1,000	998
1.17%, 09/09/03	2,000	1,995	◆◆ Greenwich Funding Corp., 144A		
+ Credit Lyonnais N.A., Inc.			0.95%, 09/12/03	3,000	2,994
1.00%, 09/15/03	2,000	1,996	◆◆ Hatteras Funding Corp., 144A		
◆ CXC, L.L.C., 144A			1.26%, 07/14/03	1,155	1,154
0.93%, 12/15/03	4,000	3,983	1.26%, 08/11/03	1,000	999
◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, 144A			1.19%, 09/22/03	1,000	997
1.23%, 07/02/03	1,000	1,000	+ HBOS Treasury Services, PLC		
+ Danske Corp.			1.22%, 08/05/03	5,000	4,994
1.23%, 08/13/03	1,000	999	0.97%, 09/16/03	2,000	1,996
0.96%, 09/18/03	1,000	998	1.10%, 11/19/03	1,000	996
1.24%, 10/27/03	5,000	4,980	+ ING (U.S.) Funding, L.L.C.		
Den Norske Bank ASA			1.30%, 07/18/03	2,000	1,999
1.26%, 09/04/03	2,000	1,995	1.04%, 12/10/03	3,000	2,986
+ Dexia Delaware, L.L.C.			J.P. Morgan Chase & Co.		
0.89%, 09/25/03	5,000	4,989	1.25%, 07/23/03	3,000	2,998
◆ Dorada Finance, Inc., 144A			◆◆ Jupiter Securitization Corp., 144A		
1.25%, 07/18/03	3,000	2,998	1.25%, 07/14/03	1,000	1,000
◆◆ Edison Asset Securitization Corp., L.L.C., 144A			1.20%, 09/02/03	3,000	2,994
1.31%, 07/08/03	8,000	7,998	◆◆ K2 (USA), L.L.C.		
1.23%, 08/13/03	1,000	999	1.28%, 07/10/03	2,000	1,999
1.20%, 08/22/03	3,000	2,995	1.25%, 07/25/03	1,000	999
1.20%, 11/10/03	3,000	2,987	1.28%, 09/02/03	1,000	998
ForeningsSparbanken AB (Swedbank)			KBC Financial Products International, Ltd., 144A		
1.26%, 07/07/03	1,000	1,000	1.22%, 07/08/03	1,000	1,000
◆◆ Galaxy Funding, Inc., 144A			+ Landesbank Schleswig-Holstein Girozentrale, 144A		
1.21%, 08/26/03	4,000	3,992	1.21%, 08/15/03	1,000	998
+ GE Capital International Funding, Inc., 144A			1.22%, 08/15/03	2,000	1,997
1.19%, 08/25/03	8,000	7,985	1.35%, 04/15/04	1,000	989
1.18%, 09/23/03	6,000	5,983	◆ Lexington Parker Capital Co., L.L.C., 144A		
0.92%, 12/18/03	1,000	996	1.32%, 07/14/03	5,000	4,998
General Electric Capital Corp.			◆◆ Mont Blanc Capital Corp., 144A		
1.23%, 07/16/03	2,000	1,999	1.23%, 07/03/03	1,000	1,000
1.20%, 08/21/03	1,000	998	1.10%, 07/28/03	1,000	999
1.11%, 12/03/03	1,000	995	Morgan Stanley		
			1.23%, 07/23/03	5,000	4,996
			1.20%, 08/26/03	1,000	998

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
◆ Newcastle Certificates Program, 144A			1.60%, 11/25/03	2,000	2,000
Series 2000A			1.10%, 04/19/04	3,000	3,006
1.24%, 07/08/03	1,000	1,000	Bayerische Landesbank Girozentrale		
0.94%, 09/25/03	3,000	2,993	1.19%, 08/29/03	2,000	2,000
✦ Nordea N.A., Inc.			1.27%, 09/02/03	4,000	4,000
1.20%, 07/07/03	3,000	2,999	1.30%, 03/26/04	2,000	2,000
✦ Santander Central Hispano Finance (Delaware), Inc.			BNP Paribas		
1.21%, 09/02/03	4,000	3,992	1.25%, 07/21/03	2,000	2,000
◆ Sigma Finance, Inc., 144A			1.25%, 07/23/03	6,000	6,000
1.25%, 07/14/03	1,000	1,000	1.09%, 11/10/03	2,000	2,000
1.31%, 07/15/03	2,000	1,999	1.03%, 12/09/03	3,000	3,001
1.27%, 07/16/03	5,000	4,997	0.90%, 12/30/03	4,000	4,000
1.24%, 08/05/03	1,000	999	Canadian Imperial Bank of Commerce		
✦ Societe Generale N.A., Inc.			1.24%, 07/15/03	5,000	5,000
1.20%, 07/02/03	2,000	2,000	Chase Manhattan Bank (USA), N.A.		
1.22%, 07/15/03	3,000	2,999	1.27%, 07/22/03	1,000	1,000
1.03%, 09/10/03	3,000	2,994	1.23%, 08/11/03	1,000	1,000
◆◆ Stellar Funding Group, Inc., 144A			Citibank, N.A.		
1.25%, 07/09/03	1,504	1,504	1.25%, 07/28/03	5,000	5,000
◆◆ Thunder Bay Funding, Inc., 144A			1.23%, 08/06/03	5,000	5,000
1.26%, 07/21/03	1,000	999	1.23%, 08/07/03	5,000	5,000
1.21%, 08/20/03	2,000	1,997	0.95%, 09/24/03	1,000	1,000
◆◆ Tulip Funding Corp., 144A			Credit Agricole Indosuez		
1.07%, 07/31/03	3,000	2,997	1.30%, 07/17/03	1,000	1,000
1.24%, 09/30/03	1,792	1,786	Credit Lyonnais S.A.		
◆◆ Windmill Funding Corp., 144A			1.00%, 09/17/03	2,000	2,000
1.21%, 07/10/03	3,000	2,999	Credit Suisse First Boston		
1.21%, 08/15/03	2,000	1,997	1.30%, 07/16/03	4,000	4,000
		250,864	Den Norske Bank ASA		
			1.15%, 09/08/03	3,000	3,000
Certificates of Deposit 35.5%			DePfa Bank, PLC		
American Express Centurion Bank			0.98%, 09/18/03	3,000	3,000
0.92%, 09/22/03	5,000	5,000	0.92%, 12/23/03	2,000	2,000
Bank of Montreal			Deutsche Bank, AG		
1.21%, 07/09/03	5,000	5,000	1.31%, 07/01/03	5,000	5,000
Bank of New York			1.32%, 07/09/03	5,000	5,000
1.29%, 08/18/03	4,000	4,000	1.21%, 07/16/03	2,000	2,000
Bank of Nova Scotia			1.10%, 09/09/03	7,000	7,000
1.21%, 07/08/03	7,000	7,000	0.90%, 09/25/03	4,000	4,000
Barclays Bank, PLC			ForeningsSparbanken, AB (Swedbank)		
1.25%, 07/16/03	2,000	2,000	0.90%, 11/25/03	4,000	4,000
1.25%, 07/28/03	5,000	5,000	Fortis Bank		
1.26%, 07/28/03	2,000	2,000	1.23%, 07/09/03	4,000	4,000
1.20%, 08/04/03	2,000	2,000	1.27%, 09/03/03	2,000	2,000

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
+ HBOS Treasury Services, PLC			WestLB AG		
1.20%, 08/26/03	1,000	1,000	1.35%, 07/08/03	2,000	2,000
ING Bank, N.V.			1.93%, 09/18/03	3,000	3,000
1.21%, 07/03/03	4,000	4,000	1.26%, 04/02/04	3,000	3,000
1.31%, 07/14/03	2,000	2,000	Wilmington Trust Co.		
1.25%, 07/31/03	2,000	2,000	1.28%, 07/22/03	1,000	1,000
1.23%, 08/08/03	2,000	2,000	1.20%, 09/15/03	4,000	4,000
Landesbank Baden Wurttemberg					216,010
1.85%, 10/17/03	2,000	2,000	Promissory Notes 2.0%		
0.91%, 12/12/03	4,000	4,002			
Landesbank Hessen-Thuringen Girozentrale			• The Goldman Sachs Group, Inc.		
1.27%, 08/29/03	4,000	4,000	1.36%, 08/05/03	2,000	2,000
1.30%, 02/03/04	1,000	1,000	1.35%, 09/08/03	1,000	1,000
Natexis Banques Populaires			1.26%, 09/22/03	4,000	4,000
1.20%, 08/29/03	4,000	4,000	1.26%, 12/05/03	1,000	1,000
National City Bank, Cleveland			1.01%, 12/23/03	4,000	4,000
1.20%, 07/07/03	5,000	5,000			12,000
Norddeutsche Landesbank Girozentrale			Bank Notes 0.5%		
1.25%, 07/18/03	3,000	3,000			
1.49%, 12/29/03	2,000	2,000	Standard Federal Bank, N.A.		
Nordea Bank Finland, PLC			1.19%, 08/26/03	2,000	2,000
1.22%, 08/15/03	1,000	1,000	1.20%, 09/05/03	1,000	1,000
1.20%, 09/02/03	3,000	3,000			3,000
Rabobank Nederland			U.S. Government Securities 9.1% of investments		
0.95%, 12/03/03	1,000	1,001			
Royal Bank of Canada			Discount Notes 9.1%		
1.61%, 11/25/03	3,000	3,000			
Royal Bank of Scotland, PLC			Fannie Mae		
1.20%, 07/01/03	4,000	4,000	1.18%, 08/27/03	10,000	9,981
Societe Generale			▲ 0.94%, 10/01/03	5,000	4,988
1.30%, 07/15/03	2,000	2,000	1.09%, 11/26/03	6,000	5,974
1.25%, 10/16/03	1,000	1,000	0.90%, 12/17/03	5,000	4,979
State Street Bank & Trust Co., N.A.			Freddie Mac		
1.19%, 08/26/03	1,000	1,000	1.10%, 09/11/03	4,000	3,991
1.10%, 12/04/03	2,000	2,000	1.09%, 10/24/03	5,000	4,983
Toronto Dominion Bank			0.99%, 11/17/03	2,000	1,992
1.25%, 07/07/03	6,000	6,000	1.00%, 12/04/03	5,000	4,978
UBS, AG			1.06%, 12/04/03	9,539	9,496
1.59%, 12/16/03	2,000	2,000	0.96%, 12/31/03	4,000	3,981
Unicredito Italiano SPA					55,343
1.31%, 07/17/03	5,000	5,000			
1.26%, 07/22/03	1,000	1,000			
0.96%, 09/15/03	2,000	2,000			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
Variable-Rate Obligations 4.6% of investments		
◆ Beta Finance, Inc., 144A 1.15%, 07/15/03	5,000	5,000
◆ California Pollution Control Financing Authority Solid Waste Disposable RB (Burr Properties Project) Series 1998B 1.80%, 07/07/03	1,835	1,835
◆ Columbus, Georgia Development Authority Taxable RB (Jay Leasing, Inc. Project) Series 1997 1.12%, 07/07/03	1,985	1,985
◆ Eagle County, Colorado Taxable Housing Facilities RB (BC Housing, L.L.C. Project) Series 1997B 1.20%, 07/07/03	1,500	1,500
◆ LP Pinewood SPV 1.02%, 07/07/03	10,000	10,000
◆ Sigma Finance, Inc., 144A 1.30%, 07/07/03 1.14%, 07/15/03	2,000 3,000	2,000 2,999
◆ Trap Rock Industries, Inc. RB Series 1997, 144A 1.04%, 07/07/03	1,540	1,540
◆ Village of Sturtevant, Wisconsin IDRB (Andis Co. Project) Series 1996B 1.28%, 07/07/03	1,040	1,040
		27,899

Security	Maturity Value (\$ x 1,000)	Mkt. Value (\$ x 1,000)
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Other Investments 7.0% of investments**Repurchase Agreements** 7.0%**Bear Stearns & Co., Inc.**

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$6,122 1.29%, issued 01/15/03, due 07/07/03	6,037	6,000
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Credit Suisse First Boston L.L.C.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$36,981 1.32%, issued 06/30/03, due 07/01/03	36,255	36,254
		42,254

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

Statement of

Assets and Liabilities

As of June 30, 2003; unaudited. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$607,370
Receivables:	
Fund shares sold	1,148
Interest	835
Prepaid expenses	+ 27
Total assets	609,380

Liabilities

Payables:	
Fund shares redeemed	5,115
Dividends to shareholders	127
Investments bought	8,002
Investment adviser and administrator fees	19
Transfer agent and shareholder service fees	12
Accrued expenses	+ 53
Total liabilities	13,328

Net Assets

Total assets	609,380
Total liabilities	- 13,328
Net assets	\$596,052

Net Assets by Source

Capital received from investors	596,053
Net realized capital losses	(1)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$596,052		596,110		\$1.00

Includes illiquid restricted securities worth \$14,994, or 2.47% of the fund's investments. The amortized cost for the fund's securities was \$607,370.

Federal Tax Data

Cost basis of portfolio \$607,370

As of December 31, 2002:**Unused capital losses:**

Expires 12/31 of: Loss amount:
2004 \$1

Statement of

Operations

For January 1, 2003 through June 30, 2003; unaudited. All numbers x 1,000.

Investment IncomeInterest **\$4,057****Expenses**

Investment adviser and administrator fees 1,131

Transfer agent and shareholder service fees 744

Trustees' fees 16

Custodian and portfolio accounting fees 38

Professional fees 11

Registration fees 14

Shareholder reports 18

Other expenses + 4

Total expenses 1,976**Increase in Net Assets from Operations****Total investment income 4,057****Total expenses - 1,976****Net investment income 2,081****Increase in net assets from operations \$2,081**

Calculated on a graduated basis as a percentage of average daily net assets: 0.38% of the first \$1 billion, 0.35% over \$1 billion, 0.32% over \$10 billion, 0.30% over \$20 billion and 0.27% over \$40 billion.

Calculated as a percentage of average daily net assets: for transfer agent services, 0.05% of the fund's assets; for shareholder services, 0.20% of the fund's assets.

For the fund's independent trustees only.

The investment adviser (CSIM) and the transfer agent and shareholder service agent (Schwab) guarantee to limit the annual operating expenses of this fund through at least April 30, 2004, to 0.73% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses.

Statements of

Changes in Net Assets

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

Operations

	1/1/03-6/30/03	1/1/02-12/31/02
Net investment income	\$2,081	\$6,849
Increase in net assets from operations	2,081	6,849

Distributions Paid

Dividends from net investment income	2,081	6,849
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Transactions in Fund Shares

Shares sold	227,104	449,315
Shares reinvested	1,929	6,808
Shares redeemed	+ (198,913)	(405,628)
Net transactions in fund shares	30,120	50,495

Net Assets

Beginning of period	565,932	515,437
Total increase	+ 30,120	50,495
End of period	\$596,052	\$565,932

The tax-basis components of distributions paid for the prior period were:

Ordinary income	\$6,849
Long-term capital gains	\$-

Because all transactions in this section took place at \$1.00 per share, figures for share quantities are the same as for dollars.

Represents the changes in net assets from operations plus the changes in value of transactions in fund shares, minus distributions paid.

Financial Notes unaudited

Business Structure of the Funds

Each of the funds discussed in this report is a series of The Charles Schwab Family of Funds™, a no-load, open-end management investment company. The company is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended. The sidebar shows the funds in this report and their trust.

The funds offer one share class. For these funds, shares are bought and sold at \$1.00 per share. Each share has a par value of 1/1,000 of a cent, and the trust may issue as many shares as necessary.

Fund Operations

Most of the funds' investments are described in the fund-by-fund sections earlier in this report. However, there are certain other investments and policies that may affect a fund's financials. The most significant of these are described below. Other policies concerning the funds' business operations also are described here.

The funds declare dividends every day they are open for business. These dividends, which are equal to a fund's net investment income for that day, are paid out to shareholders once a month. The funds may make distributions from any net realized capital gains once a year.

The funds may buy securities on a delayed-delivery basis. In these transactions, a fund agrees to buy a security for a stated price, with settlement generally occurring within two weeks. If the security's value falls before settlement occurs, a fund could end up paying more for the security than its market value at the time of settlement. The funds have set aside sufficient securities as collateral for those securities bought on a delayed-delivery basis.

The funds may enter into repurchase agreements. In a repurchase agreement, a fund buys a security from another party (usually a financial institution) with the agreement that it be sold back in the future. The date, price and other conditions are all specified when the agreement is created. Any repurchase agreements with due dates later than seven days from issue dates may be subject to seven day put features for liquidity purposes.

The funds' repurchase agreements will be fully collateralized by U.S. government securities. All collateral is held by the funds' custodian (or, with tri-party agreements, the agent's bank) and is monitored daily to ensure that its market value is at least equal to the repurchase price under the agreement.

The funds pay fees for various services. Through their trust, the funds have agreements with Charles Schwab Investment Management, Inc. (CSIM) to provide investment advisory and administrative services and with Charles Schwab & Co., Inc. (Schwab) to provide transfer agent and shareholder services.

The Trust and Its Funds

This list shows all of the funds included in The Charles Schwab Family of Funds. The funds discussed in this report are highlighted.

The Charles Schwab Family of Funds

organized October 20, 1989

Schwab Money Market Fund

Schwab Government Money Fund

Schwab U.S. Treasury Money Fund

Schwab Value Advantage Money Fund®

Schwab Municipal Money Fund

Schwab California Municipal Money Fund

Schwab New York Municipal Money Fund

Schwab New Jersey Municipal Money Fund

Schwab Pennsylvania Municipal Money Fund

Schwab Florida Municipal Money Fund

Schwab Massachusetts Municipal Money Fund

Schwab Institutional Advantage Money Fund®

Schwab Retirement Money Fund®

Schwab Government Cash Reserves

Although these agreements specify certain fees for these services, CSIM and Schwab have made additional agreements with the funds that may limit the total expenses charged. The rates and limitations for these fees vary from fund to fund, and are described in each fund's Statement of Operations.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the trust was in compliance with these limitations throughout the report period. The trust did not pay any of these persons for their service as trustees, but it did pay non-interested persons (independent trustees), as noted in each fund's Statement of Operations.

The funds may engage in certain transactions involving affiliates. The funds may make direct transactions with certain other SchwabFunds® when practical. When one fund is seeking to sell a security that another is seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

The funds intend to meet federal income and excise tax requirements for regulated investment companies. Accordingly, the funds distribute substantially all of their net investment income and realized net capital gains (if any) to their respective shareholders each year. As long as a fund meets the tax requirements, it is not required to pay federal income tax.

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

Accounting Policies

The following are the main policies the funds use in preparing their financial statements.

The funds value their securities at amortized cost, which approximates market value.

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

Interest income is recorded as it accrues. If a fund bought a debt instrument at a discount (that is, for less than its face value) or a premium (more than face value), it amortizes the discount or premium from the current date up to maturity. The fund then increases (in the case of discounts) or reduces (in the case of premiums) the income it records from the security. If the security is callable (meaning that the issuer has the option to pay it off before its maturity date), then the fund amortizes the premium to the security's call date and price, rather than the maturity date and price.

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

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

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

The accounting policies described above conform with accounting principles generally accepted in the United States of America. Notwithstanding this, shareholders should understand that in order to follow these principles, fund management has to make estimates and assumptions that affect the information reported in the financial statements. It's possible that once the results are known, they may turn out to be different from these estimates.

Glossary

Words and phrases that appear in financial reports often have specific meanings that are different from their everyday meanings. The glossary below tells you what is meant by the following terms when they are used in this report.

agency discount notes Notes issued by federal agencies—known as Government Sponsored Enterprises, or GSEs—at a discount to their value at maturity. An agency discount note is a short-term investment alternative offering a high degree of credit quality.

Alternative Minimum Tax (AMT) A federal income tax designed to limit the extent to which high-income taxpayers (including individuals, estates, trusts and corporations) can benefit from certain deductions and exemptions. For example, some types of income that are exempt from regular federal income tax are not exempt from the AMT.

asset-backed securities Securities that are backed by various assets, which may include loans, accounts receivable or investments of an entity, such as a bank or credit card company. These securities are obligations that the issuer intends to repay using the assets backing them (once collected or liquidated). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities.

bond A security representing a loan from the investor to the issuer. A bond typically pays interest at a fixed rate (the “coupon rate”) until a specified date (the “maturity date”), at which time the issuer returns the money borrowed (“principal” or “face value”) to the bondholder. Because of their structure, bonds are sometimes called “fixed income securities” or “debt securities.”

bond anticipation notes Obligations sold by a municipality on an interim basis in anticipation of the municipality’s issuance of a longer-term bond in the future.

capital gain, capital loss The difference between the amount paid for an investment and its value at a later time. If the investment has been sold, the capital gain or loss is considered a realized gain or loss. If the investment is still held, the gain or loss is still “on paper” and is considered unrealized.

commercial paper Promissory notes issued by banks, corporations, state and local governments and other entities to finance short-term credit needs. These securities generally are structured on a discounted basis but sometimes may be interest-bearing notes. Commercial paper, which may be unsecured, is subject to credit risk.

credit-enhanced security A security that is backed by the credit of an entity other than the issuer (such as a financial institution). Credit enhancements, which can equal up to 100% of the security’s value, are designed to help lower the risk of default on a security and may also make the security more liquid.

credit quality The capacity of an issuer to make its interest and principal payments. Federal regulations strictly limit the credit quality of the securities a money market fund can buy.

Portfolio terms

To help reduce the space occupied by the portfolio holdings, we use the following terms. Most of them appear within descriptions of individual securities in municipal funds, and describe features of the issuer or the security. Some of these are more fully defined elsewhere in the Glossary.

ACES	Adjustable convertible extendable security
BAN	Bond anticipation note
COP	Certificate of participation
GAN	Grant anticipation note
GO	General obligation
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bond
M/F	Multi-family
RAN	Revenue anticipation note
RB	Revenue bond
S/F	Single-family
TAN	Tax anticipation note
TECP	Tax-exempt commercial paper
TOB	Tender option bond
TOBP	Tender option bond partnership
TRAN	Tax and revenue anticipation note
VRD	Variable-rate demand

credit ratings Debt issuers, including corporations, states and municipalities, may arrange with a recognized independent rating organization, such as Moody's Investor Service, Standard & Poor's and Fitch, Inc., to rate their creditworthiness and/or the creditworthiness of their debt issues. For example, an issuer may obtain a long-term rating within the investment grade rating category, which is, from high to low, AAA, AA, A and BBB for Standard & Poor's and Fitch, and Aaa, Aa, A and Baa for Moody's.

credit risk The risk that a debt issuer may be unable to pay interest or principal to its debtholders.

dollar-weighted average maturity (DWAM) See weighted average maturity.

effective yield A measurement of a fund's yield that assumes that all dividends were reinvested in additional shares of the fund.

expense ratio The amount that is taken from a mutual fund's assets each year to cover the fund's operating expenses. An expense ratio of 0.50% means that a fund's expenses amount to half of one percent of its average net assets a year.

face value The value of a bond, note, mortgage or other security as given on the certificate or instrument. Face value is also referred to as par value or nominal value.

interest Payments to holders of debt securities as compensation for loaning a security's principal to the issuer.

liquidity-enhanced security A security that when tendered is paid from funds advanced by an entity other than the issuer (such as a large financial institution). Liquidity enhancements are often used on variable-rate securities where the portfolio manager has an option to tender the securities prior to their final maturity.

maturity Generally, the date a debt security is scheduled to be "retired" and its principal amount returned to the bondholder.

money market securities High-quality, short-term debt securities that may be issued by entities such as the U.S. government, corporations and financial institutions (such as banks). Money market securities include commercial paper, promissory notes, certificates of deposit, banker's acceptances, notes and time deposits.

municipal securities Debt securities issued by a state, its counties, municipalities, authorities and other subdivisions, or the territories and possessions of the United States and the District of Columbia, including their subdivisions, agencies and instrumentalities and corporations. These securities may be issued to obtain money for

various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, public utilities, schools, streets, and water and sewer works.

net asset value per share (NAV) The value of one share of a mutual fund. NAV is calculated by taking the fund's total assets, subtracting liabilities, and dividing by the number of shares outstanding. Money funds seek to maintain a steady NAV of \$1.00.

144A security A security exempt from a registration requirement pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, to qualified institutional buyers, as defined in Rule 144A.

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

revenue anticipation notes Obligations that are issued in expectation of the receipt of revenue, such as income taxes, property taxes, etc.

taxable-equivalent yield The yield an investor would need to get from a taxable investment in order to match the yield paid by a given tax-exempt investment, once the effect of all applicable taxes is taken into account. For example, if your tax rate were 25%, a tax-exempt investment paying 4.5% would have a taxable-equivalent yield for you of 6.0% ($4.5\% \div [1 - 0.25\%] = 6.0\%$).

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

tax anticipation notes Notes that typically are sold to finance the cash flow needs of municipalities in anticipation of the receipt of taxes on a future date.

Tier 1, Tier 2 Tier 1 is the highest category of credit quality, Tier 2 the second highest. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

weighted average maturity For mutual funds, the maturity of all the debt securities in its portfolio, calculated as a weighted average. As a rule, the longer a fund's weighted average maturity, the greater its interest rate risk. Money funds are required to maintain a weighted average maturity of no more than 90 days.

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

Notes

Contact Schwab

SchwabFunds® offers you a complete family of mutual funds, each one based on a time-tested investment approach and using disciplined, clearly defined management strategies.

Actively managed funds include multi-manager stock funds, a fund that uses long-short strategies, and a range of taxable and tax-free bond funds. Index funds include large-cap, small-cap and international stock funds. The list at right shows all currently available SchwabFunds.

Whether you're an experienced investor or just starting out, SchwabFunds can help you achieve your financial goals. Please call 1-800-435-4000 for a free prospectus and brochure for any SchwabFund. Please read the prospectus carefully before you invest. This report must be preceded or accompanied by a current prospectus.

Methods for Placing Orders

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

Internet¹

www.schwab.com

Schwab by Phone™²

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

TeleBroker®

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

Mail

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

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

¹ Shares of Sweep Investments™ may not be purchased directly over the Internet.

² Orders placed in person or through a telephone representative may be subject to a service fee payable to Schwab.

The SchwabFunds Family

Stock Funds

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

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab All Equity Portfolio
 Schwab Growth Portfolio
 Schwab Balanced Portfolio
 Schwab Conservative Portfolio

Bond Funds

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

Schwab Money Funds

Schwab offers an array of money market funds that seek high current income consistent with safety and liquidity.³ Choose from taxable or tax-advantaged alternatives. Many can be linked to your Schwab account to "sweep" cash balances automatically when you're between investments. Or, for your larger cash reserves, choose one of our Value Advantage Investments®.

³ Investments in money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and, although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money.

charles SCHWAB

Investment Adviser

Charles Schwab Investment Management, Inc.
101 Montgomery Street, San Francisco, CA 94104

Distributor

SchwabFunds®
P.O. Box 3812, Englewood, CO 80155-3812

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