

Schwab Municipal Money Fund

Annual Report

December 31, 2003

charles SCHWAB

In This Report

Schwab Municipal Money Fund

Sweep Shares: **SWXXX**

Value Advantage Shares: **SWTXX**

Select Shares[®]: **SWLXX**

Institutional Shares: **SWOXX**

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Fund investment adviser: Charles Schwab Investment Management, Inc. (CSIM).
Distributor and transfer agent: Charles Schwab & Co., Inc. (Schwab).

From the Chairman



Charles R. Schwab
Chairman

In 1989, we founded SchwabFunds® on the belief that mutual funds represent an important tool for investors. Money funds, for example, are especially well-suited for the cash portion of your portfolio when you are seeking capital preservation or liquidity.

Over the past few years, mutual funds have faced a number of challenges, affecting both their performance and investor perception. Yet recently we have seen signs of positive change. The economy and the stock market have shown increasing strength. And while much remains to be done within the fund industry, the industry has been moving quickly to assess and improve its operations and its investor safeguards.

As a firm, we continue to change as well. Our capabilities are evolving in ways that allow us to offer investors more choices and better ways to do business with us. I'm enthusiastic about these changes because they're designed to offer benefits for our fund shareholders.

One thing that hasn't changed is my belief in mutual funds. Mutual funds still offer all the features that have made them so popular: diversification, liquidity, convenience, low investment minimums, and professional management. For individual investors especially, I believe mutual funds continue to be one of the most cost-effective investment vehicles available.

To date, millions of Americans have successfully relied on mutual funds as an important way to invest for retirement security, their children's education, and other financial goals. We remain optimistic that mutual funds will continue to do the same for millions more Americans in the years to come.

Sincerely,

A handwritten signature in cursive script that reads "Charles R. Schwab". The signature is written in dark ink and is positioned below the word "Sincerely,".

Management's Discussion for the year ended December 31, 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 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

In today's current low-interest-rate environment, it's tempting to ask whether money funds still have a place in an investment portfolio.

It's a fair question, but I'd suggest the answer is not as obvious as it may seem. Money funds are designed to offer several potential benefits. If you're like many investors, your asset allocation calls for a portion of your portfolio to be in cash. If the purpose of that allocation is to offer capital preservation or liquidity, or to help reduce the impact of market volatility on your portfolio, then money funds probably still make sense for you, regardless of the yield environment.

Here at SchwabFunds®, we're proud of our seasoned fund managers and their ability to work as a team. Our managers have an average of over 16 years of experience in the investment management industry. I'm also proud to say that we're in the process of building on that experience: by expanding our selection of mutual funds, adding new share classes, and offering new, competitively priced alternatives.

Thirty years ago, Charles Schwab founded his firm with a vision to create the most useful and ethical financial services firm in the world. We live by that philosophy every day.

Your investment in SchwabFunds is an indication of the trust you place in us. As the managers of your money, we have a special obligation to live up to that trust. I have enjoyed the opportunity to respond to several shareholder inquiries, and I hope you'll let us know how we're doing.

I want to thank you for investing with us and want to assure you that we strive relentlessly to operate our business with the highest ethical standards and an unwavering commitment to serve you, our SchwabFunds shareholders.

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

During 2003, the U.S. economy began to gather strength, especially during the second half of the year. In the months before the war in Iraq (which began in March 2003), the economy remained in a holding pattern, as businesses and investors adopted a wait-and-see stance. Once the combat phase drew to an end, America began to pay more attention to the economy, which by year-end appeared to be recovering.

Seeking additional protection against the risk of deflation, the Federal Reserve (the Fed) cut short-term interest rates by 0.25% in June. This brought the Fed funds target rate to a 45-year low of 1.00%. Short-term interest rates began plummeting in May in anticipation of the Fed's rate cut but quickly began a modest recovery and ended the year somewhat above their mid-year lows. Nevertheless, money fund yields remained close to historically low levels.

Throughout the report period, short-term municipal yields remained attractively valued relative to short-term taxable yields. During the year, the ratio of short-term muni yields to taxables averaged 82%, and at times exceeded 95%. We attribute this situation to the unusually large quantity of municipal money market debt that was issued during 2003. In order to attract buyers for these securities, municipal issuers needed to offer higher yields than they otherwise might have.

Most states appeared to be addressing the revenue shortfalls they have faced as a result of a weak U.S. economy. Most states that began 2003 with significant budget shortfalls (such as California, New York and New Jersey) have passed budgets that include spending cuts and one-time revenue or financing solutions in order to balance their budgets. Drawing on the extensive research of our credit department, we were able to identify securities in several states, particularly California, that offered attractive yields and appeared to be solid credits. These helped increase the fund's yield.

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 12/31/03

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	0.54%	0.75%	0.85%	0.96%
Seven-Day Yield—No Waiver²	0.38%	0.62%	0.62%	0.62%
Seven-Day Effective Yield	0.54%	0.75%	0.85%	0.96%
Seven-Day Taxable-Equivalent Effective Yield³	0.83%	1.15%	1.31%	1.48%

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	56 days
Credit Quality of Holdings % of portfolio	100% Tier 1
Credit-Enhanced Securities % of portfolio	71%

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. Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

³ Taxable-equivalent effective yield assumes a 2003 maximum federal regular income tax rate of 35.00%. Investment income may be subject to the Alternative Minimum Tax.

Financial Statements

Financial Highlights

Sweep Shares	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	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
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.46	0.91	2.23	3.53	2.70
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.66	0.66	0.66	0.67 ²	0.66
Gross operating expenses	0.81	0.82	0.83	0.84	0.85
Net investment income	0.46	0.90	2.21	3.47	2.67
Net assets, end of period (\$ x 1,000,000)	7,494	7,435	7,265	6,780	6,090
Value Advantage Shares	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00
Income from investment operations:					
Net investment income	0.01	0.01	0.02	0.04	0.03
Less distributions:					
Dividends from net investment income	(0.01)	(0.01)	(0.02)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.68	1.12	2.45	3.75	2.91
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.45	0.45	0.45	0.46 ³	0.45
Gross operating expenses	0.58	0.59	0.61	0.64	0.65
Net investment income	0.68	1.11	2.35	3.70	2.89
Net assets, end of period (\$ x 1,000,000)	3,901	4,480	3,778	2,919	2,270

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

² The ratio of net operating expenses would have been 0.66% if certain non-routine expenses (proxy fees) had not been included.

³ The ratio of net operating expenses would have been 0.45% if certain non-routine expenses (proxy fees) had not been included.

Schwab Municipal Money Fund

Select Shares [®]	6/2/03 ¹ – 12/31/03
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 (%)	0.39 ³
Ratios/Supplemental Data (%)	
Ratios to average net assets:	
Net operating expenses	0.35 ⁴
Gross operating expenses	0.58 ⁴
Net investment income	0.68 ⁴
Net assets, end of period (\$ x 1,000,000)	474
Institutional Shares	
6/2/03 ¹ – 12/31/03	
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 (%)	0.45 ³
Ratios/Supplemental Data (%)	
Ratios to average net assets:	
Net operating expenses	0.24 ⁴
Gross operating expenses	0.58 ⁴
Net investment income	0.80 ⁴
Net assets, end of period (\$ x 1,000,000)	718

¹ Commencement of operations.

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

³ Not annualized.

⁴ Annualized.

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
98.6% Municipal Securities	12,414,710	12,414,710
98.6% Total Investments	12,414,710	12,414,710
1.4% Other Assets and Liabilities		172,169
100.0% Net Assets		12,586,879

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 98.6% of Net Assets

Alabama 0.8%**Alabama IDA**

+■ IDR (Scientific Utilization) Series 1996	1.50%, 01/07/04	2,160	2,160
Birmingham Special Care Facilities Financing Auth			
+■ Health Care Facility RB (Eastern Health System) Series 2003A	1.24%, 01/07/04	36,500	36,500

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Citronelle IDB

+■ Pollution Control Refunding RB (AKZO Chemicals) Series 1992	1.30%, 01/07/04	2,600	2,600
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Daphne Utilities Board

+▶■ Water, Gas & Sewer Refunding RB Series 2000	1.27%, 01/07/04	8,540	8,540
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Decatur IDB

■ Exempt Facilities Refunding RB (Nucor Steel Decatur) Series 2003A	1.17%, 01/07/04	17,000	17,000
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Dothan IDB

+■ IDR (Baxley Blowpipe) Series 1997	1.43%, 01/07/04	300	300
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Ft Payne IDA

+■ IDR (Charleston Hosiery) Series 1997	1.40%, 01/07/04	1,200	1,200
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Headland

+■ IDR (Golden Peanut Co) Series 1999	1.38%, 01/07/04	1,585	1,585
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Hoover Board of Education

+▶■ Capital Outlay TAN Series 2001 TOB Series 2001-16	1.21%, 01/07/04	9,860	9,860
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Indian Springs Village

+■ RB (Joseph Bruno Montessori Academy) Series 1999	1.25%, 01/07/04	1,320	1,320
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Scottsboro

+■ School Warrants Series 1997	1.25%, 01/07/04	3,870	3,870
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Stevenson IDB

+■ Environmental Improvement RB (Mead Corp) Series 1997	1.13%, 01/07/04	17,300	17,300
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Tuscaloosa Cnty

+■ IDR (Knight Specialties) Series 1998	1.30%, 01/07/04	990	990
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103,225

See financial notes. 7

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Face Amount	Value	Issuer	Face Amount	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)
Alaska 0.4%			Phoenix Civic Improvement Corp		
Alaska HFC			+■ Subordinated Excise Tax RB (Airport Improvements) Series 1995 1.14%, 01/07/04		
+■ General Mortgage RB Series 1999A TOB Series 1999D 1.21%, 01/07/04	21,805	21,805		1,000	1,000
+■ General Mortgage RB Series 2002A TOB Series 197 1.30%, 01/07/04	5,995	5,995	Yavapai Cnty IDA		
■ Housing Development Bonds Series 2000A 1.25%, 01/07/04	18,715	18,715	+■ Hospital RB (Yavapai Regional Medical Center) Series 1997B 1.25%, 01/07/04	14,350	14,350
Valdez				62,435	
■ Marine Terminal Refunding RB (BP Pipelines) Series 2003C 1.30%, 01/02/04	800	800	Arkansas 0.1%		
		47,315	Arkansas Development Finance Auth		
Arizona 0.5%			+■ IDR (C&C Holding Co) Series 1998 1.40%, 01/07/04		
Arizona Educational Loan Marketing Corp				995	995
+■ Educational Loan RB Series 1990A 1.22%, 01/07/04	12,905	12,905	Independence Cnty		
+■ Educational Loan RB Series 1991A 1.20%, 01/07/04	3,000	3,000	+■ IDR (Ideal Baking Co) Series 1997 1.40%, 01/07/04		
Arizona Health Facilities Auth			+■ IDR (Townsend's) Series 1996 1.30%, 01/07/04		
+■ Hospital RB (Northern Arizona Healthcare System) Series 1996B 1.25%, 01/07/04	7,250	7,250		2,800	2,800
+■ RB (Arizona Voluntary Hospital Federation Pooled Loan Program) Series 1985A 1.25%, 01/07/04	13,300	13,300	California 5.0%		
+■ RB (Arizona Voluntary Hospital Federation Pooled Loan Program) Series 1985B 1.25%, 01/07/04	9,330	9,330	Access Loans For Learning Studen Loan Corp		
Chandler IDA			+■ Student Loan Program RB Series II-A1 1.30%, 01/07/04		
+■ IDR (South Bay Circuits) Series 1999A 1.45%, 01/07/04	1,300	1,300	+■ Student Loan Program RB Series II-A2 1.30%, 01/07/04	20,000	20,000
			+■ Student Loan Program RB Series II-A3 1.30%, 01/07/04	23,700	23,700
			California		
			+■ 2003-04 Fixed Rate RAN Subseries A-1 1.07%, 06/23/04		
			+■ 2003-04 Fixed Rate RAN Subseries A-2 1.07%, 06/23/04		
				45,000	45,198
				78,400	78,745

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Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ 2003-04 Fixed Rate RAN Subseries A-3 1.07%, 06/23/04	35,000	35,154	California School Cash Reserve Program Auth		
+ 2003-04 Fixed Rate RAN Subseries A-4 1.07%, 06/23/04	30,000	30,132	+ 2003 Pool Bonds Series A 0.90%, 07/06/04	38,870	39,087
+ 2003-04 Fixed Rate RAN Subseries A-6 1.07%, 06/23/04	25,000	25,110	CHELA Financial		
California Dept of Water Resources			+ Student Loan RB Series 1987C 0.95%, 07/01/04	71,000	71,000
+ Power Supply RB Series 2002B-1 1.27%, 01/02/04	5,500	5,500	+ Student Loan Senior Lien Refunding RB Series 1992 A-4 1.15%, 04/01/04	10,725	10,725
+ Power Supply RB Series 2002B-2 1.33%, 01/02/04	19,850	19,850	Los Angeles		
+ Power Supply RB Series 2002B-5 1.26%, 01/02/04	3,600	3,600	2003-04 TRAN 0.95%, 06/30/04	25,000	25,129
+ Power Supply RB Series 2002C-17 1.25%, 01/07/04	1,700	1,700	Los Angeles Cnty		
+ Power Supply RB Series 2002C-7 1.27%, 01/07/04	47,700	47,700	2003-04 TRAN Series A 1.08%, 06/30/04	13,000	13,058
California HFA			Metropolitan Water District of Southern California		
+ Home Mortgage RB 2001 Series J 1.19%, 01/02/04	6,620	6,620	+ Water RB Series B-4 1.03%, 01/07/04	3,600	3,600
+ Home Mortgage RB 2002 Series B 1.38%, 01/02/04	5,000	5,000	Sacramento Cnty		
+ Home Mortgage RB 2002 Series J 1.19%, 01/02/04	12,000	12,000	2003-2004 TRAN Series A 0.95%, 07/30/04	25,000	25,150
+ S/F Mortgage RB Draw Down Series 2003B TOB Series PT-843 1.37%, 01/07/04	7,870	7,870	Southern California Home Financing Auth		
California Pollution Control Finance Auth			+ S/F Mortgage RB Draw Down Series 2002 TOB Series PT-629 1.33%, 01/07/04	38,640	38,640
+ Solid Waste Disposal Refunding RB (Waste Management) Series 2002A 1.29%, 01/07/04	500	500			629,768
			Colorado 2.6%		
			Arapahoe Cnty		
			+ Refunding IDRB (Denver Jetcenter) Series 1997 1.25%, 01/30/04	3,500	3,500
			Arvada		
			+ Water Enterprise RB Series 2001 1.20%, 02/02/04	4,200	4,200
			Colorado Housing & Finance Auth		
			+ Economic Development RB (Pemracs) Series 2000A 1.40%, 01/07/04	3,715	3,715

See financial notes. 9

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Face Amount	Value	Issuer	Face Amount	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)
S/F Mortgage Class I Bonds Series 2003C4 1.18%, 11/01/04	5,000	5,000	Regional Transportation District		
S/F Mortgage Class I Bonds Series 2003C5 1.13%, 11/01/04	13,000	13,000	+ Subordinate Lien Sales Tax Revenue TECP Series 2001A 1.05%, 02/05/04	7,500	7,500
■ S/F Program Senior Bonds Series 1995D TOB Series 1999M 1.38%, 01/07/04	3,120	3,120	Smith Creek		
Colorado Student Loan Auth			+■ RB Series 1997 1.30%, 01/07/04	2,250	2,250
+■ Senior Lien Student Loan RB Series 1999A-2 1.15%, 01/07/04	28,400	28,400	Westminster Economic Development Auth		
+■ Senior Lien Student Loan RB Series 1999A-3 1.15%, 01/07/04	29,800	29,800	+■ Tax Increment RB (Westminster Plaza) Series 1997A 1.45%, 01/07/04	6,430	6,430
+■ Student Loan Program Senior Bonds Series 1990A 1.18%, 01/07/04	14,400	14,400	323,083		
+■ Student Loan RB Series 1989A 1.15%, 01/07/04	49,400	49,400	Connecticut 0.0%		
Denver City & Cnty			Connecticut Health & Educational Facilities Auth		
+■ Airport System RB Series 1992F 1.22%, 01/07/04	18,250	18,250	■ RB (Yale University) Series X-2 1.15%, 01/07/04	5,000	5,000
+■ Airport System RB Series 1992G 1.22%, 01/07/04	18,725	18,725	Delaware 0.7%		
+■ Airport System Refunding RB Series 2000B 1.33%, 01/07/04	10,000	10,000	Delaware Economic Development Auth		
+■ Airport System Refunding RB Series 2000C 1.22%, 01/07/04	50,000	50,000	+■ RB (Hospital Billing & Collection Service) Series 1985 1.14%, 01/07/04	22,820	22,820
+ Airport System Refunding RB Series 2001A 1.10%, 11/15/04	9,550	9,893	+■ RB (Hospital Billing & Collection Service) Series 1985C 1.14%, 01/07/04	14,855	14,855
+■ Refunding COP (Wellington E. Webb Municipal Office Building) Series 2003 C-3 1.17%, 01/07/04	20,000	20,000	New Castle Cnty		
Lowry Economic Development Auth			+■ Airport Facility RB (Flightsafety International) Series 2002 1.33%, 01/07/04	16,600	16,600
+■ IDR Series 2002B 1.15%, 01/07/04	14,140	14,140	Sussex Cnty		
+■ Refunding RB Series 2002A 1.15%, 01/07/04	11,360	11,360	+■ IDR (Perdue-Agrirecycle) Series 2000 1.30%, 01/07/04	5,300	5,300
			+■ RB (Baywood) Series 1997A 1.40%, 01/07/04	2,400	2,400
			Wilmington		
			+■ RB (Delaware Art Museum) Series 2003 1.15%, 01/07/04	21,800	21,800
			83,775		

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Portfolio Holdings continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Orlando & Orange Cnty Expressway Auth			Polk Cnty School Board		
+■ Expressway Refunding RB Series 2003 C-2 1.20%, 01/07/04	4,500	4,500	+■ COP (Master Lease Program) Series 2003A 1.17%, 01/07/04	1,000	1,000
+■ Expressway Refunding RB Series 2003 C-4 1.20%, 01/07/04	8,830	8,830	Santa Rosa Cnty		
+ Expressway Refunding RB Series 2003A 0.94%, 07/01/04	3,455	3,490	+■ Health Facilities RB (Baptist Hospital) Series 2003 1.25%, 01/07/04	7,905	7,905
Orlando Utilities Commission			Sunshine State Govt Finance Commission		
■ Water & Electric RB Series 2002B 1.10%, 01/07/04	67,800	67,800	+■ TECP Series 1998A 0.95%, 02/09/04	13,975	13,975
Palm Beach Cnty			+■ TECP Series C 0.95%, 02/09/04	7,595	7,595
+■ Economic Development Refunding & Improvement RB (YMCA) Series 2003 1.15%, 01/07/04	13,700	13,700	Tallahassee-Leon Cnty Civic Center Auth		
+■ RB (Raymond F. Kravis Center for the Performing Arts) Series 2002 1.20%, 01/07/04	4,900	4,900	+■ Capital Improvement RB Series 1998A 1.20%, 01/07/04	13,400	13,400
Palm Beach Cnty SD			Tampa		
+■ COP Series 2002B 1.17%, 01/07/04	19,400	19,400	+■ Occupational License Tax Refunding Bonds Series 2002B 1.06%, 01/07/04	7,000	7,000
Pasco Cnty School Board			+■ RB (Tampa Preparatory School) Series 2000 1.10%, 01/07/04	11,000	11,000
+■ COP Series 1996 1.25%, 01/07/04	3,100	3,100	Tampa Bay Water Utility		
Pinellas Cnty Educational Facilities Auth			+■ Utility System RB Series 2002 1.35%, 01/07/04	6,400	6,400
+■ RB (Canterbury School) Series 2000 1.10%, 01/07/04	2,040	2,040	311,511		
+■ RB (Shorecrest Preparatory School) Series 2001 1.10%, 01/07/04	1,000	1,000	Georgia 5.0%		
Pinellas Cnty IDA			Athens-Clark Cnty Development Auth		
+■ RB (Pact) Series 2003 1.25%, 01/07/04	8,100	8,100	+■ RB (University of Georgia Athletic Association) Series 2003 1.30%, 01/02/04	4,400	4,400
Pinellas Cnty Industry Council			Athens-Clark Cnty Joint Development Auth		
+■ RB (Operation Par) Series 1999 1.20%, 01/07/04	5,055	5,055	+■ IDR (Mayfield Dairy Farms) 1996 1.35%, 01/07/04	7,350	7,350

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Atlanta			M/F Senior Housing RB (Big Bethel Village) Series 2001		
+■ Airport General Refunding RB Series 2000A TOB Series 2000-376 1.33%, 01/07/04	11,195	11,195	1.25%, 01/07/04	4,500	4,500
Atlanta Urban Residential Finance Auth			Augusta Housing Auth		
+■ M/F Housing RB (Brentwood Creek Apts) Series 1999 1.30%, 01/07/04	4,525	4,525	+■ M/F Housing RB (G-Hope) Series 2001 1.30%, 01/07/04	3,800	3,800
+■ M/F Housing RB (Brentwood Meadows Apts) Series 1999 1.30%, 01/07/04	2,935	2,935	Bartow Cnty		
+■ M/F Housing RB (Brentwood Village Apts) Series 1999 1.30%, 01/07/04	5,940	5,940	+■ IDRB (Bartow Paving Co) Series 1998 1.40%, 01/07/04	2,000	2,000
+■ M/F Housing RB (Carver Redevelopment Phase III) Series 2001 1.25%, 01/07/04	3,500	3,500	+■ IDRB (CW Matthews Contracting Co) Series 1997 1.35%, 01/07/04	800	800
+■ M/F Housing RB (Delmonte/ Brownlee Court), Series 2001A 1.30%, 01/07/04	4,600	4,600	Cartersville Development Auth		
+■ M/F Housing RB (M St Apts) Series 2003 1.33%, 01/07/04	7,000	7,000	+■ IDRB (Cartersville Facilities) Series 1998 1.37%, 01/07/04	2,000	2,000
+■ M/F Housing RB (Peaks at West Atlanta Apts) Series 2001 1.25%, 01/07/04	5,000	5,000	Cherokee Cnty		
			+■ IDRB (Universal Alloy Corp) Series 1996 1.35%, 01/07/04	2,300	2,300
			Clayton Cnty Development Auth		
			+■ IDRB (Wilson Holdings) Series 1998 1.35%, 01/07/04	600	600
			+■ Special Facilities RB (Delta Air Lines) Series 2000C 1.25%, 01/07/04	19,500	19,500
			Clayton Cnty Housing Auth		
			+■ M/F Housing RB (Hyde Park Club Apts) Series 1997 1.25%, 01/07/04	12,195	12,195
			Cobb Cnty Housing Auth		
			+■ M/F Housing RB (Walton Green Apts) Series 1995 1.35%, 01/07/04	13,500	13,500
			+■ M/F Housing RB (Woodchase Village Apt) Series 2003 1.33%, 01/07/04	4,000	4,000
			+■ M/F Housing Refunding RB (Walton Park Apts) Series 2000 1.30%, 01/07/04	21,100	21,100

See financial notes. 13

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Columbus Development Auth				Douglas Cnty IDA			
+■	RB (Foundation Properties) Series 2000 1.30%, 01/07/04	3,900	3,900	+■	IDRB (Blue Circle Aggregates) Series 1997 1.35%, 01/07/04	3,800	3,800
+■	RB (Foundation Properties) Series 2002 1.30%, 01/07/04	11,500	11,500	Effingham Cnty IDA			
Columbus Housing Auth				+■	RB (TEMCOR) Series 2001 1.30%, 01/07/04	4,000	4,000
+■	M/F Housing RB (Eagles Trace Apts) Series 2002 1.25%, 01/07/04	6,400	6,400	Fayette Cnty Dev Auth			
Crisp Cnty - Cordele IDA				+■	Educational Facilities RB (Catholic School Properties) Series 1999 1.25%, 01/07/04	10,100	10,100
+■	RB (Georgia Ductile) Series 2000 1.32%, 01/07/04	13,400	13,400	Forsyth Cnty Dev Auth			
Dalton Development Auth				+■	Economic Development RB (Federal Road) Series 2001 1.25%, 01/07/04	7,000	7,000
+■	Revenue Certificates (Hamilton Health Care System) Series 2003B 1.25%, 01/07/04	10,750	10,750	Fulton Cnty Building Auth			
Dawson Cnty				+■	Refunding RB (County Government & Health Facilities) Series 2002C 1.28%, 01/01/04	4,725	4,725
+■	IDRB (World Wide Mnfg) Series 1998 1.40%, 01/07/04	2,450	2,450	Fulton Cnty Dev Auth			
Dekalb Cnty Development Auth				+■	RB (Atlanta International School) Series 1997 1.20%, 01/07/04	2,600	2,600
+■	RB (Arbor Montessori School) Series 1998 1.20%, 01/07/04	1,100	1,100	+■	RB (Robert W. Woodruff Arts Center) Series 1993 1.25%, 01/07/04	10,000	10,000
Dekalb Cny Housing Auth				+■	RB (Trinity School) Series 2001 1.20%, 01/07/04	7,000	7,000
+■	M/F Housing RB (Brittany Apts) Series 2001 1.30%, 01/07/04	8,000	8,000	Gainesville Redevelopment Auth			
+■	M/F Housing RB (Eagles Trace Apts) Series 1996 1.17%, 01/07/04	8,950	8,950	+■	Educational Facilities RB (Riverside Military Academy) Series 1999 1.25%, 01/07/04	29,800	29,800
+■	M/F Housing RB (Mountain Crest Apts) Series 2002 1.25%, 01/07/04	7,915	7,915	Georgia			
+■	M/F Housing RB (Villas of Friendly Heights Apts) Series 2001 1.30%, 01/07/04	3,575	3,575	■	GO Bonds 2001B TOB Series PT-897R 1.25%, 01/07/04	10,575	10,575
+■	M/F Housing RB (Wesley Club Apts) Series 2002 1.25%, 01/07/04	5,970	5,970	■	GO Bonds Series 1998B TOB Series 981003 1.30%, 01/07/04	20,245	20,245
				Gordon Cnty Development Auth			
				+■	RB (Constantine Dyeing) Series 2001 1.25%, 01/07/04	4,150	4,150

Schwab Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Gwinnett Cnty Housing Auth				Pike Cnty Development Auth			
+■	M/F Housing RB (Post Court) Series 1998 1.15%, 01/07/04	5,000	5,000	+■	IDRB (Southern Mills) Series 2003 1.40%, 01/07/04	4,000	4,000
Hart Cnty				Roswell Housing Auth			
+■	IDRB (Awh Corp) Series 1999 1.35%, 01/07/04	4,300	4,300	+■	M/F Housing Refunding RB (Wood Crossing) Series 1994 1.25%, 01/07/04	11,650	11,650
+■	Refunding RB & IDRB (Dundee Mills) Series 1994 1.30%, 01/07/04	2,505	2,505	Savannah Economic Development Auth			
Houston Cnty Development Auth				+■	Exempt Facility RB (Georgia Kaolin Terminal) Series 1997 1.35%, 01/07/04	11,000	11,000
+■	IDRB (Douglas Asphalt Co) Series 2000 1.30%, 01/07/04	2,100	2,100	+■	Exempt Facility RB (Home Depot) Series 1995B 1.30%, 01/07/04	5,000	5,000
Jefferson Cnty Dev Auth				+■	First Mortgage RB (Marshes of Skidaway Island) Series 2003C 1.30%, 01/07/04	15,000	15,000
+■	IDRB (Grove River Mills) Series 1997 1.40%, 01/07/04	2,100	2,100	Savannah Housing Auth			
Laurens Cnty Development Auth				+■	M/F Housing RB (Indigo Pointe Apts) Series 2001A-1 1.30%, 01/07/04	3,500	3,500
+■	Solid Waste Disposal RB (Southeast Paper Mnfg Co) Series 1993 1.35%, 01/07/04	25,000	25,000	+■	M/F Housing RB (Live Oak Plantation Apts) Series 2001A-1 1.30%, 01/07/04	2,500	2,500
+■	Solid Waste Disposal RB (Southeast Paper Mnfg Co) Series 1997 1.35%, 01/07/04	26,000	26,000	Summerville Development Auth			
Lawrenceville Housing Auth				+■	Exempt Facility RB (Image Industries) Series 1997 1.32%, 01/07/04	11,000	11,000
+■	M/F Housing RB (Chatham Club Apts) Series 2002 1.40%, 01/07/04	7,700	7,700	Thomasville Hospital Auth			
Lowndes Cnty Development Auth				+■	Revenue Anticipation Certificates (John D. Archbold Memorial Hospital) Series 2003 1.15%, 01/07/04	5,900	5,900
+■	M/F Housing RB (FMPH Valdosta Partnership) Series 1999 1.30%, 01/07/04	4,840	4,840	Walton Cnty Development Auth			
Macon-Bibb Cnty Hospital Auth				+■	RB (Tucker Door & Trim Corp) Series 2000 1.40%, 01/07/04	2,600	2,600
+■	Revenue Anticipation Certificates (Medical Center of Central Georgia) Series 1998 1.20%, 01/07/04	4,000	4,000	Webster Cnty IDA			
Miller Cnty Development Auth				+■	IDRB (Tolleson Lumber Co) Series 1999 1.35%, 01/07/04	4,800	4,800
+■	IDRB (Birdsong Corp) Series 2000 1.30%, 01/07/04	2,700	2,700				

See financial notes. 15

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Whitfield Cnty Dev Auth			+>■ GO Bonds Series 2003A TOB		
+■ RB (Product Concepts Residential) Series 2001 1.25%, 01/07/04	720	720	Series 237 1.30%, 01/07/04	14,995	14,995
Winder-Barrow Cnty Joint Development Auth			90,069		
+■ Solid Waste Disposal RB (Republic Services) Series 2002 1.25%, 01/07/04	6,000	6,000	Idaho 0.0%		
Winder-Barrow Industrial Building Auth			Idaho HFA		
+■ IDRB (Progress Container Corp) Series 2000 1.30%, 01/07/04	2,795	2,795	+■ Housing RB (Assisted Living Concepts) Series 1997 1.40%, 01/07/04	3,190	3,190
Worth Cnty			Idaho State University Foundation		
+■ Refunding IDRB (Seabrook Peanut Co) Series 1996B 1.30%, 01/07/04	1,300	1,300	+■ RB Series 2001 (LE & Thelma E. Stephens Performing Arts Center) Series 2001 1.30%, 01/07/04	3,955	3,955
630,155			7,145		
Hawaii 0.7%			Illinois 7.9%		
Hawaii			Aurora		
+>■ Special Purpose Refunding RB Series 2000 (Hawaiian Electric Co) TOB Series PA-795R 1.33%, 01/07/04	9,095	9,095	+■ M/F Housing Refunding RB (Apts of Fox Valley Villages) Series 1999A 1.20%, 01/07/04	9,445	9,445
Hawaii Airports System			Carol Stream		
+>■ Airport System Refunding RB Series 2000B TOB Series PT-830 1.34%, 01/07/04	2,215	2,215	+■ M/F Housing Refunding RB (St Charles Square) Series 1997 1.30%, 01/07/04	4,415	4,415
+■ Airport System Refunding RB Series 2003 1.00%, 07/01/04	25,000	25,124	Chicago		
Hawaii Housing Finance & Development Corp			+■ Collateralized S/F Mortgage RB Series 1999A TOB Series 1999N 1.38%, 01/07/04		
+■ S/F Mortgage Purchase RB TOB Series 1997 1.38%, 01/07/04	5,340	5,340	+■ GO Tender Notes Series 2003 1.15%, 01/07/04	2,000	2,000
Honolulu City & County			+>■ GO Bonds Series 2002B 1.28%, 01/07/04	20,000	20,000
+>■ GO Bonds Series 2001C 1.18%, 12/02/04	33,300	33,300	+■ GO Refunding Bonds Series 2002A 1.19%, 01/01/04	5,180	5,180
			+>■ GO Refunding Bonds Series 2003 B-1 1.23%, 01/07/04	43,000	43,000
			+■ IDRB (Morse Automotive Corp) Series 1995 1.40%, 01/07/04	1,400	1,400

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Midway Airport RB Series			Special Facility Refunding RB		
1998C TOB Series 981305			(Lufthansa German Airlines)		
1.30%, 01/07/04	24,480	24,480	Series 2001		
RB (Homestart Program) Series			1.11%, 01/07/04	43,770	43,770
2000A			Dupage Cnty		
1.37%, 01/07/04	10,000	10,000	RB (Morton Arboretum) Series		
Second Lien Water RB Series			2003		
2000			1.21%, 01/07/04	10,000	10,000
1.15%, 01/07/04	2,000	2,000	East Dundee, Kane & Cook		
Senior Lien Water RB Series			Counties		
2000 TOB Series 20001309			IDRB (Otto Engineering) Series		
1.30%, 01/07/04	12,975	12,975	1998		
Skyway Toll Bridge Refunding			1.35%, 01/07/04	1,950	1,950
RB			Elmhurst		
0.87%, 01/01/04	5,000	5,100	IDRB (Elm Machining Corp)		
Chicago Board of Education			Series 1997		
Unlimited Tax GO Bonds Series			1.55%, 01/07/04	1,880	1,880
1997 TOB Series 2000-467x			Gilberts Special Service Area		
1.29%, 01/07/04	7,120	7,120	#10		
Chicago O'Hare International			Special Tax Bonds (Timber		
Airport			Trails) Series 2001		
General Airport Second Lien RB			1.20%, 01/07/04	2,360	2,360
Series 1988B			Hampshire		
1.13%, 01/07/04	13,000	13,000	IDRB (Poli-Film America)		
General Airport Second Lien RB			Series 1998A		
Series 1994B			1.40%, 01/07/04	4,000	4,000
1.25%, 01/07/04	41,484	41,484	Illinois		
General Airport Third Lien			Civic Center Bonds Series 1991		
Refunding RB Series 2003			TOB Series 2002N		
A-2 TOB Series 239			1.33%, 01/07/04	2,940	2,940
1.35%, 01/07/04	5,295	5,295	GO Bonds Illinois First Series		
General Airport Third Lien			2000 TOB Series 20001304		
Refunding RB Series 2003			1.30%, 01/07/04	14,000	14,000
B-2 TOB Series 368Z			GO Bonds Illinois First Series		
1.33%, 01/07/04	10,800	10,800	2000 TOB Series 2001-2		
Second Lien Passenger Facility			1.21%, 01/07/04	5,000	5,000
Charge RB Series 2001A			GO Bonds Illinois First Series		
TOB Series 2001 B6			2002 TOB Series 20021305		
1.26%, 01/07/04	11,070	11,070	1.30%, 01/07/04	14,125	14,125
Second Lien Passenger Facility			GO Bonds Series 1994		
Charge RB Series 2001A			0.83%, 08/01/04	3,860	4,049
TOB Series PT-755			GO Bonds Series 2003B		
1.34%, 01/07/04	6,315	6,315	1.28%, 01/07/04	5,000	5,000
Special Facilities RB (O'Hare			GO COP Series 2003		
Tech Center II) Series 2002			0.98%, 05/15/04	200,000	200,380
1.35%, 01/07/04	15,500	15,500			

See financial notes. 17

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Illinois Development Finance Auth			RB (Chicago Academy of Sciences) Series 1997		
+■ Development RB (Korex Corp) Series 1990 1.40%, 01/07/04	4,000	4,000	1.20%, 01/07/04	2,715	2,715
+■ Gas Supply Refunding RB Series 2003E (People's Gas) TOB Series 2003B 1.38%, 01/07/04	14,995	14,995	+■ RB (Chicago Academy of Sciences) Series 1998 1.20%, 01/07/04	5,700	5,700
+■ IDR (Arc-Tronics) Series 1999 1.20%, 01/07/04	2,190	2,190	+■ RB (Chicago Horticultural Society) Series 1999 1.20%, 01/07/04	18,000	18,000
+■ IDR (Camcraft Inc) Series 1993 1.40%, 01/07/04	2,200	2,200	+■ RB (Lake Forest Academy) Series 1994 1.20%, 01/07/04	4,000	4,000
+■ IDR (Plano Molding Co) Series 1990 1.35%, 01/07/04	4,300	4,300	+■ RB (Loyola Academy) Series 2001 1.20%, 01/07/04	10,000	10,000
+■ IDR (Radiological Society of North America) Series 1997 1.35%, 01/07/04	3,730	3,730	+■ RB (McCormick Theological Seminary) Series 2001B 1.20%, 01/07/04	12,500	12,500
+■ IDR (Rich Graphics Corp) Series 1996 1.55%, 01/07/04	2,335	2,335	■ RB (Palos Community Hospital) Series 1998 1.21%, 01/07/04	10,000	10,000
+■ IDR (Roll Service Inc) Series 1998 1.20%, 01/07/04	2,230	2,230	+■ RB (Perspectives Charter School) Series 2003 1.26%, 01/07/04	5,500	5,500
+■ Qualified Residential Rental Bonds (River Oaks) Series 1989 1.20%, 01/07/04	32,000	32,000	+■ RB (Presbyterian Home Lake Forest Place) Series 1996A 1.20%, 01/07/04	7,000	7,000
+■ RB (Francis W. Parker School) Series 1999 1.12%, 01/07/04	2,500	2,500	+■ RB (Presbyterian Homes Two Arbor Lane) Series 2001 1.20%, 01/07/04	9,000	9,000
+■ RB (Aurora Central Catholic High School) Series 1994 1.45%, 01/07/04	1,000	1,000	+■ RB (Rest Haven Convalescent Home) Series 1997 1.22%, 01/07/04	4,100	4,100
+■ RB (Carmel High School) Series 2003 1.20%, 01/07/04	3,200	3,200	+■ RB (Sacred Heart Schools) Series 2003 1.20%, 01/07/04	4,600	4,600
+■ RB (Catholic Charities Housing Development Corp) Series 1993A 1.35%, 01/07/04	9,160	9,160	+■ RB (Slovak American Charitable Assn) Series 2000 1.20%, 01/07/04	7,870	7,870
+■ RB (Catholic Charities Housing Development Corp) Series 1993B 1.35%, 01/07/04	910	910	+■ RB (St. Ignatius College Prep) Series 2002 1.20%, 01/07/04	2,500	2,500
			+■ RB (St. Ignatius College) Series 1994 1.20%, 01/07/04	2,200	2,200
			+■ RB (Wheaton Academy) Series 1998 1.20%, 01/07/04	9,000	9,000

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ Residential Rental RB (FC Harris Pavilion) Series 1994 1.12%, 01/07/04	5,000	5,000	Metropolitan Pier & Exposition Auth		
+►■ Water Facilities Refunding RB (Illinois-American Water Co) Series 2002 1.40%, 01/07/04	5,000	5,000	+►■ McCormick Place Expansion & Refunding Bonds Series 1999A-C TOB Series 20001305 1.30%, 01/07/04	9,790	9,790
Illinois Education Facility Auth			+■ McCormick Place Expansion Refunding Bonds Series 1996A 1.15%, 12/15/04	5,000	5,229
+■ RB (Chicago Historical Society) Series 1989 1.15%, 01/07/04	7,900	7,900	+►■ McCormick Place Expansion Refunding Bonds Series 1998A TOB Series 981304 1.30%, 01/07/04	14,355	14,355
+►■ RB (Shedd Aquarium) Series 1997 TOB Series 1997U 1.21%, 01/07/04	2,000	2,000	+►■ McCormick Place Expansion Refunding Bonds Series 2002B TOB Series 2002-A42 1.21%, 01/07/04	18,490	18,490
Illinois Health Facilities Auth			Metropolitan Water Reclamation District of Greater Chicago		
+■ RB (Bensenville Home Society) Series 1989A 1.13%, 01/07/04	2,125	2,125	■ GO Bonds Unlimited Tax Series 2002 1.15%, 01/07/04	12,000	12,000
+■ RB (Villa St. Benedict) Series 2003B 1.35%, 01/07/04	10,250	10,250	■ GO Refunding Bonds Unlimited Tax Series 2002A 1.07%, 01/07/04	28,200	28,200
+■ RB (Washington & Jane Smith Home) Series 1991 1.20%, 01/07/04	2,800	2,800	Oak Forest		
Illinois Housing Development Auth			+■ RB (Homewood) Series 1989 1.25%, 01/07/04	10,000	10,000
Homeowner Mortgage Revenue Notes Series 2000A-1 1.13%, 04/29/04	8,000	8,000	Orland Park		
Homeowner Mortgage Revenue Notes Series 2003A-2 1.18%, 04/29/04	26,500	26,500	+■ IDR (Orland Properties) Series 1986A 1.35%, 01/07/04	790	790
+■ M/F Mortgage Refunding RB (Hyde Park Tower Apts) Series 2000A 1.20%, 01/07/04	4,500	4,500	Palatine		
Illinois Student Assistance Commission			+■ Special Facility Limited Obligation RB (Little City for Community Development) Series 1998 1.20%, 01/07/04	4,000	4,000
+■ Student Loan RB Series 1996A 1.17%, 01/07/04	7,600	7,600	Regional Transportation Auth		
Lombard			+►■ GO Refunding Bonds Series 1999 TOB Series 991302 1.30%, 01/07/04	12,055	12,055
+■ Refunding IDR (B&H Partnership) Series 1995 1.65%, 01/07/04	1,850	1,850	+►■ GO Refunding Bonds TOB Series 991303 1.30%, 01/07/04	9,730	9,730

See financial notes. 19

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Richton Park			Indiana Development Finance Auth		
+■ IDRB (Avatar Corp) Series 1997 1.40%, 01/07/04	1,900	1,900	+■ IDRB (Big Sky Park) Series 1999 1.35%, 01/07/04	5,400	5,400
Rockford			+■ IDRB (Cives Corp) Series 1998 1.35%, 01/07/04	7,150	7,150
+■ IDRB (Ring Can Corp) Series 1998 1.30%, 01/07/04	1,500	1,500	Indiana Health Facilities Financing Auth		
+■ IDRB (Rockford Industrial Welding Supply) Series 1996 1.55%, 01/07/04	2,000	2,000	+■ Insured RB Series 1985A 1.15%, 01/07/04	20,900	20,900
Tinley Park			RB (Ascension Health Credit Group) Series 2001A-2 0.98%, 07/02/04	45,000	45,000
+■ IDRB (Beverly Mnfg Co) Series 1997A 1.53%, 01/07/04	2,165	2,165	Indiana HFA		
University of Illinois			+■ S/F Mortgage RB Series 1998 D-2 TOB Series 1999A 1.38%, 01/07/04	9,995	9,995
+■ Auxiliary Facilities RB Series 1999A TOB Series 2000S 1.21%, 01/07/04	3,500	3,500	+■ S/F Mortgage RB Series 2000 B-2 TOB Series 2000P 1.40%, 01/07/04	6,795	6,795
Will-Kankakee Regional Development Auth			Indiana University		
+■ IDRB Series 2002 (Toltec Steel Services) Series 2002 1.35%, 01/07/04	7,810	7,810	+■ Facility RB Series 2000 1.18%, 01/07/04	5,061	5,061
Yorkville			Indianapolis		
+■ IDRB (FE Wheaton & Co) Series 1996 1.55%, 01/07/04	1,080	1,080	+■ M/F Housing RB (Nora Pines Apts) Series 2001 1.30%, 01/07/04	6,000	6,000
		992,012	+■ Thermal Energy System RB Series 2001A TOB Series 20011402 1.30%, 01/07/04	9,900	9,900
Indiana 3.5%			Indianapolis Local Public Improvement Bond Bank		
Elkhart Cnty			+■ Waterworks RB Series 2002A TOB Series 2001-784 1.29%, 01/07/04	8,000	8,000
+■ Economic Development RB (West Plains Apts) Series 1998A 1.25%, 01/07/04	1,900	1,900	Marion		
Gary Redevelopment District			+■ Economic Development RB (Indiana Wesleyan Univ) Series 2000 1.15%, 01/07/04	7,500	7,500
+■ Economic Growth RB Series 2001A 1.35%, 01/07/04	5,670	5,670	St Joseph Cnty		
Indiana Bond Bank			+■ Economic Development RB (Corby Apts) Series 1997B 1.30%, 01/07/04	3,430	3,430
+ Advance Funding Program Notes Series 2003A 1.10%, 01/27/04	207,500	207,631			
+ Midyear Funding Program Notes Series 2003A 0.93%, 04/15/04	67,000	67,061			

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ Economic Development RB (Pin Oaks Apts) Series 1997A 1.30%, 01/07/04	1,000	1,000	Olathe GO Temporary Notes Series 2003A 1.09%, 06/01/04	39,540	39,607
+■ Economic Development RB (Western Manor Apts) Series 1997C 1.30%, 01/07/04	2,130	2,130	Wichita +■ Airport Facilities Refunding RB (Cessna Citation Service Center) 1997 Series III 1.20%, 01/07/04	11,245	11,245
▶■ Educational Facilities RB (Univ of Notre Dame) Series 1998 1.15%, 01/07/04	4,200	4,200	+■ Airport Facility Refunding & Improvement RB (Flightsafety Intl) 1999 Series II 1.33%, 01/07/04	26,170	26,170
University of Southern Indiana +▶■ Auxiliary System RB Series 2001B 1.15%, 01/07/04	10,600	10,600			114,522
Vigo Cnty +■ Economic Development RB (Sisters of Providence) Series 2001 1.40%, 01/07/04	3,500	3,500	Kentucky 0.9% Elizabethtown +■ IDRB (ALTEC) Series 1997 1.20%, 01/07/04	3,000	3,000
		438,823	Jefferson Cnty +■ M/F Housing Refunding RB Series 2002 (Camden Brookside Apts) Series 2002 1.30%, 01/07/04	8,900	8,900
Iowa 1.1% Iowa TRAN Series 2003 1.05%, 06/29/04	78,000	78,362	+■ Sports Stadium RB (Univ of Louisville Athletic Assn) Series 1997 1.45%, 01/07/04	3,900	3,900
Iowa Higher Education Loan Auth +■ Private College Facility RB (Graceland Univ) Series 2003 1.30%, 01/07/04	2,000	2,000	Kentucky Higher Education Student Loan Corp +▶■ Insured Student Loan RB Series 1991E 1.15%, 01/07/04	12,600	12,600
Iowa School Corporations + Warrant Certificates 2003-2004 Series A 0.97%, 06/18/04	25,000	25,118	+▶■ Insured Student Loan RB Series 1996A 1.15%, 01/07/04	23,850	23,850
Iowa Student Loan Liquidity Corp +▶■ Student Loan RB Series 1988B 1.11%, 01/07/04	33,600	33,600	Kentucky Housing Corp. ▶■ Housing RB Series 1998F TOB Series 1998W 1.38%, 01/07/04	19,320	19,320
		139,080	▶■ Housing RB Series 1999H TOB Series 2000U 1.26%, 01/07/04	9,685	9,685
Kansas 0.9% Kansas Dept of Transportation ▶■ Highway RB Series 1999 TOB Series 991601 1.30%, 01/07/04	37,500	37,500	▶■ Housing RB Series 2002A TOB Series 2002 A31 1.38%, 01/07/04	5,640	5,640

See financial notes. 21

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Face Amount	Value	Issuer	Face Amount	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)
Louisville & Jefferson Cnty Metropolitan Sewer District			Louisiana Offshore Terminal Auth		
+■ Sewage & Drainage System RB Series 1999A TOB Series 991701 1.30%, 01/07/04	6,115	6,115	+■ Deepwater Port Refunding RB First State Series 1992A 1.20%, 01/07/04	10,000	10,000
Louisville & Jefferson Cnty Regional Airport Auth			+■ Deepwater Port Refunding RB Series 2003B 1.20%, 01/07/04	5,700	5,700
■ Special Facilities RB (UPS) Series 1999C 1.26%, 01/02/04	10,100	10,100	Louisiana Public Facility Auth		
Richmond			+■ IDRB (Kenner Hotel Partnership) Series 1985 1.26%, 01/02/04	4,450	4,450
+■ IDRB (Mikron) Series 1995 1.25%, 01/07/04	7,175	7,175	+■ Lease Purchase RB Series 2003 1.28%, 01/07/04	20,000	20,000
Wickliffe			New Orleans		
+■ Pollution Control & Solid Waste Disposal Refunding RB (Westvaco Corp) Series 2001 1.15%, 01/07/04	4,250	4,250	Sewerage Service BAN Series 2003 1.12%, 08/01/04	50,000	50,254
		114,535	New Orleans Aviation Board		
Louisiana 1.6%			+■ Refunding Bonds Series 1993B 1.12%, 01/07/04	5,160	5,160
Calcasieu Parish IDB			Ouachita Parish IDB		
+■ Refunding IDRB (Weingarten Realty Investors) Series 1995 1.30%, 01/07/04	1,990	1,990	+■ IDRB (Sulzer Escher Wyss) Series 1989 1.35%, 01/07/04	1,500	1,500
Ernest N. Morial - New Orleans Exhibit Hall Auth.			St James Parish		
+■ Senior Subordinate Special Tax Bonds Series 2003A TOB Series 248 1.32%, 01/07/04	4,995	4,995	Pollution Control Refunding RB (Texaco) Ser 1988A 1.08%, 06/10/04	36,500	36,500
Lafayette Parish IDB			Pollution Control Refunding RB (Texaco) Series 1988B 1.08%, 06/10/04	44,030	44,030
+■ Refunding IDRB (Westwood Village) Series 1995 1.30%, 01/07/04	3,735	3,735			204,124
Lafayette Public Power Auth			Maine 0.1%		
+■ Electric Refunding RB Series 2003A&B TOB Series 246 1.30%, 01/07/04	5,310	5,310	Maine Finance Auth		
Lake Charles Harbor & Terminal District			+■ RB (Jackson Laboratory) Series 2002 1.32%, 01/07/04	5,900	5,900
+■ Dock & Wharf RB (Conoco Inc) Series 2000 1.30%, 01/07/04	10,500	10,500	Maine Housing Auth		
			■ Mortgage Purchase Bonds Series 2002 F-2 TOB Series 193 1.35%, 01/07/04	5,020	5,020
					10,920

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Maryland 0.9%			Ayer		
Baltimore Cnty			BAN Series 2003		
▶ Consolidated Public Improvement TECP Series 2002 0.90%, 01/09/04	20,000	20,000	0.89%, 06/24/04	5,000	5,013
Howard Cnty			Chicopee		
+■ M/F Housing Refunding RB (Sherwood Crossing Apts) Series 2003 1.25%, 01/07/04	10,000	10,000	2003 BAN 1.18%, 11/19/04	26,536	26,726
Maryland Community Development Administration			Douglas		
▶■ S/F Program Bonds 1995 Second Series TOB Series PA-634R 1.33%, 01/07/04	3,375	3,375	BAN 2003 1.12%, 04/07/04	14,000	14,033
▶■ S/F Program Bonds 1999 Third Series TOB Series 1999G 1.38%, 01/07/04	32,335	32,335	Everett		
Maryland Energy Financing Administration			BAN 2003 1.07%, 09/10/04		
+■ Limited Obligation Local District Cooling Facilities RB (Comfort Link) Series 2001 1.25%, 01/07/04	10,000	10,000	Massachusetts		
Maryland Health & Higher Educational Facilities Auth			GO Bonds Consolidated Loan Series 1999C 1.10%, 09/01/04		
+■ Pooled Loan Program RB Series D 1.25%, 01/07/04	32,505	32,505	+▶■ GO Bonds Consolidated Loan Series 2001D TOB Series 2001-0 1.24%, 01/07/04	2,785	2,785
Maryland State Economic Development Corp			GO Bonds Consolidated Loan Series 2003B 0.98%, 08/01/04		
+■ Economic Development RB (Hunter Douglas) Series 2000 1.30%, 01/07/04	3,400	3,400	▶■ GO Refunding Bonds Series 2001B 1.25%, 01/07/04	8,000	8,000
+■ IDR (Dixon Valve & Coupling Co) Series 1998 1.30%, 01/07/04	2,225	2,225	▶■ GO Refunding Bonds Series 2001C 1.25%, 01/07/04	12,400	12,400
		113,840	+▶■ Route 3 North Transportation Improvements Assoc Lease RB Series 2002B 1.06%, 01/07/04	2,200	2,200
Massachusetts 2.9%			Massachusetts Bay Transit Auth		
Acushnet			General Transportation System Refunding Bonds Series 1993A 1.11%, 03/01/04		
Unlimited Tax BAN Series 2003 0.98%, 08/13/04	23,000	23,108	+▶■ General Transportation System Bonds Series 1999A TOB Series PT-1218 1.24%, 01/07/04	9,000	9,000
			Massachusetts Development Finance Agency		
			+■ M/F Housing RB (Salem Heights Apts) Series 2003A 1.20%, 01/07/04		
			12,000		
			12,000		

See financial notes. 23

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■	RB (Assumption College) Series 2002A 1.15%, 01/07/04	9,900	9,900				
+▶■	RB (Boston Univ) Series R-3 1.25%, 01/07/04	2,900	2,900				
+■	RB (Brandon Residential Treatment Center) Series 2003 1.25%, 01/07/04	2,355	2,355				
+■	RB (Dean College) Series 1999 1.30%, 01/07/04	2,900	2,900				
+■	RB (FIBA Technologies) Series 2003 1.20%, 01/07/04	2,200	2,200				
+■	RB (Judge Rotenberg Center) Series 2003 1.13%, 01/07/04	10,000	10,000				
+▶■	RB (Wentworth Institute of Technology) Series 2000 1.27%, 01/07/04	6,800	6,800				
	▶TECP Program 3 0.95%, 01/21/04	2,750	2,750				
	Massachusetts Health & Education Facilities Auth						
+▶■	RB (Baystate Medical Center) Series D TOB Series 2001-834 1.28%, 01/07/04	13,300	13,300				
	■ RB (MIT) Series 2001 J-1 1.15%, 01/07/04	29,700	29,700				
▶■	RB (MIT) Series K TOB Series 2002D 1.24%, 01/07/04	1,510	1,510				
	■ RB (Williams College) Series I 1.10%, 04/01/04	20,400	20,400				
+▶■	RB (Capital Assets Program) Series 1985D 1.26%, 01/02/04	1,140	1,140				
	Massachusetts HFA						
+▶■	Housing Bonds Series 2003F 1.10%, 01/07/04	10,100	10,100				
	S/F Housing Notes Series M 1.15%, 05/01/04	10,000	10,000				
	Massachusetts State IFA						
▶■	RB (Whitehead Institute For Biomedical Research) Series 1995 1.08%, 01/07/04	2,000	2,000				
	Massachusetts Turnpike Auth						
+▶■	Metropolitan Highway System Subordinate RB Series 1999A TOB Series 2000-335 1.23%, 01/07/04	10,000	10,000				
	Massachusetts Water Pollution Abatement Trust						
▶■	RB (MWRA) Subordinate Series 1999A TOB Series 1999N 1.18%, 01/07/04	1,500	1,500				
	Medford						
	BAN 2003 1.10%, 09/10/04	7,000	7,043				
	1.15%, 09/10/04	15,000	15,087				
	Old Rochester Regional SD						
	Unlimited Tax BAN 2003 1.18%, 10/15/04	6,000	6,038				
	Peabody						
	BAN Series 2003 1.05%, 10/01/04	6,000	6,042				
	Woburn						
	BAN Series 2003 0.95%, 06/11/04	7,850	7,878				
	Worcester Regional Transit Auth						
+■	RAN Series 2003 0.88%, 06/30/04	6,000	6,018				
							363,080
	Michigan 4.0%						
	Allen Park Public Schools						
▶■	Unlimited Tax School Building Bonds Series 2003 TOB Series 229 1.30%, 01/07/04	6,410	6,410				
	Ann Arbor Economic Development Corp						
+■	Limited Obligation Refunding RB (Glacier Hills) Series 2000B 1.33%, 01/07/04	9,015	9,015				
+■	Limited Obligation RB (Glacier Hills) Series 2000A 1.33%, 01/07/04	12,985	12,985				

Schwab Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Detroit				Michigan Housing Development Auth			
+■	Sewage Disposal System RB Series 1999A TOB Series 20012201 1.30%, 01/07/04	34,650	34,650	+■	S/F Mortgage RB Series 2001A TOB Series PT-556 1.33%, 01/07/04	3,630	3,630
+■	Sewage Disposal System Second Lien RB Series 2001B TOB Series 2002G 1.31%, 01/07/04	4,260	4,260	■	S/F Mortgage RB Series 2002D 1.20%, 12/15/04	9,000	9,000
+■	Water Supply System Refunding Senior Lien RB Series 2003D 1.15%, 01/07/04	11,900	11,900	Michigan Municipal Bond Auth			
Detroit City SD				RAN Series 2003 B-1 1.02%, 08/20/04			
+■	School Building & Site Improvement Bonds Series 2001A TOB Series 2002H 1.31%, 01/07/04	4,620	4,620	Michigan Strategic Fund			
Georgetown Economic Development Corp				+■	Limited Obligation RB (Advance Plastics Corp) Series 1996 1.45%, 01/07/04	1,830	1,830
+■	Limited Obligation RB (Sunset Manor) Series 2000 1.33%, 01/07/04	9,030	9,030	+■	Limited Obligation RB (American Cancer Society) Series 2000 1.30%, 01/07/04	4,445	4,445
Grand Rapids Economic Development Corp				+■	Limited Obligation RB (EPI Printers) Series 1997 1.45%, 01/07/04	960	960
+■	Refunding RB (Amway Hotel Corp) Series 1991A 1.22%, 01/07/04	8,755	8,755	+■	Limited Obligation RB (Mans) Series 1991 1.43%, 01/07/04	630	630
Macomb Cnty Hospital Finance Auth				+■	Limited Obligation RB (Mans) Series 1998B 1.45%, 01/07/04	1,175	1,175
+■	Hospital Refunding RB (Mt Clemens General Hospital) Series 2003 A-2 1.31%, 01/02/04	4,900	4,900	+■	Limited Obligation RB (Mechanics Uniform Rental Co) Series 1995 1.45%, 01/07/04	1,000	1,000
Michigan Building Auth				+■	Limited Obligation RB (Orchestra Place Renewal) Series 2000 1.33%, 01/07/04	15,000	15,000
+■	TECP Series 4 1.05%, 02/12/04	64,445	64,445	+■	Limited Obligation RB (United Machining) Series 1998 1.45%, 01/07/04	4,000	4,000
Michigan Hospital Financing Auth				+■	Limited Obligation Refunding RB (Detroit Edison Co) Series 2003A TOB Series 240 1.35%, 01/07/04	5,995	5,995
+■	Hospital Refunding & RB (Crittenton Hospital Medical Center) Series 2003A 1.31%, 01/02/04	7,900	7,900	Michigan Trunk Line Fund			
+■	RB (Martin Luther Memorial Home) Series 1997 1.20%, 01/07/04	7,760	7,760	+■	State Trunk Line Fund Refunding Bonds Series 1998A TOB Series 1998-13 1.19%, 01/07/04	46,666	46,666

See financial notes. 25

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Face Amount	Value	Issuer	Face Amount	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)
Oakland Cnty			Eden Prairie		
+■ Limited Obligation RB (Husky Envelope Products) Series 1999 1.45%, 01/07/04	2,360	2,360	+■ M/F Housing RB (Eden Prairie Leased Housing Associates I) Series 2003A 1.35%, 01/07/04	6,000	6,000
+■ Limited Obligation RB Series 2000 (Pontiac Vision 2000 Schools) Series 2000 1.30%, 01/07/04	9,400	9,400	Hennepin Cnty		
Wayne Cnty			■ GO Refunding Bonds Series 1996C 1.25%, 01/07/04	2,050	2,050
+▶ Airport RB (Detroit Metropolitan Wayne Cnty Airport) Junior Lien Series 2001 1.21%, 01/07/04	75,400	75,400	Hennepin Cnty Housing & Redevelopment Auth		
+▶ Airport RB (Detroit Metropolitan Wayne Cnty Airport) Series 2002A 1.11%, 01/07/04	57,400	57,400	+■ M/F Housing RB (City Apts at Loring Park) Series 2001 1.40%, 01/07/04	2,600	2,600
+▶ Airport Refunding RB (Detroit Metropolitan Wayne Cnty Airport) Series 1996B 1.11%, 01/07/04	44,290	44,290	+■ M/F Housing Refunding RB (Stone Arch Apts) Series 2002 1.35%, 01/07/04	2,800	2,800
		502,008	Mendota Heights		
			+■ Refunding IDRB (Dakota Business Plaza) Series 2000 1.60%, 01/07/04	2,300	2,300
			Minneapolis		
			+■ RB (Guthrie Theater) Series 2003A 1.27%, 01/07/04	18,000	18,000
Minnesota 2.6%			Minneapolis-St Paul Metropolitan Airports Commission		
Andover			+▶ Airport RB Series 2000B TOB Series PT-735 1.34%, 01/07/04	5,225	5,225
+■ Senior Housing Refunding RB (Presbyterian Homes) Series 2003 1.30%, 01/07/04	6,500	6,500	+ Airport RB Series 2002B 1.35%, 01/01/04	2,875	2,875
Bloomington Port Auth			+ Subordinate Revenue TECP Series B 1.15%, 01/07/04	17,500	17,500
+▶ Special Tax Refunding RB (Mall of America) Series 1999B 1.30%, 01/07/04	9,300	9,300	+ 1.20%, 01/21/04	7,000	7,000
Dakota Cnty Community Development Agency			Minnesota		
+■ M/F Housing RB (Brentwood Hills Apts) Series 2003A 1.42%, 01/02/04	10,000	10,000	COP Aid Anticipation Series 2003A 0.95%, 08/27/04	117,150	117,757
+▶ S/F Mortgage RB Draw Down Series 2002 TOB Series PT-627 1.35%, 01/07/04	7,245	7,245	Minnesota Agricultural & Economic Development Brd		
+■ S/F Mortgage Refunding RB Series 2003 1.05%, 08/01/04	10,000	10,000	+■ RB (Evangelical Lutheran Good Samaritan Society) Series 1996 1.30%, 01/07/04	7,500	7,500

Schwab Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Minnesota HFA				<ul style="list-style-type: none"> ■ GO Refunding Bonds Series 2001 TOB Series 20012401 1.30%, 01/07/04 14,880 14,880 			
■	Residential Housing Finance Bonds Series 2000M-1 1.20%, 12/23/04	10,000	10,000	Mississippi Business Finance Corp			
▶	Residential Housing Finance Bonds Series 2003B 1.27%, 01/07/04	4,300	4,300	+	IDRB (Electric Mills Wood Preserving) Series 1999 1.40%, 01/07/04	5,000	5,000
■	Residential Housing Finance Bonds Series 2003F 1.00%, 07/22/04	33,840	33,840	+	IDRB (Omega Motion) Series 1996 1.35%, 01/07/04	4,500	4,500
Minnesota Higher Education Facilities Auth				+	IDRB (VC Regional Assembly & Mnfg) Series 2003 1.15%, 01/07/04	8,110	8,110
+	RB (Univ of St. Thomas) Series 4-O 1.15%, 01/07/04	9,700	9,700	Mississippi Home Corp			
+	RB (Univ of St. Thomas) Series 5-I 1.15%, 01/07/04	3,900	3,900	+	S/F Mortgage RB Series 1997C TOB Series 1997D 1.38%, 01/07/04	5,985	5,985
Rochester				Mississippi Hospital Equipment & Facilities Auth			
	Health Care Facilities RB (Mayo Foundation) Series 1992B 1.05%, 02/10/04	9,100	9,100	+	RB (Baptist Memorial Hospital) Series 2001 1.26%, 01/07/04	16,870	16,870
	Health Care Facilities RB (Mayo Foundation) Series 1992C 1.05%, 02/10/04	10,950	10,950	125,790			
▶	Health Care Facilities RB (Mayo Foundation) Series 2000A 0.95%, 02/05/04 1.05%, 02/10/04	9,000	9,000	Missouri 0.1%			
		6,000	6,000	Clay Cnty IDA			
St Louis Park				+	IDRB (KS Salad Real Estate) Series 1999 1.42%, 01/07/04	1,800	1,800
+	M/F Housing RB (Park) Series 2002A 1.35%, 01/07/04	3,300	3,300	Missouri Development Finance Board			
			334,742	+	IDRB (Milbank Mnfg Co) Series 1997 1.40%, 01/07/04	3,000	3,000
Mississippi 1.0%				Missouri Health & Educational Facilities Auth			
Jackson Cnty				+	Health Facilities RB (St Francis Medical Center) Series 1996A 1.32%, 01/02/04	3,960	3,960
■	Pollution Control Refunding RB (Chevron USA) Series 1992 1.30%, 01/02/04	8,650	8,650	St Louis IDA			
■	Port Facility Refunding RB (Chevron USA) Series 1993 1.30%, 01/02/04	6,200	6,200	+	IDRB (Kessler Container) Series 1997A 1.35%, 01/07/04	2,100	2,100
Mississippi							
▶	GO Capital Improvements Bonds Series 2003E 1.20%, 01/07/04	55,595	55,595				

See financial notes. 27

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Washington IDA				Clark Cnty SD			
+■	IDRB (Pauwels Transformers) Series 1995 1.53%, 01/07/04	3,000	3,000	+■	GO (Limited Tax) Building Bonds Series 2001F TOB Series 2001-33 1.21%, 01/07/04	21,715	21,715
			<u>13,860</u>				
Montana 0.0%				Las Vegas Valley Water District			
				+■	GO Water Improvement & Refunding Bonds Series 2003A 1.00%, 06/01/04	4,540	4,596
Montana Health Facilities Auth				Nevada Housing Division			
+■	Health Care RB (Pooled Loan Program) Series 1985A 1.30%, 01/07/04	5,155	5,155	+■	Multi-Unit Housing Refunding RB (Oakmont) Series 2002 1.27%, 01/07/04	4,350	4,350
				+■	Multi-unit Housing RB (Apache Pines Apts) Series 1999A 1.27%, 01/07/04	7,415	7,415
Nebraska 0.3%				+■	Multi-unit Housing RB (Banbridge Apts) Series 2000A 1.27%, 01/07/04	3,960	3,960
				+■	Multi-unit Housing RB (Bluffs Apts) Series 2002A 1.27%, 01/07/04	17,850	17,850
Dodge Cnty				+■	Multi-unit Housing RB (City Center) Series 2000A 1.27%, 01/07/04	9,350	9,350
+■	IDRB (Oilgear Co) Series 1997 1.53%, 01/07/04	1,110	1,110	+■	Multi-unit Housing RB (Silver Pines Apts) Series 2002A 1.27%, 01/07/04	5,400	5,400
				+■	Multi-unit Housing RB (Silver Terrace Apts) Series 2003A 1.27%, 01/07/04	5,150	5,150
Nebraska Investment Finance Auth				+■	Multi-unit Housing RB (St Rose Seniors Apts) Series 2002A 1.27%, 01/07/04	14,770	14,770
+■	S/F Housing RB Series 1998G TOB Series 1998X 1.38%, 01/07/04	10,735	10,735	+■	Multi-unit Housing RB Series 1989A 1.10%, 01/07/04	5,000	5,000
+■	S/F Housing RB Series 1999E TOB Series 2000O 1.26%, 01/07/04	2,055	2,055				
Stanton Cnty				Washoe Cnty			
+■	IDRB (Nucor Corp) Series 1996 1.17%, 01/07/04	19,300	19,300	+■	GO Convention Center Refunding Bonds Series 2001A TOB Series 2001-24 1.21%, 01/07/04	21,000	21,000
			<u>33,200</u>				<u>185,486</u>
Nevada 1.5%							
Clark Cnty							
+■	Airport System Subordinate Lien RB Series 1995 A-2 1.13%, 01/07/04	1,200	1,200				
+■	Airport System Subordinate Lien RB, Series 1999B-1 1.11%, 01/07/04	50,760	50,760				
+■	Economic Development RB (Univ. of Nevada, Las Vegas Foundation) Series 1999 1.30%, 01/07/04	470	470				
+■	IDRB (Southwest Gas Corp) Series 2003A 1.25%, 01/07/04	12,500	12,500				

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
New Hampshire 0.5%			New Mexico 0.8%		
New Hampshire Business Finance Auth			New Mexico		
+■ Solid Waste Disposal RB (Lonza Biologics) Series 2003 1.32%, 01/07/04	30,000	30,000	■ 2003-04 TRAN Series 2003A TOB Series L48J 1.30%, 01/07/04	74,975	74,975
New Hampshire Health & Educational Facilities Auth			New Mexico Mortgage Finance Auth		
+►■ RB (Dartmouth-Hitchcock Obligated Group) Series 2001A 1.18%, 01/07/04	8,900	8,900	+►■ S/F Mortgage Program Bonds Draw Down Issue 2002-1 TOB Series PT-646 1.35%, 01/07/04	900	900
+■ RB (Riverwoods) Series 2003 1.20%, 01/07/04	8,850	8,850	+►■ S/F Mortgage Program Bonds Draw Down Issue 2002-1 TOB Series PT-709 1.35%, 01/07/04	3,145	3,145
New Hampshire HFA			+►■ S/F Mortgage Program Bonds Draw Down Issue 2002-1 TOB Series PT-836 1.35%, 01/07/04		
+►■ S/F Mortgage Acquisition RB Series 1997C TOB Series 1998G 1.38%, 01/07/04	2,995	2,995	Santa Fe		
+►■ S/F Mortgage Acquisition RB Series 1998B TOB Series 1998U 1.38%, 01/07/04	9,995	9,995	+■ Gross Receipts Tax Subordinate Lien Wastewater System RB Series 1997B 1.20%, 01/07/04	16,800	16,800
		60,740		96,865	
New Jersey 1.0%			New York 6.8%		
East Brunswick Township BAN			Buffalo		
1.10%, 02/27/04	16,985	17,009	+■ RAN 2003-2004 A 1.08%, 07/29/04	12,000	12,114
New Jersey			Dutchess Cnty IDA		
TRAN Series Fiscal 2004A 1.03%, 06/25/04	95,000	95,442	+■ Civic Facility RB (Trinity-Pawling School Corp Civic Facility) Series 1998 1.20%, 01/07/04	1,725	1,725
New Jersey Health Care Facilities Financing Auth			Long Island Power Auth		
+►■ Refunding & RB (St Barnabas Health Care System) Series 1998B TOB Series PA-504 1.23%, 01/07/04	2,300	2,300	+►■ Electric System RB Series 1998A TOB Series 983205 1.26%, 01/07/04	10,970	10,970
New Jersey Turnpike Auth			+►■ Electric System Subordinated RB 1998 Series 7B 1.10%, 01/07/04		
+►■ Turnpike RB Series 2000A TOB Series 2000-3002 1.26%, 01/07/04	8,000	8,000	+■ Electric System Subordinated RB 2001 Series 3-A 1.10%, 01/07/04	4,500	4,500
+►■ Turnpike RB Series 2003 C-1 1.12%, 01/07/04	600	600			
		123,351			

See financial notes. 29

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Metropolitan Transp Auth				+D Water & Sewer System RB			
+D	Dedicated Tax Fund Bonds Series 2002B 1.18%, 01/07/04	4,000	4,000		Series 1995A 1.30%, 01/02/04	5,650	5,650
New York City				+D Water & Sewer System RB			
+D	GO Bonds Fiscal 1998D TOB Series 1997C 1.17%, 01/07/04	17,825	17,825		Series 2002 G TOB Series PA-1054 1.26%, 01/07/04	13,545	13,545
+D	GO Bonds Fiscal 2003 Series C-3 1.12%, 01/07/04	34,300	34,300		Water & Sewer System RB Series 2003 C-3 1.27%, 01/02/04	6,400	6,400
+D	GO Bonds Series 2004F TOB Series 251 1.21%, 01/07/04	50,000	50,000		Water & Sewer System RB Series 2003 F-2 1.17%, 01/02/04	3,500	3,500
+D	GO Bonds, Fiscal 2002 Series A-6 1.30%, 01/02/04	8,000	8,000	New York City Transitional Finance Auth			
New York City Housing Devel Corp					BAN Fiscal 2003 Series 2 1.10%, 02/19/04	50,000	50,060
+D	M/F Mortgage RB (2 Gold Street) 2003 Series A 1.12%, 01/07/04	5,000	5,000		Future Tax Secured Bonds Fiscal 1999C TOB Series 1999B 1.17%, 01/07/04	14,775	14,775
+D	M/F Mortgage RB (Upper East), 2003 Series A 1.12%, 01/07/04	31,000	31,000		Future Tax Secured Bonds Series 2001B 1.30%, 01/02/04	20,100	20,100
+D	M/F Rental Housing RB (1 Columbus Place Dev), 1998 Series A 1.10%, 01/07/04	40,000	40,000		Future Tax Secured Bonds Series 2001C 1.12%, 01/07/04	8,150	8,150
+D	M/F Rental Housing RB (Sierra Dev) 2003 Series A 1.10%, 01/07/04	9,300	9,300		Future Tax Secured Refunding Bonds Series 2003A TOB Series PT-1724 1.27%, 01/07/04	4,640	4,640
New York City IDA					New York City Recovery Bonds Fiscal 2003 Series 2-A 1.30%, 01/02/04	9,200	9,200
+D	Special Facility RB (1997 Korean Air Lines Project) Series 1997A 1.09%, 01/07/04	26,500	26,500		New York City Recovery Bonds Fiscal 2003 Series 2-D 1.12%, 01/07/04	56,200	56,200
New York City Municipal Water Finance Auth					New York City Recovery Bonds Fiscal 2003 Series 2-F 1.27%, 01/02/04	2,750	2,750
+D	Water & Sewer System RB Fiscal 1993C 1.27%, 01/02/04	4,400	4,400		New York City Recovery Bonds Fiscal 2003 Series 3-B 1.34%, 01/02/04	3,600	3,600
+D	Water & Sewer System RB Fiscal 1996B TOB Series 1998-158 1.26%, 01/07/04	9,995	9,995		Recovery Bonds Fiscal 2003 Series 3H 1.28%, 01/02/04	2,400	2,400

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
New York State Dormitory Auth			New York State Local Assistance Corp		
+■ State University Educational Facilities RB Series 2000B TOB Series 2000-15 1.12%, 06/23/04	20,000	20,000	+■ RB Series 1994B 1.08%, 01/07/04	15,000	15,000
New York State Energy Research Dev Auth			New York State Mortgage Agency		
+■ Gas Facilities RB Series 1996 (Brooklyn Union Gas Co. Project) TOB Series 2000-379 1.26%, 01/07/04	1,570	1,570	■ Homeowner Mortgage RB Series 77-A TOB Series 1999F 1.00%, 02/05/04	10,700	10,700
+■ Pollution Control Refunding RB (Orange & Rockland Utilities) Series 1994A 1.04%, 01/07/04	19,000	19,000	■ Homeowner Mortgage RB Series 79 TOB Series 1999H 1.25%, 01/07/04	14,995	14,995
New York State HFA			■ S/F Mortgage RB Series 92 TOB Series 2000K 1.25%, 01/07/04	4,140	4,140
+■ 101 West End Ave Housing RB Series 1998A 1.09%, 01/07/04	27,200	27,200	Port Auth of New York & New Jersey		
+■ 101 West End Ave Housing RB Series 1999A 1.09%, 01/07/04	40,050	40,050	+■ Special Project Bonds Series 6 JFK International Air Terminal Project TOB Series 2000-243 1.26%, 01/07/04	4,345	4,345
+■ 150 East 44th St Housing RB 2000A 1.09%, 01/07/04	13,920	13,920	Triborough Bridge & Tunnel Auth		
+■ 250 West 50th St Housing RB Series 1997A 1.15%, 01/07/04	37,000	37,000	+■ General Purpose RB Series 2001B 1.08%, 01/07/04	12,000	12,000
+■ 345 East 94th St Housing RB Series 1998A 1.09%, 01/07/04	20,500	20,500	■ General Refunding RB Series 2002B TOB Series 194 1.26%, 01/07/04	9,995	9,995
+■ 345 East 94th St Housing RB Series 1999A 1.09%, 01/07/04	7,300	7,300	+■ Special Obligation Refunding Bonds Series 2000C 1.08%, 01/07/04	29,100	29,100
+■ 350 West 43rd St Housing RB Series 2002A 1.12%, 01/07/04	12,500	12,500	Westchester Cnty IDA		
+■ Service Contract Refunding RB Series 2003D 1.10%, 01/07/04	24,700	24,700	+■ IDR (Levister Redevelopment Co) Series 2001A 1.22%, 01/07/04	1,000	1,000
+■ Union Square South Housing RB Series 1996A 1.15%, 01/07/04	14,000	14,000	Yonkers IDA		
+■ W23rd St Housing RB Series 2002A 1.21%, 01/07/04	43,100	43,100	+■ Civic Facility RB (Consumers Union Facility) Series 1994 1.12%, 01/07/04	460	460
					856,974
			North Carolina 2.2%		
			Burke Cnty		
			+■ IDR (Bauer Industries) Series 1994 1.40%, 01/07/04	2,455	2,455

See financial notes. 31

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Durham Housing Auth				North Carolina Capital Facilities Finance Agency			
+■	M/F Housing RB (Pendleton Townhomes) Series 2001 1.25%, 01/07/04	5,490	5,490	+■	Capital Facilities RB (Durham Academy) Series 2001 1.25%, 01/07/04	23,400	23,400
Fayetteville				North Carolina Educational Facilities Finance Agency			
+■	Refunding RB Series 2003 1.09%, 01/07/04	34,600	34,600	■	Educational Facilities RB (Davidson College) Series 2000B 1.25%, 01/07/04	19,000	19,000
Forsyth Cnty				+■	Educational Facilities RB (High Point Univ) Series 1997 1.25%, 01/07/04	4,610	4,610
+■	RB (Plymouth Printing Co) Series 1998 1.30%, 01/07/04	1,400	1,400	+■	Educational Facilities RB (Queens College) Series 1999B 1.25%, 01/07/04	5,975	5,975
Gates Cnty Industrial Facilities & Pollution Control Financing Auth				North Carolina HFA			
+■	IDRB (Coxe-Lewis Corp) Series 1999 1.45%, 01/07/04	1,195	1,195	■	Home Ownership RB Series 1A TOB Series 1998I 1.05%, 07/15/04	12,000	12,000
Guilford Cnty Industrial Facilities & Pollution Control Financing Auth				North Carolina Medical Care Commission			
+■	IDRB (Metalcraft of Mayville SE Mnfg) Series 1997 1.35%, 01/07/04	1,500	1,500	+■	Hospital RB (Pooled Equipment Finance) Series 1985 1.08%, 01/07/04	30,200	30,200
+■	IDRB (Vitafoam Inc) Series 1999 1.35%, 01/07/04	5,000	5,000	Rockingham Cnty Industrial Facilities & Pollution Control Financing Auth			
Hertford Cnty Industrial Facilities & Pollution Control Financing Auth				+■	IDRB (McMichael Mills) Series 1997 1.35%, 01/07/04	1,600	1,600
■	IDRB (Nucor Corp) Series 2000A 1.23%, 01/07/04 1.30%, 01/07/04	17,500 26,500	17,500 26,500	Rowan Cnty Industrial Facilities & Pollution Control Financing Auth			
Johnston Cnty Industrial Facilities & Pollution Control Financing Auth				+■	IDRB (Taylor Clay Products) Series 1999 1.35%, 01/07/04	3,800	3,800
+■	IDRB (Flanders Corp) Series 1998 1.20%, 01/07/04	4,500	4,500	Sampson Cnty Industrial Facilities & Pollution Control Financing Auth			
Mecklenburg Cnty				+■	IDRB (Crumpler Plastic Pipe) Series 1999 1.40%, 01/07/04	3,200	3,200
■	GO Bonds Series 2003B 1.15%, 01/07/04	10,000	10,000				
North Carolina							
■	GO Refunding Bonds Series 2002B 1.05%, 01/07/04	550	550				
■	GO Refunding Bonds Series 2002E 1.10%, 01/07/04	33,800	33,800				

Schwab Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)		
Union Cnty Industrial Facilities & Pollution Control Financing Auth				Hamilton					
+■	RB (Rock-Tenn Converting Co) Series 1997 1.30%, 01/07/04	1,750	1,750	+■	Electric System Refunding RB Series 2002A 1.20%, 01/07/04	26,050	26,050		
Wake Cnty				Hamilton Cnty					
■	Public Improvement Bonds Series 2003B 1.09%, 04/01/04	8,000	8,013	+■	Sales Tax Refunding & Improvement RB Subordinate Series 2002B Trust TOB Series 202 1.30%, 01/07/04	14,410	14,410		
Wake Cnty Housing Auth				Ohio					
+■	M/F Housing RB (Walnut Ridge Apts) Series 2000 1.30%, 01/07/04	10,075	10,075		Major New State Infrastructure Project RB Series 2002-1 0.85%, 06/15/04	6,400	6,491		
Wilmington Housing Auth				Ohio Air Quality Development Auth					
+■	M/F Housing RB (Garden Lakes Estates) Series 1999 1.30%, 01/07/04	7,140	7,140	+■	Air Quality Development RB (JMG Funding) Series 1994A 1.13%, 01/07/04	16,400	16,400		
			275,253	+■	Air Quality Development RB (JMG Funding) Series 1994B 1.20%, 01/07/04	14,400	14,400		
North Dakota 0.1%				Ohio HFA					
Richland Cnty				■					
+■	Solid Waste Disposal RB (Minn-Dak Farmers Coop) Series 1996A 1.55%, 01/07/04	8,080	8,080	■	Residential Mortgage RB (MBS Program) Series 2000 A-1 TOB Series 2000AA 1.26%, 01/07/04	1,630	1,630		
+■	Solid Waste Disposal RB (Minn-Dak Farmers Coop) Series 1996B 1.55%, 01/07/04	740	740	■	Residential Mortgage RB 2001C TOB Series 2001-I 1.35%, 01/07/04	6,780	6,780		
			8,820	Ohio Higher Educational Facility Commission					
Ohio 1.6%				+■					
Cleveland				Higher Educational Facility RB (Pooled Financing) Series 2003B 1.27%, 01/07/04				5,000	5,000
+■	Airport System RB Series 1997D 1.11%, 01/07/04	32,275	32,275	Ohio State University					
Cleveland-Cuyahoga Cnty Port Auth				General Receipts Bonds Series 2003C 0.95%, 03/11/04				23,000	23,000
+■	RB (Euclid/93rd Garage) Series 2003 1.15%, 01/07/04	25,000	25,000	Port of Greater Cincinnati Development Auth					
Cuyahoga Cnty				+■					
+■	Economic Development RB (Hathaway Brown School) Series 1999 1.30%, 01/07/04	14,650	14,650		RB (National Underground Railroad Freedom Center) Series 2003A 1.20%, 01/07/04	15,000	15,000		
							201,086		

See financial notes. 33

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Oklahoma 1.1%			Oregon		
Broken Bow Economic Development Auth			+■ Economic Development RB (Kettle Foods) 1998 Series 196 1.25%, 01/07/04 4,970 4,970		
+■ Solid Waste Disposal RB (JM Huber) Series 2003A 1.25%, 01/07/04	7,500	7,500	Full Faith & Credit TAN Series 2003A 1.07%, 11/15/04 142,000 143,445		
Muldrow Public Works Auth			Oregon Economic Development Commission		
+■ IDRB (OK Foods) Series 1995 1.40%, 01/07/04	5,500	5,500	+■ Economic Development RB (Pendleton Flour Mills) 1997 Series 182 1.25%, 01/07/04 4,360 4,360		
Oklahoma Cnty Industrial Auth			Oregon Health, Housing, Educational & Cultural Facilities Auth		
+■ RB (National Cowboy Hall of Fame) Series 1999 1.25%, 01/07/04	1,160	1,160	+■ RB (Quatama Crossing) Series 1998A 1.35%, 01/07/04 4,600 4,600		
Oklahoma Development Finance Auth			Oregon Housing & Community Services Dept		
+■ RB (Shawnee Funding) Series 1996 1.30%, 01/07/04	3,100	3,100	■ Mortgage RB (S/F Program) Series 20030 1.25%, 01/06/05 40,000 40,000		
Oklahoma HFA			■ Mortgage RB (S/F Program) Series 2003M 1.20%, 01/06/05 7,000 7,000		
■ S/F Mortgage RB Series 1998B-2 & 2000C-2 TOB Series PT-360 1.33%, 01/07/04	4,450	4,450	Port of Portland		
Oklahoma Student Loan Auth			+■ Special Obligation RB (Portland Bulk Terminals) Series 1996 1.30%, 01/07/04 28,000 28,000		
+■ Student Loan Bonds & Notes Series 1996A 1.12%, 01/07/04	32,580	32,580	+■ Special Obligation RB (Portland Bulk Terminals) Series 1999 1.30%, 01/07/04 4,500 4,500		
+■ Student Loan Bonds & Notes Series 1997A 1.17%, 01/07/04	33,000	33,000	Portland		
+■ Student Loan Bonds & Notes Series 1998A 1.17%, 01/07/04	33,100	33,100	+■ M/F Housing RB (Village of Lovejoy Fountain) Series 1997 1.25%, 01/07/04 8,500 8,500		
+■ Student Loan Bonds & Notes Series 2000A-4 1.17%, 01/07/04	10,945	10,945	255,375		
Tulsa IDA			Pennsylvania 7.0%		
+■ RB (YMCA) Series 1999 1.25%, 01/07/04	2,600	2,600	Allegheny Cnty Hospital Development Auth		
133,935			+■ Hospital RB Series 1993 (Magee-Womens Hospital) TOB Series PT-878 1.25%, 01/07/04 5,000 5,000		
Oregon 2.0%					
Gilliam Cnty					
+■ Solid Waste Disposal RB (Waste Management) Series 2000A 1.20%, 01/07/04	10,000	10,000			

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Cambria Cnty IDA			Lancaster Cnty Hospital Auth		
+■ Resource Recovery RB (Cambria Cogen Co Project) Series 1998 A-1 1.20%, 01/07/04	74,250	74,250	+■ Health Center RB (Masonic Homes) Series 2002 1.15%, 01/07/04	17,435	17,435
+■ Resource Recovery RB (Cambria Cogen Co) Series 1998A-2 1.42%, 01/07/04	32,105	32,105	+■ Health Center RB (Brethren Village) Series 2000 1.30%, 01/07/04	4,100	4,100
Central Bucks SD			Luzerne Cnty IDA		
+■ GO Series 2000A 1.30%, 01/07/04	1,650	1,650	+■ RB 2003 Series (Methodist Homes Project) 1.17%, 01/07/04	2,100	2,100
Chester Cnty Health & Education Facilities Auth			Mercer Cnty		
+■ RB (Simpson Meadows Project) Series 2000 1.27%, 01/07/04	925	925	+■ GO Bonds Series 2001 TOB Series 2001-18 1.19%, 01/07/04	5,400	5,400
Clarion Cnty IDA			Montgomery Cnty Higher Education & Health Auth		
+■ Energy Development RB (Piney Creek Project) 1990 Series 1.11%, 01/07/04	465	465	+■ RB Series 2001 (Madlyn & Leonard Abramson Center For Jewish Life) 1.27%, 01/07/04	2,300	2,300
Dauphin Cnty General Auth			Montgomery Cnty IDA		
+■ RB (Education & Health Loan) Series 1997 1.33%, 01/07/04	7,285	7,285	+■ Pollution Control Refunding RB (Exelon Generation Co) Series 2002A 1.05%, 02/11/04	7,200	7,200
Delaware Valley Regional Finance Auth			+■ Pollution Control Refunding RB (Peco Energy Co) Series 1994A 1.00%, 01/27/04		
+■ Local Government RB 1998A TOB Series 2001J 1.31%, 01/07/04	14,510	14,510	+■ School RB (Friends' Central School) Series 2002 1.26%, 01/07/04	24,160	24,160
+■ Local Government RB Series 1998A PT1651 1.29%, 01/07/04	9,000	9,000	Montgomery Cnty Redevelopment Auth		
Emmaus General Auth			+■ M/F Housing RB (Brookside Manor Apartments Project) Series 2001A 1.20%, 01/07/04		
+■ Bonds Series 1996 1.15%, 01/07/04	3,125	3,125	+■ M/F Housing RB (Kingswood Apts) Series 2001A 1.20%, 01/07/04	1,205	1,205
Erie SD			+■ M/F Housing Refunding RB (Glenmore Associates) Series 1995A 1.25%, 01/07/04		
+■ GO Bonds Series 2001A TOB Series 2001-5 1.05%, 05/07/04	15,845	15,845			
Harrisburg Auth					
+■ Water Refunding RB Series 2002B 1.35%, 01/07/04	2,500	2,500			
+■ Water Refunding RB Series 2003A 1.35%, 01/07/04	10,400	10,400			

See financial notes. 35

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Northhampton Cnty				Pennsylvania Energy Development Auth			
+■	County Agreement RB Series 2001 TOB Series 2002-2 1.12%, 06/02/04	6,995	6,995	+■	Energy Development RB (B&W Ebensburg Project) Series 1986 1.11%, 01/07/04	20,140	20,140
+■	RB (Binney & Smith) Series 1997A 1.25%, 01/07/04	3,250	3,250	+■	Energy Development RB (Piney Creek) Series 1986A 1.11%, 01/07/04	21,475	21,475
+■	RB (Binney & Smith) Series 1997B 1.25%, 01/07/04	840	840	+■	Energy Development RB (Piney Creek) Series 1986C 1.11%, 01/07/04	4,155	4,155
Pennsylvania				Pennsylvania HFA			
+■	GO Bonds First Series 1995 TOB Series 97C3801 1.30%, 01/07/04	1,000	1,000	■	S/F Mortgage RB Series 1997-56C TOB Series PT-119A 1.25%, 01/07/04	250	250
■	GO Bonds First Series 2001 TOB Series 2001F 1.31%, 01/07/04	6,860	6,860	■	S/F Mortgage RB Series 1999A TOB Series 1999-u 1.00%, 02/26/04	24,710	24,710
+■	GO Bonds First Series 2003 PA-1112 1.25%, 01/07/04	9,770	9,770	■	S/F Mortgage RB Series 2002-74B TOB Series PA-1055 1.28%, 01/07/04	3,895	3,895
+■	GO Bonds Second Series 2002 TOB Series PA-1035R 1.25%, 01/07/04	10,000	10,000	■	S/F RB Series 1998-64 TOB Series 1998Y 1.12%, 03/25/04	495	495
Pennsylvania Convention Center Auth				Pennsylvania Higher Education Assistance Agency			
+■	RB Series 1989A TOB Series PT-1224 1.25%, 01/07/04	3,900	3,900	+■	Student Loan RB Series 2003 A-2 1.34%, 01/07/04	27,500	27,500
Pennsylvania Economic Development Financing Auth				+■	Student Loan RB Series 1988A 1.13%, 01/07/04	27,700	27,700
+■	Exempt Facilities RB (Amtrak Project) Series 2001B 1.25%, 01/07/04	1,300	1,300	+■	Student Loan RB Series 1988B 1.13%, 01/07/04	12,000	12,000
■	Exempt Facilities RB (Merck & Co. West Point Project) Series 2001 1.30%, 01/07/04	3,250	3,250	+■	Student Loan RB Series 1994A 1.13%, 01/07/04	31,000	31,000
+■	Exempt Facilities RB (Reliant Energy Seward Project) Series 2001A 1.15%, 01/07/04	66,100	66,100	+■	Student Loan RB Series 1997A 1.34%, 01/07/04	23,900	23,900
+■	Exempt Facilities RB (Reliant Energy Seward Project) Series 2002B 1.17%, 01/07/04	18,000	18,000	+■	Student Loan RB Series 1999A 1.11%, 01/07/04	6,200	6,200
+■	Exempt Facilities RB (Reliant Energy Seward) Series 2002A 1.15%, 01/07/04	35,000	35,000	+■	Student Loan RB Series 2000A 1.34%, 01/07/04	40,400	40,400
				+■	Student Loan RB Series 2001A 1.34%, 01/07/04	18,700	18,700
				+■	Student Loan RB Series 2003A-1 1.34%, 01/07/04	7,000	7,000

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Pennsylvania Public School Building Auth			Quakertown Hospital Auth		
+■ School RB (Parkland SD) Series 1999D 1.30%, 01/07/04	6,800	6,800	+■ Hospital RB (HPS Group Pooled Financing Program) Series 1985 1.10%, 01/07/04	7,400	7,400
Pennsylvania Turnpike Comm			Temple University		
■ Turnpike RB Series 2001U 1.18%, 01/07/04	29,600	29,600	University Funding Obligations Series 2003 1.20%, 05/04/04	14,000	14,000
Philadelphia			Washington Cnty Lease Auth		
+■ Water & Wastewater RB Series 1997B 1.06%, 01/07/04	11,600	11,600	+■ Municipal Facilities Lease RB (Reading II) Series 1985 A-1-B 1.15%, 01/07/04	7,600	7,600
+■ Water & Wastewater Refunding RB Series 2003 1.09%, 01/07/04	41,395	41,395	West Cornwall Twp Municipal Auth		
Philadelphia Gas Works			+■ RB (Lebanon Valley Brethren Home) Series 1995 1.20%, 01/07/04	1,720	1,720
+■ RB Third Series 2001 TOB Series PA-877 1.25%, 01/07/04	5,995	5,995			879,188
Philadelphia Hospital & Higher Education Facilities Auth			Rhode Island 0.7%		
+■ RB (Wills Eye Hospital Project) Series 2000 1.25%, 01/07/04	5,200	5,200	Rhode Island Housing & Mortgage Finance Corp		
Philadelphia IDA			+■ Home Ownership Opportunity Bonds 1998 Series 29A TOB Series 1999E 1.38%, 01/07/04	19,020	19,020
+■ Airport RB Series 1998A TOB Series 1998P2 1.05%, 08/05/04	12,710	12,710	Rhode Island IDA		
+■ RB (City Line Holiday Inn) Series 1996 1.10%, 01/07/04	6,800	6,800	+■ IDR (Greystone of Lincoln) 2000 Series 1.65%, 01/07/04	1,900	1,900
+■ RB (Girard Estate Aramark Tower) Series 2002 1.25%, 01/07/04	10,000	10,000	Rhode Island Student Loan Auth		
+■ RB (Girard Estate Facilities Leasing) Series 2001 1.25%, 01/07/04	13,500	13,500	+■ Student Loan Program RB 1995 Series 1 1.16%, 01/07/04	24,900	24,900
Quakertown General Auth			+■ Student Loan Program RB 1996 Series 1 1.05%, 06/01/04	19,000	19,000
+■ RB (Pooled Financing Program) Series 1996A 1.10%, 01/07/04	14,268	14,268	+■ Student Loan Program RB 1996 Series 2 1.16%, 01/07/04	6,900	6,900
+■ RB (Pooled Financing Program) Series 1998A 1.10%, 01/07/04	1,705	1,705	+■ Student Loan Program RB 1996 Series 3 1.16%, 01/07/04	20,400	20,400
					92,120

See financial notes. 37

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
South Carolina 1.2%			South Carolina Public Service Auth		
Berkeley Cnty SD			+■ Economic Development RB (Thomas & Betts Corp) Series 1997 1.40%, 01/07/04		
+■ School Building Bonds Series 2002 TOB Series 2002 A32 1.30%, 01/07/04	7,575	7,575		3,250	3,250
Charleston Waterworks & Sewer System			+■ Economic Development Refunding RB (Electric City Printing Co) Series 1994 1.40%, 01/07/04		
■ Refunding & Capital Improvement RB Series 2003A 1.27%, 01/07/04	8,665	8,665		1,800	1,800
Florence Cnty Public Facilities Corp.			+■ IDRB (Sanders Brothers Construction Co) Series 1996 1.40%, 01/07/04		
+■ Refunding COP (Law Enforcement & Civic Centers) Series 2003 1.26%, 01/07/04	29,515	29,515		1,050	1,050
Greenville IDA			South Carolina Transportation Infrastructure Bank		
+■ IDRB (Stevens Aviation Technical Services) Series 1997 1.40%, 01/07/04	3,500	3,500	+■ TECP 0.92%, 01/13/04		
South Carolina Association of Governmental Organizations			South Carolina Public Service Auth		
COP Series 2003 1.05%, 04/14/04	20,000	20,025	+■ TECP 0.92%, 01/13/04		
South Carolina Housing & Development Auth			South Carolina Transportation Infrastructure Bank		
+■ M/F Rental Housing RB (Ashley Apts) Series 1999 1.30%, 01/07/04	4,205	4,205	+■ RB Series 1999A TOB Series 20004002 1.30%, 01/07/04		
+■ M/F Rental Housing RB (Piedmont Manor Apts) Series 2000B-1 1.30%, 01/07/04	5,755	5,755	Spartanburg Cnty IDA		
+■ M/F Rental Housing RB (Spartanburg Terrace Apts) Series 2000C-1 1.30%, 01/07/04	1,960	1,960	+■ Refunding IDRB (Bemis Co) Series 1991 1.30%, 01/07/04		
+■ M/F Rental Housing Refunding RB (Fairway Apts) Series 2001A 1.12%, 01/07/04	7,735	7,735		4,750	4,750
South Carolina Jobs Economic Development Auth			151,069		
+■ Economic Development RB (Holcim) Series 2003 1.55%, 01/07/04	6,250	6,250	South Dakota 0.3%		
			South Dakota HDA		
			+■ Homeownership Mortgage Bonds Series 2003C-1 1.22%, 01/07/04		
			+■ M/F Housing RB (Harmony Heights) Series 2001 1.37%, 01/07/04		
			South Dakota Health & Educational Facilities Auth		
			+■ RB (McKenna Hospital) Series 1994 1.32%, 01/07/04		
				27,345	27,345
				43,845	
			Tennessee 2.9%		
			Bristol Health & Educational Facilities Board		
			+■ RB (King College) Series 2001 1.25%, 01/07/04		
				7,250	7,250

Schwab Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Carter Cnty IDB				Metropolitan Govt of Nashville & Davidson Cnty			
+■	M/F Housing Refunding RB (Willow Run Apts) Series 1990 1.45%, 01/07/04	6,675	6,675		GO TECP 0.90%, 01/07/04	10,000	10,000
Chattanooga Health, Education & Housing Facilities Board					0.97%, 02/10/04	8,000	8,000
+■	RB (Baylor School) Series 1996 1.20%, 01/07/04	2,035	2,035		0.95%, 03/18/04	7,000	7,000
Clarksville Public Build Auth				Metropolitan Govt of Nashville & Davidson Cnty Health & Educational Facilities Board			
+■	Pooled Financing RB Series 2001 1.30%, 01/02/04	4,000	4,000	+■	RB (Ensworth School) Series 2002 1.15%, 01/07/04	10,000	10,000
+■	Pooled Financing RB Series 2003 1.30%, 01/02/04	7,200	7,200	Metropolitan Govt of Nashville- Davidson Cnty IDB			
Franklin Co IDB				+■	Educational Facilities Refunding RB (David Lipscomb Univ) Series 2003 1.15%, 01/07/04	8,700	8,700
+■	IDRB (Hi-Tech) Series 1997 1.20%, 01/07/04	4,300	4,300	+■	IDRB (Bindtech) Series 1997 1.35%, 01/07/04	3,050	3,050
Grundy Cnty IDB				+■	IDRB (Nashville Symphony Project) 1.25%, 01/07/04	3,100	3,100
+■	Limited Obligation RB (Toyo Seat USA Corp) Series 2001 1.55%, 01/07/04	4,255	4,255	+■	M/F Housing RB (Arbor Crest) 1985B 1.25%, 01/07/04	12,550	12,550
Hendersonville IDB				+■	M/F Housing RB (Arbor Knoll) 1985A 1.25%, 01/07/04	13,400	13,400
+■	Refunding IDRB (Betty Machine Co) Series 2001 1.25%, 01/07/04	5,000	5,000	Metropolitan Nashville Airport Auth			
Huntingdon IDB				+■	Passenger Facility Charge Refunding Bonds Series 2003 1.25%, 01/07/04	7,000	7,000
+■	IDRB (Associated Rubber Co) Series 1999 1.30%, 01/07/04	2,400	2,400	Montgomery Cnty Public Building Auth			
Jackson Energy Auth				+■	Pooled Financing RB (Tennessee Cnty Loan Pool) 1.30%, 01/02/04	50	50
+■	Gas System RB Series 2002 1.15%, 01/07/04	5,900	5,900	Nashville-Davidson Cnty Health & Educational Facilities Board			
+■	Water System RB Series 2002 1.15%, 01/07/04	4,800	4,800	+■	RB (Ascension Health Credit Group) Series 2001 B-1 1.00%, 08/02/04	3,500	3,500
Jackson IDB							
+■	Solid Waste Facility Bonds (Ameristeel Corp) Series 1997 1.35%, 01/07/04	3,800	3,800				
McMinn Cnty IDA							
+■	Solid Waste Disposal Facilities RB (Bowater) Series 1999 1.35%, 01/07/04	13,500	13,500				

See financial notes. 39

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Sevier Cnty Public Building Auth			Tennessee Housing Development Agency		
+■ Public Improvement Bonds 1995 Series C-1 1.26%, 01/07/04	3,165	3,165	■ Homeownership Program Bonds Series 2001-1C TOB Series 2001H 1.36%, 01/07/04	4,655	4,655
+■ Public Improvement Bonds 1996 Series D 1.26%, 01/07/04	1,165	1,165	+■ Mortgage Finance TOB Series K 1.38%, 01/07/04	1,510	1,510
+■ Public Improvement Bonds 1996 Series E-4 1.26%, 01/07/04	2,515	2,515	Volunteer Student Loan Funding Corp		
+■ Public Improvement Bonds 1996 Series E-5 1.26%, 01/07/04	1,390	1,390	+■ Student Loan RB Series 1987 A-1 1.13%, 01/07/04	15,000	15,000
+■ Public Improvement Bonds 1996 Series F-1 1.26%, 01/07/04	8,850	8,850	+■ Student Loan RB Series 1987 A-2 1.13%, 01/07/04	13,700	13,700
+■ Public Improvement Bonds 1996 Series F-2 1.26%, 01/07/04	6,310	6,310	+■ Student Loan RB Series 1987 A-3 1.13%, 01/07/04	58,400	58,400
+■ Public Improvement Bonds 1996 Series G 1.26%, 01/07/04	5,475	5,475	368,685		
+■ Public Improvement Bonds 1996 Series II-C 1.26%, 01/07/04	855	855	Texas 12.0%		
+■ Public Improvement Bonds 1998 Series III-C-1 1.26%, 01/07/04	8,530	8,530	Amarillo Health Facility Corp.		
Shelby Cnty Health, Education & Housing Facility Board			+■ Health Facilities Refunding RB (Evangelical Lutheran Good Samaritan Society) Series 1997 1.35%, 01/07/04	3,155	3,155
+■ Educational Facilities RB (Rhodes College) Series 2000 1.25%, 01/07/04	9,700	9,700	+■ Hospital RB (Panhandle Pooled Health Care Loan) Series 1985 1.20%, 01/07/04	3,000	3,000
+■ M/F Housing RB (TUP I) Series 1997A 1.27%, 01/07/04	5,000	5,000	Austin		
+ RB (Baptist Memorial Hospital) Series 2000 1.15%, 01/20/04	30,000	30,000	■ Public Improvement Bonds Series 2000 TOB Series 20004305 1.30%, 01/07/04	6,000	6,000
+■ RB (St. Benedict at Auburndale High School) Series 2003 1.28%, 01/07/04	5,000	5,000	+■ Water & Wastewater Refunding RB Series 2001A&B TOB Series 2001 A63 1.21%, 01/07/04	6,425	6,425
Tennessee			Bexar Cnty Health Facilities Development Corp.		
GO TECP Series A 0.95%, 02/06/04	10,000	10,000	+■ Health Care RB (Chandler Memorial Home) Series 1995 1.28%, 01/07/04	3,945	3,945
1.05%, 04/08/04	20,000	20,000			

Schwab Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Brazos River Auth				<ul style="list-style-type: none"> ■ Refunding RB (United Parcel Service) Refunding RB Series 2002 1.26%, 01/02/04 5,250 5,250 			
+	Pollution Control Refunding RB (TXU Electric Co) Series 2001D-1 1.25%, 01/07/04	14,500	14,500	Denton Utility System			
Calhoun Cnty Navigation IDA				<ul style="list-style-type: none"> + Utility System RB Series 2000A TOB Series 2000-369 1.29%, 01/07/04 5,230 5,230 			
+	Solid Waste Disposal RB (Formosa Plastics Corp) Series 2001 1.35%, 01/07/04	19,800	19,800	El Paso			
Capital Health Facilities Development Corp				<ul style="list-style-type: none"> + Water & Sewer Refunding RB Series 1998 TOB Series 1998I 1.38%, 01/07/04 11,535 11,535 			
+	Health Facilities Development RB (Island on Lake Travis) Series 1986 1.11%, 01/07/04	8,500	8,500	Eules IDA			
Capital IDA Corp				<ul style="list-style-type: none"> + RB (Ferguson Enterprises) Series 1985 1.30%, 01/07/04 4,950 4,950 			
+	Solid Waste Disposal RB (Texas Disposal Systems) Series 2001 1.35%, 01/07/04	4,300	4,300	Grand Prairie IDA			
Collin Cnty HFA				<ul style="list-style-type: none"> + IDRB (NTA Leasing Co) Series 1994 1.27%, 01/07/04 1,515 1,515 			
+	M/F Housing RB (Huntington Apts) Series 1996 1.33%, 01/07/04	6,150	6,150	Grapevine IDA			
Dallas Area Rapid Transit				<ul style="list-style-type: none"> + Airport Improvement RB (Simuflite Training Int'l) Series 1983A 1.15%, 04/01/04 18,975 18,975 			
+ +	Senior Lien Sales Tax RB Series 2001 TOB Series 20026005 1.30%, 01/07/04	16,130	16,130	Greater East Texas Student Loan Corp			
Dallas Fort Worth International Airport				<ul style="list-style-type: none"> + Student Loan RB Series 1992B 1.30%, 01/07/04 30,200 30,200 1.03%, 07/01/04 14,000 14,000 			
+ +	Dallas/Ft Worth International Airport Joint Improvement & Refunding RB Series 2002A PA-1061 1.34%, 01/07/04	8,995	8,995	<ul style="list-style-type: none"> + Student Loan RB Series 1995B 1.03%, 07/01/04 10,000 10,000 			
+ +	Dallas/Ft Worth International Airport Joint Improvement RB Series 2003A PT-805 1.34%, 01/07/04	9,995	9,995	<ul style="list-style-type: none"> + Student Loan RB Series 1999B 1.30%, 01/07/04 6,500 6,500 			
+ +	Dallas/Ft Worth International Airport Joint RB Series 2003A TOB Series 351 1.33%, 01/07/04	2,500	2,500	<ul style="list-style-type: none"> + Student Loan Refunding RB Series 1993A 1.30%, 01/07/04 48,150 48,150 			
				<ul style="list-style-type: none"> + Student Loan Refunding RB Series 1993B 1.30%, 01/07/04 7,000 7,000 			
				<ul style="list-style-type: none"> + Student Loan Refunding RB Series 1995A 1.25%, 01/07/04 35,700 35,700 			
				<ul style="list-style-type: none"> + Student Loan Refunding RB Series 1996A 1.30%, 01/07/04 56,000 56,000 			

See financial notes. 41

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Gulf Coast IDA				Houston Water and Sewer System			
+■	IDRB (Gruma Corp) Series 1994 1.22%, 01/07/04	6,440	6,440	▶	Water & Sewer System TECP Series A 0.95%, 02/04/04 0.95%, 02/05/04	12,500 46,000	12,500 46,000
Gulf Coast Waste Disposal Auth				Jewett Economic Development Corp			
■	Environmental Facilities RB (ExxonMobil) Series 2001A 1.25%, 01/02/04	400	400	■	IDRB (Nucor Corp) Series 2003 1.17%, 01/07/04	6,200	6,200
■	Environmental Facilities RB (ExxonMobil) Series 2001B 1.25%, 01/02/04	22,900	22,900	Katy Independent SD			
■	Solid Waste Disposal RB (Amoco Oil Co) Series 1991 1.05%, 04/01/04	4,600	4,600	+▶	Unlimited Tax School Building Bonds Series 2000A TOB Series 20014301 1.30%, 01/07/04	10,145	10,145
+■	Solid Waste Disposal RB (Waste Management) Series 2003D 1.30%, 01/07/04	2,750	2,750	Lavaca-Navidad River Auth			
Harris Cnty				+■	Water Supply System Contract RB (Formosa Plastics Corp) Series 1990 1.25%, 01/07/04	13,600	13,600
+▶	Junior Lien Special RB (Rodeo) Series 2001C 1.27%, 01/07/04	2,000	2,000	Lower Colorado River Auth			
Harris Cnty Health Facility Development Corp				+▶	Refunding RB Series 1999A TOB Series 20004301 1.30%, 01/07/04	10,770	10,770
+▶	SCH Health Care System RB Series 1997B TOB Series 994301 1.30%, 01/07/04	14,850	14,850	Lower Neches River Auth			
Harris Cnty HFA				■	Exempt Facilities Refunding RB (Exxon Mobil) Series 2001B 1.25%, 01/02/04	10,000	10,000
+■	M/F Housing RB (Dominion Square Apts) Series 2000 1.38%, 01/07/04	2,895	2,895	Lower Neches Valley Auth			
Houston				■	Pollution Control RB (Chevron USA) Series 1987 0.92%, 02/17/04	4,500	4,500
▶	Public Improvement Refunding Bonds Series 1998A TOB Series 984301 1.30%, 01/07/04	21,655	21,655	Lubbock Educational Facilities Auth			
+▶	Water & Sewer System Junior Lien Refunding RB Series 2002A TOB Series 2002F 1.31%, 01/07/04	6,530	6,530	+■	RB (Lubbock Christian Univ) Series 1999 1.30%, 01/07/04	6,300	6,300
Houston Independent SD				Mansfield IDA			
▶	Limited Tax Schoolhouse & Refunding Bonds Series 2003 1.09%, 06/03/04	101,000	100,983	+■	IDRB (Southern Champion Tray) Series 1999 1.30%, 01/07/04	2,200	2,200
				Matagorda Cnty Navigation District # 1			
				+▶	Refunding RB (Houston Lighting & Power Co) TOB Series 2001-A44 1.35%, 01/07/04	19,385	19,385

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
North Texas Higher Education Auth			+► S/F Mortgage Refunding & RB Series 1998A TOB Series PT-193		
+■ Student Loan RB Series 1987 1.15%, 01/07/04	87,750	87,750	1.33%, 01/07/04	6,725	6,725
+►■ Student Loan RB Series 1996C 1.15%, 01/07/04	5,600	5,600	Texas		
+■ Student Loan RB Series 1998 1.15%, 01/07/04	9,000	9,000	TRAN Series 2003 1.16%, 08/31/04	200,000	201,103
+■ Student Loan RB Series 2001A 1.15%, 01/07/04	13,405	13,405	1.18%, 08/31/04	255,000	256,372
+■ Student Loan RB Subordinate Series 1996A 1.15%, 01/07/04	8,600	8,600	1.19%, 08/31/04	45,000	45,239
+■ Student Loan Refunding RB Series 1990 1.15%, 01/07/04	27,100	27,100	■ Veterans' Housing Assistance Program Fund I Series 1995 Refunding Bonds 1.06%, 01/07/04	12,261	12,261
Northside Independent SD			■ Veterans' Housing Assistance Program Fund II Series 2002 A-2 Bonds 1.17%, 01/07/04	2,000	2,000
■ Unlimited Tax School Building Bonds Series 2003 1.02%, 06/15/04	21,000	21,000	Texas A&M University		
Panhandle Plains Higher Education Auth			■ Permanent University Fund Bonds Series 1998 TOB Series 984302 1.30%, 01/07/04	28,445	28,445
+►■ Student Loan RB Series 1991A 1.11%, 01/07/04	2,200	2,200	Texas Dept of Housing & Community Affairs		
+►■ Student Loan RB Series 1992A 1.11%, 01/07/04	20,300	20,300	+■ M/F Housing RB (Creek Point Apts) Series 2000 1.25%, 01/07/04	7,200	7,200
+►■ Student Loan RB Series 1993A 1.11%, 01/07/04	5,700	5,700	■ Residential Mortgage RB Series 1998A TOB Series 1999C 1.38%, 01/07/04	14,950	14,950
Robertson Cnty IDA			+►■ S/F Mortgage RB Series 2002A&B TOB Series 178 1.35%, 01/07/04	4,250	4,250
+■ IDR (Sanderson Farms) Series 1995 1.25%, 01/07/04	3,700	3,700	Texas Municipal Gas Corp.		
San Antonio IDA			+►■ Senior Lien Gas Reserve RB Series 1998 1.15%, 01/07/04	2,790	2,790
+■ IDR (Gruma Corp) Series 1994 1.22%, 01/07/04	4,095	4,095	Trinity River Auth		
San Jacinto Community College District			+■ Solid Waste Disposal RB (Community Waste Disposal) Series 1999 1.20%, 01/07/04	5,795	5,795
+ Maintenance Tax Notes Series 2003 1.05%, 02/15/04	1,300	1,303	Waco Education Finance Corp		
Southeast Texas HFA			+►■ RB (Baylor Univ) Series 2002A 1.25%, 01/07/04	9,900	9,900
+►■ S/F Mortgage Refunding & RB Series 1998A TOB Series PT-165 1.33%, 01/07/04	6,615	6,615			1,509,401

See financial notes. 43

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Face Amount	Value	Issuer	Face Amount	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)
Utah 1.6%			■ IDRB (Agri-Mark) Series 1999B		
Intermountain Power Agency			1.45%, 01/07/04		
➔■ Power Supply Refunding RB				1,000	1,000
Series 1996C TOB Series					
2000-409					
1.29%, 01/07/04	15,330	15,330			
Salt Lake City			Virginia 1.0%		
■ Airport RB Series 2001			Chesterfield Cnty IDA		
1.15%, 01/07/04	9,100	9,100	➔■ Solid Waste Disposal Facility		
➔■ Hospital RB Series 2001 (IHC			RB (Ridewater Fibre Corp)		
Health Services) TOB Series			Series 2000		
20014401			1.35%, 01/07/04		
1.30%, 01/07/04	26,730	26,730	Fairfax Cnty Economic		
■ RB (Rowland Hall - St. Mark's			Development Auth		
School) Series 2001			■ RB (Smithsonian Institution)		
1.25%, 01/07/04	9,515	9,515	Series A		
University of Utah			1.18%, 01/07/04		
➔■ Auxiliary & Campus Facilities			King George Cnty		
System Refunding & RB			➔■ Solid Waste Disposal Facility		
Series 1998A TOB Series			RB (Garnet) Series 1996		
984401			1.35%, 01/07/04		
1.30%, 01/07/04	30,060	30,060	Loudoun Cnty IDA		
■ Student Loan RB Series 1993A			■ RB (Howard Hughes Medical		
1.15%, 01/07/04	35,000	35,000	Institute) Series 2003B		
➔■ Student Loan RB Series 1995I			1.05%, 01/07/04		
1.15%, 01/07/04	27,500	27,500	■ RB (Howard Hughes Medical		
Utah			Institute) Series 2003D		
■ GO Highway Bonds Series			1.20%, 01/07/04		
1998A TOB PT-429			■ RB (Howard Hughes Medical		
1.28%, 01/07/04	31,085	31,085	Institute) Series 2003E		
Utah Building Ownership Auth			1.26%, 01/02/04		
➔■ Lease Refunding RB Series			■ RB (Howard Hughes Medical		
1998C TOB Series 984402			Institute) Series 2003F		
1.30%, 01/07/04	9,695	9,695	1.06%, 01/07/04		
Woods Cross City			Metropolitan Washington		
■ M/F Housing Refunding RB			Airports Auth		
(Springwood Apts) Series			➔■ Airport System RB Series		
2001A			2001A TOB Series PT-689		
1.25%, 01/07/04	3,605	3,605	1.34%, 01/07/04		
197,620			➔■ Airport System Refunding RB		
			Series 2002C		
			1.15%, 01/07/04		
			■ TECP Series A		
			1.15%, 01/07/04		
			Montgomery Cnty IDA		
			➔■ RB (Virginia Tech Foundation)		
			Series 2001A		
			1.25%, 01/07/04		
			9,300		
			9,300		

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ RB (Virginia Tech Foundation) Series 2001B 1.33%, 01/07/04	1,310	1,310	+■ Project #3 Refunding Electric RB Series 2003E 1.15%, 01/07/04	5,000	5,000
+■ RB (Virginia Tech Foundation) Series 2002 1.25%, 01/07/04	4,655	4,655	+▶■ Project #3 Refunding Electric RB, Series 2003D-3-1 1.09%, 01/07/04	1,000	1,000
Norfolk			+▶■ Project #3 Refunding Electric RB, Series 2003D-3-2 1.07%, 01/07/04	8,000	8,000
+▶■ Parking System Refunding & RB Series 2000B TOB Series 20004601 1.30%, 01/07/04	9,450	9,450	Everett IDA		
Portsmouth Redevelopment & Housing Auth., Virginia			■ Exempt Facilities RB (Kimberly-Clark Corp) Series 2002 1.25%, 01/07/04	3,200	3,200
+■ M/F Housing RB (Churchland North Apts) Series 1999 1.30%, 01/07/04	6,705	6,705	+■ RB (Partners Trust I SYNSOR) Series 1896 1.25%, 01/07/04	3,500	3,500
Richmond IDA			King Cnty		
+■ Educational Facilities RB (Church Schools) Series 2002 1.25%, 01/07/04	9,775	9,775	Limited Tax GO BAN Series 2003A 1.05%, 10/01/04	80,000	80,564
Virginia Beach Development Auth			Olympia		
+■ M/F Residential Rental Housing RB (Silver Hill at Thalia) Series 1999 1.30%, 01/07/04	4,300	4,300	+■ Solid Waste RB (LeMay Enterprises) Series 1999 1.20%, 01/07/04	6,695	6,695
		130,465	Pierce Cnty		
Washington 4.3%			+■ IDRb (McFarland Cascade) Series 1996 1.40%, 01/07/04	2,000	2,000
Douglas Cnty Development Corp			+▶■ Unlimited Tax GO Bonds Series 2001TOB Series 20014703 1.30%, 01/07/04	43,655	43,655
+■ RB (Executive Flight) Series 1998 1.20%, 01/07/04	6,500	6,500	Pierce Cnty Economic Development Corp		
Energy Northwest			+■ RB (Flex-A-Lite Consolidated) Series 1996 1.25%, 01/07/04	2,400	2,400
+▶■ Columbia Generating Station & Project #3 Refunding Electric RB Series 2001A TOB Series 20014701 1.30%, 01/07/04	29,700	29,700	+■ RB (K&M Holdings II) Series 1997 1.55%, 01/07/04	1,400	1,400
+▶■ Project #1 Refunding Electric RB Series 2002A TOB Series PT-615 1.28%, 01/07/04	13,530	13,530	+■ Solid Waste RB (LeMay Enterprises) Series 1999 1.20%, 01/07/04	2,620	2,620
+▶■ Project #3 Refunding Electric RB Series 2003A TOB Series PT-778 1.28%, 01/07/04	8,690	8,690	Port of Centralia IDA		
			+■ Solid Waste RB (LeMay Enterprises) Series 1999 1.20%, 01/07/04	1,645	1,645

See financial notes. 45

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Port of Moses Lake Public Corp				Washington			
+	RB (National Frozen Foods Corp) Series 1997 1.15%, 01/07/04	3,800	3,800	+	GO Bond Series 2003A TOB Series 2002G 1.34%, 01/07/04	5,170	5,170
Port of Seattle				+	GO Bonds Series 1998C TOB Series 984704 1.30%, 01/07/04	12,150	12,150
+	RB Series 2001B TOB Series PT-728 1.33%, 01/07/04	4,430	4,430	+	GO Bonds Series 2000B TOB Series 20004702 1.30%, 01/07/04	13,380	13,380
+	Special Facility RB Series 1999B (Terminal 18) Merlot TOB Series 1999J 1.26%, 01/07/04	49,795	49,795	+	GO Bonds Series 2001A TOB Series 228 1.30%, 01/07/04	5,950	5,950
Port of Tacoma				+	Motor Vehicle Fuel Tax GO Refunding Bonds Series R-2001B 1.04%, 09/01/04	10,000	10,262
+	Subordinate Lien Revenue TECP Series A 1.05%, 03/19/04	15,500	15,500	+	Unlimited GO Bonds Series B TOB Series 20024702 1.30%, 01/07/04	30,485	30,485
Seattle				Washington Economic Development Finance Auth			
+	Drainage & Wastewater Refunding & RB Series 2002 TOB Series PT-1605 1.28%, 01/07/04	6,875	6,875	+	Economic Development RB (Skills) Series 1998N 1.25%, 01/07/04	2,940	2,940
Seattle Housing Auth				+	IDRB (Tonkin Building Associates) Series 1997A 1.40%, 01/07/04	1,000	1,000
+	RB (CHHIP & HRG) Series 1996 1.25%, 01/07/04	3,485	3,485	+	RB (Ace Tank) Series 1998 1.40%, 01/07/04	1,180	1,180
+	RB (Casa Pacifica Apts) Series 1997 1.25%, 01/07/04	3,000	3,000	+	RB (Hunter Douglas) Series 1997A 1.30%, 01/07/04	3,500	3,500
Snohomish Cnty Public Utility District #1				+	Solid Waste Disposal RB (Waste Management) Series 2000C 1.22%, 01/07/04	5,500	5,500
+	Generation System Refunding RB Series 2002A-1 1.09%, 01/07/04	4,200	4,200	+	Solid Waste Disposal RB (Waste Management) Series 2000I 1.20%, 01/07/04	10,240	10,240
+	Generation System Refunding RB Series 2002A-2 1.09%, 01/07/04	27,000	27,000	+	Solid Waste Disposal RB (Waste Management) Series 2000H 1.22%, 01/07/04	7,235	7,235
Spokane IDA				Washington Health Care Facilities Auth			
+	Refunding IDR (Interlock Realty Co) Series 1996 1.53%, 01/07/04	945	945	+	RB (Yakima Valley Farm Workers Clinic) Series 1997 1.15%, 01/07/04	3,300	3,300
Tacoma Housing Auth							
+	RB (Crown Assisted Living) Series 1998 1.25%, 01/07/04	3,255	3,255				

Schwab Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Washington Housing Finance Commission			West Virginia 0.6%		
+■ M/F Housing RB (Lakewood Meadows Apts) Series 2000A 1.35%, 01/07/04	3,140	3,140	Fayette Cnty Dev Auth		
+■ M/F Housing RB (Woodrose Apts) Series 1999A 1.30%, 01/07/04	6,750	6,750	+■ Solid Waste Disposal Facility RB (Georgia-Pacific Corp) Series 1995 1.30%, 01/07/04	11,100	11,100
+■ M/F Mortgage RB (Canyon Lakes) Series 1993 1.30%, 01/07/04	4,370	4,370	Marion Cnty		
+■ M/F Mortgage RB (Lake Washington Apts) Series 1996 1.25%, 01/07/04	8,350	8,350	+■ Solid Waste Disposal Facility RB (Grant Town Cogeneration) Series 1990B 1.20%, 01/07/04	21,225	21,225
+■ M/F Mortgage RB (Meridian Court Apts) Series 1996 1.25%, 01/07/04	6,700	6,700	+■ Solid Waste Disposal Facility RB (Grant Town Cogeneration) Series 1990C 1.20%, 01/07/04	18,100	18,100
+■ M/F RB (Brittany Park Phase II) Series 1998A 1.30%, 01/07/04	3,480	3,480	+■ Solid Waste Disposal Facility RB (Grant Town Cogeneration) Series 1990D 1.20%, 01/07/04	3,400	3,400
+■ M/F RB (Brittany Park) Series 1996A 1.30%, 01/07/04	8,530	8,530	West Virginia Parkways, Economic Development & Tourism Auth		
+■ M/F RB (Merrill Gardens) Series 1997A 1.30%, 01/07/04	6,125	6,125	+■ Refunding RB Series 2003 1.06%, 01/07/04	17,600	17,600
+■ M/F RB (Rosecreek Apts) Series 1998A 1.33%, 01/07/04	3,570	3,570	West Virginia State Hospital Finance Auth		
+■ S/F Program Bonds Draw Down Issue 2002A TOB Series PT-636 1.35%, 01/07/04	11,360	11,360	+■ Refunding RB (St. Josephs Hospital Project) 1.16%, 01/07/04	1,300	1,300
Yakama Indian Nation					72,725
+■ RB (Yakama Forest Products) Series 1997 1.25%, 01/07/04	3,600	3,600	Wisconsin 1.2%		
Yakima Cnty Public Corp			Colburn IDA		
+■ IDR (Cowiche Growers) Series 1998 1.35%, 01/07/04	3,000	3,000	+■ IDR (Heartland Farms) Series 1994 1.53%, 01/07/04	5,900	5,900
+■ RB (Michelsen Packaging) Series 1996 1.25%, 01/07/04	1,600	1,600	Franklin Regional Solid Waste Finance Commission		
+■ RB (Printing Press) Series 1995 1.25%, 01/07/04	1,200	1,200	+■ Solid Waste Disposal RB (Waste Management) Series 2003A 1.30%, 01/07/04	5,200	5,200
+■ Refunding & RB (Hi-Country Foods) Series 1996 1.25%, 01/07/04	5,900	5,900	Kenosha		
			+■ IDR (Asyst Technologies) Series 1997 1.35%, 01/07/04	5,000	5,000
		539,176			

See financial notes. 47

Schwab Municipal Money Fund

Portfolio Holdings continued

Issuer			Issuer		
Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Milwaukee Cnty			S/F Draw Down RB Series		
+■ Airport RB Series 2000A Series PT-681 1.34%, 01/07/04	18,470	18,470	+■ 2003I TOB Series PT-860 1.35%, 01/07/04	12,685	12,685
Rhineland IDA			Wisconsin Rapids		
+■ IDRB (Lake Shore) Series 1990 1.53%, 01/07/04	3,820	3,820	+■ IDRB (Thiele Kaolin) Series 1998 1.30%, 01/07/04	4,500	4,500
Southeast Wisconsin Professional Baseball Park District			149,815		
+■ Sales Tax Refunding Bonds Series 1998 TOB Series 2000Y 1.21%, 01/07/04	5,000	5,000	Wyoming 0.4%		
Wisconsin Health & Educational Facilities Auth			Lincoln Cnty		
+■ RB (Wisconsin Lutheran College) Series 2001 1.30%, 01/07/04	7,000	7,000	■ Pollution Control RB (Exxon) Series 1987A 1.26%, 01/02/04	5,300	5,300
+■ RB Series 1993C (Sisters of the Sorrowful Mother) TOB Series PT-856 1.26%, 01/07/04	22,015	22,015	■ Pollution Control RB (Exxon) Series 1987B 1.26%, 01/02/04	1,600	1,600
Wisconsin Housing & Economic Development Auth			■ Pollution Control RB (Exxon) Series 1987C 1.26%, 01/02/04	14,800	14,800
+■ Business Development RB (Ultratec) 1995 Series 7 1.53%, 01/07/04	2,350	2,350	Uinta Cnty		
■ Home Ownership RB Series 1997H TOB Series PT-194 1.33%, 01/07/04	4,285	4,285	■ Pollution Control Refunding RB (Chevron USA) Series 1992 1.30%, 01/02/04	9,000	9,000
+■ Home Ownership RB Series 1999A TOB Series 1999R 1.35%, 01/07/04	17,250	17,250	■ Pollution Control Refunding RB (Chevron USA) Series 1993 1.22%, 01/02/04	6,500	6,500
■ Home Ownership RB Series 2002C 1.12%, 01/07/04	3,000	3,000	Wyoming Community Development Auth		
■ Home Ownership RB Series 2002D 1.17%, 01/07/04	1,960	1,960	■ Housing RB 1997 Series 4 TOB Series PT-261 1.33%, 01/07/04	2,320	2,320
■ Home Ownership RB Series 2003B 1.17%, 01/07/04	15,000	15,000	■ Housing RB 2001 Series 1 TOB Series PT-553 1.33%, 01/07/04	5,730	5,730
+■ Housing RB Series 2002 B TOB Series 2001-650 1.29%, 01/07/04	16,380	16,380	45,250		

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

Schwab Municipal Money Fund

Statement of Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$12,414,710
Cash	1,918
Receivables:	
Fund shares sold	27,271
Interest	34,394
Investments sold	139,100
Prepaid expenses	+ 401
Total assets	12,617,794

Liabilities

Payables:	
Fund shares redeemed	29,345
Dividends to shareholders	806
Investment adviser and administrator fees	77
Transfer agent and shareholder service fees	114
Accrued expenses	+ 573
Total liabilities	30,915

Net Assets

Total assets	12,617,794
Total liabilities	- 30,915
Net assets	\$12,586,879

Net Assets by Source

Capital received from investors	12,589,656
Net investment income not yet distributed	25
Net realized capital losses	(2,802)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$7,493,807		7,496,766		\$1.00
Value Advantage Shares	\$3,900,679		3,900,725		\$1.00
Select Shares®	\$474,101		474,119		\$1.00
Institutional Shares	\$718,292		718,313		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$12,414,710. During the reporting period, the fund had \$4,857,368 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio \$12,414,762

Undistributed earnings:

Tax-exempt income	\$25
Long-term capital gains	-

Unused capital losses:

Expires 12/31 of:	Loss amount:
2004	\$338
2005	523
2007	775
2008	873
2011	+ 241
	\$2,750

See financial notes. 49

Schwab Municipal Money Fund

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$140,795**

Net Realized Gains and Losses

Net realized losses on investments sold **(208)**

Expenses

Investment adviser and administrator fees 43,460

Transfer agent and shareholder service fees:

Sweep Shares 33,661

Value Advantage Shares 10,225

Select Shares® 422

Institutional Shares 507

Trustees' fees 63

Custodian and portfolio accounting fees 993

Professional fees 51

Registration fees 336

Shareholder reports 459

Other expenses + 81

Total expenses 90,258

Expense reduction - 18,750

Net expenses 71,508

Increase in Net Assets from Operations

Total investment income 140,795

Net expenses - 71,508

Net investment income 69,287

Net realized losses + (208)

Increase in net assets from operations \$69,079

Unless stated, all numbers x 1,000.

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

These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$16,579 from the investment adviser (CSIM) and \$2,171 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.

Schwab Municipal Money Fund

Statements of
Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$69,287	\$109,422
Net realized gains or losses	+ (208)	347
Increase in net assets from operations	69,079	109,769

Distributions Paid

Dividends from Net Investment Income

Sweep Shares	34,685	64,407
Value Advantage Shares	31,426	45,015
Select Shares [®]	1,306	—
Institutional Shares	+ 1,845	—
Total dividends from net investment income	69,262	109,422

Transactions in Fund Shares

Shares Sold

Sweep Shares	27,215,378	24,400,497
Value Advantage Shares	5,280,015	5,574,437
Select Shares [®]	859,347	—
Institutional Shares	+ 1,161,958	—
Total shares sold	34,516,698	29,974,934

Shares Reinvested

Sweep Shares	34,072	63,259
Value Advantage Shares	28,395	41,570
Select Shares [®]	1,192	—
Institutional Shares	+ 1,497	—
Total shares reinvested	65,156	104,829

Shares Redeemed

Sweep Shares	(27,190,937)	(24,293,754)
Value Advantage Shares	(5,887,801)	(4,913,621)
Select Shares [®]	(386,420)	—
Institutional Shares	+ (445,142)	—
Total shares redeemed	(33,910,300)	(29,207,375)

Net transactions in fund shares

671,554 **872,388**

Net Assets

Beginning of period	11,915,508	11,042,773
Total increase	+ 671,371	872,735
End of period	\$12,586,879	\$11,915,508

Unless stated, all numbers x 1,000.

Unaudited

The fund hereby designates 100% of its dividends for the current report period as tax-exempt interest dividends.

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

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 to affiliates of the investment adviser 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.

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

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

seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds®. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds®.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the 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 borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

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 net realized 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 or a class are charged directly to the fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets.

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

Report of Independent Auditors

To the Board of Trustees and Shareholders of:
Schwab Municipal Money Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio holdings, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Schwab Municipal Money Fund (one of the portfolios constituting The Charles Schwab Family of Funds, hereafter referred to as the “Fund”) at December 31, 2003, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and the financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, CA

February 6, 2004

Fund Trustees

A fund's Board of Trustees is responsible for protecting the interests of that fund's shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an "interested person," meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as "interested trustees." The "independent trustees" are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds (of which there were 49 as of 12/31/03) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp.; CEO, Director, Schwab Holdings, Inc.; Chair, Director, Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc.; Chair, Charles Schwab Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, The Gap, Inc. (clothing retailer), Siebel Systems (software); Trustee, Stanford University. <i>Until 6/03</i> : Director, Xsign, Inc. (electronic payment systems). <i>Until 5/03</i> : Co-Chair, The Charles Schwab Corporation. <i>Until 5/02</i> : Director, Vodafone AirTouch PLC (telecom). <i>Until 3/02</i> : Director, Audiobase, Inc. (Internet audio solutions). <i>Until 7/01</i> : Director, The Charles Schwab Trust Company. <i>Until 1/99</i> : Director, Schwab Retirement Plan Services, Inc., Mayer & Schweitzer, Inc. (securities brokerage subsidiary of The Charles Schwab Corp.), Performance Technologies, Inc. (technology), TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Municipal Money Fund

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	Trustee:2003 (all trusts)	Vice Chair, EVP, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.
Jeffrey M. Lyons ¹ 2/22/55	Trustee: 2002 (all trusts).	EVP, Asset Management Products and Services, Charles Schwab & Co., Inc. <i>Until 9/01</i> : EVP, Mutual Funds, Charles Schwab & Co., Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; VP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Municipal Money Fund

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, Director, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital. <i>2007</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Director, Non-Executive Chairman, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Networks (telecommunications); Public Governor, Member, executive committee, Pacific Stock & Options Exchange. Director, Digital Microwave Corp. (network equipment). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Director, Pennzoil-Quaker State Co. (oil and gas), Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products); Member, audit committee, Northern Border Partners, L.P. (energy).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investments).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

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 security A bond or other debt security that represents ownership in a pool of debt obligations such as credit card debt.

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.

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.

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

Schwab Municipal Money 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.

illiquid securities A security is generally considered illiquid if it cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instrument.

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.

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

restricted securities A security that is subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

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

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities A security exempt from registration under Section 4(2) of the Securities Act of 1933. It may be sold only to qualified institutional buyers under Securities Act Rule 144A.

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.

Contact Schwab

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

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 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 Dividend Equity Fund™
Schwab Small-Cap Equity Fund™
Schwab Hedged Equity Fund™
Schwab Focus Funds
 Communications Focus Fund
 Financial Services Focus Fund
 Health Care Focus Fund
 Technology Focus Fund
Schwab MarketMasters Funds™
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
 Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack 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, subject to availability, 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

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101 Montgomery Street, San Francisco, CA 94104

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Schwab Municipal Money Funds

Annual Report

December 31, 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™

charles SCHWAB

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Fund investment adviser: Charles Schwab Investment Management, Inc. (CSIM).
Distributor and transfer agent: Charles Schwab & Co., Inc. (Schwab).

From the Chairman



Charles R. Schwab
Chairman

In 1989, we founded SchwabFunds® on the belief that mutual funds represent an important tool for investors. Money funds, for example, are especially well-suited for the cash portion of your portfolio when you are seeking capital preservation or liquidity.

Over the past few years, mutual funds have faced a number of challenges, affecting both their performance and investor perception. Yet recently we have seen signs of positive change. The economy and the stock market have shown increasing strength. And while much remains to be done within the fund industry, the industry has been moving quickly to assess and improve its operations and its investor safeguards.

As a firm, we continue to change as well. Our capabilities are evolving in ways that allow us to offer investors more choices and better ways to do business with us. I'm enthusiastic about these changes because they're designed to offer benefits for our fund shareholders.

One thing that hasn't changed is my belief in mutual funds. Mutual funds still offer all the features that have made them so popular: diversification, liquidity, convenience, low investment minimums, and professional management. For individual investors especially, I believe mutual funds continue to be one of the most cost-effective investment vehicles available.

To date, millions of Americans have successfully relied on mutual funds as an important way to invest for retirement security, their children's education, and other financial goals. We remain optimistic that mutual funds will continue to do the same for millions more Americans in the years to come.

Sincerely,

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

Management's Discussion for the year ended December 31, 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 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

In today's current low-interest-rate environment, it's tempting to ask whether money funds still have a place in an investment portfolio.

It's a fair question, but I'd suggest the answer is not as obvious as it may seem. Money funds are designed to offer several potential benefits. If you're like many investors, your asset allocation calls for a portion of your portfolio to be in cash. If the purpose of that allocation is to offer capital preservation or liquidity, or to help reduce the impact of market volatility on your portfolio, then money funds probably still make sense for you, regardless of the yield environment.

Here at SchwabFunds®, we're proud of our seasoned fund managers and their ability to work as a team. Our managers have an average of over 16 years of experience in the investment management industry. I'm also proud to say that we're in the process of building on that experience: by expanding our selection of mutual funds, adding new share classes, and offering new, competitively priced alternatives.

Thirty years ago, Charles Schwab founded his firm with a vision to create the most useful and ethical financial services firm in the world. We live by that philosophy every day.

Your investment in SchwabFunds is an indication of the trust you place in us. As the managers of your money, we have a special obligation to live up to that trust. I have enjoyed the opportunity to respond to several shareholder inquiries, and I hope you'll let us know how we're doing.

I want to thank you for investing with us and want to assure you that we strive relentlessly to operate our business with the highest ethical standards and an unwavering commitment to serve you, our SchwabFunds shareholders.

Sincerely,

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



Kevin Shaughnessy, CFA, a vice president of the investment adviser and senior 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

During 2003, the U.S. economy began to gather strength, especially during the second half of the year. In the months before the war in Iraq (which began in March 2003), the economy remained in a holding pattern, as businesses and investors adopted a wait-and-see stance. Once the combat phase drew to an end, America began to pay more attention to the economy, which by year-end appeared to be recovering.

Seeking additional protection against the risk of deflation, the Federal Reserve (the Fed) cut short-term interest rates by 0.25% in June. This brought the Fed funds target rate to a 45-year low of 1.00%. Short-term interest rates began plummeting in May in anticipation of the Fed's rate cut but quickly began a modest recovery and ended the year somewhat above their mid-year lows. Nevertheless, money fund yields remained close to historically low levels.

Throughout the report period, short-term municipal yields remained attractively valued relative to short-term taxable yields. During the year, the ratio of short-term muni yields to taxables averaged 82%, and at times exceeded 95%. We attribute this situation to the unusually large quantity of municipal money market debt that was issued during 2003. In order to attract buyers for these securities, municipal issuers needed to offer higher yields than they otherwise might have.

Schwab New York Municipal Money Fund. For the first time in three years, New York did not have a mid-year budget deficit to address. However, the state is facing a \$6 billion deficit for fiscal 2005 (which begins April 1, 2004)—not including a court-ordered increase in New York City education funding or demands from local governments for relief from state-mandated Medicaid and pension obligations.

New York City lowered its projected 2005 budget gap, but many upstate areas came under enormous financial pressure as their manufacturing economies shrank while state-mandated costs rose. Several local governments became subject to financial control boards, and their credit ratings were lowered as a consequence. However, due to the diversity of its economy as well as its revenue-raising ability, the state, as well as most of its local governments, remained strong investment-grade credits. As of the report date, the state's credit ratings were A2 from Moody's, AA with a negative outlook from Standard & Poor's and AA- from Fitch.

Schwab New Jersey Municipal Money Fund. The use of \$1.3 billion in tobacco-settlement bonds and over \$500 million in federal economic aid helped balance the state's fiscal 2004 budget, but the economic environment remains challenging. The state expects to end fiscal 2004 with a modest \$253 million in its general fund (1.1% of spending),

Most states have addressed their fiscal challenges through a combination of budget cuts and the use of one-time revenue sources and financing.

which leaves it little financial flexibility. However, as of November 2003, revenues were running 2.5% ahead of projections, and expenditures were on budget. Given the diversity of the state's economy, its high level of personal wealth and its associated ability to raise revenue, New Jersey remains a strong investment-grade credit. As of the report date, the state's credit ratings were Aa2 with a negative outlook from Moody's, AA from Standard & Poor's and AA from Fitch.

Schwab Pennsylvania Municipal Money Fund. Pennsylvania's fiscal 2004 budget was designed to close a \$2.4 billion budget gap and increase subsidies for education. Revenues and expenditures were each projected to be \$22.6 billion. The state's overall fiscal 2004 revenues were slightly ahead of projections for the first half of the fiscal year. The state expects a modest operating surplus of more than \$100 million by fiscal year-end. The state's above-average credit quality is derived from its conservative financial management, increasing economic diversification and moderate debt level. As of the report date, Pennsylvania's general obligations were rated Aa2 by Moody's, AA by S&P and AA by Fitch.

Schwab Florida Municipal Money Fund. Although it has drawn on reserves to balance its budget in the last two years, Florida expected to end fiscal 2003 (6/30/03) with \$1.6 billion in its general fund and to increase this balance to \$2 billion through fiscal 2004. Florida has benefited from its reliance on sales taxes rather than personal income taxes. Total payroll jobs were up an estimated 1.2% for 2003. With its substantial reserves and strong financial controls, the state's ratings at 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™. Massachusetts continued to manage in a tough financial environment. The state anticipates ending fiscal 2004 (6/30/04) with a \$681 million general fund balance (3% of expenditures). The fiscal 2004 budget projects a conservative 1.6% increase in revenues and no increase in spending. The state has cut aid to local governments and school districts in each of the last two fiscal years but most continue to operate with sufficient financial flexibility due to strong reserves. Because of its diverse economy, its high personal wealth levels and its associated revenue-raising ability, Massachusetts remained a strong investment-grade credit. As of the report date, the state's credit ratings were Aa2 with a negative outlook from Moody's, AA- from Standard & Poor's and AA- from Fitch.

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 12/31/03

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	0.50%	0.74%	0.52%	0.55%	0.59%
Seven-Day Yield –No Waiver²	0.34%	0.58%	0.31%	0.33%	0.26% ³
Seven-Day Effective Yield	0.50%	0.74%	0.53%	0.55%	0.59%
Seven-Day Taxable-Equivalent Effective Yield⁴	0.88%	1.30%	0.87%	0.87%	0.96%

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	55 days	53 days	41 days	51 days	76 days
Credit Quality of Holdings % of portfolio	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1	100% Tier 1
Credit-Enhanced Securities % of portfolio	68%	72%	78%	80%	51%

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. Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

³ Please refer to the Statement of Operations for additional information on expense waivers.

⁴ Taxable-equivalent effective yields assume the following 2003 maximum tax rates: New York 42.90% (federal regular income, New York state and New York city taxes); New Jersey 39.14%, Pennsylvania 36.82%, and Massachusetts 38.45% (federal regular and state personal income taxes); Florida 35.00% (federal regular income tax). Investment income may be subject to the Alternative Minimum Tax.

Schwab New York Municipal Money Fund

Financial Statements

Financial Highlights

Sweep Shares	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	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
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.41	0.80	2.06	3.39	2.59
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.69	0.69	0.69	0.70 ²	0.69
Gross operating expenses	0.84	0.85	0.86	0.88	0.91
Net investment income	0.41	0.80	2.04	3.35	2.57
Net assets, end of period (\$ x 1,000,000)	1,038	944	889	798	604
Value Advantage Shares	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00
Income from investment operations:					
Net investment income	0.01	0.01	0.02	0.04	0.03
Less distributions:					
Dividends from net investment income	(0.01)	(0.01)	(0.02)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.66	1.04	2.30	3.64	2.83
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.45	0.45	0.45	0.46 ³	0.45
Gross operating expenses	0.61	0.62	0.64	0.68	0.71
Net investment income	0.65	1.04	2.23	3.59	2.81
Net assets, end of period (\$ x 1,000,000)	690	676	604	419	296

¹ Per share amount was less than \$0.01.

² The ratio of net operating expenses would have been 0.69% if certain non-routine expenses (proxy fees) had not been included.

³ The ratio of net operating expenses would have been 0.45% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
100.7% Municipal Securities	1,739,303	1,739,303
100.7% Total Investments	1,739,303	1,739,303
(0.7)% Other Assets and Liabilities		(11,624)
100.0% Total Net Assets		1,727,679

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

Municipal Securities 100.7% of Net Assets**New York 99.5%****Albany IDA**

+■ IDR (Newkirk Products Project) Series 1995A 1.29%, 01/07/04	1,000	1,000
+■ Refunding IDR (United Cerebral Palsy Association of the Capital District) 1997B 1.27%, 01/07/04	10,500	10,500

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

Babylon IDA

+■ Resource Recovery Refunding RB Series 1998 (Ogden Martin Systems of Babylon Project) 1.11%, 01/07/04	5,000	5,000
--	-------	-------

Broome Cnty IDA

+■ Civic Facility RB 2003 Series (Elizabeth Church Manor Nursing Home Project) 1.07%, 01/07/04	6,475	6,475
+■ Civic Facility RB 2003 Series (Methodist Homes For the Aging Project) 1.07%, 01/07/04	6,070	6,070

Buffalo

+ RAN 2003-2004A 1.08%, 07/29/04	10,000	10,095
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Chautauqua Cnty

+■ Civic Facility RB (Jamestown Center City Development Corp Project) Series 2000A 1.32%, 01/07/04	4,950	4,950
+■ IDR (Grafcu Industries Ltd Partnership Project) Series 2002 1.25%, 01/07/04	6,865	6,865

Chenango Cnty IDA

+■ IDR (Baillie Lumber Co. Project) Series 2000A 1.55%, 01/07/04	4,551	4,551
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Connetquot Central SD

TAN 2003-2004 0.94%, 06/30/04	2,000	2,010
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Cornwall Central SD

BAN 2003 1.04%, 10/15/04	29,286	29,504
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Dutchess Cnty IDA

+■ Civic Facility RB (Trinity-Pawling School Corp Civic Facility) Series 1998 1.20%, 01/07/04	3,075	3,075
+■ IDR (Mechtronics Corp Project) Series 1998 1.41%, 01/07/04	2,925	2,925

Schwab New York Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
East Meadow Union Free SD				Electric System Subordinated			
	TAN 2003-2004				RB 2001 Series 2-B		
	0.82%, 06/29/04	4,000	4,018		1.27%, 01/02/04	1,400	1,400
	1.14%, 06/29/04	5,000	5,009	Electric System Subordinated			
Garden City Union Free SD					RB 2001 Series 3-A		
	TAN 2003-2004				1.10%, 01/07/04	8,500	8,500
	0.94%, 06/29/04	5,000	5,015	Metropolitan Transp Auth			
Greece Central SD					►■ Dedicated Tax Fund Bonds		
	BAN 2003				Series 1998A TOB Series		
	1.05%, 06/18/04	18,000	18,078		PT-395		
					1.10%, 01/07/04	9,440	9,440
Hempstead Union Free SD				►■ Dedicated Tax Fund Bonds Series			
	TAN 2003-2004				2002A TOB Series 2002H		
	0.92%, 06/29/04	4,400	4,423		1.28%, 01/07/04	5,490	5,490
Herkimer Cnty				►■ Dedicated Tax Fund Bonds			
	►■ Civic Facility RB Series 2000				Series 2002B		
	(Templeton Foundation				1.18%, 01/07/04	23,000	23,000
	Project)			►■ Transportation Refunding RB			
	1.35%, 01/07/04	1,900	1,900		Series 2002A TOB Series		
Jay Street Dev Corp					2001-724x		
	►■ Courts Facility Lease RB (Jay				1.26%, 01/07/04	22,000	22,000
	Street Project) Fiscal 2004			►■ Transportation Refunding RB			
	Bonds A-1				Series 2002D-1		
	1.20%, 01/07/04	5,000	5,000		1.20%, 01/07/04	7,600	7,600
	►■ Courts Facility Lease RB (Jay			►■ Transportation Refunding RB			
	Street Project) Fiscal 2004				Series 2002G-1		
	Bonds A-2				1.18%, 01/07/04	4,725	4,725
	1.18%, 01/07/04	5,000	5,000	►■ Transportation Refunding RB			
	►■ Courts Facility Lease RB (Jay				Series 2002G-2		
	Street Project) Fiscal 2004				1.18%, 01/07/04	5,000	5,000
	Bonds A-3			► Transportation Revenue BAN			
	1.12%, 01/07/04	5,000	5,000		Sub-series B		
Long Island Power Auth					1.00%, 02/13/04	20,000	20,000
	►■ Electric System General RB			Nassau Cnty			
	Series 1998A TOB Series				GO TAN 2003 Series B		
	PA-522				1.13%, 10/15/04	28,700	28,894
	1.26%, 01/07/04	21,000	21,000		GO TAN, 2003 Series A		
	►■ Electric System General RB				1.05%, 04/15/04	5,000	5,014
	Series 2001A TOB Series			Nassau County Interim Finance			
	PA-841				Auth		
	1.26%, 01/07/04	4,365	4,365		►■ Sales Tax Secured Bonds Series		
	►■ Electric System RB Series				2002B		
	1998A TOB Series 983205				1.05%, 01/07/04	4,965	4,965
	1.26%, 01/07/04	1,900	1,900	New York City			
	►■ Electric System Subordinated				►■ GO Bonds Fiscal 1994 Series		
	RB 2001 Series 1-B				A-7		
	1.27%, 01/02/04	1,500	1,500		1.27%, 01/02/04	2,400	2,400

Schwab New York Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ GO Bonds Fiscal 1994 Series A-8 1.27%, 01/02/04 1.27%, 01/07/04	1,285 700	1,285 700	+ ■ Health System Bonds 1999 Series A TOB Series PA-555 1.25%, 01/07/04	17,620	17,620
+ ■ GO Bonds Fiscal 1994 Series H-3 1.27%, 01/02/04	1,700	1,700	+ ■ M/F Mortgage RB (2 Gold Street) 2003 Series A 1.12%, 01/07/04	15,000	15,000
+ ■ GO Bonds Fiscal 1998D TOB Series 1997C 1.17%, 01/07/04	26,000	26,000	+ ■ M/F Mortgage RB (92nd & First Residential Tower), 2003 Series A 1.04%, 01/07/04	20,000	20,000
+ ■ GO Bonds Fiscal 2000 Series A TOB Series 17 1.11%, 01/07/04	3,395	3,395	+ ■ M/F Mortgage RB (Atlantic Court Apartments), 2003 Series A 1.10%, 01/07/04	17,000	17,000
+ ■ GO Bonds Fiscal 2001 Series B TOB Series 2000-394 1.26%, 01/07/04	6,920	6,920	+ ■ M/F Mortgage RB (Upper East), 2003 Series A 1.12%, 01/07/04	18,000	18,000
+ ■ GO Bonds Fiscal 2002 Series A TOB Series 20013204 1.26%, 01/07/04	24,750	24,750	+ ■ M/F Rental Housing RB (1 Columbus Place Dev), 1998 Series A 1.10%, 01/07/04	20,700	20,700
+ ■ GO Bonds Fiscal 2003 C-2 1.10%, 01/07/04	5,000	5,000	+ ■ M/F Rental Housing RB (100 Jane Street Dev), 1998 Series A 1.10%, 01/07/04	6,525	6,525
+ ■ GO Bonds Fiscal 2003 Series C-3 1.12%, 01/07/04	3,300	3,300	+ ■ M/F Rental Housing RB (Sierra Dev) 2003 Series A 1.10%, 01/07/04	18,000	18,000
+ ■ GO Bonds Fiscal 2004 Series A-3 1.10%, 01/07/04	7,000	7,000	+ ■ M/F Rental Housing RB (Tribeca Tower) Series 1997A 1.15%, 01/07/04	2,300	2,300
+ ■ GO Bonds Fiscal 2004 Series A-6 1.05%, 01/07/04	9,000	9,000	+ ■ Civic Facility RB (2000 Jewish Board of Family & Childrens Services Project) 1.13%, 01/07/04	15,820	15,820
GO Bonds Fiscal 2004 Series E 1.12%, 08/01/04	35,775	35,956	+ ■ Refunding IDRB (Allway Tools) Series 1997 1.35%, 01/07/04	1,560	1,560
+ ■ GO Bonds Series 2004F TOB Series 251 1.33%, 01/07/04	50,000	50,000	+ ■ Special Facility RB (1997 Korean Air Lines Project) Series 1997A 1.09%, 01/07/04	7,400	7,400
+ ■ GO Bonds, Fiscal 2002 Series A-6 1.30%, 01/02/04	2,000	2,000			
+ ■ GO RAN Fiscal 2004 Series A, TOB Series 2003-L40J 1.30%, 01/07/04	25,000	25,000			
+ ■ Special RB (NYSE Project) Fiscal 2004 Series B Bonds 1.20%, 01/07/04	7,000	7,000			

Schwab New York Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
New York City Municipal Water Finance Auth				+►■ Future Tax Secured Bonds			
■	Crossover Refunding Bonds 2002 F TOB Series PA-1109 1.26%, 01/07/04	7,495	7,495		Series 2000A TOB Series 20003202 1.26%, 01/07/04	15,720	15,720
+►■	Water & Sewer System RB Series 1993C 1.27%, 01/02/04	1,600	1,600	■	Future Tax Secured Bonds Series 2000C PA-917R 1.27%, 01/07/04	14,545	14,545
+►■	Water & Sewer System RB Series 1995A 1.30%, 01/02/04	3,500	3,500	■	Future Tax Secured Bonds Series 2001B 1.30%, 01/02/04	2,400	2,400
+►■	Water & Sewer System RB Series 1998 B TOB Series PA-523 1.25%, 01/07/04	4,735	4,735	■	Future Tax Secured Bonds Series 2001C 1.12%, 01/07/04	2,000	2,000
■	Water & Sewer System RB Series 2000C 1.17%, 01/02/04	2,800	2,800	■	Future Tax Secured Refunding Bonds Series 2003A TOB Series PT-1724 1.27%, 01/07/04	6,000	6,000
■	Water & Sewer System RB Series 2001D TOB Series PA-838 1.28%, 01/07/04	4,995	4,995	■	New York City Recovery Bonds Fiscal 2003 Series 2-A 1.30%, 01/02/04	1,400	1,400
+►■	Water & Sewer System RB Series 2002 G TOB Series PA-1054 1.26%, 01/07/04	10,000	10,000	■	New York City Recovery Bonds Fiscal 2003 Series 2-D 1.12%, 01/07/04	2,500	2,500
■	Water & Sewer System RB Series 2003 C-2 1.22%, 01/07/04	5,200	5,200	■	New York City Recovery Bonds Fiscal 2003 Series 2-F 1.27%, 01/02/04	14,000	14,000
■	Water & Sewer System RB Series 2003 C-3 1.27%, 01/02/04	2,500	2,500	■	New York City Recovery Bonds Fiscal 2003 Series 3-B 1.34%, 01/02/04	800	800
■	Water & Sewer System RB Series 2003 F-1 1.19%, 01/07/04	6,000	6,000	New York State			
■	Water & Sewer System RB Series 2003 F-2 1.17%, 01/02/04	1,000	1,000	+►■	Environmental Quality GO Series 1998G 1.03%, 10/02/04	38,300	38,300
New York City Transitional Finance Auth				+►■	GO Bonds Series 2000A 1.05%, 10/07/04	15,000	15,000
	BAN Fiscal 2003 Series 2 0.95%, 02/19/04	8,525	8,537	New York State Dormitory Auth			
	1.07%, 02/19/04	25,000	25,031	+►■	(Mt Sinai School of Medicine) Insured RB Series 1994A TOB Series 2001D 1.24%, 01/07/04	2,900	2,900
	1.10%, 02/19/04	40,000	40,048	+►■	City University System Consolidated Fifth General Resolution RB Series 2003A TOB Series PT-797 1.00%, 02/05/04	7,295	7,295
	Future Tax Secured Bonds Fiscal 2002C 1.00%, 02/15/04	1,000	1,005				

Schwab New York Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ New York State Dormitory Authority New York Foundling Charitable Corp RB Series 1997 1.11%, 01/07/04	7,950	7,950	+ ■ 150 East 44th St Housing RB 2000A 1.09%, 01/07/04	22,500	22,500
+ ■ State University Educational Facilities RB Series 1993A TOB Series 107 1.26%, 01/07/04	18,495	18,495	+ ■ 250 West 50th St Housing RB Series 1997A 1.15%, 01/07/04	24,000	24,000
+ ■ State University Educational Facilities RB Series 2000 TOB Series 20003201 1.26%, 01/07/04	12,375	12,375	+ ■ 345 East 94th St Housing RB Series 1998A 1.09%, 01/07/04	5,665	5,665
+ ■ State University Educational Facilities RB Series 2000B TOB Series 2000-15 1.12%, 06/23/04	27,030	27,030	+ ■ 345 East 94th St Housing RB Series 1999A 1.09%, 01/07/04	3,800	3,800
New York State Energy Research Dev Auth			+ ■ 350 West 43rd St Housing RB Series 2002A 1.12%, 01/07/04	1,500	1,500
+ ■ Gas Facilities RB Series 1996 (Brooklyn Union Gas Co. Project) TOB Series 2000-379 1.26%, 01/07/04	14,125	14,125	+ ■ 66 West 38th St Housing RB Series 2001A 1.18%, 01/07/04	5,200	5,200
+ ■ Pollution Control Refunding RB (Niagara Mohawk Power Corp Project) Series 1994A TOB Series 943207 1.26%, 01/07/04	14,850	14,850	+ ■ 66 West 38th St Housing RB Series 2002A 1.30%, 01/01/04	11,400	11,400
New York State Environmental Facilities Corp			+ ■ 70 Battery Place Housing RB Series 1997A 1.10%, 01/07/04	10,100	10,100
+ ■ State Clean Water & Drinking Water Revolving Funds RB Series 2002B TOB Series 20023202 1.26%, 01/07/04	24,225	24,225	+ ■ Chelsea Arms Housing RB Series 1998A 1.13%, 01/07/04	18,000	18,000
+ ■ State Water Pollution Control Revolving Fund RB Series 1994D TOB Series 96-C3202 1.26%, 01/07/04	17,050	17,050	+ ■ East 84th St Housing RB Series 1995A 1.15%, 01/07/04	9,100	9,100
New York State HFA			+ ■ Helena Housing RB Series 2003A 1.10%, 01/07/04	20,000	20,000
+ ■ 101 West End Ave Housing RB Series 1998A 1.09%, 01/07/04	10,600	10,600	+ ■ Normandie Court II RB Housing RB Series 1999A 1.10%, 01/07/04	19,600	19,600
+ ■ 101 West End Ave Housing RB Series 1999A 1.09%, 01/07/04	1,600	1,600	+ ■ Service Contract Refunding RB Series 2003B 1.20%, 01/07/04	10,000	10,000
			+ ■ Service Contract Refunding RB Series 2003D 1.20%, 01/07/04	6,800	6,800
			+ ■ Service Contract Refunding RB Series 2003E 1.10%, 01/07/04	7,000	7,000
			+ ■ Service Contract Refunding RB Series 2003G 1.12%, 01/07/04	10,000	10,000

See financial notes. 11

Schwab New York Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+	Service Contract Refunding RB Series 2003I 1.12%, 01/07/04	12,500	12,500	■	Homeowner Mortgage RB Series 77-A TOB Series 1999F 1.00%, 02/05/04	24,795	24,795
+	Tribeca Green Housing RB 2003 Series 2003A 1.10%, 01/07/04	40,000	40,000	■	Homeowner Mortgage RB Series 87 TOB Series 1999z 1.24%, 01/07/04	7,365	7,365
+	Tribeca Landing Housing RB Series 1997A 1.13%, 01/07/04	13,000	13,000	■	Homeowner Mortgage RB Series 87 TOB Series PT-289 1.13%, 02/05/04	4,585	4,585
+	Tribeca Park Housing RB Series 1997A 1.15%, 01/07/04	4,500	4,500	■	Mortgage RB 24th Series TOB Series 2000 B3 1.31%, 01/07/04	710	710
+	Union Square South Housing RB Series 1996A 1.15%, 01/07/04	16,800	16,800	■	New York State Power Authority RB Sub-series 5 1.10%, 01/07/04	8,400	8,400
+	Worth St Housing RB 2001 Series 2001A 1.13%, 01/07/04	10,000	10,000		New York State Thruway Auth ■ General Refunding RB Series E TOB Series 2000-456 1.26%, 01/07/04	6,995	6,995
	New York State Local Assistance Corp				General Revenue BAN Series 2003A 1.10%, 04/20/04	30,000	30,002
+	RB Bonds Series 1995G 1.07%, 01/07/04	8,800	8,800		North Syracuse Central SD GO BAN 2003 0.95%, 06/18/04	29,200	29,307
+	RB Series 1993A 1.08%, 01/07/04	11,090	11,090		Port Auth of New York & New Jersey		
+	RB Series 1994B 1.08%, 01/07/04	3,000	3,000	+	Consolidated Bonds 127th Series TOB Series PT-870 1.26%, 01/07/04	3,000	3,000
+	RB Series 1995D 1.05%, 01/07/04	7,500	7,500	+	Special Project Bonds Series 6 (JFK Intl Air Terminal Project) TOB Series 2000B5 1.20%, 01/07/04	1,480	1,480
+	Series 1993-C Refunding Bonds TOB Series 20013201 1.26%, 01/07/04	9,900	9,900		Queensbury Union Free SD BAN 2004 1.11%, 01/06/05	16,394	16,539
+	Series 1997B Refunding Bonds TOB Series 2000-23 1.15%, 01/07/04	20,965	20,965		Schenectady IDA		
+	Subordinate Lien Refunding RB Series 2003-A-5V 1.10%, 01/07/04	10,000	10,000	+	IDRB (Fortitech Holding Corp. Project) Series 1995A 1.34%, 01/07/04	900	900
+	Subordinate Lien Refunding RB Series 2003-A-7V 1.08%, 01/07/04	5,000	5,000				
	New York State Mortgage Agency						
■	Homeowner Mortgage RB Series 65 TOB Series PA-153 1.28%, 01/07/04	4,640	4,640				

Schwab New York Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Suffolk Cnty Water Auth			Puerto Rico 1.2%		
■ BAN, 2003			Puerto Rico		
1.08%, 01/07/04	10,000	10,000	➔■ Public Improvement Bonds		
TAN 2003 Series II			2000 TOB Series PA-652		
1.07%, 09/08/04	25,000	25,158	1.22%, 01/07/04	8,730	8,730
Tompkins Cnty IDA			➔■ Public Improvement Bonds		
■ Civic Facility RB Series 2002A			Series 2001A TOB Series		
Cornell Univ Project			2001R		
1.18%, 01/07/04	6,525	6,525	1.24%, 01/07/04	2,500	2,500
■ Civic Facility RB Series 2002B			➔■ Puerto Rico HFC		
Cornell Univ Project			Homeownership Mortgage		
1.18%, 01/07/04	7,000	7,000	GNMA-guaranteed RB Series		
Triborough Bridge & Tunnel Auth			1998A TOB Series 1999J		
➔■ General Purpose RB Series			1.20%, 04/01/04	9,900	9,900
2001A TOB Series 2002-14					21,130
1.08%, 01/07/04	20,000	20,000			
■ General Purpose RB Series			<hr/>		
2002a TOB Series 293			End of investments. For totals, please see the first		
1.26%, 01/07/04	9,995	9,995	page of holdings for this fund.		
■ General Refunding RB Series					
2002B TOB Series PA-1070					
1.11%, 01/07/04	14,000	14,000			
➔■ Special Obligation 1991					
Resolution Refunding Bonds,					
Series 2000A					
1.10%, 01/07/04	8,550	8,550			
Ulster Cnty					
GO BAN 2003					
1.00%, 06/11/04	6,500	6,521			
GO BAN, 2003					
1.15%, 11/19/04	16,034	16,153			
Westchester Cnty IDA					
➔■ IDR (Levister Redevelopment					
Co Project) Series 2001B					
1.22%, 01/07/04	6,000	6,000			
Yonkers IDA					
➔■ Civic Facility RB (Consumers					
Union Facility) Series 1989					
1.12%, 01/07/04	1,200	1,200			
➔■ Civic Facility RB (Consumers					
Union Facility) Series 1991					
1.12%, 01/07/04	700	700			
➔■ Civic Facility RB (Consumers					
Union Facility) Series 1994					
1.12%, 01/07/04	1,740	1,740			
		1,718,173			

Schwab New York Municipal Money Fund

Statement of

Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$1,739,303
Cash	167
Receivables:	
Fund shares sold	2,252
Interest	4,946
Prepaid expenses	+ 22
Total assets	1,746,690

Liabilities

Payables:	
Fund shares redeemed	2,284
Dividends to shareholders	45
Investments bought	16,538
Investment adviser and administrator fees	16
Transfer agent and shareholder service fees	20
Accrued expenses	+ 108
Total liabilities	19,011

Net Assets

Total assets	1,746,690
Total liabilities	- 19,011
Net assets	\$1,727,679

Net Assets by Source

Capital received from investors	1,727,691
Net realized capital losses	(12)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$1,037,935		1,038,021		\$1.00
Value Advantage Shares	\$689,744		689,733		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$1,739,303. During the reporting period, the fund had \$581,905 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio	\$1,739,303
Capital losses utilized	\$89

Unused capital losses:

Expires 12/31 of:	Loss amount:
2009	\$12

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment IncomeInterest **\$19,094****Net Realized Gains and Losses**Net realized gains on investments sold **105****Expenses**

Investment adviser and administrator fees 6,365

Transfer agent and shareholder service fees:

Sweep Shares 4,560

Value Advantage Shares 1,583

Trustees' fees 36

Custodian and portfolio accounting fees 166

Professional fees 27

Registration fees 39

Shareholder reports 63

Other expenses + 21

Total expenses 12,860

Expense reduction - 2,630

Net expenses 10,230**Increase in Net Assets from Operations****Total investment income 19,094****Net expenses - 10,230****Net investment income 8,864****Net realized gains + 105****Increase in net assets from operations \$8,969**

Unless stated, all numbers x 1,000.

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

These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$2,561 from the investment adviser (CSIM) and \$69 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.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$8,864	\$14,200
Net realized gains	+ 105	198
Increase in net assets from operations	8,969	14,398

Distributions Paid

Dividends from net investment income		
Sweep Shares	4,159	7,395
Value Advantage Shares	+ 4,705	6,805
Total dividends from net investment income	8,864	14,200

Transactions in Fund Shares**Shares Sold**

Sweep Shares	3,340,823	2,917,032
Value Advantage Shares	+ 728,144	691,543
Total shares sold	4,068,967	3,608,575

Shares Reinvested

Sweep Shares	4,096	7,250
Value Advantage Shares	+ 4,416	6,470
Total shares reinvested	8,512	13,720

Shares Redeemed

Sweep Shares	(3,250,610)	(2,869,694)
Value Advantage Shares	+ (719,030)	(625,673)
Total shares redeemed	(3,969,640)	(3,495,367)

Net transactions in fund shares

	107,839	126,928
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Net Assets

Beginning of period	1,619,735	1,492,609
Total increase	+ 107,944	127,126
End of period	\$1,727,679	\$1,619,735

Unless stated, all numbers x 1,000.

Unaudited

The fund hereby designates 100% of its dividends for the current report period as tax-exempt interest dividends.

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.

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

Schwab New Jersey Municipal Money Fund

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	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
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.43	0.84	2.13	3.38	2.58
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.65	0.66 ²	0.65	0.66 ³	0.65
Gross operating expenses	0.86	0.89	0.90	0.93	0.94
Net investment income	0.43	0.83	2.08	3.35	2.60
Net assets, end of period (\$ x 1,000,000)	463	425	382	321	206

¹ Per share amount was less than \$0.01.

² The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (taxes) had not been included.

³ The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (proxy fees) had not been included.

Schwab New Jersey Municipal Money Fund

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
100.6% Municipal Securities	465,836	465,836
100.6% Total Investments	465,836	465,836
(0.6)% Other Assets and Liabilities		(2,716)
100.0% Total Net Assets		463,120

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

Municipal Securities 100.6% of Net Assets

New Jersey 91.8%

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Delaware River Port Auth		
+▶ RB Series 1999 TOB Series PA-611 1.26%, 01/07/04	4,495	4,495
+▶ RB Series 1999, PA-606 1.26%, 01/07/04	17,300	17,300

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Delran Township		
BAN 2003, Series A 1.10%, 01/14/04	2,842	2,843
East Brunswick Township		
BAN 1.10%, 02/27/04	8,000	8,011
Garden State Preservation Trust		
+▶ Open Space and Farmland Preservation Bonds Series 2003A TOB Series 2001-860 1.23%, 01/07/04	5,000	5,000
Gloucester Cnty		
BAN Series 2003A 1.07%, 10/27/04	8,000	8,060
New Jersey		
TRAN Series Fiscal 2004A 1.03%, 06/25/04	15,000	15,069
1.04%, 06/25/04	10,000	10,046
▶ TRAN Series Fiscal 2004A TOB Series L36J 1.30%, 01/07/04	14,000	14,000
New Jersey Economic Development Auth		
+ Economic Development RB (Catholic Community Services Project) Series 993 1.19%, 01/07/04	4,960	4,960
+ Economic Development RB (Encap Golf Holdings Project), Series 2001A 1.25%, 01/07/04	22,000	22,000
+ Economic Development RB Stone Brothers Secaucus - 2001 Project) 1.26%, 01/07/04	1,760	1,760
+ Economic Development Refunding RB Airis Newark Project) Series 1998 1.25%, 01/07/04	3,800	3,800
+ IDR (Tru Urban Renewal Corp.) Series 1984 1.30%, 01/30/04	3,000	3,000

Schwab New Jersey Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
➤ Natural Gas Facilities Refunding RB Series 1997A (Nui Corp. Projects) TOB Series 1998-161 1.26%, 01/07/04	1,525	1,525	➤ Thermal Energy Facilities RB (Thermal Energy Limited Partnership I Project) Series 1997 1.15%, 01/07/04	8,600	8,600
+ RB (Baptist Home Society of New Jersey - 2003 Project) 1.55%, 01/07/04	3,520	3,520	New Jersey Educational Facilities Auth		
+ RB (G&W Laboratories, Inc. - 2003 Project) 1.34%, 01/07/04	5,960	5,960	➤ Higher Education Capital Improvement Fund Issue RB Series 2002A TOB Series 213 1.26%, 01/07/04	8,610	8,610
+ RB (Geriatric Services Housing Corporation) Series 2001 1.10%, 01/07/04	10,475	10,475	+ RB Caldwell College Issue Series 2000B 1.24%, 01/07/04	2,200	2,200
+ RB (Graphic Management Project) Series 1999 1.19%, 01/07/04	5,245	5,245	■ RB Princeton University Issue Series 2001B 1.25%, 01/02/04	6,500	6,500
+ RB (Hamilton Industrial Development Project) Series 1998 1.24%, 01/07/04	5,950	5,950	New Jersey Health Care Facilities Financing Auth		
+ RB (Jewish Home at Rockleigh Project) Series 1998A 1.05%, 01/07/04	4,800	4,800	+ RB (St Barnabas Health Care System Issue) Series 2001A 1.20%, 01/07/04	4,500	4,500
+ RB (Job Haines Home) Series 1998 1.07%, 01/07/04	3,700	3,700	+ RB Composite Program Series 2001 A-1 1.25%, 01/07/04	5,700	5,700
+ RB (Mt. Olive Realty) Amended 1995 Series 1.25%, 01/07/04	5,800	5,800	+ RB Composite Program Series 2003 A-1 1.19%, 01/07/04	4,950	4,950
+ RB (St. James Preparatory School & St. James Social Service Corp.) Series 1998 1.24%, 01/07/04	5,140	5,140	+ RB Composite Program Series 2003 A-2 1.19%, 01/07/04	3,500	3,500
+ Refunding RB (Station Plaza Park & Ride Project) Series 2003 1.34%, 01/07/04	3,615	3,615	+ RB Composite Program Series 2003 A-6 1.24%, 01/07/04	3,250	3,250
+ Special Facility RB (Port Newark Container Terminal Project) Series 2003 1.15%, 01/07/04	14,300	14,300	➤ RB Hunterdon Medical Center Issue Series A TOB Series 2001-833 1.26%, 01/07/04	3,560	3,560
+ Thermal Energy Facilities RB (Marina Energy Llc - 2001 Project) Series A 1.25%, 01/07/04	8,100	8,100	+ RB Meridian Health System Obligated Group Issue Series 2003A 1.20%, 01/07/04	2,500	2,500
			+ RB Meridian Health System Obligation Group Issue Series 2003B 1.20%, 01/07/04	3,000	3,000

See financial notes. 19

Schwab New Jersey Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
New Jersey Housing & Mortgage Finance Agency				Turnpike RB Series 2000A TOB Series PA-719R			
+	Home Buyer RB Series 2003 EE 1.10%, 04/01/04	7,430	7,430		1.26%, 01/07/04	3,665	3,665
New Jersey Sports & Exposition Auth				North Burnswick Township BAN 2003			
+	Home Buyer RB Series AA TOB Series PT-287 1.22%, 01/02/04	1,900	1,900		1.13%, 12/10/04	12,860	12,964
+	Home Buyer Series 2000 CC RB TOB Series PT-635 1.26%, 01/07/04	3,915	3,915	Port Auth of New York & New Jersey			
+	State Contract Bonds Series 1992C 1.20%, 01/07/04	18,225	18,225	+	Consolidated Bonds 119th Series Second Installment TOB Series 153 1.31%, 01/07/04	370	370
+	State Contract Bonds Series 2002 B-1 1.10%, 01/07/04	9,180	9,180	+	Consolidated Bonds 122nd Series 1.08%, 07/15/04	1,085	1,109
New Jersey Transportation Trust Fund Auth				+	Consolidated Bonds 127th Series TOB Series PT-870 1.26%, 01/07/04	10,280	10,280
+	Transportation System Bonds Series 1998A TOB Series 2000C 1.13%, 01/07/04	11,495	11,495	▲	Consolidated Bonds 131st Series 1.17%, 12/15/04	5,015	5,056
+	Transportation System Bonds Series 2003C TOB Series 236 1.26%, 01/07/04	5,495	5,495	+	Consolidated Bonds 85th Series TOB Series PA-518 1.10%, 04/08/04	6,795	6,795
+	Transportation System RB Series 2000B TOB Series 2000-203 1.23%, 01/07/04	4,895	4,895	+	Special Project Bonds Series 6 (JFK Intl Air Terminal Project) TOB Series 2000B5 1.20%, 01/07/04	800	800
New Jersey Turnpike Auth				+	Special Project Bonds Series 6 (JFK Intl Air Terminal Project) TOB Series 2000-243 1.26%, 01/07/04	1,650	1,650
+	Turnpike RB Series 1991C TOB Series PT-747 1.14%, 01/07/04	3,595	3,595	▶	TECP Series A 1.05%, 01/09/04	11,450	11,450
+	Turnpike RB Series 2000A 1.15%, 01/01/05	2,750	2,862	Rahway Township BAN 2003			
+	Turnpike RB Series 2000A TOB Series 2000-3002 1.26%, 01/07/04	1,000	1,000		1.15%, 12/06/04	8,343	8,427
+	Turnpike RB Series 2000A TOB Series 2000-6 1.17%, 01/07/04	11,200	11,200	Somerset Cnty			
				GO Open Space/Farmland Preservation Bonds Series 2003B 1.02%, 10/01/04			
				General Improvement Bonds Series 2003A 1.02%, 10/01/04			
						1,000	1,022
						1,200	1,218

Schwab New Jersey Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Sparta Township			Puerto Rico HFC		
BAN			+■ Homeownership Mortgage RB		
1.02%, 06/04/04	6,595	6,615	Series 2000A TOB Series		
			2000R		
Trenton Parking Auth			1.25%, 01/07/04	5,430	5,430
+■ Parking RB Series 2000 TOB			Puerto Rico Hwy & Transp Auth		
Series 221			+■ Transportation RB Series 1998A		
1.25%, 01/07/04	4,320	4,320	1.10%, 01/07/04	4,395	4,395
Union Cnty Pollution Control Financing Auth					40,559
■ Refunding RB (Exxon) Series					
1994					
1.22%, 01/02/04	6,000	6,000			
University of Medicine & Dentistry					
+■ RB Series 2002B					
1.21%, 01/07/04	7,000	7,000			
		425,277			
Puerto Rico 8.8%					
Government Development Bank of Puerto Rico					
TECP Series 1997					
1.15%, 01/09/04	450	450			
0.97%, 01/12/04	8,225	8,225			
1.10%, 03/10/04	4,232	4,232			
1.08%, 04/16/04	9,107	9,107			
Puerto Rico					
+■ Public Improvement & Refunding Bonds Series					
2000 TOB Series 3					
1.11%, 01/07/04	2,820	2,820			
+■ Public Improvement Bonds					
Series 2001A TOB Series					
2001R					
1.13%, 01/07/04	5,900	5,900			

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

Schwab New Jersey Municipal Money Fund

Statement of
Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$465,836
Cash	118
Interest receivable	1,260
Prepaid expenses	+ 18
Total assets	467,232

Liabilities

Payables:	
Dividends to shareholders	6
Investments bought	4,052
Investment adviser and administrator fees	4
Transfer agent and shareholder service fees	6
Accrued expenses	+ 44
Total liabilities	4,112

Net Assets

Total assets	467,232
Total liabilities	- 4,112
Net assets	\$463,120

Net Assets by Source

Capital received from investors	463,118
Net investment income not yet distributed	2

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$463,120		462,845		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$465,836. During the reporting period, the fund had \$580,570 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio	\$465,836
Undistributed earnings:	
Tax-exempt income	\$2
Long-term capital gains	\$-
Reclassifications:	
Net realized capital gains	(\$15)
Reclassified as:	
Capital received from investors	\$13
Net investment income not yet distributed	\$2

Tax designation (unaudited):

The fund hereby designates \$15 as a capital gain dividend for the fiscal year ended December 31, 2003.

Schwab New Jersey Municipal Money Fund

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$5,081**

Net Realized Gains and Losses

Net realized gains on investments sold **15**

Expenses

Investment adviser and administrator fees 1,792

Transfer agent and shareholder service fees 2,122

Trustees' fees 30

Custodian and portfolio accounting fees 39

Professional fees 24

Registration fees 17

Shareholder reports 18

Other expenses + 10

Total expenses 4,052

Expense reduction - 987

Net expenses **3,065**

Increase in Net Assets from Operations

Total investment income 5,081

Net expenses - 3,065

Net investment income **2,016**

Net realized gains + 15

Increase in net assets from operations **\$2,031**

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the 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.

Schwab New Jersey Municipal Money Fund

Statements of
Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$2,016	\$3,334
Net realized gains	+ 15	339
Increase in net assets from operations	2,031	3,673

Distributions Paid

Dividends from net investment income	2,016	3,348
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Transactions in Fund Shares

Shares sold	1,245,576	1,159,279
Shares reinvested	1,988	3,302
Shares redeemed	+ (1,209,262)	(1,120,441)
Net transactions in fund shares	38,302	42,140

Net Assets

Beginning of period	424,803	382,338
Total increase	+ 38,317	42,465
End of period	\$463,120	\$424,803

Unless stated, all numbers x 1,000.

Unaudited

The fund hereby designates 100% of its dividends for the current report period as tax-exempt interest dividends.

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.

Schwab Pennsylvania Municipal Money Fund

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	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
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.49	0.87	2.20	3.57	2.71
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.65	0.65	0.65	0.66 ²	0.65
Gross operating expenses	0.87	0.89	0.92	0.93	0.94
Net investment income	0.48	0.87	2.14	3.52	2.68
Net assets, end of period (\$ x 1,000,000)	328	301	292	225	164

¹ Per share amount was less than \$0.01.

² The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (proxy fees) had not been included.

Schwab Pennsylvania Municipal Money Fund

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
99.7% Municipal Securities	326,822	326,822
99.7% Total Investments	326,822	326,822
0.3% Other Assets and Liabilities		890
100.0% Total Net Assets		327,712

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 99.7% of Net Assets

Pennsylvania 99.7%

Allegheny Cnty Hospital Development Auth

+■ RB Series 2003 (UPMC Senior Communities) 1.25%, 01/07/03	10,000	10,000
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Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Allegheny Cnty IDB

+■ Pollution Control Refunding RB Series 1999B (Duquesne Light Co Project) TOB Series 2002 A48 1.21%, 01/07/04	14,495	14,495
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Allegheny Cnty Sanitary Auth

+■ Sewer RB Series 1997 TOB Series 374Z 1.27%, 01/07/04	4,995	4,995
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Berks Cnty

+■ RB (Beacon Container Project) Series 1998A 1.35%, 01/07/04	1,090	1,090
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Blair Cnty IDA

+■ First Mortgage RB (Village At Penn State Project) Series 2002C 1.07%, 01/07/04	5,000	5,000
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Bucks Cnty IDA

+■ RB (Klearfold) Series 1997 1.65%, 01/07/04	4,000	4,000
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Cambria Cnty IDA

+■ Resource Recovery RB (Cambria Cogen Co Project) Series 1998 A-1 1.20%, 01/07/04	15,750	15,750
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Chester Cnty Health & Education Facilities Auth

+■ RB (Simpson Meadows Project) Series 2000 1.27%, 01/07/04	2,880	2,880
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Clarion Cnty IDA

+■ Energy Development RB (Piney Creek Project) 1990 Series 1.11%, 01/07/04	16,000	16,000
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Delaware Cnty IDA

+■ Hospital RB Series 2002 (Crozer-Chester Medical Center Obligated Group) 1.25%, 01/07/04	4,900	4,900
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+■ RB (YMCA of Philadelphia Project) Series 1999 1.25%, 01/07/04	2,565	2,565
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Schwab Pennsylvania Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Delaware River Port Auth			Montgomery Cnty		
+ Port District Project Refunding Bonds Series 2001A 1.20%, 01/01/04	750	750	Redevelopment Auth		
Delaware Valley Regional Finance Auth			+■ M/F Housing RB (Brookside Manor Apartments Project) Series 2001A 1.20%, 01/07/04	6,310	6,310
+■ Local Government RB Series 1998A TOB Series 2002E 1.17%, 01/07/04	4,555	4,555	Northhampton Cnty		
Erie SD			+■ County Agreement RB Series 2001 TOB Series 2002-2 1.12%, 06/02/04	3,000	3,000
+■ GO Bonds Series 2001A TOB Series 2001-5 1.05%, 05/07/04	16,800	16,800	Norwin SD		
Harrisburg Auth			+■ GO Bonds Series 2001A TOB Series 2001-12 1.12%, 06/16/04	8,710	8,710
+■ Water Refunding RB Series 2002B 1.06%, 01/07/04	2,500	2,500	Pennsylvania		
+■ Water Refunding RB Series 2003A 1.07%, 01/07/04	6,700	6,700	+■ GO Bonds First Series 1995 TOB Series 97C3801 1.18%, 01/07/04	11,870	11,870
Lancaster Cnty Hospital Auth			+■ GO Bonds First Series 2003 PA-1112 1.25%, 01/07/04	5,000	5,000
+■ Health Center RB (Brethren Village) Series 2000 1.30%, 01/07/04	1,300	1,300	+ GO Bonds Refunding Series 1996 0.98%, 11/15/04	1,000	1,037
Luzerne Cnty IDA			+■ GO Bonds Second Series 2002 TOB Series PA-1035R 1.13%, 01/07/04	4,995	4,995
+■ RB 2003 Series (Methodist Homes Project) 1.17%, 01/07/04	2,900	2,900	Pennsylvania Convention Center Auth		
Mercer Cnty			+■ RB Series 1989A TOB Series PT-1224 1.25%, 01/07/04	3,345	3,345
+■ GO Bonds Series 2001 TOB Series 2001-18 1.19%, 01/07/04	3,600	3,600	Pennsylvania Economic Development Financing Auth		
Montgomery Cnty Higher Education & Health Auth			+■ Exempt Facilities RB (Amtrak Project) Series 2001B 1.25%, 01/07/04	11,200	11,200
+■ RB Series 2001 (Madlyn & Leonard Abramson Center For Jewish Life) 1.27%, 01/07/04	3,200	3,200	+■ Exempt Facilities RB (Merck & Co. Project) Series 2000 1.30%, 01/07/04	5,000	5,000
Montgomery Cnty IDA			+■ Exempt Facilities RB (Merck & Co. West Point Project) Series 2001 1.30%, 01/07/04	10,750	10,750
+■ Environmental Facilities RB (Ionza Inc. Project) Series 2000 1.32%, 01/07/04	7,000	7,000			

See financial notes. 27

Schwab Pennsylvania Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+	Exempt Facilities RB (Reliant Energy Seward Project) Series 2001A 1.15%, 01/07/04	9,900	9,900	Pennsylvania State University	RB Series 2001A 1.24%, 01/07/04	5,000	5,000
+	Exempt Facilities RB (Reliant Energy Seward Project) Series 2002B 1.17%, 01/07/04	6,000	6,000	RB Series 2002 1.24%, 01/07/04	5,000	5,000	
	Pennsylvania Energy Development Auth			Pennsylvania Turnpike Comm	Turnpike RB Series 2001U 1.18%, 01/07/04	9,600	9,600
+	Energy Development RB (B&W Ebensburg Project) Series 1986 1.11%, 01/07/04	15,295	15,295	Philadelphia Hospital & Higher Education Facilities Auth			
	Pennsylvania HFA			RB (Wills Eye Hospital Project) Series 2000 1.25%, 01/07/04	1,800	1,800	
■	Residential Development Refunding RB Series 2002A TOB Series 2002-L10 1.35%, 01/07/04	6,000	6,000	Philadelphia IDA	Airport RB Series 1998A TOB Series 1998P2 1.05%, 08/05/04	5,000	5,000
■	S/F Mortgage RB Series 1997-56C TOB Series PT-119A 1.25%, 01/07/04	2,340	2,340	Philadelphia SD	GO Refunding Bonds Series 1993A 1.09%, 07/01/04	3,000	3,062
■	S/F Mortgage RB Series 1999-66A TOB Series PT-278 1.30%, 12/16/04	8,210	8,210	GO Refunding Bonds Series 1999D 0.87%, 03/01/04	1,000	1,007	
■	S/F Mortgage RB Series 1999A TOB Series 1999-u 1.00%, 02/26/04	4,895	4,895	Temple University	University Funding Obligations Series 2003 1.20%, 05/04/04	7,100	7,100
■	S/F Mortgage RB Series 2001-72A 1.14%, 10/01/04	1,685	1,716				326,822
■	S/F Mortgage RB Series 2002-74B TOB Series PA-1055 1.28%, 01/07/04	3,600	3,600				
■	S/F RB Series 1998-64 TOB Series 1998Y 1.12%, 03/25/04	15,000	15,000				
	Pennsylvania Higher Education Assistance Agency						
+	Student Loan RB 2003 A-2 1.34%, 01/07/04	500	500				
+	Student Loan RB Series 2000A 1.34%, 01/07/04	5,800	5,800				
+	Student Loan RB Series 2001A 1.34%, 01/07/04	7,800	7,800				

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

Schwab Pennsylvania Municipal Money Fund

Statement of

Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$326,822
Cash	144
Interest receivable	783
Prepaid expenses	+ 19
Total assets	327,768

Liabilities

Payables:	
Dividends to shareholders	4
Investment adviser and administrator fees	1
Transfer agent and shareholder service fees	4
Federal and state taxes	7
Accrued expenses	+ 40
Total liabilities	56

Net Assets

Total assets	327,768
Total liabilities	- 56
Net assets	\$327,712

Net Assets by Source

Capital received from investors	327,709
Net investment income not yet distributed	3

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$327,712		327,696		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$326,822. During the reporting period, the fund had \$725,660 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio	\$326,822
Undistributed earnings:	
Tax-exempt income	\$3
Long-term capital gains	-
Reclassifications:	
Net realized capital gains	(\$42)
Distributions in excess of net investment income	\$15
Reclassified as:	
Capital received from investors	\$27

Tax designation (unaudited):

The fund hereby designates \$14 as a capital gain dividend for the fiscal year ended December 31, 2003.

See financial notes. 29

Schwab Pennsylvania Municipal Money Fund

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$3,664**

Net Realized Gains and Losses

Net realized gains on investments sold **42**

Expenses

Investment adviser and administrator fees 1,225

Transfer agent and shareholder service fees 1,450

Trustees' fees 32

Custodian and portfolio accounting fees 31

Professional fees 24

Registration fees 17

Shareholder reports 15

Federal and state taxes 12

Other expenses + 12

Total expenses 2,818

Expense reduction - 711

Net expenses **2,107**

Increase in Net Assets from Operations

Total investment income 3,664

Net expenses - 2,107

Net investment income **1,557**

Net realized gains + 42

Increase in net assets from operations **\$1,599**

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the 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.

Schwab Pennsylvania Municipal Money Fund

Statements of
Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$1,557	\$2,481
Net realized gains	+ 42	27
Increase in net assets from operations	1,599	2,508

Distributions Paid

Dividends from net investment income	1,569	2,485
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Transactions in Fund Shares

Shares sold	1,014,686	836,701
Shares reinvested	1,546	2,427
Shares redeemed	+ (989,751)	(829,555)
Net transactions in fund shares	26,481	9,573

Net Assets

Beginning of period	301,201	291,605
Total increase	+ 26,511	9,596
End of period	\$327,712	\$301,201

Unless stated, all numbers x 1,000.

For the current year, the fund elected not to distribute realized capital gains and accordingly paid federal and state taxes on such gains in the amount of \$12.

Unaudited

The fund hereby designates 100% of its dividends for the current report period as tax-exempt interest dividends.

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.

Schwab Florida Municipal Money Fund

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	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
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.04)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.46	0.96	2.32	3.62	2.78
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.64	0.59	0.59	0.60 ²	0.59
Gross operating expenses	0.85	0.87	0.87	0.89	0.92
Net investment income	0.47	0.95	2.30	3.56	2.75
Net assets, end of period (\$ x 1,000,000)	1,804	1,785	1,518	1,435	1,215

¹ Per share amount was less than \$0.01.

² The ratio of net operating expenses would have been 0.59% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
99.7% Municipal Securities	1,798,943	1,798,943
99.7% Total Investments	1,798,943	1,798,943
0.3% Other Assets and Liabilities		5,132
100.0% Total Net Assets		1,804,075

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 99.7% of Net Assets**District of Columbia 0.7%****Metropolitan Washington Airports Auth**

▸TECP Series A 1.15%, 01/07/04	12,000	12,000
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Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Florida 91.5%**Alachua Cnty Health Facilities Auth**

+■ Continuing Care Retirement Community Variable Rate RB (Oak Hammock Project) Series 2002A 1.32%, 01/02/04	3,000	3,000
+▸■ Health Facilities RB, Series 1992R (Shands Hospital At the University of Florida Project) 1.28%, 01/07/04	27,050	27,050

Brevard Cnty Educational Facilities Auth

+■ RB (Florida Institute of Technology Project) Series B 1.25%, 01/07/04	10,000	10,000
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Brevard Cnty HFA

+■ M/F Housing Refunding RB Series 1995 (Shore View Apartments Project) 1.10%, 01/07/04	1,900	1,900
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Brevard Cnty SD

TANS, Series 2003 1.01%, 06/30/04	10,000	10,049
1.04%, 06/30/04	28,000	28,132

Broward Cnty

+ Passenger Facility Charge/ Airport System Convertible Lien RB 1998H-1 1.20%, 10/01/04	3,280	3,360
+▸■ Subordinate Port Facilities Refunding RB (Port Everglades) Series 1998 1.32%, 01/07/04	9,240	9,240

Broward Cnty Educational Facilities Auth

+■ Educational Facilities RB Series 2000A (Nova Southeastern University Project) 1.20%, 01/07/04	5,400	5,400
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Broward Cnty HFA

+■ M/F Housing RB (Southern Pointe Project) Series 1997 1.20%, 01/07/04	7,750	7,750
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Schwab Florida Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ M/F Housing RB (Landings of Inverrary Apartments Project) 1985 Series 1.15%, 01/07/04	7,500	7,500	Clay Cnty Utility Auth +■ Utilities System RB, Series 2003A 1.25%, 01/07/04	3,240	3,240
+■ M/F Housing Refunding RB (Fisherman's Landing Project) 1999 Series 1.10%, 01/07/04	1,070	1,070	Collier Cnty +■ Capital Improvement and Refunding RB, Series 2003 1.05%, 10/01/04	1,325	1,334
+■ M/F Housing Refunding RB (Island Club Apartments Project) Series 2001A 1.15%, 01/07/04	3,000	3,000	Collier Cnty Health Facilities Auth +■ RB, Series 2003c (Cleveland Clinic Health System Obligated Group) Subseries C-1 1.30%, 01/02/04	2,000	2,000
+■ M/F Housing Refunding RB (Reflections Apartments Project) Series 1999 1.10%, 01/07/04	13,000	13,000	Collier Cnty HFA +■ M/F Housing RB, Series 2001A (Brittany Bay Apartments Project) 1.13%, 01/07/04	3,350	3,350
+■ M/F Housing Refunding RB (Water's Edge Project) Series 1997 1.20%, 01/07/04	400	400	Collier Cnty IDA +■ Educational Facilities RB (Community School of Naples, Inc. Project) Series 2002 1.25%, 01/07/04	7,950	7,950
+■ M/F Housing Variable Rate Demand RB (Sanctuary Apartments Project), 1985 Series 1.15%, 01/07/04	9,000	9,000	Dade Cnty +■ Aviation Refunding RB, Series 1997 1.11%, 10/01/04	5,000	5,172
+■ S/F Mortgage Revenue Bonds, Series 1999B 1.33%, 01/07/04	2,425	2,425	+■ Water and Sewer System RB Series 1994 1.07%, 01/07/04	88,700	88,700
Broward Cnty SD GO Refunding Bonds, Series 2002 1.10%, 02/15/04	9,625	9,671	Dade Cnty IDA +■ IDR (Michael-Ann Russell Jewish Community Center Project) Series 1997 1.20%, 01/07/04	4,885	4,885
Charlotte Cnty +■ Refunding RB, Series 2003A 1.12%, 01/07/04	12,405	12,405	+■ IDR (South Florida Stadium Corp) Series 1985C 1.12%, 01/07/04	1,050	1,050
+■ Refunding RB, Series 2003B 1.25%, 01/07/04	6,000	6,000	Davie +■ RB (United Jewish Community of Broward County Project) Series 2003 1.25%, 01/07/04	6,000	6,000
Charlotte Cnty HFA +■ M/F Housing RB Series 2000 (Murdock Circle Apartments Project) 1.20%, 01/07/04	10,370	10,370			
Charlotte Cnty SD TANS Series 2003 1.04%, 06/30/04	12,000	12,057			

Schwab Florida Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Escambia HFA				Florida Dev Finance Corp.			
◆	S/F RB Series 1995B TOB Series PT-121 1.33%, 01/07/04	3,000	3,000	◆	IDRB 1999 Series A1 (Vutec Corp Project) 1.35%, 01/07/04	1,680	1,680
◆◆	S/F RB Series 1997A TOB Series 1997E 1.26%, 01/07/04	3,585	3,585	◆	IDRB 1999 Series A2 (Schmitt Family Partnership Project) 1.35%, 01/07/04	2,000	2,000
◆◆	S/F RB Series 2001A TOB Series 2001c 1.23%, 01/07/04	2,170	2,170	◆	IDRB 1999 Series A3 (Sunshine State Christian Homes, Inc. Project) 1.25%, 01/07/04	1,260	1,260
◆◆	S/F RB Series 2001A TOB Series PT-519 1.33%, 01/07/04	2,970	2,970	◆	IDRB 1999 Series A4 (Central Farms, Ltd. Project) 1.35%, 01/07/04	950	950
◆◆	S/F RB Series 2002A-1 TOB Series 2002B 1.15%, 04/08/04	2,675	2,675	◆	IDRB Enterprise Bond Program (Pioneer-Ram, Inc.) Series 1998 A3 1.35%, 01/07/04	1,070	1,070
Eustis				Florida HFA			
◆	RB, Installment 1997A 1.20%, 01/07/04	3,560	3,560	◆◆	Homeowner Mortgage RB 2000 Series 4 TOB Series 2000 J 1.23%, 01/07/04	4,095	4,095
Florida				◆	Housing RB (Ashley Lake Park II Project) Series 1989J 1.13%, 01/07/04	10,800	10,800
	Department of Transportation Turnpike RB Series 2000B 0.95%, 07/01/04	9,490	9,704	◆	Housing RB 1996 Series F (Caribbean Key Apartments Project) 1.17%, 01/07/04	3,400	3,400
+	Department of Transportation Turnpike Refunding RB, Series 2003B 0.92%, 07/01/04	2,255	2,281	◆	Housing RB Series 1996P (Tiffany Club Apartments Project) 1.17%, 01/07/04	7,250	7,250
+	Dept of Environmental Protection Florida Forever RB, Series 2003a 0.92%, 07/01/04	3,885	3,925	◆	Housing RB Series 1996U (Heron Park) 1.13%, 01/07/04	3,735	3,735
◆◆	Dept of Environmental Protection Preservation 2000 RB Series 1997B TOB Series 2000-317 1.29%, 01/07/04	23,065	23,065	◆	Housing Refunding RB 1998 Series M (Ashley Lake Apartments) TOB Series PT-471 1.05%, 04/01/04	14,760	14,760
+	Improvement Refunding RB Series 2003A 0.84%, 07/01/04	5,230	5,312	◆	Housing Refunding RB 2001 Series D (Vinings At Hampton Village) 1.20%, 01/07/04	10,800	10,800
Florida Capital Projects Auth							
+	RB (Capital Projects Loan Program - AAAE Airport Projects) 2001 Series I (Springfield, Missouri Loan) 1.09%, 06/01/04	3,480	3,525				

See financial notes. 35

Schwab Florida Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+	M/F Guaranteed Mortgage RB (Forest Place Apartments Project) 1983 Series J 1.06%, 01/07/04	3,270	3,270		Florida Higher Educational Facilities Financing Auth		
+	M/F Guaranteed Mortgage RB 1983 Series K (Oaks At Regency Project) 1.15%, 01/07/04	6,925	6,925	+	RB Series 2003 (St. Thomas University Project) 1.31%, 01/02/04	5,000	5,000
+	M/F Housing RB 1985 Series MM (Buena Vista Place Project) 1.06%, 01/07/04	10,000	10,000		Florida Local Government Finance Comm		
+	M/F Housing RB 1985 Series XX (Cameron Cove Apartments) 1.28%, 01/07/04	7,100	7,100	+	Pooled TECP Series 1994A 1.10%, 04/08/04	2,000	2,000
+	M/F Housing Refunding RB (Reflections Apartments) Series 2001 K-A 1.17%, 01/07/04	12,500	12,500	+	Pooled TECP, 1998 Series B 0.95%, 01/16/04	2,989	2,989
+	M/F Housing Refunding RB 1998 Series J (South Pointe Project) 1.15%, 01/07/04	5,500	5,500		Florida Municipal Power Agency		
+	M/F Mortgage RB 2003 Series O (Wellesley Apartments) 1.13%, 01/07/04	7,940	7,940	+	Stanton Project Refunding RB, Series 1997 1.12%, 01/07/04	6,150	6,150
+	M/F Mortgage RB 2003 Series N (Pinnacle Pointe Apartments) 1.13%, 01/07/04	7,915	7,915		Florida Ports Financing Comm		
+	M/F Mortgage RB 2003 Series P (Wexford Apartments) 1.13%, 01/07/04	8,035	8,035	+	RB (State Transportation Trust Fund), Series 1996 1.05%, 06/01/04	1,630	1,663
+	M/F Mortgage Refunding RB 2002 Series J-1 (Victoria Park Apartments) 1.25%, 01/07/04	10,370	10,370		Florida State Board of Education		
+	RB 1999 Series I-1 Heritage Pointe Apartments 1.13%, 01/07/04	9,500	9,500	+	Public Education Capital Outlay Bonds 1998 Series A 1.18%, 01/07/04	11,000	11,000
+	RB 1999 Series P Timberline Apartments 1.15%, 01/07/04	6,135	6,135	+	Public Education Capital Outlay Bonds 1998 Series E TOB Series 20000901 1.30%, 01/07/04	12,280	12,280
				+	Public Education Capital Outlay Bonds 2001 Series I, TOB Series 235 1.30%, 01/07/04	4,715	4,715
				+	Public Education Capital Outlay Bonds, 1999 Series C TOB Series 137 1.29%, 01/07/04	17,890	17,890
				+	Public Education Capital Outlay Refunding Bonds, 2001 Series TOB Series 20010903 1.30%, 01/07/04	14,100	14,100
					Fort Pierce Utilities Auth		
				+	Utilities Refunding RB Series 2003 TOB Series 241 1.18%, 01/07/04	6,325	6,325

Schwab Florida Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Gainesville			+▶ Tampa International Airport RB		
+■ IDRB (Exactech, Inc.) Series 1997 1.30%, 01/07/04	2,700	2,700	2003 Series A TOB Series PT-745 1.34%, 01/07/04	5,495	5,495
+■ IDRB (Lifesouth Community Blood Centers, Inc. Project), Series 1999 1.20%, 01/07/04	5,665	5,665	Hillsborough Cnty Educational Facilities Auth		
Greater Orlando Aviation Auth			+■ RB (Univ of Tampa Project) Series 2000 1.30%, 01/07/04	5,600	5,600
+ Airport Facilities Subordinated TECP Series B 0.90%, 01/15/04 1.10%, 03/10/04	16,337 12,650	16,337 12,650	+■ Hillsborough Cnty IDA		
+▶ Airport Facilities RB Series 2002E 1.10%, 01/07/04	46,130	46,130	Educational Facilities RB (Berkeley Preparatory School, Inc. Project), Series 1999 1.20%, 01/07/04	4,670	4,670
+■ Airport Facility RB (Flightsafety International Inc. Project) Series 2003A 1.35%, 01/07/04	8,900	8,900	+■ RB (Independent Day School Project) Series 2000 1.30%, 01/07/04	1,900	1,900
Gulf Breeze			+■ RB Tampa Metropolitan Area Ymca Project), Series 2000 1.30%, 01/07/04	8,300	8,300
+▶ Local Government Loan Program RB Series 1985B 1.10%, 01/07/04	34,500	34,500	Hillsborough Cnty Port Auth		
+▶ Local Government Loan Program RB Series 1985C 1.10%, 01/07/04	2,070	2,070	+ Tampa Port Auth. Special Refunding RB, Series 1995 0.99%, 06/01/04	2,000	2,045
Halifax Hospital Medical Center			Jacksonville		
+■ RB (Florida Health Care Plan, Inc. Project) Series 1998 1.10%, 01/07/04	5,200	5,200	+■ Refunding IDRB (Pavillion Associates, Ltd.) Series 1996 1.10%, 01/07/04	4,540	4,540
Hillsborough Cnty			Jacksonville Economic Dev Comm		
+ Capital Improvement Program TECP, Series A 1.15%, 09/09/04	41,120	41,120	+■ Educational Facilities RB Series 2002 (Episcopal High School Project) 1.25%, 01/07/04	5,800	5,800
+ Capital Improvement Program TECP, Series B 1.00%, 01/15/04	4,200	4,200	+■ RB (Bolles School Project), Series 1999A 1.15%, 01/07/04	3,230	3,230
Hillsborough Cnty Aviation Auth			+■ Refunding RB (YMCA of Florida's First Coast Project) Series 2003 1.25%, 01/07/04	5,000	5,000
+ Airport Facilities Subordinated TECP, Series B 1.13%, 01/27/04	2,700	2,700	Jacksonville Electric Auth		
+ Airport Facilities Subordinated TECP, Series D 1.00%, 01/15/04	2,000	2,000	+■ Electric System RB Series Three 2000A TOB Series 2000FF 1.21%, 01/07/04	9,945	9,945

See financial notes. 37

Schwab Florida Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
	+ Water and Sewer System RB 1997 Series B 1.09%, 10/01/04	2,025	2,091		Lee Cnty HFA		
	■ Water and Sewer System RB, 2000 Series B 1.10%, 01/07/04	4,450	4,450		+■ M/F Housing RB Series 1999A (Crossings At Cape Coral Apartments Project) 1.20%, 01/07/04	6,160	6,160
	+■ Water and Sewer System Subordinated RB, 2003 Series B 1.17%, 01/07/04	18,600	18,600		+■ M/F Housing RB Series 2002A (University Club Apartments) 1.32%, 01/07/04	6,700	6,700
	Jacksonville Health Facilities Auth				Lee Cnty IDA		
	+■ Health Facilities RB (River Garden 1.20%, 01/07/04	3,415	3,415		+■ Healthcare Facilities RB (Cypress Cove At Healthpark Project) Series 2002B 1.05%, 01/07/04	2,850	2,850
	+■ Hospital RB Series 2003C 1.18%, 01/02/04	300	300		Leon Cnty SD		
	+■ Hospital Refunding RB (Genesis Rehabilitation Hospital Project) Series 1996 1.30%, 01/02/04	700	700		+ Sales Tax RB Series 2003 1.50%, 07/01/04	5,590	5,602
	Jacksonville Port Auth				Manatee Cnty		
	+■ 1996 Port Facility RB TOB 960902 1.18%, 01/07/04	10,100	10,100		+ Public Utilities Refunding and Improvement RB, Series 2003 1.09%, 10/01/04	1,430	1,440
	Lake Shore Hospital Auth				Manatee Cnty HFA		
	+■ Health Facility RB (Lake Shore Hospital) Series 1991 1.20%, 01/07/04	3,200	3,200		+■ M/F Housing RB Series 2000 (Centre Court Apartments Project) 1.15%, 01/07/04	3,760	3,760
	Lakeland				+■ M/F Housing RB Series 2000B (Sabal Palm Harbor Apartments Project) 1.20%, 01/07/04	3,880	3,880
	+■ Educational Facilities RB (Florida Southern College Project), Series 1999 1.20%, 01/07/04	30,000	30,000		+■ M/F Housing RB Series 2002A (La Mirada Gardens Project) 1.32%, 01/07/04	4,000	4,000
	Lee Cnty				+■ M/F Mortgage Refunding RB (Hampton Court) Series 1989A 1.15%, 01/07/04	3,635	3,635
	+■ Airport RB, Series 2000A TOB Series 2001-811 1.34%, 01/07/04	4,958	4,958		+■ M/F Housing RB Series 2000A (Sabal Palm Harbor Apartments Project) 1.20%, 01/07/04	7,270	7,270
	+■ Educational Facilities RB (Canterbury School Project) Series 1999 1.20%, 01/07/04	6,000	6,000		Marion Cnty IDA		
					+■ M/F Housing Refunding RB (Chambrel At Pinecastle Project) Series 2002 1.27%, 01/07/04	7,741	7,741

Schwab Florida Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Martin Cnty			Nassau Cnty		
+ GO Refunding Bonds Series 2003 0.93%, 02/01/04	1,970	1,972	+■ Pollution Control Private Activity RB Series 1999 (Rayonier Project) 1.12%, 01/07/04	7,515	7,515
Miami			Ocean Highway & Port Auth		
+ GO Refunding Bonds, Series 2003 0.83%, 07/01/04	1,760	1,770	+■ RB Series 1990 1.25%, 01/07/04	10,200	10,200
Miami Health Facilities Auth.			Okeechobee Cnty		
+■ Health Facilities RB (Miami Jewish Home and Hospital For the Aged) Series 1996 1.20%, 01/07/04	7,700	7,700	+■ Exempt Facility RB (Okeechobee Landfill Project) Series 1999 1.25%, 01/07/04	15,000	15,000
Miami-Dade Cnty			Orange Cnty		
+ Aviation TECP Series A Miami International Airport 1.10%, 01/07/04 1.06%, 01/08/04 1.01%, 02/09/04	3,025 9,033 7,507	3,025 9,033 7,507	+ Sales Tax RB, Series 2002A 1.14%, 01/01/05 + Solid Waste Facility Refunding RB Series 2003 1.10%, 10/01/04	4,100 2,745	4,175 2,763
+ Aviation TECP Series B Miami International Airport 1.09%, 01/08/04	7,604	7,604	Orange Cnty Health Finance Auth		
Miami-Dade Cnty IDA			+■ RB Series 1992 (Adventist Health System/Sunbelt, Inc.) 1.30%, 01/07/04	3,200	3,200
+■ IDRB (Airbus Service Co) Series 1998A 1.30%, 01/07/04	8,880	8,880	+ Refunding Program RB (Pooled Hospital Loan Program) Series 1985 1.08%, 01/05/04 1.13%, 01/29/04 1.12%, 01/30/04	19,900 23,900 20,000	19,900 23,900 20,000
+■ IDRB (Airis Miami LLC Project) Series 1999A 1.27%, 01/07/04	15,400	15,400	Orange Cnty HFA		
+■ IDRB (Arctic Partners Project) Series 1999 1.35%, 01/07/04	2,440	2,440	+■ M/F Guaranteed Mortgage Refunding RB 1989 Series A (Sundown Associates II Project) 0.99%, 01/07/04	4,100	4,100
+■ IDRB (Badia Spices, Inc. Project) 1.30%, 01/07/04	3,575	3,575	+■ M/F Housing RB (Glenn On Millenia Boulevard) 2001 Series C 1.13%, 01/07/04	3,355	3,355
+■ IDRB (Fine Art Lamps Project), Series 1998 1.30%, 01/07/04	1,700	1,700	+■ M/F Housing RB 2000 Series E (Windsor Pines Project) 1.20%, 01/07/04	3,200	3,200
+■ RB (Belen Jesuit Preparatory School Project), Series 1999 1.20%, 01/07/04	6,960	6,960	+■ M/F Housing Refunding RB (Heather Glen Apts) Series 2001E 1.08%, 01/07/04	8,300	8,300
+■ RB (Gulliver Schools Project), Series 2000 1.30%, 01/07/04	3,900	3,900	Miami-Dade Cnty SD		
TAN Series 2003 1.04%, 06/28/04	45,000	45,210			

See financial notes. 39

Schwab Florida Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ M/F Housing Refunding RB (Smokewood/Sun Key Apartments Project) 1992 Series A 1.15%, 01/07/04	19,950	19,950	+■ RB (Benjamin Private School Project) Series 2003 1.25%, 01/07/04	4,500	4,500
Orange Cnty IDA			+■ RB (Comprehensive Alcoholism Rehabilitation Programs Project) Series 2000 1.15%, 01/07/04	5,300	5,300
+■ IDRB (Central Florida Kidney Centers Project) Series 2000 1.20%, 01/07/04	5,000	5,000	+■ RB (Norton Gallery & School of Art) Series 1995 1.15%, 01/07/04	2,500	2,500
+■ IDRB (Central Florida YMCA Project) Series 2002A 1.30%, 01/07/04	4,700	4,700	+■ RB (Raymond F. Kravis Center for the Performing Arts) Series 2002 1.20%, 01/07/04	100	100
+■ IDRB (Goodwill Industries of Central Florida Project) Series 1999 1.20%, 01/07/04	6,000	6,000	+■ RB (Zoological Society of the Palm Beaches Project) Series 2001 1.30%, 01/07/04	5,500	5,500
+■ RB (Center For Drug Free Living Project) Series 1999 1.15%, 01/07/04	9,360	9,360	+■ Student Housing Refunding RB Series 2002 (Palm Beach Comm. College Foundation Project) 1.30%, 01/07/04	2,900	2,900
Orange Cnty SD			Palm Beach Cnty Educational Facilities Auth		
+■ COP Series 2000B 1.30%, 01/02/04	4,300	4,300	+■ Educational Facilities RB (Lynn University Project) Series 2001 1.25%, 01/07/04	3,490	3,490
TAN Series 2003 1.07%, 09/16/04	30,000	30,196	Palm Beach Cnty Health Facilities Auth		
Orlando & Orange Cnty Expressway Auth			+ Refunding Program RB Series 1985 (Pooled Hospital Loan Program) 1.10%, 02/05/04	4,800	4,800
+■ Expressway Refunding RB Series 2003 C-4 1.20%, 01/07/04	5,500	5,500	Palm Beach Cnty HFA		
Orlando Utilities Commission			+■ M/F Housing RB Series 1999A (Azalea Place Apartments Project) 1.20%, 01/07/04	3,000	3,000
■ Water & Electric RB Series 2002B 1.10%, 01/07/04	11,500	11,500	+■ M/F Housing Refunding RB (Spinnaker Landing Apartments) Series 1998 1.20%, 01/07/04	2,845	2,845
▶ Water & Electric Revenue BAN, 1999 Series A 1.05%, 01/05/04	13,900	13,900	Palm Beach Cnty SD		
Palm Beach Cnty			+■ COP Series 2002B 1.17%, 01/07/04	22,550	22,550
+■ Airport RB (Galaxy Aviation Project) Series 2000A 1.30%, 01/07/04	6,000	6,000			
+■ IDBR (South Florida Blood Banks Project) Series 2002 1.15%, 01/07/04	8,940	8,940			
+■ IDRB (Palm Beach Day School Project) Series 1999 1.20%, 01/07/04	7,000	7,000			

Schwab Florida Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Pasco Cnty			St Petersburg		
+ Solid Waste Disposal and Resource Recovery System RB Series 1998 0.97%, 04/01/04	3,380	3,420	+■ Capital Improvement RB (Airport & Golf Course Project) Series 1997B 1.20%, 01/07/04	2,245	2,245
Pasco Cnty SD			Sumter Cnty IDA		
+■ COP Series 1996 1.25%, 01/07/04	44,000	44,000	+■ Capital Improvement RB (Airport Project) Series 1997C 1.30%, 01/07/04	355	355
Pinellas Cnty HFA			Sunshine State Govt Finance Comm		
+■ S/F Housing RB 1999 Series B-1 TOB Series Pt-352 1.33%, 01/07/04	3,220	3,220	+■ TECP Series 1998A 1.13%, 01/07/04	9,500	9,500
Pinellas Cnty IDA			Tallahassee-Leon Cnty Civic Center Auth		
+■ IDRB (H & S Swansons Tool Company Project) Series 2001 1.30%, 01/07/04	3,785	3,785	+■ Capital Improvement RB Series 1998A 1.20%, 01/07/04	1,290	1,290
+■ IDRB (Restorative Care of America Project) Series 2001 1.35%, 01/07/04	1,745	1,745	Tampa		
Pinellas Cnty SD			+■ Educational Facilities RB (Pepin Academy of Tampa Project) Series 2002 1.28%, 01/07/04		
TAN Series 2003 1.04%, 06/30/04	21,000	21,100	+■ Health Care Facilities RB (Lifelink Foundation) Series 1997 1.20%, 01/07/04	4,900	4,900
1.06%, 06/30/04	47,000	47,216	+■ Occupational License Tax Refunding Bonds Series 2002C 1.10%, 01/07/04	500	500
Polk Cnty IDA			Tampa Bay Water Auth		
+■ IDRB (Juice Bowl Products Project) Series 2000 1.30%, 01/07/04	2,170	2,170	+■ Utility System Refunding & Improvement RB Series 2001A, TOB Series 2001N 1.19%, 01/07/04	5,200	5,200
+■ IDRB (Pavermodule) Series 1998 1.30%, 01/07/04	3,310	3,310	+■ Utility System RB Series 2002 1.35%, 01/07/04	600	600
Sarasota Cnty					
+■ RB (Sarasota Family YMCA Project), Series 1999 1.15%, 01/07/04	2,810	2,810			
Seminole Cnty IDA					
+■ IDRB (Amrhein Family Limited Partnership Project) Series 2001 1.25%, 01/07/04	4,420	4,420			
Southeast Volusia Hospital District					
+■ RB (Bert Fish Medical Center) Series 1995 1.35%, 01/07/04	11,405	11,405			

Schwab Florida Municipal Money Fund

Portfolio Holdings continued

Issuer	Face Amount	Value	Issuer	Face Amount	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)
Volusia Cnty Educational Facilities Auth			Woburn		
+■ Educational Facilities RB (Bethune-Cookman College Project) Series 2001 1.15%, 01/07/04	10,650	10,650	BAN 2003 0.95%, 07/16/04	1,000	1,003
Volusia Cnty Health Facilities Auth			Michigan 0.0%		
+■ Hospital RB (Southwest Volusia Healthcare Corp) Series 1994A 1.15%, 01/07/04	8,590	8,590	Wayne Cnty		
West Orange Healthcare District			+►■ Airport Refunding RB (Detroit Metropolitan Wayne Cnty Airport) Series 1996B 1.11%, 01/07/04	1,000	1,000
+■ RB Series 1999B 1.22%, 01/07/04	10,900	10,900	Pennsylvania 0.0%		
		<u>1,651,819</u>	Delaware Valley Regional Finance Auth		
Indiana 0.3%			+►■ Local Government RB Series 1998A PT1651 1.29%, 01/07/04	870	870
Indiana HFA			Puerto Rico 2.4%		
■ S/F Mortgage RB Series 2002B TOB Series 2002 A45 1.26%, 01/07/04	5,065	5,065	Puerto Rice Public Buildings Auth		
Kentucky 0.7%			+►■ Government Facilities RB Series B TOB Series 211 1.26%, 01/07/04	13,995	13,995
Kentucky Housing Corp.			Puerto Rico Electric Power Auth		
■ Housing RB Series 1998B TOB Series 1998O 1.05%, 07/29/04	11,995	11,995	+►■ Power RB Series HH TOB Series 164 1.26%, 01/07/04	9,200	9,200
Massachusetts 2.6%			Puerto Rico Hwy & Transp Auth		
Clinton			+►■ Highway RB Series Y TOB Series PA-605 1.22%, 01/07/04	7,800	7,800
Unlimited Tax BAN 2003 1.20%, 02/06/04	5,000	5,004	+►■ Subordinated Transportation RB Series 2003 TOB Series 247 1.26%, 01/07/04	5,200	5,200
Lawrence			Puerto Rico Public Buildings Auth		
School BAN Series 2003 1.17%, 12/23/04	15,000	15,120	+►■ Refunding RB Series L TOB Series 56 1.26%, 01/07/04	6,545	6,545
Milton					<u>42,740</u>
BAN 2003 0.97%, 08/06/04	15,000	15,069			
Nashoba Valley Technical High SD					
BAN 2003 1.02%, 08/12/04	10,000	10,044			

Schwab Florida Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
South Carolina 0.2%		
Myrtle Beach		
+ Waterworks and Sewer System Refunding RB Series 2003 1.16%, 03/01/04	4,160	4,179
Texas 0.8%		
Grand Prairie Sports Facilities Dev Corp.		
+ Sales Tax Refunding RB, Series 2003-B 1.23%, 09/15/04	10,040	10,040
Texas		
Veterans' Housing Assistance Program Fund II Series 2002 A-2 Bonds 1.17%, 01/07/04	4,000	4,000
		<u>14,040</u>
Washington 0.5%		
Energy Northwest		
+ Project #1 Refunding Electric RB Series 2002A TOB Series PT-615 1.28%, 01/01/04	2,700	2,700
+ Project No. 1 Refunding Electric RB, Series 2002A TOB Series 242 1.29%, 01/07/04	6,295	6,295
		<u>8,995</u>

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

Schwab Florida Municipal Money Fund

Statement of

Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$1,798,943
Cash	828
Interest	4,459
Prepaid expenses	+ 44
Total assets	1,804,274

Liabilities

Payables:	
Dividends to shareholders	21
Investment adviser and administrator fees	25
Transfer agent and shareholder service fees	27
Federal and state taxes	58
Accrued expenses	+ 68
Total liabilities	199

Net Assets

Total assets	1,804,274
Total liabilities	- 199
Net assets	\$1,804,075

Net Assets by Source

Capital received from investors	1,804,075
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Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$1,804,075		1,803,987		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$1,798,943. During the reporting period, the fund had \$2,485,595 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio	\$1,798,943
Capital losses utilized	\$130
Reclassifications:	
Net realized capital gains	(\$169)
Reclassified as:	
Capital received from investors	\$111
Net investment income not yet distributed	\$58

Tax designation (unaudited):

The fund hereby designates \$35 as a capital gain dividend for the fiscal year ended December 31, 2003.

Schwab Florida Municipal Money Fund

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$12,110**

Net Realized Gains and Losses

Net realized gains on investments sold **299**

Expenses

Investment adviser and administrator fees	4,130
Transfer agent and shareholder service fees	4,924
Trustees' fees	34
Custodian and portfolio accounting fees	87
Professional fees	25
Registration fees	32
Shareholder reports	33
Federal and state taxes	58
Other expenses	+ 16
Total expenses	9,339
Expense reduction	- 2,332
Net expenses	7,007

Increase in Net Assets from Operations

Total investment income	12,110
Net expenses	- 7,007
Net investment income	5,103
Net realized gains	+ 299
Increase in net assets from operations	\$5,402

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the 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.

Schwab Florida Municipal Money Fund

Statements of
Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$5,103	\$8,632
Net realized gains or losses	+ 299	(31)
Increase in net assets from operations	5,402	8,601

Distributions Paid

Dividends from net investment income	5,161	8,632
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Transactions in Fund Shares

Shares sold	4,082,999	3,528,005
Shares reinvested	5,010	8,424
Shares redeemed	+ (4,069,070)	(3,269,159)
Net transactions in fund shares	18,939	267,270

Net Assets

Beginning of period	1,784,895	1,517,656
Total increase	+ 19,180	267,239
End of period	\$1,804,075	\$1,784,895

Unless stated, all numbers x 1,000.

For the current year, the fund elected not to distribute realized capital gains and accordingly paid federal and state taxes on such gains in the amount of \$58.

Unaudited

The fund hereby designates 100% of its dividends for the current report period as tax-exempt interest dividends.

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.

Schwab Massachusetts Municipal Money Fund

Financial Statements

Financial Highlights

	5/16/03 ¹ – 12/31/03
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 (%)	0.30 ³
Ratios/Supplemental Data (%)	
Ratios to average net assets:	
Net operating expenses	0.51 ⁴
Gross operating expenses	0.86 ⁴
Net investment income	0.48 ⁴
Net assets, end of period (\$ x 1,000,000)	363

¹ Commencement of operations.

² Per share amount was less than \$0.01.

³ Not annualized.

⁴ Annualized. Also, please refer to Statement of Operations for additional information on expense waivers.

Schwab Massachusetts Municipal Money Fund

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
99.6%	Municipal Securities	361,083	361,083
99.6%	Total Investments	361,083	361,083
0.4%	Other Assets and Liabilities		1,447
100.0%	Total Net Assets		362,530

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 99.6% of Net Assets

Massachusetts 98.3%

Acushnet

Unlimited Tax BAN Series 2003
1.75%, 08/13/04 5,864 5,892

Ayer

BAN Series 2003
0.89%, 06/24/04 5,063 5,076

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Canton			
	BAN Unlimited Tax 0.90%, 01/29/04	5,000	5,004
Chicopee			
	2003 BAN 1.18%, 11/19/04	3,000	3,021
Dighton-Rehoboth Regional SD			
	2003 BAN 1.00%, 06/04/04	5,000	5,010
	1.03%, 06/04/04	5,000	5,015
Everett			
	BAN 2003 1.07%, 09/10/04	5,000	5,023
Lawrence			
	School BAN Series 2003 1.17%, 12/23/04	10,000	10,080
Massachusetts			
	GO Bonds Consolidated Loan Series 1999C 1.10%, 09/01/04	2,000	2,052
	GO Bonds Consolidated Loan Series 2003B 0.98%, 08/01/04	3,000	3,018
✦■	GO Bonds Consolidated Loan of 1998 Series C TOB Series 2002C 1.04%, 01/07/04	3,485	3,485
■	GO Bonds Consolidated Loan of 2000 Series C TOB Series PA-793 1.24%, 01/07/04	3,000	3,000
	GO Bonds Consolidated Loan of 2002 Series A 1.15%, 01/01/05	2,500	2,571
■	GO Refunding Bonds Series 2001B 1.25%, 01/07/04	4,750	4,750
■	GO Refunding Bonds Series 2001C 1.25%, 01/07/04	6,600	6,600
	GO Refunding Bonds Series 2003B 1.14%, 12/01/04	3,000	3,078
▶	TECP Series G 0.98%, 01/14/04	5,600	5,600

Schwab Massachusetts Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Massachusetts Bay Transit Auth			■ RB (MIT) Series 2001 J-1		
➔■ General Transportation System Bonds Series 1999A TOB Series PT-1218 1.24%, 01/07/04	1,000	1,000	1.15%, 01/07/04	2,000	2,000
Massachusetts Dev Finance Agency			■ RB (MIT) Series K TOB Series 2002D		
➔■ Education RB Rivers School Issue, Series 2002 1.25%, 01/07/04	5,000	5,000	1.13%, 01/07/04	14,000	14,000
➔■ M/F Housing RB (Salem Heights Apts) Series 2003A 1.32%, 01/07/04	6,000	6,000	■ RB (Capital Assets Program) Series 1985D 1.26%, 01/02/04		
➔■ M/F Housing RB Midway Studios Project Series 2003A 1.35%, 01/07/04	5,000	5,000	➔■ RB Boston Home Issue Series 2002B 1.27%, 01/07/04	5,000	5,000
➔■ RB (Assumption College) Series 2002A 1.15%, 01/07/04	10,000	10,000	➔■ RB Endicott College Issue Series B 1.30%, 01/07/04	3,800	3,800
➔■ RB (Boston Univ) Series R-3 1.25%, 01/07/04	9,100	9,100	➔■ RB Hallmark Health System Issue Series 1998B 1.20%, 01/07/04	13,450	13,450
➔■ RB (Dean College) Series 1999 1.30%, 01/07/04	2,030	2,030	➔■ RB Sherrill House Issue, Series A-1 1.22%, 01/07/04	10,000	10,000
➔■ RB (Judge Rotenberg Center) Series 2003 1.13%, 01/07/04	4,000	4,000	■ RB Williams College Issue 1993E 1.08%, 01/07/04	10,205	10,205
➔■ RB (Wentworth Institute of Technology) Series 2000 1.27%, 01/07/04	2,600	2,600	Massachusetts HFA		
➔■ RB Gordon College Issue, Series 2002 1.12%, 01/07/04	5,000	5,000	➔■ M/F Housing Refunding RB Series 1995A TOB Series PT-162 1.24%, 01/07/04	5,000	5,000
➔■ RB You Inc. Issue Series 2002 1.15%, 01/07/04	5,000	5,000	Massachusetts Muni Wholesale Electric Co		
➔■ Solid Waste Disposal RB Waste Management Project Series 2003 1.15%, 01/07/04	7,500	7,500	➔■ Power Supply Project RB Series A Nuclear Project No. 4, 5, 6 TOB Series 2001-674 1.23%, 01/07/04	8,000	8,000
➔ TECP Program 3 0.95%, 01/21/04	3,000	3,000	Massachusetts Port Auth		
0.95%, 02/06/04	3,500	3,500	➔ Refunding RB Series 2003C 1.02%, 07/01/04	2,200	2,211
Massachusetts Health & Education Facilities Auth			➔ TECP Series 2003A 1.05%, 01/09/04	1,000	1,000
➔■ RB (Baystate Medical Center) Series D TOB Series 2001-834 1.28%, 01/07/04	25,000	25,000	Massachusetts State IFA		
			■ RB (Whitehead Institute For Biomedical Research) Series 1995 1.08%, 01/07/04	5,200	5,200
			➔■ RB Williston Northampton School Issue Series B 1.25%, 01/07/04	5,000	5,000

See financial notes. 49

Schwab Massachusetts Municipal Money Fund

Portfolio Holdings continued

Issuer	Face Amount	Value
Security Type, Project, Series, Rate, Maturity Date	(\$ x 1,000)	(\$ x 1,000)
Massachusetts Turnpike Auth		
+■ Western Turnpike RB Series 1997A TOB Series N 1.13%, 01/07/04	10,000	10,000
Massachusetts Water Pollution Abatement Trust		
■ Pool Program Bonds Series 5 TOB Series PT-1185 1.24%, 01/07/04	5,000	5,000
■ Water Pollution Abatement RB (MWRA) Subordinate Series 1999A TOB Series 1999N 1.18%, 01/07/04	15,000	15,000
Massachusetts Water Resources Auth		
+ TECP Series 1994 1.05%, 01/09/04	5,000	5,000
1.03%, 02/06/04	10,000	10,000
Medford		
BAN 2003 1.10%, 09/10/04	3,000	3,018
Milton		
BAN 2003 0.97%, 08/06/04	10,000	10,046
Nashoba Valley Technical High SD		
BAN 2003 1.02%, 08/12/04	5,000	5,022
Old Rochester Regional SD		
Unlimited Tax BAN 2003 1.18%, 10/15/04	8,200	8,252
Peabody		
BAN Series 2003 1.05%, 10/01/04	3,600	3,625
Woburn		
BAN 2003 0.95%, 07/16/04	7,000	7,021
BAN Series 2003 0.95%, 06/11/04	10,000	10,035
Worcester Regional Transit Auth		
+ RAN Series 2003 0.88%, 06/30/04	7,560	7,583
		356,493

Issuer	Face Amount	Value
Security Type, Project, Series, Rate, Maturity Date	(\$ x 1,000)	(\$ x 1,000)
Puerto Rico 1.3%		
Government Development Bank of Puerto Rico		
TECP Series 1997 0.95%, 02/03/04	4,590	4,590

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

Schwab Massachusetts Municipal Money Fund

Statement of
Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at market value	\$361,083
Cash	155
Interest	1,356
Prepaid expenses	+
	1
Total assets	362,595

Liabilities

Payables:	
Dividends to shareholders	5
Investment adviser and administrator fees	23
Transfer agent and shareholder service fees	4
Accrued expenses	+
	33
Total liabilities	65

Net Assets

Total assets	362,595
Total liabilities	-
	65
Net assets	\$362,530

Net Assets by Source

Capital received from investors	362,532
Net realized capital losses	(2)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$362,530		362,532		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$361,083. During the reporting period, the fund had \$489,639 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio \$361,083

Unused capital losses:

Expires 12/31 of: Loss amount:
2011 \$2

Schwab Massachusetts Municipal Money Fund

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$2,188**

Net Realized Gains and Losses

Net realized losses on investments sold **(2)**

Expenses

Investment adviser and administrator fees 846

Transfer agent and shareholder service fees 1,002

Trustees' fees 17

Custodian and portfolio accounting fees 20

Professional fees 12

Registration fees 3

Shareholder reports 18

Other expenses 5

Total expenses 1,923

Expense reduction 798

Net expenses **1,125**

Increase in Net Assets from Operations

Total investment income 2,188

Net expenses 1,125

Net investment income **1,063**

Net realized losses **(2)**

Increase in net assets from operations **\$1,061**

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction consisted of two components. A reduction of \$588, which reduced the fund's annualized operating expense ratio (OER) by 0.26%, 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 0.60% of average daily net assets. This limit doesn't include interest, taxes and certain non-routine expenses. Also, CSIM voluntarily waived an additional \$210 of the fund's expenses, which reduced the fund's annualized OER by an additional 0.09%. The combination of these two waivers resulted in a net annualized OER for the period of 0.51%.

Statements of

Changes in Net Assets

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

Operations

	5/16/03-12/31/03
Net investment income	\$1,063
Net realized losses	(2)
Increase in net assets from operations	1,061

Distributions Paid

Dividends from net investment income	1,063
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Transactions in Fund Shares

Shares sold	1,001,230
Shares reinvested	1,047
Shares redeemed	+ (639,745)
Net transactions in fund shares	362,532

Shares Outstanding and Net Assets

Beginning of period	-
Total increase	+ 362,530
End of period	\$362,530

Unless stated, all numbers x 1,000.

Unaudited

The fund hereby designates 100% of its dividends for the current report period as tax-exempt interest dividends.

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

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 Municipal Money, Pennsylvania Municipal Money, 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 to affiliates of the investment adviser 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

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.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds®. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds®.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the 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 borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

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

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

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

Report of Independent Auditors

To the Board of Trustees and Shareholders of:

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

In our opinion, the accompanying statements of assets and liabilities, including the portfolio holdings, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Schwab New York Municipal Money Fund, Schwab New Jersey Municipal Money Fund, Schwab Pennsylvania Municipal Money Fund, Schwab Florida Municipal Money Fund and Schwab Massachusetts Municipal Money Fund (five of the portfolios constituting The Charles Schwab Family of Funds, hereafter referred to as the “Funds”) at December 31, 2003, the results of each of their operations for the period then ended, the changes in each of their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and the financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Funds’ management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, CA

February 6, 2004

Fund Trustees

A fund's Board of Trustees is responsible for protecting the interests of that fund's shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an "interested person," meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as "interested trustees." The "independent trustees" are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds (of which there were 49 as of 12/31/03) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp.; CEO, Director, Schwab Holdings, Inc.; Chair, Director, Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc.; Chair, Charles Schwab Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, The Gap, Inc. (clothing retailer), Siebel Systems (software); Trustee, Stanford University. <i>Until 6/03</i> : Director, Xsign, Inc. (electronic payment systems). <i>Until 5/03</i> : Co-Chair, The Charles Schwab Corporation. <i>Until 5/02</i> : Director, Vodafone AirTouch PLC (telecom). <i>Until 3/02</i> : Director, Audiobase, Inc. (Internet audio solutions). <i>Until 7/01</i> : Director, The Charles Schwab Trust Company. <i>Until 1/99</i> : Director, Schwab Retirement Plan Services, Inc., Mayer & Schweitzer, Inc. (securities brokerage subsidiary of The Charles Schwab Corp.), Performance Technologies, Inc. (technology), TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Municipal Money Funds

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	Trustee: 2003 (all trusts)	Vice Chair, EVP, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.
Jeffrey M. Lyons ¹ 2/22/55	Trustee: 2002 (all trusts).	EVP, Asset Management Products and Services, Charles Schwab & Co., Inc. <i>Until 9/01</i> : EVP, Mutual Funds, Charles Schwab & Co., Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; VP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Municipal Money Funds

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, Director, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital. <i>2007</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Director, Non-Executive Chairman, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Networks (telecommunications); Public Governor, Member, executive committee, Pacific Stock & Options Exchange. Director, Digital Microwave Corp. (network equipment). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Director, Pennzoil-Quaker State Co. (oil and gas), Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products); Member, audit committee, Northern Border Partners, L.P. (energy).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investments).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

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 security A bond or other debt security that represents ownership in a pool of debt obligations such as credit card debt.

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.

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.

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

Schwab Municipal Money Funds

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.

illiquid securities A security is generally considered illiquid if it cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instrument.

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.

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

restricted securities A security that is subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

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

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities A security exempt from registration under Section 4(2) of the Securities Act of 1933. It may be sold only to qualified institutional buyers under Securities Act Rule 144A.

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 clearly defined investment approach and using disciplined 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 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 Dividend Equity Fund™
Schwab Small-Cap Equity Fund™
Schwab Hedged Equity Fund™
Schwab Focus Funds
 Communications Focus Fund
 Financial Services Focus Fund
 Health Care Focus Fund
 Technology Focus Fund
Schwab MarketMasters Funds™
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
 Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack 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, subject to availability, 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

Annual Report
December 31, 2003

charles SCHWAB

In This Report

Schwab California Municipal Money Fund

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Value Advantage Shares: **SWKXX**

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Fund investment adviser: Charles Schwab Investment Management, Inc. (CSIM).
Distributor and transfer agent: Charles Schwab & Co., Inc. (Schwab).

From the Chairman



Charles R. Schwab
Chairman

In 1989, we founded SchwabFunds® on the belief that mutual funds represent an important tool for investors. Money funds, for example, are especially well-suited for the cash portion of your portfolio when you are seeking capital preservation or liquidity.

Over the past few years, mutual funds have faced a number of challenges, affecting both their performance and investor perception. Yet recently we have seen signs of positive change. The economy and the stock market have shown increasing strength. And while much remains to be done within the fund industry, the industry has been moving quickly to assess and improve its operations and its investor safeguards.

As a firm, we continue to change as well. Our capabilities are evolving in ways that allow us to offer investors more choices and better ways to do business with us. I'm enthusiastic about these changes because they're designed to offer benefits for our fund shareholders.

One thing that hasn't changed is my belief in mutual funds. Mutual funds still offer all the features that have made them so popular: diversification, liquidity, convenience, low investment minimums, and professional management. For individual investors especially, I believe mutual funds continue to be one of the most cost-effective investment vehicles available.

To date, millions of Americans have successfully relied on mutual funds as an important way to invest for retirement security, their children's education, and other financial goals. We remain optimistic that mutual funds will continue to do the same for millions more Americans in the years to come.

Sincerely,

A handwritten signature in cursive script that reads "Charles R. Schwab". The signature is written in dark ink and is positioned below the typed name.

Management's Discussion for the year ended December 31, 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 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

In today's current low-interest-rate environment, it's tempting to ask whether money funds still have a place in an investment portfolio.

It's a fair question, but I'd suggest the answer is not as obvious as it may seem. Money funds are designed to offer several potential benefits. If you're like many investors, your asset allocation calls for a portion of your portfolio to be in cash. If the purpose of that allocation is to offer capital preservation or liquidity, or to help reduce the impact of market volatility on your portfolio, then money funds probably still make sense for you, regardless of the yield environment.

Here at SchwabFunds®, we're proud of our seasoned fund managers and their ability to work as a team. Our managers have an average of over 16 years of experience in the investment management industry. I'm also proud to say that we're in the process of building on that experience: by expanding our selection of mutual funds, adding new share classes, and offering new, competitively priced alternatives.

Thirty years ago, Charles Schwab founded his firm with a vision to create the most useful and ethical financial services firm in the world. We live by that philosophy every day.

Your investment in SchwabFunds is an indication of the trust you place in us. As the managers of your money, we have a special obligation to live up to that trust. I have enjoyed the opportunity to respond to several shareholder inquiries, and I hope you'll let us know how we're doing.

I want to thank you for investing with us and want to assure you that we strive relentlessly to operate our business with the highest ethical standards and an unwavering commitment to serve you, our SchwabFunds shareholders.

Sincerely,

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



Kevin Shaughnessy, CFA, a vice president of the investment adviser and senior 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

During 2003, the U.S. economy began to gather strength, especially during the second half of the year. In the months before the war in Iraq (which began in March 2003), the economy remained in a holding pattern, as businesses and investors adopted a wait-and-see stance. Once the combat phase drew to an end, America began to pay more attention to the economy, which by year-end appeared to be recovering.

Seeking additional protection against the risk of deflation, the Federal Reserve (the Fed) cut short-term interest rates by 0.25% in June. This brought the Fed funds target rate to a 45-year low of 1.00%. Short-term interest rates began plummeting in May in anticipation of the Fed's rate cut but quickly began a modest recovery and ended the year somewhat above their mid-year lows. Nevertheless, money fund yields remained close to historically low levels.

Throughout the report period, short-term municipal yields remained attractively valued relative to short-term taxable yields. During the year, the ratio of short-term muni yields to taxables averaged 82%, and at times exceeded 95%. We attribute this situation to the unusually large quantity of municipal money market debt that was issued during 2003. In order to attract buyers for these securities, municipal issuers needed to offer higher yields than they otherwise might have.

After a protracted and partisan session, the California legislature adopted a budget in late July 2003. The budget closed an estimated \$38 billion gap through a combination of spending cuts, deferrals and the proposed sale of deficit bonds. In October 2003, voters recalled Governor Gray Davis and installed Arnold Schwarzenegger as governor. Governor Schwarzenegger's fiscal 2005 proposed budget shows the multi-year gap narrowing to \$26 billion and calls for another round of program cuts, deferrals and a \$15 billion bond sale to close the gap. The new deficit bond proposal would supersede last year's. California voters will be asked to approve the plan in March 2004.

California's economic recovery appears to be strengthening, with renewed growth in out-of-state exports and personal income. However, the state's job growth still lags the nation's, with payroll employment expected to show no growth from 2002 to 2003. The Department of Finance is forecasting 1.1% growth in employment for 2004.

Most of the fund's holdings carry credit enhancements from highly rated third-party providers.

In the late 1990s, the state saw a large increase in its revenues from income taxes, particularly stock-related income from the technology and business services industries, and state budgets began to assume these revenues would continue. When they did not, 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.

The state's credit ratings suffered multiple downgrades during 2003.

These were tied to the protracted budget debate, the reliance on deficit bond sales and future budget shortfall projections. As of the report date, Standard and Poor's and Fitch rated California BBB, and Moody's rated it Baa1—all low investment grade ratings. Fitch continues to have California on its watch list for possible further downgrades, and Moody's outlook for California's rating remains negative. Though many of the state's cities and counties have had to contend with less revenue from the state, their credit ratings have largely remained unchanged.

To date, the state has made all of its general obligation debt payments on time; in previous crises, it always did so as well. The state's controller is required to make cash payments to its general obligation bondholders even if the state has not adopted a budget. We also note that the type of direct state securities the fund has purchased has 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.

As the state's financial woes continued, we reduced our holdings of direct state obligations in favor 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.

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 12/31/03

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	0.54%	0.74%
Seven-Day Yield—No Waiver²	0.37%	0.60%
Seven-Day Effective Yield	0.54%	0.74%
Seven-Day Taxable-Equivalent Effective Yield³	0.92%	1.26%

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	55 days
Credit Quality of Holdings % 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.

Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

³ Taxable-equivalent effective yield assumes a 2003 maximum combined federal regular income and California state personal income tax rate of 41.05%. Investment income may be subject to the Alternative Minimum Tax.

Financial Statements

Financial Highlights

Sweep Shares	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	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
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.02)	(0.03)	(0.02)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.46	0.83	1.99	3.02	2.42
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.65	0.65	0.65	0.66 ²	0.65
Gross operating expenses	0.82	0.82	0.82	0.84	0.85
Net investment income	0.45	0.83	1.98	2.98	2.41
Net assets, end of period (\$ x 1,000,000)	4,169	4,056	3,897	3,923	3,457
Value Advantage Shares					
	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00
Income from investment operations:					
Net investment income	0.01	0.01	0.02	0.03	0.03
Less distributions:					
Dividends from net investment income	(0.01)	(0.01)	(0.02)	(0.03)	(0.03)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.66	1.03	2.19	3.22	2.62
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.45	0.45	0.45	0.46 ³	0.45
Gross operating expenses	0.59	0.59	0.61	0.63	0.65
Net investment income	0.65	1.03	2.11	3.20	2.60
Net assets, end of period (\$ x 1,000,000)	3,061	3,081	2,563	2,170	1,604

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

² The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (proxy fees) had not been included.

³ The ratio of net operating expenses would have been 0.45% if certain non-routine expenses (proxy fees) had not been included.

Schwab California Municipal Money Fund

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
99.5% Municipal Securities	7,193,284	7,193,284
99.5% Total Investments	7,193,284	7,193,284
0.5% Other Assets and Liabilities		36,908
100.0% Total Net Assets		7,230,192

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Municipal Securities 99.5% of Net Assets

California 97.8%

Affordable Housing Agency

+■ M/F Housing RB (Westridge at Hilltop Apts) Series 2003A	1.25%, 01/07/04	13,750	13,750
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Alameda Cnty IDA

+■ RB (JMS Family Partnership) Series 1995A	1.17%, 01/07/04	1,000	1,000
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Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ RB 1999 Series 1999A (MalMBERG Engineering)	1.35%, 01/07/04	2,415	2,415
+■ RB Series 1993A (Aitchison Family Partnership)	1.17%, 01/07/04	2,600	2,600
+■ RB Series 1994A (Scientific Technology)	1.22%, 01/07/04	2,300	2,300
Alameda-Contra Costa Transit District			
+ 2003-04 RAN	0.98%, 08/19/04	14,000	14,089
Anaheim			
+▶■ Police Facilities COP Series 1993	1.03%, 01/07/04	1,900	1,900
+▶■ Refunding COP Series 1993	1.03%, 01/07/04	22,115	22,115
Anaheim Housing Auth			
+■ M/F Housing RB (Casa Granada Apts) Series 1997A	1.25%, 01/07/04	3,595	3,595
+■ M/F Housing RB (Park Vista Apts) Series 2000D	1.18%, 01/07/04	21,000	21,000
+■ M/F Housing RB (Port Trinidad Apts) Series 1997C	1.25%, 01/07/04	2,040	2,040
+■ M/F Housing Refunding RB (Sage Park) Series 1998A	1.30%, 01/07/04	5,500	5,500
Anaheim Union High SD			
+▶■ School Facility Bridge Funding Program COP Series 1999	1.20%, 01/07/04	5,500	5,500
Association of Bay Area Governments			
+▶■ Bart SFO Extension Bonds (Airport Premium Fare) Series 2002A TOB Series 2002-26	1.25%, 01/07/04	9,995	9,995
+■ COP (Harker School Foundation) Series 1998	1.15%, 01/07/04	4,700	4,700
+▶■ Lease RB Series 2003A	1.30%, 01/07/04	8,000	8,000

See financial notes. 7

Schwab California Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ M/F Housing RB (Artech Building) Series 1999A 1.35%, 01/07/04	3,200	3,200	+■ 2003-04 Fixed Rate RAN Subseries A-3 1.05%, 06/23/04	14,925	14,992
+■ M/F Housing RB (Crossing Apts) Series 2002A 1.30%, 01/07/04	55,700	55,700	+■ 1.06%, 06/23/04 +■ 1.07%, 06/23/04 +■ 1.08%, 06/23/04	10,000 2,120 17,850	10,044 2,129 17,928
+■ M/F Housing RB (Miramar Apts) Series 2000A 1.30%, 01/07/04	30,000	30,000	+■ 2003-04 Fixed Rate RAN Subseries A-4 1.07%, 06/23/04	50,000	50,220
+■ M/F Housing RB (Mountain View Apts) Series 1997A 1.35%, 01/07/04	6,230	6,230	+■ 2003-04 Fixed Rate RAN Subseries A-6 1.07%, 06/23/04	50,000	50,220
+■ RB (Public Policy Institute of California) Series 2001A 1.25%, 01/07/04	9,000	9,000	+▶■ GO Bonds Series 1999 TOB Series 1998-195 1.28%, 01/07/04	10,835	10,835
+■ Refunding & RB Series 2003 (Valley Christian Schools) 1.25%, 01/07/04	17,000	17,000	+▶■ GO Bonds Series 1999 TOB Series 20010502 1.26%, 01/07/04	13,675	13,675
Bay Area Toll Auth			+■ GO Bonds Series 2003 B-4 1.10%, 01/07/04	19,800	19,800
+▶■ San Francisco Bay Area Toll Bridge RB Series 2003C 1.23%, 01/07/04	60,300	60,300	+■ GO Bonds Series 2003 C-1 1.25%, 01/07/04	17,000	17,000
+▶■ San Francisco Bay Area Toll Bridge RB Series D TOB Series 2001Q 1.13%, 01/07/04	10,125	10,125	+■ GO Bonds Series 2003 C-2 1.22%, 01/07/04	18,000	18,000
+▶■ San Francisco Bay Area Toll Bridge RB Series 2001C 1.23%, 01/07/04	29,335	29,335	+■ GO Bonds Series 2003 C-3 1.22%, 01/07/04	30,000	30,000
Burbank Redevelopment Agency			+■ GO Bonds Series 2003 C-4 1.25%, 01/07/04	10,000	10,000
+■ M/F Housing RB Series 1985A 1.15%, 01/07/04	13,960	13,960	+▶■ GO Bonds TOB Series 132 1.26%, 01/07/04	94,870	94,870
California			+▶■ GO Bonds TOB Series 20000501 1.16%, 01/07/04	10,740	10,740
▶ 2003 RAW Series A 1.12%, 06/16/04	60,000	60,239	+▶■ GO Bonds TOB Series 20000502 1.14%, 01/07/04	15,580	15,580
▶ 2003 RAW Series B 1.04%, 06/16/04	100,000	100,407	+▶■ GO Bonds TOB Series 20000503 1.28%, 01/07/04	9,900	9,900
▶ 1.11%, 06/16/04	205,000	205,825	+▶■ GO Bonds TOB Series 20000506 1.28%, 01/07/04	19,800	19,800
▶ 1.12%, 06/16/04	12,500	12,550	+▶■ GO Bonds TOB Series PA-676R 1.60%, 01/07/04	26,125	26,125
▶ 1.40%, 06/16/04	8,000	8,022	+▶■ GO Bonds TOB Series PA-815R 1.28%, 01/07/04	13,835	13,835
▶ 1.72%, 06/16/04	65,000	65,080			
▶ 1.74%, 06/16/04	50,000	50,057			
+■ 2003-04 Fixed Rate RAN Subseries A-1 1.07%, 06/23/04	56,000	56,246			
+■ 2003-04 Fixed Rate RAN Subseries A-2 1.07%, 06/23/04	50,000	50,220			

Schwab California Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ GO Bonds TOB Series PT-1236 1.27%, 01/07/04	24,405	24,405	+■ Power Supply RB Series 2002B-2 1.33%, 01/02/04	6,900	6,900
+■ GO Bonds TOB Series PT-1257 1.27%, 01/07/04	38,020	38,020	+■ Power Supply RB Series 2002B-3 1.30%, 01/02/04	5,500	5,500
California Alternative Energy Source Financing Auth			+■ Power Supply RB Series 2002B-5 1.26%, 01/02/04	10,000	10,000
■ Cogeneration Facility RB Series 1993A 1.08%, 01/07/04	25,330	25,330	+■ Power Supply RB Series 2002C-10 1.19%, 01/07/04	20,000	20,000
■ Cogeneration Facility RB Series 1993B 1.15%, 01/07/04	13,360	13,360	+■ Power Supply RB Series 2002C-13 1.20%, 01/07/04	23,600	23,600
California Community College Financing Auth			+■ Power Supply RB Series 2002C-14 1.25%, 01/07/04	21,330	21,330
+ 2003 TRAN, Series A 0.91%, 06/30/04	5,000	5,027	+■ Power Supply RB Series 2002C-17 1.25%, 01/07/04	8,300	8,300
+ 1.03%, 06/30/04	13,500	13,564	+■ Power Supply RB Series 2002C-7 1.27%, 01/07/04	50,000	50,000
+ 1.09%, 06/30/04	50,000	50,222	California Economic Development Financing Auth		
California Dept of Water Resources			+■ Airport Facilities RB (Mercury Air Group) Series 1998 1.30%, 01/07/04	14,000	14,000
+■ 1996 Water Refunding RB (Big Bear Lake) TOB Series PA-597 1.03%, 04/08/04	8,445	8,445	+■ IDR (Calco) Series 1997 1.40%, 01/07/04	565	565
+■ Power Supply RB Series 2002A Series 2003 TOB Series FR-L11 1.30%, 01/07/04	6,325	6,325	+■ IDR (Costa Macaroni Mfg) Series 1997 1.17%, 01/07/04	2,765	2,765
+■ Power Supply RB Series 2002A Series 2003 TOB Series FR-L12 1.30%, 01/07/04	10,200	10,200	+■ IDR (Gaiser Tool Company) Series 1997 1.17%, 01/07/04	2,005	2,005
+■ Power Supply RB Series 2002A Series 2003 TOB Series FR-L13 1.30%, 01/07/04	2,500	2,500	+■ IDR (Lion Raisins) Series 1998 1.30%, 01/07/04	1,350	1,350
+■ Power Supply RB Series 2002A Series 2003 TOB Series FR-L14 1.30%, 01/07/04	12,500	12,500	California Educational Facilities Auth		
+■ Power Supply RB Series 2002A TOB Series PA-1100 1.25%, 01/07/04	19,995	19,995	+■ RB (Chapman University) Series 2000 1.30%, 01/07/04	4,700	4,700
+■ Power Supply RB Series 2002A TOB Series PA-1120R 1.25%, 01/07/04	12,835	12,835	+■ RB (St. Marys College of California) Series 2001B 1.20%, 01/07/04	8,050	8,050
+■ Power Supply RB Series 2002A TOB Series PT-730 1.25%, 01/07/04	34,740	34,740			

Schwab California Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ RB (University of Judaism) Series 1998A 1.15%, 01/07/04	5,300	5,300	+■ Home Mortgage RB 2003 Series D 1.25%, 01/07/04	15,000	15,000
+■ RB (University of San Francisco) Series 1996 TOB Series 2000-413 1.23%, 01/07/04	8,995	8,995	+■ Home Mortgage RB 2003 Series H 1.13%, 01/07/04	60,465	60,465
+■ RB (University of San Francisco) Series 2000 1.20%, 01/07/04	20,000	20,000	■ Home Mortgage RB 2003 Series K 1.15%, 08/01/04	73,500	73,500
+■ RB (University of San Francisco) Series 2003 1.15%, 01/07/04	37,000	37,000	■ Home Mortgage RB 2003 Series M 1.08%, 02/02/04	39,580	39,580
+■ RB (San Francisco Conservatory of Music) Series 2000 1.15%, 01/07/04	2,830	2,830	+■ Home Mortgage RB Series 1998J Bonds TOB Series 1998R 1.15%, 09/02/04	3,750	3,750
TECP (Stanford University) 0.85%, 01/23/04	9,700	9,700	■ M/F Housing RB III 2001 Series G 1.30%, 01/07/04	65,425	65,425
California Health Facilities Financing Auth			■ M/F Housing RB III 2002 Series A 1.16%, 01/07/04	26,175	26,175
+■ Insured Hospital RB (Scripps Memorial Hospital) Series 1985B 1.19%, 01/07/04	2,610	2,610	■ M/F Housing RB III Series 2002 E 1.16%, 01/07/04	71,000	71,000
+■ Insured RB (Catholic Healthcare West) Series 1988A 1.15%, 01/07/04	8,300	8,300	■ S/F Mortgage Bonds II, 1997 Series C-4 TOB Series 1998E 1.25%, 01/07/04	3,840	3,840
+■ Insured RB (Southern California Presbyterian Homes) Series 1998 1.16%, 01/07/04	29,200	29,200	■ S/F Mortgage RB Draw Down Series 2003B TOB Series PT-843 1.37%, 01/07/04	7,870	7,870
+■ RB (Kaiser Permanente) Series 1998A TOB Series 181 1.24%, 01/07/04	9,995	9,995	California Infrastructure & Economic Development Bank		
+■ RB (Scripps Health) Series 2001A 1.11%, 01/07/04	13,300	13,300	+■ IDR (American-De Rosa Lamp Arts) Series 1999 1.22%, 01/07/04	4,950	4,950
California HFA			+■ IDR (Fairmont Sign Co) Series 2000A 1.45%, 01/07/04	4,250	4,250
+■ Home Mortgage RB 2000 Series J 1.15%, 01/07/04	21,955	21,955	+■ IDR (Lafayette Textile Industries) Series 1999 1.22%, 01/07/04	1,745	1,745
+■ Home Mortgage RB 2000 Series N 1.15%, 01/07/04	40,000	40,000	+■ IDR (Nelson Name Plate Co) Series 1999 1.35%, 01/07/04	3,450	3,450
+■ Home Mortgage RB 2002 Series P 1.30%, 01/07/04	61,000	61,000			

Schwab California Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ IDRB (Roller Bearing Co) Series 1999 1.25%, 01/07/04	2,400	2,400	+ ■ Solid Waste Disposal RB (Atlas Disposal Industries) Series 1999A 1.25%, 01/07/04	3,000	3,000
+ ■ RB (Buck Institute For Age Research) Series 2001 1.10%, 01/07/04	40,100	40,100	+ ■ Solid Waste Disposal RB (BLT Enterprises of Sacramento) Series 1999A 1.20%, 01/07/04	7,330	7,330
+ ■ RB (California Independent System Operator Corp) Series A 1.15%, 01/07/04	11,600	11,600	+ ■ Solid Waste Disposal RB (Blue Line Transfer) Series 1999A 1.20%, 01/07/04	4,500	4,500
■ RB (J. Paul Getty Trust) Series 2003B 1.00%, 01/07/04	20,000	20,000	+ ■ Solid Waste Disposal RB (Blue Line Transfer) Series 2001A 1.20%, 01/07/04	4,600	4,600
■ RB (J. Paul Getty Trust) Series 2003C 1.00%, 01/07/04	20,000	20,000	+ ■ Solid Waste Disposal RB (Browning-Ferris Industries of California Inc) Series 1997A 1.14%, 01/07/04	10,000	10,000
+ ■ RB (SRI International) Series 2003A 1.16%, 01/07/04	4,000	4,000	+ ■ Solid Waste Disposal RB (Burrtec Waste Industries Inc.) Series 1998A 1.70%, 01/07/04	1,270	1,270
TECP (J. Paul Getty Trust) Series 2002 0.90%, 02/13/04	6,000	6,000	+ ■ Solid Waste Disposal RB (Burrtec Waste Industries) Series 1997B 1.70%, 01/07/04	3,430	3,430
California Pollution Control Finance Auth			+ ■ Solid Waste Disposal RB (CR&R Inc) Series 2002A 1.25%, 01/07/04	3,900	3,900
+ ■ Pollution Control Refunding RB (US Borax) Series 1995A 1.19%, 01/07/04	10,200	10,200	+ ■ Solid Waste Disposal RB (Cal-San) Series 1996B 1.20%, 01/07/04	2,550	2,550
+ ■ Resource Recovery RB (Sanger) Series 1990A 1.17%, 01/07/04	19,200	19,200	+ ■ Solid Waste Disposal RB (California Waste Solutions) Series 2002A 1.20%, 01/07/04	3,760	3,760
+ ■ Resource Recovery RB (Wadham Energy) Series 1987B 1.12%, 01/07/04	3,100	3,100	+ ■ Solid Waste Disposal RB (Cheese & Protein International) Series 2001A 1.32%, 01/07/04	10,000	10,000
+ ■ Solid Waste Disposal RB (Agrifab) Series 2003 1.20%, 01/07/04	2,900	2,900	+ ■ Solid Waste Disposal RB (Cold Canyon Landfill) Series 1998A 1.20%, 01/07/04	5,845	5,845
+ ■ Solid Waste Disposal RB (Alameda County Industries) Series 2000A 1.20%, 01/07/04	4,075	4,075	+ ■ Solid Waste Disposal RB (Colmac Energy) Series 1990A 1.08%, 01/07/04	6,470	6,470
+ ■ Solid Waste Disposal RB (Athens Disposal Co) Series 1999A 1.20%, 01/07/04	6,400	6,400			
+ ■ Solid Waste Disposal RB (Athens Disposal Company) Series 1995A 1.20%, 01/07/04	13,020	13,020			
+ ■ Solid Waste Disposal RB (Athens Services) Series 2001A 1.20%, 01/07/04	4,500	4,500			

See financial notes. 11

Schwab California Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ Solid Waste Disposal RB (Contra Costa Waste Service) Series 1995A 1.20%, 01/07/04	2,300	2,300	+ ■ Solid Waste Disposal RB (Orange Ave Disposal Co.) Series 2002A 1.20%, 01/07/04	6,250	6,250
+ ■ Solid Waste Disposal RB (EDCO Disposal Corp) Series 1996A 1.20%, 01/07/04	13,885	13,885	+ ■ Solid Waste Disposal RB (Ratto Group of Companies) Series 2001A 1.20%, 01/07/04	4,340	4,340
+ ■ Solid Waste Disposal RB (Escondido Disposal/Jemco Equipment Corp.) Series 1998A 1.70%, 01/07/04	7,845	7,845	+ ■ Solid Waste Disposal RB (Sanco Services) Series 2002A 1.70%, 01/07/04	4,000	4,000
+ ■ Solid Waste Disposal RB (Federal Disposal Service) Series 2001A 1.25%, 01/07/04	2,800	2,800	+ ■ Solid Waste Disposal RB (Santa Clara Valley Disposal) Series 2001A 1.20%, 01/07/04	6,110	6,110
+ ■ Solid Waste Disposal RB (Greenteam of San Jose) Series 2001A 1.20%, 01/07/04	13,000	13,000	+ ■ Solid Waste Disposal RB (Santa Clara Valley Industries) Series 1998A 1.25%, 01/07/04	3,100	3,100
+ ■ Solid Waste Disposal RB (Greenwaste of Tehama) Series 1999A 1.25%, 01/07/04	2,060	2,060	+ ■ Solid Waste Disposal RB (Solag Disposal) Series 1997A 1.25%, 01/07/04	2,400	2,400
+ ■ Solid Waste Disposal RB (Madera Disposal Systems Inc) Series 1998A 1.25%, 01/07/04	1,800	1,800	+ ■ Solid Waste Disposal RB (Specialty Solid Waste & Recycling) Series 2001A 1.25%, 01/07/04	3,945	3,945
+ ■ Solid Waste Disposal RB (Marborg Industries) Series 2000A 1.20%, 01/07/04	4,830	4,830	+ ■ Solid Waste Disposal RB (Talco Plastics) Series 1997A 1.22%, 01/07/04	3,925	3,925
+ ■ Solid Waste Disposal RB (Metropolitan Recycling Corp) Series 2000B 1.25%, 01/07/04	4,160	4,160	+ ■ Solid Waste Disposal RB (Tri-CED Community Recycling) Series 1998A 1.22%, 01/07/04	1,770	1,770
+ ■ Solid Waste Disposal RB (Mottra Corp) Series 2002A 1.20%, 01/07/04	2,625	2,625	+ ■ Solid Waste Disposal RB (Valley Vista Services) Series 2003A 1.20%, 01/07/04	2,350	2,350
+ ■ Solid Waste Disposal RB (Norcal Waste System) Series 2001 1.20%, 01/07/04	8,740	8,740	+ ■ Solid Waste Disposal RB (Waste Management) Series 2003A 1.30%, 01/07/04	5,500	5,500
+ ■ Solid Waste Disposal RB (Norcal Waste System) Series 2002A 1.20%, 01/07/04	6,000	6,000	+ ■ Solid Waste Disposal RB (Waste Management) Series 2001A 1.20%, 01/07/04	5,000	5,000
+ ■ Solid Waste Disposal RB (Norcal Waste Systems) Series 2003A 1.30%, 01/07/04	4,000	4,000	+ ■ Solid Waste Disposal RB (West Valley MRF) Series 1997A 1.70%, 01/07/04	4,560	4,560
			+ ■ Solid Waste Disposal RB (Zanker Road Landfill) Series 1999C 1.25%, 01/07/04	6,370	6,370

Schwab California Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ ■ Solid Waste Disposal Refunding RB (Waste Management) Series 2002A 1.29%, 01/07/04	16,000	16,000	+ ■ Insured RB (Childrens Hospital Los Angeles) Series 2002B 1.03%, 01/07/04	7,800	7,800
California Public Works Board			+ ■ M/F Housing RB (Agave at Elk Grove Apts) Series 2003DD 1.17%, 01/07/04	15,100	15,100
+ ■ Lease RB Series 1997C (University of California) TOB Series 970503 1.26%, 01/07/04	10,900	10,900	+ ■ M/F Housing RB (Bay Vista at MeadowPark Apts) Series 2003 NN-1 1.18%, 10/15/04	7,500	7,500
+ ■ Lease RB Series 1999A TOB Series 1999F 1.15%, 01/07/04	9,985	9,985	+ ■ M/F Housing RB (Creekside at MeadowPark Apts) Series 2002HH 1.30%, 01/07/04	15,000	15,000
+ ■ Refunding Lease RB (Dept of Corrections) Series 1993A TOB Series 2000D 1.25%, 01/07/04	3,000	3,000	+ ■ M/F Housing RB (Cypress Villa Apts) Series 2000F 1.30%, 01/07/04	4,725	4,725
California School Cash Reserve Program Auth			+ ■ M/F Housing RB (Dublin Ranch Senior Apts) Series 2003OO 1.15%, 01/07/04	15,090	15,090
+ 2003 Pool Bonds Series A 0.90%, 07/06/04	35,000	35,195	+ ■ M/F Housing RB (Emerald Gardens Apts) Series 2000E 1.30%, 01/07/04	7,320	7,320
1.05%, 07/06/04	50,000	50,241	+ ■ M/F Housing RB (Fairway Family Apts) Series 2003PP 1.15%, 01/07/04	30,000	30,000
California Statewide Communities Development Auth			+ ■ M/F Housing RB (Kimberly Woods Apts) Series 1995B 1.18%, 01/07/04	13,400	13,400
+ ■ COP (SVDP Management) Series 1998 1.07%, 01/07/04	5,685	5,685	+ ■ M/F Housing RB (Laurel Park Senior Apts) Series 2002H 1.35%, 01/07/04	5,500	5,500
+ ■ COP (Sutter Health Related Group) TOB Series 1999E 1.15%, 01/07/04	5,000	5,000	+ ■ M/F Housing RB (Los Padres Apts) Series 2003E 1.30%, 01/07/04	10,750	10,750
+ ■ IDRB (Biocol Investments) Series 1997B 1.75%, 01/07/04	1,500	1,500	+ ■ M/F Housing RB (Marlin Cove Apts) Series 2000V 1.17%, 01/07/04	8,000	8,000
+ ■ IDRB (Cowden Metal Stamping & Tooling) Series 1997A 1.75%, 01/07/04	1,430	1,430	+ ■ M/F Housing RB (Oakmont of Concord) Series 2002Q 1.36%, 01/07/04	25,000	25,000
+ ■ IDRB (Diamond Food Corp) Series 1991 1.75%, 01/07/04	665	665	+ ■ M/F Housing RB (Park David Senior Apts) Series 1999D 1.30%, 01/07/04	8,220	8,220
+ ■ IDRB (Golden Valley Grape Juice & Wine) Series 1998 1.20%, 01/07/04	1,050	1,050	+ ■ M/F Housing RB (Plaza Club Apts) Series 1997A 1.26%, 01/07/04	10,290	10,290
+ ■ IDRB (Integrated Rolling Co) Series 1999A 1.35%, 01/07/04	1,900	1,900			
+ ■ IDRB (RL Group) Series 1998C 1.20%, 01/07/04	1,715	1,715			

See financial notes. 13

Schwab California Municipal Money Fund

Portfolio Holdings continued

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ M/F Housing RB (Silvercrest Residence) Series 2003EEE 1.20%, 01/07/04	13,130	13,130	+■ RB (National Public Radio) Series 2002 1.15%, 01/07/04	7,800	7,800
+■ M/F Housing RB (Valley Palms Apts) Series 2002C 1.17%, 01/07/04	12,000	12,000	+■ Refunding RB (13th & I Associates) Series 1991 1.75%, 01/07/04	4,400	4,400
+■ M/F Housing RB (Victoria Palm Villa Apts) Series 2003VV 1.30%, 01/07/04	34,000	34,000	TRAN Series 2003 A-3 1.01%, 06/30/04	27,000	27,131
+■ M/F Housing RB (Woodsong Apts) Series 1997B 1.25%, 01/07/04	3,227	3,227	Carlsbad		
+■ RB (Biola University) Series 2002B 1.10%, 01/07/04	22,600	22,600	+■ M/F Housing Refunding RB (Santa Fe Ranch Apts) Series 1993A 1.19%, 01/07/04	14,400	14,400
+■ RB (Elder Care Alliance) Series 2000 1.16%, 01/07/04	12,760	12,760	Contra Costa Cnty		
+■ RB (Gemological Institute) Series 2001 1.20%, 01/07/04	34,790	34,790	+■ M/F Mortgage RB (El Cerrito Royale) Series 1987A 1.30%, 01/07/04	2,480	2,480
+■ RB (Japanese American National Museum) Series 2000A 1.25%, 01/07/04	4,700	4,700	Davis Community Facilities District 1992-2		
+■ RB (Jewish Federation Council of Greater Los Angeles) Series 2000A 1.15%, 01/07/04	5,500	5,500	+■ Special Tax Bonds (East Davis Mace Ranch Area II) Series 2000 1.22%, 01/07/04	3,200	3,200
■ RB (Kaiser Permanente) Series 2001A 1.38%, 01/07/04	19,000	19,000	Desert Sands Unified SD		
■ RB (Kaiser Permanente) Series 2001B 1.00%, 01/07/04	25,000	25,000	2003 GO BAN 0.82%, 06/30/04	52,000	52,238
■ RB (Kaiser Permanente) Series 2002B 1.19%, 01/07/04	17,000	17,000	1.04%, 06/30/04	10,000	10,034
■ RB (Kaiser Permanente) Series 2003A 1.19%, 01/07/04	3,000	3,000	Diamond Bar Public Financing Auth		
■ RB (Kaiser Permanente) Series 2003B 1.19%, 01/07/04	8,400	8,400	+■ Lease RB (Community Center) Series 2002A 1.20%, 01/07/04	9,755	9,755
+■ RB (Laurence School) Series 2003 1.10%, 01/07/04	4,000	4,000	Dublin Housing Auth		
+■ RB (Master's College) Series 2002 1.20%, 01/07/04	11,250	11,250	+■ M/F Housing RB (Park Sierra At Iron Horse Trail) Series 1998A 1.12%, 01/07/04	14,900	14,900
			Dublin San Ramon Service District		
			+■ Sewer Revenue COP Series 2000 1.18%, 01/07/04	15,400	15,400
			East Bay Municipal Utility District		
			+■ Water System Subordinated Refunding RB Series 2002A 1.05%, 01/07/04	14,800	14,800

Schwab California Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+	Water System Subordinated Refunding RB Series 2002B 1.08%, 01/07/04	9,900	9,900	Golden Empire Schools Financing Auth + Lease RB (Kern High SD) Series 2001 1.12%, 01/07/04	10,600	10,600	
▶	Water System TECP 1.10%, 01/12/04 1.03%, 01/22/04 1.00%, 02/25/04 1.05%, 03/11/04	31,300 9,000 21,900 30,000	31,300 9,000 21,900 30,000	Hayward + M/F Housing RB (Shorewood Apts) Series 1984A 1.20%, 01/07/04	19,700	19,700	
	Eastern Municipal Water District			Hayward Housing Auth + M/F Mortgage Refunding RB (Huntwood Terrace Apts) Series 1993A 1.28%, 01/07/04	5,365	5,365	
+	Water & Sewer Revenue COP Series 2003B 1.20%, 01/07/04	25,000	25,000	Hercules Public Financing Auth + Lease RB Series 2003A 1.05%, 01/07/04	7,000	7,000	
+	El Cajon Redevelopment Agency M/F Housing RB (Park-Mollison & Madison Apts) Series 1998 1.26%, 01/07/04	5,000	5,000	Hercules Redevelopment Agency + IDRB (Pro Media) Series 2000A 1.20%, 01/07/04	2,500	2,500	
	El Camino Community College District			Huntington Beach + M/F Housing RB (Five Points Seniors) Series 1991A 1.26%, 01/07/04	9,500	9,500	
+	GO Bonds Series 2003A TOB Series 2003-12 1.11%, 07/14/04	16,100	16,100	Huntington Park Redevelopment Agency + M/F Housing RB (Casa Rita Apts) Series 1994A 1.26%, 01/07/04	4,100	4,100	
	Emeryville Redevelopment Agency			Irvine Assessment District + Special Assessment District 85-7-I Bonds 1.12%, 01/07/04	20,000	20,000	
+	M/F Housing RB (Bay St Apts) Series 2002A 1.26%, 01/07/04	33,215	33,215	Irvine Unified SD + Special Tax Bonds (South Irvine Communities) Series 2003 1.27%, 01/02/04	2,000	2,000	
	Fillmore Public Financing Auth			Kern Cnty 2003-04 TRAN 0.92%, 06/30/04	25,000	25,132	
+	RB Series 2003A (Central City Redevelopment Area) 1.30%, 01/07/04	27,775	27,775	+ COP Series 1986A 1.10%, 01/07/04	2,200	2,200	
	Foothill-De Anza Community College District						
▶	GO Bonds Series A TOB Series 2000YY) 1.15%, 01/07/04	9,985	9,985				
	Fresno County 2003-04 TRAN 0.90%, 06/30/04	7,000	7,038				
	Fresno IDA						
+	IDRB (Keiser Corp.) Series 1997 1.22%, 01/07/04	1,660	1,660				

See financial notes. 15

Schwab California Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Lodi				Wastewater System Subordinate			
➔■	Electric System Revenue COP Series 2002A 1.03%, 01/07/04	38,360	38,360	➔■	Refunding RB Series 2003B TOB Series 234 1.26%, 01/07/04	14,995	14,995
Long Beach Harbor Facilities Corp				▶	Wastewater System TECP 0.92%, 01/15/04	20,000	20,000
➔■	Harbor RB Series 2002A 0.97%, 05/14/04	13,095	13,240		0.93%, 01/15/04	5,000	5,000
➔■	Harbor RB Series 2002B 4.00%, 05/15/04	56,560	58,143		1.04%, 01/20/04	34,000	34,000
▶	Harbor TECP Series A 0.95%, 01/08/04	17,250	17,250		0.93%, 01/21/04	36,875	36,875
	1.05%, 02/05/04	10,000	10,000	Los Angeles Airport Department			
Long Beach Housing Auth				+	Los Angeles International Airport TECP Series A 1.00%, 01/09/04	3,000	3,000
+	M/F Housing Refunding RB (Channel Point Apts) Series 1998A 1.25%, 01/07/04	7,000	7,000	+	Los Angeles International Airport TECP Series B 1.00%, 01/09/04	2,500	2,500
Long Beach Unified SD				Los Angeles Cnty			
➔■	Capital Improvement Refinancing COP Series 2001 1.25%, 01/07/04	30,965	30,965	+	COP (LA County Museum of Art) Series 1985A 1.10%, 01/07/04	1,100	1,100
Los Angeles				+	COP (LA County Museum of Art) Series 1985B 1.10%, 01/07/04	1,100	1,100
➔■	GO Refunding Bonds Series 1998A TOB Series PA-554 1.25%, 01/07/04	3,150	3,150	➔■	Pension Obligation Refunding RB Series 1996A 1.03%, 01/07/04	16,000	16,000
+	M/F Housing RB (Beverly Park Apts) Series 1988A 1.30%, 01/07/04	34,000	34,000	Los Angeles Cnty Housing Auth			
+	M/F Housing RB (Channel Gateway Apts) Issue 1989B 1.30%, 01/07/04	67,700	67,700	+	M/F Housing RB (Malibu Canyon Apts) Series 1985B 1.23%, 01/07/04	28,520	28,520
+	M/F Housing RB (Fountain Park Phase II) Series 2000B 1.09%, 01/07/04	33,615	33,615	Los Angeles Cnty Metropolitan Transportation Auth			
+	M/F Housing RB (Fountain Park) Series 1999P 1.09%, 01/07/04	37,300	37,300	➔■	Sales Tax RB Series 1997A TOB Series 1998B 1.15%, 01/07/04	23,830	23,830
+	M/F Housing RB (Studio Colony) Series 1985C 1.25%, 01/07/04	15,521	15,521	➔■	Sales Tax Refunding RB Series 1992A 1.03%, 01/07/04	8,050	8,050
+	M/F Housing RB Series 1985K 1.15%, 01/07/04	12,455	12,455	+	Second Subordinate Sales Tax Revenue TECP Series A 0.93%, 01/08/04	25,267	25,267
+	M/F Housing Refunding RB (Tri-City) Series 2001I 1.09%, 01/07/04	3,700	3,700	➔■	Senior Sales Tax RB Series 2001A TOB Series 2003-4 1.10%, 01/07/04	12,600	12,600

Schwab California Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ Senior Sales Tax Refunding RB Series 2001B TOB Series 20010504 1.26%, 01/07/04	24,750	24,750	■ Power System RB Series 2001B-2 1.06%, 01/07/04	35,300	35,300
Los Angeles Community College District			+ Power System RB Series 2001A TOB Series 20010503 1.26%, 01/07/04	24,750	24,750
+ GO Refunding Bonds Series 2003A 0.90%, 08/01/04	27,890	28,067	+ Power System RB Series 2001A-1 TOB Series 184 1.26%, 01/07/04	15,000	15,000
Los Angeles Community Redevelopment Agency			■ Power System RB Series 2001A-1 TOB Series PA-1087 1.27%, 01/07/04	7,120	7,120
+ M/F Housing RB (Metropolitan Lofts Apts) Series 2002A 1.33%, 01/07/04	17,750	17,750	+ Water System RB Series 2001A TOB Series 2001-754 1.23%, 01/07/04	12,707	12,707
+ M/F Housing Refunding RB (Promenade Towers) Series 2000 1.20%, 01/07/04	39,600	39,600	+ Water Works RB Series 1999 TOB Series 1999I 1.15%, 01/07/04	22,090	22,090
Los Angeles Convention & Exhibition Center Auth			Los Angeles Harbor Department		
+ Refunding Lease RB Series 2003B2 0.97%, 01/07/04	4,000	4,000	▶ TECP Series B 0.95%, 01/27/04 1.10%, 02/10/04	22,192 11,194	22,192 11,194
+ Refunding Lease RB Series 2003E 0.97%, 01/07/04	41,700	41,700	Los Angeles Unified SD		
Los Angeles County Capital Asset Leasing Corp			+ GO Bonds Series 1999C TOB Series 1999-7 1.14%, 01/07/04	15,400	15,400
+ Lease Revenue TECP 0.93%, 01/12/04 0.93%, 01/20/04 1.05%, 03/11/04	17,500 6,000 9,400	17,500 6,000 9,400	+ GO Bonds Series 2003A TOB Series PT-1730 1.25%, 01/07/04	30,000	30,000
Los Angeles County Schools Pooled Financing Program			Los Angeles Wastewater System		
+ 2003-04 Pooled TRAN COP Series A 0.92%, 06/30/04	12,000	12,049	+ RB Series 1998A TOB Series 1998-25 1.16%, 01/07/04	17,000	17,000
Los Angeles Dept. of Water and Power			+ Refunding RB Series 2002A TOB Series 2002J 1.13%, 01/07/04	12,245	12,245
■ Electric Plant RB Series 2000 TOB Series 2000-370 1.23%, 01/07/04	11,620	11,620	+ Subordinate Refunding RB Series 2001A 1.15%, 12/09/04	30,000	30,000
■ Power System RB Series 2001B-1 1.20%, 01/07/04	36,300	36,300	+ Subordinate Refunding RB Series 2001B 1.15%, 12/09/04	24,600	24,600
			+ Subordinate Refunding RB Series 2001C 1.15%, 12/09/04	24,065	24,065

See financial notes. 17

Schwab California Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ Apartment Development	Refunding RB (Villas Aliento) Series 1998E 1.20%, 01/07/04	4,500	4,500	Pleasant Hill	+■ M/F Mortgage RB (Brookside Apts) Series 1988A 1.08%, 01/07/04	4,500	4,500
Orange Cnty Local Transp Auth	+ Sales Tax Revenue TECP 1.00%, 02/13/04	42,000	42,000	Pleasanton	+■ M/F Housing RB (Busch Senior Housing) Series 2003A 1.17%, 01/07/04	13,360	13,360
Orange Cnty Sanitation District	+■ Refunding COP Series 1992 1.20%, 01/07/04	15,300	15,300	Port of Oakland	+■ RB Series 2000K TOB Series 2000JJ 1.20%, 01/07/04	15,000	15,000
+■ Refunding COP Series 2000B	1.27%, 01/02/04	2,800	2,800	+■ RB Series 2000K TOB Series PA-663R 1.29%, 01/07/04	8,415	8,415	
Orange County Housing Auth	+■ Apartment Development RB (Lantern Pines) Series 1985CC 1.15%, 01/07/04	14,700	14,700	Rancho California Water District Financing Auth	+■ RB Series 2001B 1.05%, 01/07/04	7,800	7,800
Oxnard Financing Auth	+■ Lease RB Series 2003B 1.20%, 01/07/04	14,750	14,750	Redwood City	+■ COP (City Hall) Series 1998 1.25%, 01/07/04	2,195	2,195
Palo Alto Unified SD	+■ GO Bonds Series B TOB Series 1997R 1.15%, 01/07/04	6,000	6,000	Riverside Cnty Housing Auth	+■ M/F Housing RB (Victoria Springs Apts) Series 1989C 1.26%, 01/07/04	9,000	9,000
Pasadena	+■ COP (City Hall & Park Improvements) Series 2003 1.20%, 01/07/04	35,290	35,290	+■ M/F Housing RB (Briarwood Apts) Series 1985C 1.12%, 01/07/04	4,500	4,500	
Peninsula Corridor Joint Powers Board	Grant Anticipation Notes 2003D 1.15%, 11/19/04	12,000	12,023	+■ M/F Housing Refunding RB (Tyler Springs Apts) Series 1999C 1.12%, 01/07/04	8,300	8,300	
Peralta Community College District	BAN Series 2003 1.12%, 03/04/04	28,500	28,501	Riverside Cnty IDA	+■ IDR (Cal-Mold) Series 1997 1.50%, 01/07/04	3,070	3,070
Petaluma Community Development Commission	+■ M/F Housing RB (Oakmont) Series 1996A 1.35%, 01/07/04	3,450	3,450	Roseville Electric System	+■ Electric System Revenue COP Series 2002 1.18%, 01/07/04	30,365	30,365
Pinole Redevelopment Agency	+■ M/F Housing RB (East Bluff Apts) Series 1998A 1.35%, 01/07/04	4,959	4,959	Roseville Joint Union High SD	+■ COP Series 2003 1.10%, 01/07/04	6,300	6,300

See financial notes. 19

Schwab California Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Sacramento Cnty				+■ M/F Housing RB (Nobel Court Apts) Series 1985L			
	2003-2004 TRAN Series A 0.95%, 07/30/04	77,000	77,463		1.20%, 01/07/04	15,815	15,815
+■	COP (Administration Center & Courthouse) Series 1990 1.25%, 01/07/04	7,665	7,665	+■	M/F Mortgage Refunding RB (Creekside Villa Apts) Issue 1999B 1.26%, 01/07/04	6,000	6,000
+■	Special Facilities Airport RB (Cessna Aircraft Co) Series 1998 1.25%, 01/07/04	3,300	3,300	San Diego Unified SD			
Sacramento Cnty Housing Auth				2003-2004 TRAN Series A			
+■	M/F Housing RB (Carlton Plaza Senior Apts) Series 2003E 1.31%, 01/07/04	14,000	14,000		1.00%, 06/30/04	10,900	10,953
+■	M/F Housing RB (Hidden Oaks Apts) Series 1999C 1.30%, 01/07/04	6,300	6,300	+▶	GO Bonds Series 2002D TOB Series 2002-28 1.10%, 05/12/04	12,280	12,280
+■	M/F Housing Refunding RB (Chesapeake Commons Apts) Series 2001C 1.26%, 01/07/04	28,000	28,000	+▶	GO Bonds Series 2003E TOB Series 2003-26 1.10%, 01/07/04	20,165	20,165
Sacramento Cnty Sanitation District				San Francisco Airports Commission			
▶	RB Series 2000A TOB Series 2000-366 1.23%, 01/07/04	12,445	12,445	+▶	Second Series RB Series 18B TOB Series 2000-476 1.23%, 01/07/04	16,255	16,255
▶	RB Series 2000A TOB Series PA-694R 1.25%, 01/07/04	6,090	6,090	+▶	Second Series RB Series 24A TOB Series PA-662 1.33%, 01/07/04	12,670	12,670
Sacramento Housing Auth				San Francisco City & Cnty			
+■	M/F Housing RB (St. Anton Building Apts) Series 2003I 1.15%, 01/07/04	8,000	8,000	+■	M/F Housing Refunding RB (City Heights Apts) Series 1997A 1.18%, 01/07/04	16,800	16,800
Sacramento Redevelopment Agency				+■	M/F Housing Refunding RB (Post St Towers) Series 2000A 1.15%, 01/07/04	17,000	17,000
+■	M/F Housing RB (18th & L Apts) Series 2002E 1.30%, 01/07/04	10,525	10,525	San Francisco City & Cnty Finance Corporation			
Salinas				+▶	Lease RB (Moscone Center Expansion) Series 2000-1 1.25%, 01/07/04	10,000	10,000
+■	Apartment Development RB (Mariner Village) Series 1985B 1.20%, 01/07/04	2,825	2,825	+▶	Lease RB (Moscone Center Expansion) Series 2000-2 1.18%, 01/07/04	11,000	11,000
San Diego Housing Auth				San Francisco City & Cnty Redevelopment Agency			
+■	M/F Housing RB (La Cima Apts) Series 1985K 1.20%, 01/07/04	9,140	9,140	+■	Community Facilities District #4 RB (Mission Bay North) Series 2002-North 1.07%, 01/07/04	23,440	23,440

Schwab California Municipal Money Fund

Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+■ M/F Housing RB (3rd & Mission) Series 1999C 1.25%, 01/07/04	21,500	21,500	+■ RB (Merged Area Redevelopment) Series 1996B 1.15%, 01/07/04	6,000	6,000
+■ M/F Housing RB (Ocean Beach Apts) Series 2001B 1.20%, 01/07/04	4,335	4,335	+►■ Tax Allocation Bonds (Merged Area Redevelopment) Series 1993 TOB Series 158 1.24%, 01/07/04	30,095	30,095
+■ M/F Housing Refunding RB (Fillmore Center) Series 1992A2 1.07%, 01/07/04	3,750	3,750	San Juan Unified SD 2003-04 TRAN 1.03%, 11/06/04	40,000	40,326
San Joaquin Cnty Transportation Auth			San Marcos Redevelopment Agency		
+ Sales Tax Revenue TECP 0.93%, 03/11/04	19,000	19,000	+■ M/F Housing RB (Grandon Village) Series 2002A 1.12%, 01/07/04	13,500	13,500
0.93%, 03/12/04	23,000	23,000	Sanger Public Finance Authority		
San Jose			+■ Refunding RB (Utility System) Series 2002A 1.20%, 01/07/04	10,000	10,000
+►■ GO Bonds Series 2002 (Libraries, Parks & Public Safety) TOB Series 2001-760 1.23%, 01/07/04	11,223	11,223	Santa Barbara Cnty 2003-2004 TRAN Series A 0.80%, 07/23/04	11,000	11,073
+■ M/F Housing RB (Almaden Family Apts) Series 2003D 1.30%, 01/07/04	5,000	5,000	Santa Clara		
+■ M/F Housing RB (Almaden Lake Village Apts) Series 1997A 1.26%, 01/07/04	15,900	15,900	+■ Electric RB Series 1985C 1.20%, 01/07/04	15,800	15,800
+■ M/F Housing RB (Betty Anne Gardens Apts), Series 2002A 1.14%, 01/07/04	11,000	11,000	Santa Clara Cnty		
+■ M/F Housing RB (El Paseo Apts) Series 2002B 1.14%, 01/07/04	5,000	5,000	+■ M/F Housing Refunding RB (Briarwood Apts) Series 1996B 1.25%, 01/07/04	12,400	12,400
+■ M/F Housing RB (Siena at Renaissance Square Apts) Series 1996A 1.30%, 01/07/04	21,500	21,500	+■ M/F Housing Refunding RB (Grove Garden Apts) Series 1997A 1.25%, 01/07/04	14,000	14,000
San Jose Financing Authority			Santa Clara Valley Water District		
+►■ Lease RB (Hayes Mansion Phase III) Series 2001D 1.07%, 01/07/04	10,800	10,800	+►■ Refunding & Improvement COP Series 1994A TOB Series 2000-411 1.23%, 01/07/04	15,120	15,120
San Jose Redevelopment Agency			Santa Cruz Cnty		
+■ M/F Housing RB (101 San Fernando Apts) Series 1998A 1.20%, 01/07/04	38,000	38,000	Santa Cruz County, California 2003/2004 Tax and Revenue Anticipation Notes 1.11%, 07/01/04	15,400	15,467
			Santa Fe Springs IDA		
			+■ IDR (Tri-West) Series 1983 1.15%, 02/02/04	4,000	4,000

See financial notes. 21

Schwab California Municipal Money Fund

Portfolio Holdings continued

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Santa Rosa Housing Auth				Water Refunding RB Series			
+	M/F Housing RB (Apple Creek Apts) Series 1985E 1.15%, 01/07/04	17,140	17,140		2001 B-1 1.18%, 01/07/04	45,100	45,100
+	M/F Housing RB (Quail Run Apts) Series 1997A 1.35%, 01/07/04	4,710	4,710		2001 B-2 1.18%, 01/07/04	15,500	15,500
Sonoma Cnty				Water Refunding RB Series			
	2003-04 TRAN 0.99%, 09/30/04	60,000	60,446		2002A 1.25%, 01/07/04	8,900	8,900
South Coast Local Education Agencies				Water Refunding RB Series			
	Pooled TRAN Participations Series 2003A 1.03%, 06/30/04	10,000	10,047		2003 C-1 1.15%, 01/07/04	6,500	6,500
South Placer Wastewater Auth				Water Refunding RB Series			
+	Wastewater RB Series B 1.18%, 01/07/04	29,500	29,500		2003 C-2 1.15%, 01/07/04	10,000	10,000
South San Francisco				Water Refunding RB Series			
+	M/F Housing RB Series 1987A (Magnolia Plaza Apts) 1.17%, 01/07/04	5,500	5,500		2003 C-3 1.15%, 01/07/04	12,000	12,000
Southern California Home Financing Auth				Southern California Public Power Auth			
	S/F Mortgage RB Draw Down Series 2002 TOB Series PT-629 1.33%, 01/07/04	28,350	28,350	+	Power Project Subordinate Refunding RB (Palo Verde) Series 1996B 1.03%, 01/07/04	1,100	1,100
Southern California Metropolitan Water District				+			
	Water RB Series 1997B 1.20%, 01/07/04	15,700	15,700		Subordinate Refunding RB (Southern Transmission) Series 2000A 1.10%, 01/07/04	6,500	6,500
	Water RB Series 1997C 1.25%, 01/07/04	15,000	15,000	+	Subordinate Refunding RB (Southern Transmission) Series 2001A 1.10%, 01/07/04	16,795	16,795
	Water RB Series 1999A TOB Series 19990 1.15%, 01/07/04	18,500	18,500	+	Transmission Project Subordinate Refunding RB Series 1991 1.03%, 01/07/04	13,500	13,500
	Water RB Series 1999C 1.25%, 01/07/04	4,100	4,100	Stanislaus Cnty			
	Water RB Series 2000 B-1 1.27%, 01/02/04	4,700	4,700		2003-04 TRAN 0.99%, 10/14/04	45,000	45,353
	Water RB Series 2000 B-2 1.05%, 01/07/04	2,850	2,850	Stockton			
+	Water Refunding RB Series 1996A 1.20%, 01/07/04	16,800	16,800	+	Arch Road East Community Facilities District No. 99-02 Special Tax Bonds Series 1999 1.22%, 01/07/04	1,430	1,430
				Sunnyvale			
				+	COP (Government Center Site Acquisition) Series 2001A 1.20%, 01/07/04	13,280	13,280

Schwab California Municipal Money Fund

Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer	Security Type, Project, Series, Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Union City				Western Placer Unified SD			
+■	M/F Housing Refunding RB (Greenhaven Apts) Series 1997A 1.25%, 01/07/04	10,975	10,975	+■	COP (School Facilities) Series 2003 1.25%, 01/07/04	9,000	9,000
University of California				Westminister Redevelopment Agency			
+►■	General RB Series 2003A TOB Series PT-872 1.25%, 01/07/04	8,265	8,265	+■	M/F Housing RB (Brookhurst Royale Senior Assisted Living) Series 2000A 1.75%, 01/07/04	7,700	7,700
►■	RB (Multiple Purpose) Series K TOB Series 20000504 1.26%, 01/07/04	19,430	19,430	Westminster			
+►■	RB (Multiple Purpose) Series O TOB Series 2001-762 1.23%, 01/07/04	7,495	7,495	+►■	COP (Civic Center Refunding) Series 1998A 1.25%, 01/07/04	3,610	3,610
	TECP Series A 1.05%, 01/08/04	13,545	13,545	Westminster Redevelopment Agency			
	0.90%, 01/22/04	25,200	25,200	+►■	Commercial Redevelopment Project No. 1 Tax Allocation Refunding RB Series 1997 1.25%, 01/07/04	8,960	8,960
Vallecitos Water District							7,070,457
+■	Water Revenue COP (Twin Oaks Reservoir) Series 1998 1.10%, 01/07/04	18,700	18,700	Puerto Rico 1.7%			
Ventura Cnty				Government Development Bank of Puerto Rico			
	2003-04 TRAN 0.90%, 07/01/04	25,000	25,074		TECP Series 1997 1.05%, 03/10/04	12,812	12,812
Vernon Electric System				Puerto Rico			
+■	Electric System RB (Malburg Generating Station) Series 2003A 1.20%, 01/07/04	11,000	11,000	+►■	Public Improvement & Refunding Bonds Series 2000 TOB Series 3 1.11%, 01/07/04	2,315	2,315
Victor Valley Community College District				+►■	Public Improvement Bonds Series 2001A TOB Series 2001R 1.13%, 01/07/04	4,435	4,435
+■	COP Series 1997 1.18%, 01/07/04	53,450	53,450	+►■	Public Improvement Bonds Series 2001B TOB Series 204 1.26%, 01/07/04	7,295	7,295
Vista IDA				+►■	Public Improvement Refunding Bonds Series 2001A TOB Series 232 1.26%, 01/07/04	14,995	14,995
+■	IDRB (Desalination Systems) Series 1995 1.17%, 01/07/04	4,240	4,240	+►■	Public Improvement Refunding Bonds Series 2002A TOB Series 124 1.35%, 01/07/04	4,995	4,995
West Sacramento Community Facilities District #6							
+■	Special Tax Bonds Series 1997A 1.72%, 01/07/04	3,635	3,635				
Western Municipal Water District Facilities Auth							
+►■	RB Series 2002A 1.10%, 01/07/04	20,400	20,400				

See financial notes. 23

Schwab California Municipal Money Fund

Portfolio Holdings continued

Issuer

Security Type, Project, Series, Face Amount Value
Rate, Maturity Date (\$ x 1,000) (\$ x 1,000)

Puerto Rico Electric Power Auth

+■ Power RB Series HH TOB Series 147 1.26%, 01/07/04	5,000	5,000
+■ Power RB Series HH TOB Series 164 1.26%, 01/07/04	6,565	6,565
+■ Power RB Series II TOB Series 20025101 1.28%, 01/07/04	7,405	7,405

Puerto Rico HFC

+■ M/F Mortgage RB Portfolio A Series I TOB Series 97C5101 1.14%, 01/07/04	5,015	5,015
+■ M/F Mortgage RB Portfolio A Series I TOB Series 97C5102 1.14%, 01/07/04	6,965	6,965

**Puerto Rico Highway and
Transportation Auth**

+■ Highway RB Series Y TOB Series 66 1.14%, 01/07/04	8,600	8,600
+■ Highway Refunding RB Series AA TOB Series 227) 1.26%, 01/07/04	3,995	3,995
+■ Subordinated Transportation RB Series 2003 TOB Series 247 1.26%, 01/07/04	4,180	4,180
+■ Transportation RB Series 2000B TOB Series 2000FFF 1.15%, 01/07/04	4,965	4,965

**Puerto Rico Infrastructure
Financing Auth**

■ Special Obligation Bonds Series 2000A TOB Series 20005101 1.26%, 01/07/04	20,000	20,000
+■ Special Tax RB Series 1997A PA-498 1.22%, 01/07/04	3,290	3,290

122,827

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

Schwab California Municipal Money Fund

Statement of
Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$7,193,284
Cash	321
Receivables:	
Fund shares sold	28,517
Interest	22,795
Prepaid expenses	+ 45
Total assets	7,244,962

Liabilities

Payables:	
Fund shares redeemed	14,049
Dividends to shareholders	271
Investment adviser and administrator fees	65
Transfer agent and shareholder service fees	66
Accrued expenses	+ 319
Total liabilities	14,770

Net Assets

Total assets	7,244,962
Total liabilities	- 14,770
Net assets	\$7,230,192

Net Assets by Source

Capital received from investors	7,231,655
Net realized capital losses	(1,463)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Sweep Shares	\$4,169,448		4,170,777		\$1.00
Value Advantage Shares	\$3,060,744		3,060,993		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$7,193,284. During the reporting period, the fund had \$1,493,442 in transactions with other SchwabFunds®.

Federal Tax Data

Cost basis of portfolio	\$7,193,284
Unused capital losses:	
Expires 12/31 of:	Loss amount:
2008	\$955
2011	+ 508
	\$1,463

See financial notes. 25

Schwab California Municipal Money Fund

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$80,064**

Net Realized Gains and Losses

Net realized losses on investments sold **(322)**

Expenses

Investment adviser and administrator fees 25,713

Transfer agent and shareholder service fees:

 Sweep Shares 18,471

 Value Advantage Shares 6,943

Trustees' fees 53

Custodian and portfolio accounting fees 570

Professional fees 42

Registration fees 69

Shareholder reports 236

Other expenses + 50

Total expenses 52,147

Expense reduction - 11,264

Net expenses 40,883

Increase in Net Assets from Operations

Total investment income 80,064

Net expenses - 40,883

Net investment income 39,181

Net realized losses + (322)

Increase in net assets from operations \$38,859

Unless stated, all numbers x 1,000.

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

These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$10,033 from the investment adviser (CSIM) and \$1,231 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.

Schwab California Municipal Money Fund

Statements of
Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$39,181	\$59,336
Net realized gains or losses	+ (322)	419
Increase in net assets from operations	38,859	59,755

Distributions Paid

Dividends from Net Investment Income

Sweep Shares	18,595	31,864
Value Advantage Shares	+ 20,586	27,472
Total dividends from net investment income	39,181	59,336

Transactions in Fund Shares

Shares Sold

Sweep Shares	13,539,485	12,462,311
Value Advantage Shares	+ 3,354,779	3,283,142
Total shares sold	16,894,264	15,745,453

Shares Reinvested

Sweep Shares	18,322	31,365
Value Advantage Shares	+ 19,098	26,012
Total shares reinvested	37,420	57,377

Shares Redeemed

Sweep Shares	(13,443,811)	(12,335,422)
Value Advantage Shares	+ (3,394,287)	(2,791,080)
Total shares redeemed	(16,838,098)	(15,126,502)

Net transactions in fund shares

93,586 **676,328**

Net Assets

Beginning of period	7,136,928	6,460,181
Total increase	+ 93,264	676,747
End of period	\$7,230,192	\$7,136,928

Unless stated, all numbers x 1,000.

Unaudited

The fund hereby designates 100% of its dividends for the current report period as tax-exempt interest dividends.

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.

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

Financial Notes

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 to affiliates of the investment adviser 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.

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

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

seeking to buy, an interfund transaction can allow both funds to benefit by reducing transaction costs. This practice is limited to funds that share the same investment adviser, trustees and officers.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds®. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds®.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such “interested persons” who may serve on a trust’s board, and the 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 borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

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 net realized 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 or a class are charged directly to the fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily net assets.

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

Report of Independent Auditors

To the Board of Trustees and Shareholders of:

Schwab California Municipal Money Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio holdings, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Schwab California Municipal Money Fund (one of the portfolios constituting The Charles Schwab Family of Funds, (hereafter referred to as the “Fund”) at December 31, 2003, and the results of its operations for the year then ended, the changes in its net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, CA

February 6, 2004

Fund Trustees

A fund's Board of Trustees is responsible for protecting the interests of that fund's shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an "interested person," meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as "interested trustees." The "independent trustees" are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds (of which there were 49 as of 12/31/03) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp.; CEO, Director, Schwab Holdings, Inc.; Chair, Director, Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc.; Chair, Charles Schwab Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, The Gap, Inc. (clothing retailer), Siebel Systems (software); Trustee, Stanford University. <i>Until 6/03</i> : Director, Xsign, Inc. (electronic payment systems). <i>Until 5/03</i> : Co-Chair, The Charles Schwab Corporation. <i>Until 5/02</i> : Director, Vodafone AirTouch PLC (telecom). <i>Until 3/02</i> : Director, Audiobase, Inc. (Internet audio solutions). <i>Until 7/01</i> : Director, The Charles Schwab Trust Company. <i>Until 1/99</i> : Director, Schwab Retirement Plan Services, Inc., Mayer & Schweitzer, Inc. (securities brokerage subsidiary of The Charles Schwab Corp.), Performance Technologies, Inc. (technology), TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab California Municipal Money Fund

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	Trustee:2003 (all trusts)	Vice Chair, EVP, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.
Jeffrey M. Lyons ¹ 2/22/55	Trustee: 2002 (all trusts).	EVP, Asset Management Products and Services, Charles Schwab & Co., Inc. <i>Until 9/01</i> : EVP, Mutual Funds, Charles Schwab & Co., Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; VP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab California Municipal Money Fund

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, Director, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital. <i>2007</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Director, Non-Executive Chairman, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Networks (telecommunications); Public Governor, Member, executive committee, Pacific Stock & Options Exchange. Director, Digital Microwave Corp. (network equipment). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Director, Pennzoil-Quaker State Co. (oil and gas), Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products); Member, audit committee, Northern Border Partners, L.P. (energy).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investments).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

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 security A bond or other debt security that represents ownership in a pool of debt obligations such as credit card debt.

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.

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.

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

Schwab California Municipal Money 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.

illiquid securities A security is generally considered illiquid if it cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instrument.

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.

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

restricted securities A security that is subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

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

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities A security exempt from registration under Section 4(2) of the Securities Act of 1933. It may be sold only to qualified institutional buyers under Securities Act Rule 144A.

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.

Contact Schwab

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

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 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
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Schwab Focus Funds
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 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 MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack 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, subject to availability, 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

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Schwab Money Funds

Annual Report

December 31, 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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Fund investment adviser: Charles Schwab Investment Management, Inc. (CSIM).
Distributor and transfer agent: Charles Schwab & Co., Inc. (Schwab).

From the Chairman



Charles R. Schwab
Chairman

In 1989, we founded SchwabFunds® on the belief that mutual funds represent an important tool for investors. Money funds, for example, are especially well-suited for the cash portion of your portfolio when you are seeking capital preservation or liquidity.

Over the past few years, mutual funds have faced a number of challenges, affecting both their performance and investor perception. Yet recently we have seen signs of positive change. The economy and the stock market have shown increasing strength. And while much remains to be done within the fund industry, the industry has been moving quickly to assess and improve its operations and its investor safeguards.

As a firm, we continue to change as well. Our capabilities are evolving in ways that allow us to offer investors more choices and better ways to do business with us. I'm enthusiastic about these changes because they're designed to offer benefits for our fund shareholders.

One thing that hasn't changed is my belief in mutual funds. Mutual funds still offer all the features that have made them so popular: diversification, liquidity, convenience, low investment minimums, and professional management. For individual investors especially, I believe mutual funds continue to be one of the most cost-effective investment vehicles available.

To date, millions of Americans have successfully relied on mutual funds as an important way to invest for retirement security, their children's education, and other financial goals. We remain optimistic that mutual funds will continue to do the same for millions more Americans in the years to come.

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 year ended December 31, 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 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

In today's current low-interest-rate environment, it's tempting to ask whether money funds still have a place in an investment portfolio.

It's a fair question, but I'd suggest the answer is not as obvious as it may seem. Money funds are designed to offer several potential benefits. If you're like many investors, your asset allocation calls for a portion of your portfolio to be in cash. If the purpose of that allocation is to offer capital preservation or liquidity, or to help reduce the impact of market volatility on your portfolio, then money funds probably still make sense for you, regardless of the yield environment.

Here at SchwabFunds®, we're proud of our seasoned fund managers and their ability to work as a team. Our managers have an average of over 16 years of experience in the investment management industry. I'm also proud to say that we're in the process of building on that experience: by expanding our selection of mutual funds, adding new share classes, and offering new, competitively priced alternatives.

Thirty years ago, Charles Schwab founded his firm with a vision to create the most useful and ethical financial services firm in the world. We live by that philosophy every day.

Your investment in SchwabFunds is an indication of the trust you place in us. As the managers of your money, we have a special obligation to live up to that trust. I have enjoyed the opportunity to respond to several shareholder inquiries, and I hope you'll let us know how we're doing.

I want to thank you for investing with us and want to assure you that we strive relentlessly to operate our business with the highest ethical standards and an unwavering commitment to serve you, our SchwabFunds shareholders.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk".



Linda Klingman, a vice president of the investment adviser 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 services industry as a portfolio manager.



Karen Wiggan, a vice president of the investment adviser and senior 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

During 2003, the U.S. economy began to gather strength, especially during the second half of the year. In the months before the war in Iraq (which began in March 2003), the economy remained in a holding pattern, as businesses and investors adopted a wait-and-see stance. Once the combat phase drew to an end, America began to pay more attention to the economy, which by year-end appeared to be recovering.

Seeking additional protection against the risk of deflation, the Federal Reserve (the Fed) cut short-term interest rates by 0.25% in June. This brought the Fed funds target rate to a 45-year low of 1.00%. Short-term interest rates began plummeting in May in anticipation of the Fed's rate cut but quickly began a modest recovery and ended the year somewhat above their mid-year lows. Nevertheless, money fund yields remained close to historically low levels.

Falling interest rates pushed money fund yields to new lows (see next page for fund yield information). Within this challenging interest rate environment, we took what measures we could to gain incrementally higher yields for the funds.

For example, we were able to take advantage of modest fluctuations in yields of one-year securities. These fluctuations appeared to be driven by shifts in the market's outlook on the economic recovery. The funds bought longer-term money market securities when, in our view, they offered an attractive yield compared to their shorter maturity counterparts. Because of this, the funds' weighted average maturities were often longer than the average for their peer group during the report period.¹

During the period, the securities of Freddie Mac came under pressure as news of potential earnings restatements arose. Our analysis indicated that the creditworthiness of these securities was not in doubt. As a result, the funds increased their holdings of these securities at yields comparable to CDs and commercial paper.

As of the end of the report period, neither deflation nor inflation appeared to be immediate risks. In our view, the main questions facing the market were: how strong is the economy, when might inflation return, and when might the Fed increase short-term rates?

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.

¹Source: iMoney Net, Inc. First Tier Retail Category, 12/31/03.

Management's Discussion continued

Performance and Fund Facts as of 12/31/03

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	0.39%	0.37%	0.36%	0.69%	0.79%	0.90%
Seven-Day Yield –No Waiver²	0.35%	0.29%	0.19%	0.58%	0.58%	0.58%
Seven-Day Effective Yield	0.39%	0.37%	0.36%	0.69%	0.79%	0.90%

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	57 days	50 days	76 days	56 days
Credit Quality of Holdings % 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. Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

Schwab Money Market Fund

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00
Income from investment operations:					
Net investment income	0.01	0.01	0.04	0.06	0.05
Less distributions:					
Dividends from net investment income	(0.01)	(0.01)	(0.04)	(0.06)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.50	1.23	3.73	5.84	4.64
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.75	0.75	0.75	0.76 ¹	0.75
Gross operating expenses	0.78	0.78	0.79	0.81	0.84
Net investment income	0.50	1.22	3.63	5.70	4.56
Net assets, end of period (\$ x 1,000,000)	49,079	51,063	49,116	41,823	36,099

¹ The ratio of net operating expenses would have been 0.75% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
83.1% Fixed-Rate Obligations	40,795,769	40,795,769
4.1% U.S. Government Securities	1,999,679	1,999,679
5.4% Variable-Rate Obligations	2,633,430	2,633,430
7.3% Other Investments	3,612,584	3,612,584
99.9% Total Investments	49,041,462	49,041,462
0.1% Other Assets and Liabilities		37,795
100.0% Total Net Assets		49,079,257

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

Fixed-Rate Obligations 83.1% of Net Assets**Commercial Paper & Other Corporate Obligations** 49.8%

AB Spintab		
1.09%, 02/05/04	98,000	97,897
1.10%, 03/03/04	45,000	44,915
Alliance & Leicester, PLC, Section 4(2) / 144A		
1.09%, 01/14/04	7,000	6,997
1.10%, 02/17/04	50,000	49,928
◆ Amstel Funding Corp., Section 4(2) / 144A		
1.11%, 01/28/04	43,000	42,964
1.09%, 02/12/04	130,000	129,835
◆✦ Amsterdam Funding Corp., Section 4(2) / 144A		
1.10%, 01/05/04	25,000	24,997
1.09%, 01/22/04	88,000	87,944
1.09%, 01/26/04	25,000	24,981
1.09%, 02/04/04	96,000	95,902
1.09%, 02/06/04	25,000	24,973
1.09%, 02/13/04	58,000	57,924
✦ ANZ (Delaware), Inc.		
1.08%, 01/09/04	17,000	16,996
◆✦ Aquinas Funding, L.L.C., Section 4(2) / 144A		
1.11%, 03/02/04	29,000	28,945
1.10%, 03/05/04	35,000	34,932
1.09%, 03/17/04	29,000	28,933
1.13%, 04/08/04	15,000	14,954
◆ ASAP Funding, Ltd., Section 4(2) / 144A		
1.11%, 01/15/04	84,000	83,964
1.11%, 01/27/04	100,000	99,920
1.13%, 01/30/04	10,000	9,991
1.12%, 02/20/04	40,000	39,938
1.12%, 02/27/04	120,000	119,787
◆✦ Asset Portfolio Funding Corp., Section 4(2) / 144A		
1.09%, 01/09/04	30,229	30,222
1.10%, 01/22/04	68,000	67,956
◆✦ Asset Securitization Cooperative Corp., Section 4(2) / 144A		
1.09%, 01/08/04	120,000	119,975
1.10%, 01/16/04	50,000	49,977
1.10%, 01/20/04	120,000	119,930
1.10%, 01/21/04	185,000	184,887

Schwab Money Market Fund

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
◆+ Atlantis One Funding Corp., Section 4(2) / 144A			1.10%, 01/22/04	10,000	9,994
1.10%, 01/08/04	12,000	11,997	1.10%, 01/29/04	12,500	12,489
1.11%, 01/13/04	50,000	49,982	1.10%, 02/03/04	36,000	35,964
1.11%, 01/21/04	40,000	39,976	1.11%, 02/10/04	45,000	44,944
1.10%, 01/29/04	25,000	24,979	1.11%, 02/13/04	50,000	49,934
1.10%, 02/11/04	30,089	30,051	1.10%, 02/18/04	60,500	60,411
1.10%, 03/09/04	44,000	43,909	1.10%, 02/19/04	35,500	35,447
1.11%, 03/11/04	144,000	143,692	1.12%, 03/04/04	22,000	21,957
1.12%, 03/11/04	100,000	99,784	1.12%, 03/15/04	84,500	84,306
1.13%, 03/12/04	64,000	63,859	1.13%, 03/18/04	38,000	37,909
1.11%, 03/17/04	110,000	109,745	1.24%, 08/09/04	60,000	60,000
1.12%, 03/18/04	102,000	101,758	1.58%, 11/17/04	50,000	49,964
1.12%, 03/19/04	100,000	99,759	CDC Commercial Paper Corp., Section 4(2) / 144A		
1.10%, 04/16/04	104,979	104,639	1.09%, 03/16/04	30,000	29,932
1.10%, 04/19/04	150,000	149,500	1.09%, 03/18/04	196,000	195,543
Bank of America Corp.			Citicorp		
1.14%, 05/06/04	600,000	597,627	1.08%, 01/22/04	120,000	119,924
Bank of Ireland, Section 4(2) / 144A			1.09%, 02/11/04	265,000	264,671
1.10%, 01/15/04	10,000	9,996	1.09%, 02/12/04	145,000	144,816
1.10%, 03/04/04	80,000	79,846	1.08%, 02/25/04	110,000	109,818
◆ Barton Capital Corp., Section 4(2) / 144A			Citigroup Global Markets Holdings, Inc.		
1.09%, 01/06/04	50,000	49,992	1.09%, 01/05/04	210,000	209,975
1.09%, 01/07/04	85,488	85,472	1.08%, 01/06/04	20,000	19,997
1.09%, 01/08/04	24,000	23,995	1.09%, 01/26/04	42,000	41,968
1.10%, 01/08/04	25,064	25,059	◆+ Clipper Receivables Corp., Section 4(2) / 144A		
1.10%, 01/20/04	55,000	54,968	1.10%, 01/05/04	50,000	49,994
1.09%, 01/21/04	120,000	119,927	1.11%, 01/06/04	93,000	92,986
1.10%, 01/21/04	58,585	58,549	1.10%, 01/08/04	27,200	27,194
Bear Stearns Companies, Inc.			1.11%, 01/09/04	50,098	50,086
1.10%, 01/29/04	150,000	149,872	1.10%, 01/12/04	364,000	363,877
1.09%, 02/02/04	191,000	190,816	1.10%, 01/14/04	45,000	44,982
1.09%, 02/09/04	87,000	86,897	1.10%, 01/20/04	15,432	15,423
◆+ Beta Finance, Inc., Section 3c7 / 144A			1.09%, 01/27/04	23,000	22,982
1.10%, 01/26/04	90,500	90,431	◆ Concord Minutemen Capital Co., L.L.C., Section 3c7 / 144A		
1.10%, 01/29/04	44,000	43,962	Series A		
1.10%, 01/30/04	65,000	64,942	1.12%, 01/12/04	83,000	82,972
1.10%, 02/02/04	34,000	33,967	1.11%, 01/21/04	15,000	14,991
1.12%, 03/15/04	73,000	72,833	1.11%, 01/23/04	30,000	29,980
1.12%, 03/22/04	42,000	41,894	1.11%, 02/04/04	30,143	30,111
1.16%, 04/15/04	15,000	14,950	1.11%, 02/05/04	10,000	9,989
◆+ CAFCO, L.L.C., Section 4(2) / 144A			1.17%, 02/06/04	22,988	22,961
1.08%, 01/16/04	200,000	199,910	1.11%, 02/10/04	170,886	170,675
◆ CC (USA), Inc., Section 3c7 / 144A			1.11%, 02/11/04	18,000	17,977
1.09%, 01/07/04	18,000	17,997	1.11%, 02/17/04	30,000	29,957
1.09%, 01/12/04	15,500	15,495	1.12%, 02/18/04	30,000	29,955
1.10%, 01/12/04	17,950	17,944			

See financial notes. 7

Schwab Money Market Fund

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.12%, 03/05/04	99,000	98,803			
1.13%, 04/06/04	75,589	75,363			
◆+ CRC Funding, L.L.C., Section 4(2) / 144A			◆+ Edison Asset Securitization Corp., L.L.C., Section 4(2) / 144A		
1.08%, 01/09/04	100,000	99,976	1.09%, 02/05/04	53,000	52,944
1.09%, 01/14/04	41,000	40,984	1.10%, 02/18/04	213,000	212,688
◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, Section 4(2) / 144A			1.10%, 02/19/04	180,000	179,730
1.09%, 01/07/04	100,000	99,982	◆ Eiffel Funding, L.L.C., Section 4(2) / 144A		
1.09%, 01/08/04	200,000	199,958	1.10%, 01/08/04	25,000	24,995
1.09%, 01/13/04	80,000	79,971	1.10%, 01/09/04	15,000	14,996
1.10%, 01/14/04	100,000	99,960	1.11%, 01/09/04	25,000	24,994
1.10%, 01/15/04	11,000	10,995	1.10%, 01/12/04	62,000	61,979
1.10%, 01/20/04	150,000	149,913	1.11%, 01/20/04	50,000	49,971
1.10%, 01/22/04	50,000	49,968	1.10%, 01/23/04	16,000	15,989
1.10%, 01/23/04	17,000	16,989	1.11%, 01/23/04	74,000	73,950
1.11%, 01/23/04	25,000	24,983	◆+ Fairway Finance Corp., Section 4(2) / 144A		
1.10%, 01/26/04	100,000	99,924	1.09%, 01/06/04	89,400	89,386
1.09%, 01/30/04	125,000	124,890	1.10%, 01/06/04	15,000	14,998
1.09%, 02/05/04	30,000	29,968	1.10%, 01/08/04	45,591	45,581
+ Danske Corp.			1.10%, 01/21/04	29,251	29,233
1.09%, 01/05/04	41,000	40,995	1.10%, 01/22/04	48,251	48,220
1.10%, 04/01/04	21,000	20,942	1.10%, 02/02/04	25,073	25,048
1.11%, 05/05/04	200,000	199,229	1.16%, 02/05/04	15,813	15,795
◆ Delaware Funding Corp., Section 4(2) / 144A			1.10%, 02/12/04	22,035	22,007
1.09%, 01/13/04	50,000	49,982	1.10%, 03/01/04	132,571	132,328
1.09%, 01/22/04	20,278	20,265	1.12%, 03/12/04	35,000	34,923
1.08%, 01/23/04	50,000	49,967	◆+ Falcon Asset Securitization Corp., Section 4(2) / 144A		
Den Norske Bank ASA			1.09%, 01/09/04	128,864	128,833
1.11%, 02/10/04	25,000	24,969	1.10%, 01/09/04	168,121	168,080
1.10%, 02/13/04	30,000	29,961	1.04%, 01/12/04	28,000	27,991
1.11%, 03/02/04	15,000	14,972	1.09%, 01/12/04	127,000	126,958
1.11%, 03/04/04	10,000	9,981	1.09%, 01/16/04	50,000	49,977
1.11%, 04/07/04	63,000	62,812	1.09%, 01/27/04	23,000	22,982
1.12%, 05/19/04	58,000	57,750	1.09%, 01/29/04	44,000	43,963
Depfa PLC, Section 4(2) / 144A			ForeningsSparbanken AB (Swedbank)		
1.10%, 03/10/04	18,000	17,962	1.08%, 02/03/04	125,000	124,876
+ Dexia Delaware, L.L.C.			1.08%, 02/12/04	39,000	38,951
1.08%, 02/25/04	300,000	299,505	1.10%, 02/20/04	40,000	39,939
1.08%, 02/26/04	140,000	139,765	+ Fortis Funding, L.L.C., Section 4(2) / 144A		
◆ Dorada Finance, Inc., Section 3c7 / 144A			1.10%, 01/15/04	30,000	29,987
1.10%, 01/20/04	46,650	46,623	◆+ Galaxy Funding, Inc., Section 4(2) / 144A		
1.11%, 02/17/04	10,000	9,986	1.10%, 01/16/04	70,000	69,968
1.10%, 02/26/04	17,000	16,971	1.11%, 01/16/04	13,000	12,994
1.10%, 03/10/04	50,000	49,895	1.10%, 01/20/04	50,000	49,971
			1.10%, 01/22/04	67,000	66,957
			1.10%, 01/23/04	20,000	19,987
			1.11%, 01/23/04	15,000	14,990

Schwab Money Market Fund

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.10%, 01/26/04	45,000	44,966	1.10%, 01/22/04	20,000	19,987
1.10%, 02/11/04	48,000	47,940	1.12%, 02/03/04	45,000	44,954
1.11%, 02/12/04	50,000	49,935	1.10%, 02/05/04	65,000	64,930
1.10%, 02/19/04	63,000	62,906	1.10%, 02/06/04	45,000	44,950
1.10%, 02/20/04	150,000	149,771	1.11%, 02/09/04	40,000	39,952
1.10%, 02/25/04	15,000	14,975	1.11%, 02/24/04	91,000	90,849
1.11%, 03/03/04	60,000	59,885	1.10%, 03/12/04	51,000	50,889
1.11%, 03/08/04	60,000	59,876	1.13%, 03/24/04	123,000	122,682
1.10%, 03/15/04	7,000	6,984	◆◆ Grampian Funding, Ltd., Section 4(2) / 144A		
1.09%, 03/29/04	43,000	42,885	1.10%, 02/19/04	20,000	19,970
◆ GE Capital International Funding, Inc., Section 4(2) / 144A			◆ Greyhawk Funding, L.L.C., Section 4(2) / 144A		
1.11%, 01/21/04	42,000	41,974	1.10%, 01/09/04	72,000	71,982
1.10%, 01/27/04	112,000	111,911	1.11%, 01/16/04	93,000	92,957
1.10%, 01/28/04	119,000	118,902	1.12%, 01/20/04	42,000	41,975
1.10%, 02/06/04	48,000	47,947	1.09%, 01/27/04	51,000	50,960
1.10%, 02/19/04	185,000	184,723	1.10%, 01/28/04	57,000	56,953
1.08%, 02/24/04	23,000	22,963	1.09%, 02/06/04	75,000	74,918
1.11%, 03/03/04	183,000	182,650	1.10%, 02/06/04	38,000	37,958
1.11%, 03/05/04	79,000	78,844	1.09%, 02/09/04	78,000	77,908
1.10%, 04/16/04	55,000	54,822	◆◆ Hatteras Funding Corp., Section 4(2) / 144A		
1.10%, 04/20/04	150,000	149,496	1.04%, 01/06/04	48,000	47,993
GE Financial Assurance Holdings, Inc., Section 4(2) / 144A			1.10%, 01/15/04	28,013	28,001
1.09%, 01/30/04	93,000	92,918	1.11%, 01/20/04	24,617	24,603
1.09%, 02/10/04	27,000	26,967	1.11%, 01/22/04	18,000	17,988
1.11%, 03/03/04	80,000	79,847	1.10%, 01/26/04	59,000	58,955
General Electric Capital Corp.			1.10%, 01/28/04	35,000	34,971
1.10%, 01/28/04	290,000	289,761	1.10%, 02/20/04	25,000	24,962
1.09%, 02/12/04	138,000	137,825	1.11%, 02/23/04	11,000	10,982
1.10%, 02/19/04	17,000	16,975	◆ HBOS Treasury Services, PLC		
1.12%, 02/19/04	30,000	29,954	1.10%, 02/03/04	18,000	17,982
1.11%, 03/03/04	30,000	29,943	1.10%, 02/05/04	80,000	79,914
1.11%, 03/04/04	137,000	136,734	1.10%, 02/23/04	43,000	42,930
General Electric Capital Services			1.11%, 02/23/04	67,000	66,891
1.10%, 02/06/04	12,000	11,987	1.12%, 03/03/04	87,000	86,832
1.09%, 02/09/04	41,000	40,952	1.11%, 03/05/04	97,000	96,809
1.10%, 02/11/04	78,000	77,902	1.13%, 03/11/04	25,000	24,945
General Electric Co.			1.12%, 03/15/04	18,000	17,959
1.13%, 02/13/04	211,000	210,715	HSBC U.S.A., Inc.		
◆◆ Giro Funding U.S. Corp., Section 4(2) / 144A			1.09%, 01/27/04	150,000	149,882
1.09%, 01/09/04	30,000	29,993	◆◆ Independence Funding, L.L.C., Section 4(2) / 144A		
1.10%, 01/15/04	45,000	44,981	1.10%, 01/07/04	85,000	84,984
1.11%, 01/16/04	60,000	59,972	1.09%, 01/14/04	20,000	19,992
			1.10%, 02/03/04	125,000	124,874
			◆ ING (U.S.) Funding, L.L.C.		
			1.10%, 03/05/04	59,000	58,885

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Irish Life & Permanent, PLC, Section 4(2) / 144A			◆◆ Mont Blanc Capital Corp., Section 4(2) / 144A		
1.10%, 03/05/04	7,500	7,485	1.10%, 01/13/04	85,801	85,770
1.10%, 03/10/04	50,000	49,895	1.09%, 01/14/04	92,000	91,964
1.09%, 04/13/04	40,000	39,875	1.10%, 01/14/04	76,000	75,970
J.P. Morgan Chase & Co.			1.12%, 01/22/04	28,000	27,982
1.10%, 02/10/04	156,000	155,809	1.11%, 03/03/04	10,634	10,614
1.10%, 02/12/04	165,000	164,788	Morgan Stanley		
◆◆ Jupiter Securitization Corp., Section 4(2) / 144A			1.08%, 01/05/04	225,000	224,973
1.10%, 02/02/04	75,214	75,140	1.08%, 01/26/04	120,000	119,910
1.10%, 03/01/04	24,980	24,934	1.08%, 02/10/04	20,000	19,976
◆ KBC Financial Products International, Ltd., Section 4(2) / 144A			1.08%, 02/20/04	200,000	199,700
1.10%, 02/10/04	92,000	91,888	1.08%, 02/23/04	22,000	21,965
◆◆ Kitty Hawk Funding Corp., Section 4(2) / 144A			Nationwide Building Society		
1.10%, 01/27/04	20,559	20,543	1.10%, 01/29/04	122,000	121,896
1.11%, 02/10/04	72,000	71,911	◆◆ Newcastle Certificates Program, Section 4(2) / 144A		
1.10%, 02/17/04	25,000	24,964	Series 2000A		
1.10%, 03/16/04	121,000	120,724	1.11%, 01/12/04	64,000	63,978
◆ Landesbank Schleswig-Holstein Girozentrale, Section 4(2) / 144A			1.11%, 01/16/04	46,000	45,979
1.29%, 03/09/04	108,000	107,741	1.10%, 01/21/04	17,000	16,990
1.34%, 03/18/04	50,000	49,859	1.10%, 01/22/04	15,000	14,990
1.24%, 03/26/04	10,000	9,971	1.10%, 01/23/04	18,000	17,988
1.33%, 03/26/04	35,000	34,892	1.10%, 01/27/04	105,000	104,917
1.35%, 04/15/04	10,000	9,961	1.10%, 02/18/04	80,000	79,883
◆ Lexington Parker Capital Co., L.L.C., Section 4(2) / 144A			◆ Nordea North America, Inc.		
1.15%, 01/08/04	58,000	57,987	1.09%, 01/14/04	29,000	28,989
1.11%, 01/20/04	32,213	32,194	1.10%, 01/15/04	50,000	49,979
1.10%, 01/23/04	38,538	38,512	1.08%, 01/22/04	10,000	9,994
1.11%, 01/23/04	127,000	126,914	1.08%, 01/27/04	100,000	99,922
1.13%, 01/23/04	9,000	8,994	1.09%, 03/09/04	10,871	10,849
1.10%, 02/05/04	100,000	99,893	1.10%, 03/25/04	45,000	44,884
1.11%, 02/11/04	43,000	42,946	◆◆ Old Line Funding Corp., Section 4(2) / 144A		
1.12%, 02/27/04	51,500	51,409	1.09%, 01/07/04	54,206	54,196
◆◆ Links Finance, L.L.C., Section 3c7 / 144A			1.10%, 01/07/04	23,062	23,058
1.10%, 01/06/04	18,710	18,707	1.10%, 01/08/04	7,025	7,023
1.09%, 01/07/04	45,000	44,992	1.10%, 01/15/04	48,035	48,014
1.11%, 01/08/04	30,000	29,994	1.10%, 01/16/04	25,056	25,045
1.09%, 01/20/04	16,000	15,991	1.11%, 01/21/04	60,177	60,140
1.15%, 05/05/04	30,000	29,880	1.09%, 01/23/04	42,849	42,820
◆ Mane Funding Corp., Section 4(2) / 144A			◆ Park Avenue Receivables Corp., Section 4(2) / 144A		
1.11%, 01/26/04	20,000	19,985	1.10%, 01/07/04	25,000	24,995
1.11%, 01/27/04	19,000	18,985	◆ Park Granada, L.L.C., Section 4(2) / 144A		
1.12%, 01/27/04	36,000	35,971	1.12%, 01/06/04	144,597	144,574
1.11%, 02/03/04	127,000	126,871	1.12%, 01/07/04	152,888	152,860
			1.12%, 01/08/04	25,000	24,995
			1.12%, 02/12/04	48,000	47,937
			1.11%, 03/09/04	40,000	39,916

Schwab Money Market Fund

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.13%, 03/09/04	55,000	54,883			
1.11%, 03/11/04	30,000	29,935			
◆+ Preferred Receivables Funding Corp., Section 4(2) / 144A			◆+ Thunder Bay Funding, Inc., Section 4(2) / 144A		
1.10%, 01/05/04	119,000	118,985	1.10%, 01/13/04	22,490	22,482
1.09%, 01/08/04	24,000	23,995	1.09%, 01/14/04	25,000	24,990
1.11%, 01/20/04	13,000	12,992	1.09%, 01/15/04	25,090	25,079
1.10%, 01/26/04	25,000	24,981	1.10%, 01/15/04	10,981	10,976
1.11%, 02/11/04	96,000	95,879	1.10%, 01/16/04	23,091	23,080
1.13%, 03/10/04	22,538	22,489	1.09%, 01/22/04	21,540	21,526
◆ Receivables Capital Corp., Section 4(2) / 144A			1.10%, 01/22/04	23,913	23,898
1.09%, 01/07/04	7,742	7,741	1.09%, 02/06/04	8,696	8,687
1.10%, 03/01/04	65,000	64,881	1.09%, 02/09/04	25,204	25,174
+ San Paolo IMI U.S. Financial Co.			1.09%, 02/13/04	42,000	41,945
1.09%, 03/18/04	182,000	181,576	1.09%, 02/17/04	53,263	53,187
◆ Scaldis Capital Ltd., Section 4(2) / 144A			1.09%, 02/20/04	65,195	65,096
1.10%, 01/16/04	60,000	59,972	◆+ Ticonderoga Funding, L.L.C., Section 4(2) / 144A		
1.11%, 01/20/04	50,135	50,106	1.10%, 01/13/04	55,000	54,980
1.11%, 01/21/04	38,838	38,814	1.09%, 01/14/04	70,089	70,061
1.10%, 01/23/04	17,128	17,116	1.09%, 01/23/04	143,000	142,905
1.10%, 01/27/04	21,942	21,925	1.10%, 01/23/04	50,000	49,966
1.10%, 02/26/04	19,247	19,214	1.10%, 03/05/04	105,281	105,075
1.14%, 03/24/04	32,000	31,917	◆+ Triple-A One Funding Corp., Section 4(2) / 144A		
1.12%, 03/30/04	27,000	26,926	1.10%, 01/05/04	19,325	19,323
◆+ Sigma Finance, Inc., Section 3c7 / 144A			1.09%, 01/13/04	30,000	29,989
1.11%, 01/08/04	21,500	21,495	1.09%, 01/30/04	23,533	23,512
1.12%, 01/20/04	20,000	19,988	◆+ Tulip Funding Corp., Section 4(2) / 144A		
1.11%, 01/26/04	18,000	17,986	1.09%, 01/12/04	26,199	26,190
1.11%, 01/28/04	52,000	51,957	1.10%, 01/23/04	43,000	42,971
1.10%, 02/02/04	26,000	25,975	1.10%, 01/26/04	90,000	89,931
1.11%, 02/02/04	19,651	19,632	1.10%, 01/30/04	7,388	7,381
1.12%, 02/02/04	20,000	19,980	◆+ Variable Funding Capital Corp., Section 4(2) / 144A		
1.13%, 02/13/04	13,000	12,982	1.10%, 01/16/04	16,479	16,471
1.10%, 02/19/04	30,000	29,955	1.09%, 01/26/04	24,000	23,982
1.13%, 03/11/04	10,000	9,978	+ Westpac Capital Corp.		
1.14%, 03/11/04	47,000	46,897	1.08%, 02/04/04	42,000	41,957
1.10%, 03/15/04	10,000	9,977	1.10%, 03/24/04	30,000	29,924
1.11%, 03/16/04	33,000	32,924	+ Westpac Trust Securities NZ		
1.14%, 03/23/04	84,000	83,784	1.11%, 03/12/04	93,000	92,797
1.50%, 09/24/04	70,000	69,990	◆+ Windmill Funding Corp., Section 4(2) / 144A		
+ Societe Generale N.A., Inc.			1.09%, 02/06/04	25,000	24,973
1.08%, 02/05/04	150,000	149,842	24,428,801		
+ Stadshypotek Delaware, Inc., Section 4(2) / 144A					
1.11%, 03/03/04	62,000	61,882			
1.13%, 04/08/04	96,000	95,705			

Schwab Money Market Fund

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Certificates of Deposit 28.7%					
+ Abbey National Treasury Services, PLC			Credit Agricole Indosuez		
1.09%, 01/06/04	191,000	191,000	1.08%, 02/02/04	142,000	142,000
Alliance & Leicester, PLC			1.10%, 03/04/04	155,000	155,000
1.10%, 02/20/04	76,000	76,000	Credit Lyonnais S.A.		
1.10%, 03/10/04	50,000	50,000	1.12%, 03/08/04	72,000	71,999
1.11%, 03/19/04	11,000	11,000	1.11%, 04/01/04	160,000	160,004
American Express Centurion Bank			Credit Suisse First Boston		
1.08%, 01/26/04	40,000	40,000	1.09%, 03/16/04	245,000	245,000
1.08%, 01/30/04	40,000	40,000	1.09%, 03/17/04	200,000	200,000
1.08%, 02/02/04	96,000	96,000	Danske Bank A/S		
Bank of Nova Scotia			1.09%, 02/23/04	200,000	200,001
1.10%, 03/24/04	200,000	200,000	1.10%, 03/03/04	117,000	117,001
Barclays Bank, PLC			DePfa Bank, PLC		
1.10%, 01/09/04	75,000	75,000	1.13%, 03/18/04	30,000	30,000
1.10%, 01/13/04	261,000	261,000	1.10%, 03/29/04	75,000	75,000
1.12%, 03/17/04	21,000	21,000	Deutsche Bank, AG		
1.10%, 03/22/04	300,000	300,000	1.40%, 09/03/04	173,000	173,000
1.10%, 04/19/04	46,000	46,034	1.41%, 10/15/04	400,000	400,000
1.35%, 08/26/04	150,000	149,990	1.42%, 10/27/04	165,000	165,000
Bayerische Landesbank Girozentrale			First Tennessee Bank, N.A.		
1.25%, 03/15/04	30,000	30,000	1.10%, 02/10/04	85,000	85,000
1.30%, 03/26/04	195,000	194,997	Fortis Bank		
BNP Paribas			1.08%, 02/03/04	175,000	175,000
1.10%, 02/06/04	170,000	170,000	1.10%, 04/06/04	89,000	89,000
1.12%, 02/17/04	298,000	298,000	+ HBOS Treasury Services, PLC		
1.11%, 03/10/04	200,000	200,000	1.11%, 01/20/04	78,000	78,000
1.10%, 03/25/04	234,000	234,000	1.09%, 02/06/04	32,000	32,000
1.10%, 03/26/04	157,000	157,000	1.11%, 03/12/04	46,000	46,000
1.10%, 04/19/04	130,000	130,000	1.13%, 03/25/04	125,000	124,997
1.50%, 11/19/04	150,000	150,000	HSBC Bank, PLC		
Canadian Imperial Bank of Commerce			1.09%, 02/11/04	120,000	120,000
1.09%, 01/15/04	100,000	100,000	1.09%, 02/17/04	21,000	21,000
1.08%, 02/06/04	81,000	81,000	1.08%, 02/19/04	80,000	80,000
1.10%, 02/17/04	86,000	86,000	HSBC Bank USA		
Citibank, N.A.			1.11%, 03/08/04	90,000	90,000
1.10%, 01/22/04	50,000	50,000	HSH Nordbank, AG		
1.09%, 02/04/04	275,000	275,000	1.08%, 02/09/04	93,000	93,000
1.10%, 02/13/04	104,000	104,000	1.42%, 09/07/04	92,000	91,994
1.10%, 03/04/04	308,000	308,000	1.42%, 10/29/04	42,000	41,997
Commonwealth Bank of Australia			ING Bank, NV		
1.10%, 01/13/04	100,000	100,000	1.05%, 01/14/04	30,000	30,000
			1.10%, 02/20/04	98,000	98,000
			1.10%, 03/24/04	446,000	446,000
			1.10%, 03/25/04	100,000	100,000

Schwab Money Market Fund

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Landesbank Baden Wurttemberg			Toronto Dominion Bank		
1.10%, 01/30/04	50,000	50,000	1.08%, 03/02/04	286,000	286,000
1.10%, 02/26/04	70,000	70,000	1.10%, 03/08/04	50,000	50,000
1.10%, 03/19/04	180,000	180,000	1.10%, 03/26/04	129,000	129,000
Landesbank Hessen-Thuringen Girozentrale			UBS, AG		
1.30%, 02/03/04	108,000	108,010	1.32%, 08/04/04	71,000	71,000
1.11%, 04/02/04	60,000	60,000	1.38%, 08/26/04	90,000	89,994
1.35%, 08/26/04	39,000	38,997	1.42%, 11/12/04	100,000	99,996
1.41%, 09/07/04	91,000	91,000	Unicredito Italiano SPA		
Lloyds TSB Bank, PLC			1.10%, 01/15/04	265,000	265,000
1.09%, 04/02/04	55,000	54,999	1.11%, 01/21/04	140,000	140,000
Nationwide Building Society			1.12%, 01/22/04	63,000	63,000
1.09%, 02/04/04	75,000	75,000	1.11%, 01/26/04	49,000	49,000
Norddeutsche Landesbank Girozentrale			1.09%, 01/29/04	186,000	186,000
1.04%, 01/15/04	29,000	29,000	1.11%, 01/29/04	148,000	148,000
1.25%, 03/15/04	70,000	69,999	1.10%, 03/19/04	76,000	76,000
1.30%, 04/13/04	70,000	69,999	1.12%, 03/24/04	35,000	35,000
1.40%, 08/05/04	27,000	27,001	Washington Mutual Bank		
Nordea Bank Finland, PLC			1.11%, 02/09/04	85,000	85,000
1.08%, 02/04/04	236,000	236,000	Wells Fargo Bank N.A.		
1.08%, 02/24/04	250,000	250,000	1.08%, 01/06/04	50,000	50,000
Rabobank Nederland			1.08%, 01/07/04	150,000	150,000
1.37%, 08/26/04	38,000	37,983	WestLB AG		
Royal Bank of Scotland, PLC			1.05%, 01/07/04	15,000	15,000
1.08%, 01/14/04	190,000	190,000	1.09%, 01/09/04	13,000	13,000
1.08%, 02/06/04	135,000	135,000	1.05%, 01/14/04	14,000	14,000
1.10%, 03/15/04	8,000	8,000	1.26%, 04/02/04	55,000	55,000
1.35%, 08/26/04	100,000	99,993	1.30%, 04/07/04	180,000	180,000
1.40%, 09/07/04	115,000	114,992	1.34%, 04/14/04	100,000	100,000
1.50%, 11/19/04	155,000	154,986	Wilmington Trust Co.		
San Paolo IMI SPA			1.10%, 01/22/04	25,000	25,000
1.10%, 01/30/04	120,000	120,001	1.14%, 02/19/04	25,000	25,000
1.11%, 02/17/04	120,000	120,002	14,081,968		
1.10%, 02/18/04	48,000	48,000	Bank Notes 3.1%		
1.12%, 02/18/04	260,000	260,002	Bank of America, N.A.		
Societe Generale			1.10%, 03/15/04	130,000	130,000
1.11%, 03/16/04	37,000	37,000	1.08%, 04/13/04	500,000	500,000
1.10%, 03/22/04	292,000	292,000	1.08%, 04/15/04	405,000	405,000
1.10%, 03/23/04	200,000	200,000	Lasalle National Bank, N.A.		
Southtrust Bank			1.10%, 01/30/04	200,000	200,000
1.08%, 02/11/04	17,000	17,000	1.10%, 02/09/04	54,000	54,000
Svenska Handelsbanken AB			Standard Federal Bank, N.A.		
1.08%, 01/08/04	89,000	89,000	1.10%, 02/05/04	100,000	100,000
1.11%, 02/03/04	13,000	13,000	1.10%, 02/13/04	147,000	147,000
1.10%, 03/19/04	134,000	134,000	1,536,000		

See financial notes. 13

Schwab Money Market Fund

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Promissory Notes 1.5%

• The Goldman Sachs Group, Inc.		
1.14%, 01/28/04	150,000	150,000
1.22%, 02/05/04	62,000	62,000
1.21%, 02/18/04	15,000	15,000
1.21%, 02/20/04	12,000	12,000
1.19%, 03/23/04	273,000	273,000
1.25%, 05/04/04	20,000	20,000
1.25%, 07/16/04	150,000	150,000
1.45%, 08/27/04	67,000	67,000
		749,000

U.S. Government Securities 4.1% of Net Assets**Discount Notes 3.6%**

Fannie Mae		
1.09%, 03/01/04	145,000	144,737
1.22%, 03/05/04	223,120	222,640
1.09%, 03/10/04	204,004	203,578
1.10%, 03/17/04	200,000	199,535
Freddie Mac		
1.09%, 03/12/04	150,000	149,677
1.23%, 03/12/04	19,775	19,728
1.10%, 03/15/04	300,000	299,322
1.00%, 03/25/04	19,671	19,626
1.10%, 03/25/04	41,420	41,314
1.30%, 03/25/04	155,858	155,392
1.10%, 04/05/04	140,000	139,595
1.10%, 04/06/04	160,000	159,535
		1,754,679

Coupon Notes 0.5%

Fannie Mae		
1.55%, 11/17/04	50,000	50,000
Freddie Mac		
1.65%, 12/30/04	195,000	195,000
		245,000

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Variable-Rate Obligations 5.4% of Net Assets

† ABAG Financial Authority for Nonprofit Corps., California		
RB (Public Pole Institute)		
Series 2002B		
1.25%, 01/07/04	17,870	17,870
Bank of New York Co., Inc., 144A		
1.13%, 01/27/04	75,000	75,000
Bayerische Landesbank Girozentrale		
1.11%, 01/13/04	47,000	46,995
† Brooks County, Georgia Development Authority		
RB (Langboard, Inc. Project)		
1.17%, 01/07/04	10,000	10,000
Canadian Imperial Bank of Commerce		
1.18%, 01/15/04	100,000	100,000
† CFM International, Inc., 144A		
1.17%, 01/07/04	25,075	25,075
Chase Manhattan Bank (USA)		
1.10%, 01/30/04	100,000	100,000
• GE Life & Annuity Assurance Co., 144A		
1.22%, 01/01/04	100,000	100,000
1.23%, 01/01/04	50,000	50,000
1.24%, 02/02/04	50,000	50,000
General Electric Capital Corp.		
1.25%, 01/09/04	175,000	175,000
1.23%, 01/20/04	75,000	75,000
Grand Prairie, Texas Sports Facility Development Corp.		
Sales Tax Revenue Refunding Taxable Bonds		
Series 2003A		
1.60%, 09/15/04	15,920	15,920
Lloyds TSB Bank, PLC		
1.06%, 01/13/04	50,000	49,981
† Loanstar Assets Partners II, L.P., 144A		
1.17%, 01/07/04	45,000	45,000
† Lowndes Corp., Georgia, 144A		
Taxable Demand Bond		
Series 1997		
1.16%, 01/07/04	4,850	4,850
† Merlot Trust		
Series 2000B, Section 4(2) / 144A		
1.25%, 01/07/04	32,630	32,630
Series 2001A67, Section 4(2) / 144A		
1.25%, 01/07/04	35,065	35,065

Schwab Money Market Fund

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Series 2001A7, Section 4(2) / 144A			1.13%, 01/15/04	60,000	60,000
1.25%, 01/07/04	15,470	15,470	1.12%, 01/15/04	230,000	229,976
• Metropolitan Life Insurance Co., 144A			1.12%, 01/16/04	45,000	45,000
1.22%, 01/30/04	50,000	50,000	1.12%, 01/20/04	40,000	39,997
1.24%, 02/02/04	100,000	100,000	1.10%, 01/21/04	20,000	19,998
• Monumental Life Insurance Co., 144A			✦ Sisters of Mercy of the Americas Regional Community of Omaha, Nebraska		
1.29%, 01/01/04	100,000	100,000	Series 2001		
✦ New Jersey Economic Development Authority			1.14%, 01/07/04	11,860	11,860
Adjustable Rate Lease Revenue			• Travelers Insurance Co., 144A		
Taxable Bonds (Barnes & Noble, Inc. Distribution & Freight Consolidation Center Project) Series 1995A			1.23%, 02/01/04	100,000	100,000
1.11%, 01/07/04	14,670	14,670	Wells Fargo & Co.		
Adjustable Rate Lease Revenue			1.16%, 01/02/04	75,000	75,000
Taxable Bonds (Barnes & Noble, Inc. Distribution & Freight Consolidation Center Project) Series 1995B					2,633,430
1.11%, 01/07/04	10,000	10,000			
Adjustable Rate Lease Revenue					
Taxable Bonds (Camden Center Project) Series 2002A					
1.11%, 01/07/04	22,045	22,045			
Adjustable Rate Lease Revenue					
Taxable Bonds (Camden Center Project) Series 2002B					
1.11%, 01/07/04	20,000	20,000			
Norddeutsche Landesbank Girozentrale					
1.08%, 01/23/04	135,000	134,960			
• Pacific Life Insurance Co.					
1.22%, 01/02/04	100,000	100,000			
Royal Bank of Canada					
1.15%, 01/12/04	60,000	60,000			
Royal Bank of Scotland, PLC					
1.09%, 01/14/04	100,000	99,975			
✦ Santa Rosa, California					
Pension Obligation Revenue Taxable Bonds Series 2003A					
1.25%, 01/07/04	10,000	10,000			
✦ SE Christian Church, Jefferson County, Kentucky					
Series 2003					
1.20%, 01/07/04	11,100	11,100			
◆ Sigma Finance, Inc., 3c7 / 144A					
1.13%, 01/05/04	100,000	99,993			
1.14%, 01/12/04	195,000	195,000			

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
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Other Investments 7.3% of investments

Repurchase Agreements 7.3%

Bear Stearns & Co., Inc.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$336,604		
1.02%, issued 12/31/03, due 01/02/04	330,019	330,000
Credit Suisse First Boston L.L.C.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$510,602		
1.02%, issued 12/31/03, due 01/02/04	320,602	320,584
1.06%, issued 12/30/03, due 01/07/04	180,042	180,000
J.P. Morgan Securities, Inc.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$78,541		
1.02%, issued 12/31/03, due 01/02/04	77,004	77,000

See financial notes. 15

Schwab Money Market Fund

Portfolio Holdings continued

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Acquisition Date, Maturity Date	Face Amount (\$ x 1,000)	Cost/ Value (\$ x 1,000)
Goldman Sachs & Co.			The Goldman Sachs Group, Inc.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$846,600 1.02%, issued 12/31/03, due 01/02/04	830,047	830,000	1.14%, 07/28/03, 01/28/04	150,000	150,000
			1.22%, 08/05/03, 02/05/04	62,000	62,000
			1.21%, 08/18/03, 02/18/04	15,000	15,000
			1.21%, 08/19/03, 02/20/04	12,000	12,000
			1.19%, 09/22/03, 03/23/04	251,000	251,000
UBS Financial Services, Inc.			1.19%, 09/23/03, 03/23/04	22,000	22,000
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$1,912,505 1.02%, issued 12/31/03, due 01/02/04	1,875,106	1,875,000	1.25%, 11/04/03, 05/04/04	20,000	20,000
			1.25%, 12/16/03, 07/16/04	150,000	150,000
			1.45%, 12/02/03, 08/27/04	67,000	67,000
		3,612,584			749,000
			Travelers Insurance Co., 144A		
			1.23%, 10/31/03, 02/02/04	100,000	100,000

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

At December 31, 2003, portfolio holdings included illiquid restricted securities as follows:

Issuer Rate, Acquisition Date, Maturity Date	Face Amount (\$ x 1,000)	Cost/ Value (\$ x 1,000)
GE Life & Annuity Assurance Co., 144A		
1.22%, 05/03/99, 01/02/04	100,000	100,000
1.22%, 08/02/99, 01/02/04	50,000	50,000
1.24%, 02/03/03, 01/02/04	50,000	50,000
		200,000
Metropolitan Life Insurance Co., 144A		
1.22%, 12/28/00, 01/30/04	50,000	50,000
1.24%, 02/03/03, 02/02/04	100,000	100,000
		150,000
Monumental Life Insurance Co., 144A		
1.24%, 06/09/93, 01/02/04	100,000	100,000
Pacific Life Insurance Co.		
1.22%, 09/26/03, 01/02/04	100,000	100,000

Schwab Money Market Fund

Statement of Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$49,041,462
Interest receivable	41,551
Prepaid expenses	+ 781
Total assets	49,083,794

Liabilities

Payables:	
Dividends to shareholders	466
Investment adviser and administrator fees	483
Transfer agent and shareholder service fees	604
Accrued expenses	+ 2,984
Total liabilities	4,537

Net Assets

Total assets	49,083,794
Total liabilities	- 4,537
Net assets	\$49,079,257

Net Assets by Source

Capital received from investors	49,079,306
Net realized capital losses	(49)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$49,079,257		49,079,865		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost of the fund's securities was \$49,041,462. Includes illiquid restricted securities worth \$1,399,000, or 2.85% of the fund's total net assets. Also, includes other restricted but deemed liquid securities comprised of 144A, section 4(2) and 3c7 securities, worth \$18,755,512 or 38.21% of the fund's total net assets.

Federal Tax Data

Cost basis of portfolio \$49,041,462

Unused capital losses:

Expires 12/31 of: Loss amount:
2007 \$49

Reclassifications:

Net realized capital losses \$27
Reclassified as:
Capital received
 from investors (\$27)

See financial notes. 17

Schwab Money Market Fund

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$644,039**

Expenses

Investment adviser and administrator fees	158,547	
Transfer agent and shareholder service fees	232,078	
Trustees' fees	174	
Custodian and portfolio accounting fees	4,388	
Professional fees	149	
Registration fees	844	
Shareholder reports	5,432	
Other expenses	504	+
Total expenses	402,116	
Expense reduction	15,320	-
Net expenses	386,796	

Increase in Net Assets from Operations

Total investment income	644,039
Net expenses	- 386,796
Net investment income	257,243
Increase in net assets from operations	\$257,243

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the 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.

Schwab Money Market Fund

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$257,243	\$613,708
Increase in net assets from operations	257,243	613,708

Distributions Paid

Dividends from net investment income	257,243	613,708
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Transactions in Fund Shares

Shares sold	132,562,456	137,199,724
Shares reinvested	253,763	604,716
Shares redeemed	+(134,800,345)	(135,856,854)
Net transactions in fund shares	(1,984,126)	1,947,586

Net Assets

Beginning of period	51,063,383	49,115,797
Total increase or decrease	+ (1,984,126)	1,947,586
End of period	\$49,079,257	\$51,063,383

Unless stated, all numbers x 1,000.

The tax-basis components of distributions are:

Current year	
Ordinary income	\$257,243
Long-term capital gains	\$-
Prior year	
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.

Schwab Government Money Fund

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	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
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.04)	(0.06)	(0.04)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.48	1.20	3.63	5.69	4.50
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.75	0.75	0.75	0.76 ²	0.75
Gross operating expenses	0.83	0.83	0.84	0.85	0.85
Net investment income	0.49	1.19	3.52	5.54	4.42
Net assets, end of period (\$ x 1,000,000)	2,838	3,092	3,054	2,509	2,545

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

² The ratio of net operating expenses would have been 0.75% if certain non-routine expenses (proxy fees) had not been included.

Schwab Government Money Fund

Portfolio Holdings as of December 31, 2003

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 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)	Value (\$x1,000)
56.9% U.S. Government Securities	1,615,349	1,615,349
2.3% Variable-Rate Obligation	64,131	64,131
42.4% Other Investments	1,202,304	1,202,304
101.6% Total Investments	2,881,784	2,881,784
(1.6)% Other Assets and Liabilities		(44,255)
100.0% Total Net Assets		2,837,529

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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U.S. Government Securities 56.9% of Net Assets

Discount Notes 41.6%

Fannie Mae	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.07%, 01/07/04	20,000	19,996
1.08%, 01/07/04	12,500	12,498
1.06%, 01/09/04	8,360	8,358
1.07%, 01/14/04	30,535	30,523
1.08%, 01/14/04	25,000	24,990
1.08%, 01/21/04	30,000	29,982
1.07%, 01/28/04	11,300	11,291
1.10%, 02/02/04	12,565	12,553

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.07%, 02/04/04	20,000	19,980
1.08%, 02/11/04	10,000	9,988
1.08%, 02/25/04	36,000	35,941
1.20%, 03/05/04	10,000	9,979
1.33%, 03/05/04	2,300	2,295
1.12%, 03/10/04	35,000	34,926
1.10%, 03/17/04	15,240	15,205
1.08%, 04/01/04	50,000	49,865
1.22%, 04/02/04	15,000	14,954
1.32%, 04/02/04	15,000	14,950
1.11%, 04/07/04	15,000	14,955
1.12%, 04/14/04	15,000	14,952
1.15%, 05/19/04	10,000	9,956
1.38%, 08/20/04	10,000	9,912
1.39%, 10/15/04	15,000	14,836

Federal Farm Credit Bank

1.25%, 02/13/04	20,000	19,970
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Federal Home Loan Bank

1.05%, 01/05/04	65,000	64,992
1.06%, 01/14/04	4,678	4,676
1.13%, 01/16/04	15,700	15,693
1.06%, 01/23/04	39,500	39,475
1.08%, 03/17/04	25,000	24,943
1.09%, 03/17/04	23,000	22,947

Freddie Mac

1.06%, 01/06/04	61,500	61,491
1.07%, 01/08/04	12,298	12,295
1.06%, 01/13/04	20,000	19,993
1.06%, 01/14/04	75,660	75,631
1.07%, 01/15/04	11,600	11,595
1.08%, 01/15/04	20,000	19,992
1.08%, 01/22/04	31,000	30,980
1.08%, 01/29/04	50,000	49,958
1.09%, 02/04/04	15,000	14,985
1.08%, 02/05/04	35,000	34,963
1.09%, 02/12/04	5,183	5,176
1.09%, 02/19/04	25,800	25,761
1.11%, 03/01/04	15,000	14,972
1.09%, 03/05/04	16,600	16,568
1.10%, 03/18/04	15,469	15,433
1.27%, 03/25/04	15,000	14,956
1.30%, 03/25/04	23,000	22,931
1.11%, 04/01/04	97,898	97,626
1.11%, 04/15/04	6,273	6,253
1.15%, 05/20/04	2,500	2,489
1.41%, 11/04/04	10,000	9,881

1,179,510

See financial notes. 21

Schwab Government Money Fund

Statement of
Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$1,679,480
Repurchase agreements, at value	1,202,304
Interest receivable	5,806
Prepaid expenses	+ 71
Total assets	2,887,661

Liabilities

Payables:	
Dividends to shareholders	24
Investments bought	49,865
Investment adviser and administrator fees	22
Transfer agent and shareholder service fees	34
Accrued expenses	+ 187
Total liabilities	50,132

Net Assets

Total assets	2,887,661
Total liabilities	- 50,132
Net assets	\$2,837,529

Net Assets by Source

Capital received from investors	2,838,250
Net realized capital losses	(721)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$2,837,529		2,838,641		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$2,881,784

Federal Tax Data

Cost basis of portfolio \$2,881,784

Unused capital losses:

Expires 12/31 of:	Loss amount:
2004	\$162
2005	226
2006	119
2007	184
2008	13
2010	1
2011	+ 16
	\$721

Reclassifications:

Net realized capital losses	\$161
Reclassified as:	
Capital received from investors	(\$161)

See financial notes. 23

Schwab Government Money Fund

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$38,000**

Net Realized Gains and Losses

Net realized losses on investments sold **(16)**

Expenses

Investment adviser and administrator fees 11,059

Transfer agent and shareholder service fees 13,834

Trustees' fees 42

Custodian and portfolio accounting fees 245

Professional fees 30

Registration fees 190

Shareholder reports 164

Other expenses + 25

Total expenses 25,589

Expense reduction - 2,533

Net expenses **23,056**

Increase in Net Assets from Operations

Total investment income 38,000

Net expenses - 23,056

Net investment income **14,944**

Net realized losses + (16)

Increase in net assets from operations **\$14,928**

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the 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.

Schwab Government Money Fund

Statements of
Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$14,944	\$38,140
Net realized losses	+ (16)	(1)
Increase in net assets from operations	14,928	38,139

Distributions Paid

Dividends from net investment income	14,944	38,140
--------------------------------------	---------------	---------------

Transactions in Fund Shares

Shares sold	8,476,017	7,912,017
Shares reinvested	14,704	37,703
Shares redeemed	+ (8,744,747)	(7,911,680)
Net transactions in fund shares	(254,026)	38,040

Net Assets

Beginning of period	3,091,571	3,053,532
Total increase or decrease	+ (254,042)	38,039
End of period	\$2,837,529	\$3,091,571

Unless stated, all numbers x 1,000.

The tax-basis components of distributions are:

Current year	
Ordinary income	\$14,944
Long-term capital gains	\$-
Prior year	
Ordinary income	\$38,140
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.

Schwab U.S. Treasury Money Fund

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	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
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.04)	(0.05)	(0.04)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.49	1.15	3.61	5.40	4.25
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.65	0.65	0.65	0.66 ²	0.65
Gross operating expenses	0.82	0.82	0.84	0.85	0.86
Net investment income	0.49	1.15	3.44	5.27	4.18
Net assets, end of period (\$ x 1,000,000)	4,046	4,323	4,042	2,750	2,592

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

² The ratio of net operating expenses would have been 0.65% if certain non-routine expenses (proxy fees) had not been included.

Schwab U.S. Treasury Money Fund

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
99.3% U.S. Government Securities	4,015,588	4,015,588
99.3% Total Investments	4,015,588	4,015,588
0.7% Other Assets and Liabilities		30,222
100.0% Total Net Assets		4,045,810

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

U.S. Government Securities 99.3% of Net Assets

Treasury Bills 29.9%

U.S. Treasury Bills	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
0.89%, 01/02/04	1,250	1,250
0.92%, 01/02/04	1,785	1,785
0.93%, 01/02/04	30,935	30,934
0.98%, 01/02/04	13,075	13,075
0.93%, 01/15/04	205,175	205,101
0.94%, 01/15/04	51,720	51,701
0.95%, 01/15/04	150,000	149,945
0.97%, 01/15/04	4,590	4,588
0.98%, 01/15/04	2,060	2,059
0.99%, 01/15/04	37,105	37,090
1.02%, 01/15/04	30,000	29,988
0.84%, 02/12/04	21,450	21,429
0.92%, 02/19/04	10,330	10,317
0.99%, 02/19/04	22,540	22,510

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
0.93%, 02/26/04	60,000	59,913
1.05%, 02/26/04	50,000	49,919
0.85%, 03/18/04	129,160	128,925
0.99%, 03/18/04	15,310	15,278
1.00%, 03/18/04	1,335	1,332
0.89%, 04/01/04	10,870	10,846
0.96%, 04/01/04	3,265	3,257
0.97%, 04/01/04	2,270	2,265
0.98%, 04/01/04	9,790	9,766
0.99%, 04/01/04	16,420	16,379
0.99%, 04/15/04	330,000	329,052
		1,208,704

Treasury Notes 69.4%

U.S. Treasury Notes	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
3.00%, 01/31/04	461,045	461,787
5.88%, 02/15/04	305,000	306,790
3.00%, 02/29/04	576,305	578,153
3.63%, 03/31/04	574,315	578,004
3.38%, 04/30/04	312,720	315,135
7.25%, 05/15/04	190,000	194,380
12.38%, 05/15/04	140,000	145,864
3.25%, 05/31/04	164,440	165,917
2.13%, 08/31/04	51,330	51,625
5.88%, 11/15/04	8,885	9,229
		2,806,884

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

Schwab U.S. Treasury Money Fund

Statement of
Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$4,015,588
Cash	1
Interest receivable	30,405
Prepaid expenses	+ 109
Total assets	4,046,103

Liabilities

Payables:	
Dividends to shareholders	39
Investment adviser and administrator fees	31
Transfer agent and shareholder service fees	50
Accrued expenses	+ 173
Total liabilities	293

Net Assets

Total assets	4,046,103
Total liabilities	- 293
Net assets	\$4,045,810

Net Assets by Source

Capital received from investors	4,046,682
Net realized capital losses	(872)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$4,045,810		4,046,746		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$4,015,588.

Federal Tax Data

Cost basis of portfolio	\$4,015,588
Unused capital losses:	
Expires 12/31 of:	Loss amount:
2005	\$62
2006	89
2007	580
2010	66
2011	+ 75
	\$872

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment IncomeInterest **\$47,177****Net Realized Gains and Losses**Net realized losses on investments sold **(56)****Expenses**

Investment adviser and administrator fees 14,778

Transfer agent and shareholder service fees 18,614

Trustees' fees 44

Custodian and portfolio accounting fees 311

Professional fees 32

Registration fees 139

Shareholder reports 112

Other expenses + 35

Total expenses 34,065

Expense reduction - 7,178

Net expenses 26,887**Increase in Net Assets from Operations****Total investment income 47,177****Net expenses - 26,887****Net investment income 20,290****Net realized losses + (56)****Increase in net assets from operations \$20,234**

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the 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.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$20,290	\$45,709
Net realized losses	+ (56)	(72)
Increase in net assets from operations	20,234	45,637

Distributions Paid

Dividends from net investment income	20,290	45,709
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Transactions in Fund Shares

Shares sold	10,404,314	10,640,600
Shares reinvested	20,037	45,056
Shares redeemed	+ (10,701,867)	(10,404,554)
Net transactions in fund shares	(277,516)	281,102

Net Assets

Beginning of period	4,323,382	4,042,352
Total increase or decrease	+ (277,572)	281,030
End of period	\$4,045,810	\$4,323,382

Unless stated, all numbers x 1,000.

The tax-basis components of distributions are:

Current year

Ordinary income	\$20,290
Long-term capital gains	\$-

Prior year

Ordinary income	\$45,709
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.

Schwab Value Advantage Money Fund

Financial Statements

Financial Highlights

Investor Shares	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00
Income from investment operations:					
Net investment income	0.01	0.02	0.04	0.06	0.05
Less distributions:					
Dividends from net investment income	(0.01)	(0.02)	(0.04)	(0.06)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.80	1.55	4.05	6.22	5.01
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.45	0.45	0.43	0.41 ¹	0.40
Gross operating expenses	0.55	0.54	0.56	0.60	0.61
Net investment income	0.81	1.55	3.92	6.07	4.91
Net assets, end of period (\$ x 1,000,000)	28,860	38,728	44,247	36,319	27,265
Select Shares[®]					
	2/28/03 ² – 12/31/03				
Per-Share Data (\$)					
Net asset value at beginning of period	1.00				
Income from investment operations:					
Net investment income	0.01				
Less distributions:					
Dividends from net investment income	(0.01)				
Net asset value at end of period	1.00				
Total return (%)	0.72 ³				
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.35 ⁴				
Gross operating expenses	0.55 ⁴				
Net investment income	0.83 ⁴				
Net assets, end of period (\$ x 1,000,000)	1,013				

¹ The ratio of net operating expenses would have been 0.40% if certain non-routine expenses (proxy fees) had not been included.

² Commencement of operations.

³ Not annualized.

⁴ Annualized.

Institutional Shares	1/1/03– 12/31/03	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 (%)	1.01	0.81 ²
Ratios/Supplemental Data (%)		
Ratios to average net assets:		
Net operating expenses	0.24	0.24 ³
Gross operating expenses	0.55	0.55 ³
Net investment income	1.00	1.57 ³
Net assets, end of period (\$ x 1,000,000)	720	521

¹ Commencement of operations.

² Not annualized.

³ Annualized.

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
85.6% Fixed-Rate Obligations	26,210,020	26,210,020
2.8% U.S. Government Securities	849,265	849,265
6.4% Variable-Rate Obligations	1,962,608	1,962,608
5.1% Other Investments	1,555,455	1,555,455
99.9% Total Investments	30,577,348	30,577,348
0.1% Other Assets and Liabilities		16,470
100.0% Total Net Assets		30,593,818

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Fixed-Rate Obligations 85.6% of Net Assets**Commercial Paper & Other Corporate Obligations** 51.5%

AB Spintab		
1.11%, 02/06/04	38,000	37,958
1.09%, 02/10/04	8,000	7,990
1.10%, 03/03/04	15,000	14,972
1.11%, 04/08/04	15,000	14,955
Alliance & Leicester, PLC, Section 4(2) / 144A		
1.09%, 01/14/04	30,000	29,988
◆ Amstel Funding Corp., Section 4(2) / 144A		
1.09%, 02/12/04	130,000	129,835
1.11%, 02/17/04	25,000	24,964
◆◆ Amsterdam Funding Corp., Section 4(2) / 144A		
1.09%, 01/23/04	25,000	24,983
1.09%, 02/03/04	25,000	24,975
1.09%, 02/13/04	15,000	14,980
◆ ANZ (Delaware), Inc.		
1.08%, 01/09/04	110,000	109,974
◆◆ Apreco, Inc., Section 4(2) / 144A		
1.11%, 01/15/04	10,000	9,996
◆◆ Aquinas Funding, L.L.C., Section 4(2) / 144A		
1.11%, 02/12/04	50,000	49,936
1.11%, 02/20/04	13,000	12,980
1.10%, 02/23/04	25,000	24,960
1.13%, 04/08/04	30,000	29,909
◆ ASAP Funding, Ltd., Section 4(2) / 144A		
1.12%, 01/29/04	25,000	24,978
1.12%, 01/30/04	46,000	45,959
1.12%, 02/20/04	105,000	104,836
1.12%, 02/27/04	50,000	49,911
◆◆ Asset Portfolio Funding Corp., Section 4(2) / 144A		
1.09%, 01/09/04	29,000	28,993
1.13%, 03/19/04	38,000	37,908
◆◆ Asset Securitization Cooperative Corp., Section 4(2) / 144A		
1.10%, 01/16/04	50,000	49,977
1.10%, 01/20/04	79,000	78,954
1.10%, 01/21/04	25,000	24,985
◆ Atlantic Asset Securitization, Section 4(2) / 144A		
1.10%, 01/20/04	10,099	10,093

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
◆+ Atlantis One Funding Corp., Section 4(2) / 144A			Citigroup Global Markets Holdings, Inc.		
1.10%, 01/08/04	12,000	11,997	1.09%, 01/05/04	75,000	74,991
1.11%, 01/13/04	40,000	39,985	1.08%, 01/08/04	90,000	89,981
1.09%, 02/18/04	9,750	9,736	1.09%, 01/26/04	75,000	74,943
1.11%, 03/11/04	6,000	5,987	◆+ Clipper Receivables Corp., Section 4(2) / 144A		
1.13%, 03/12/04	79,000	78,826	1.11%, 01/05/04	85,000	84,990
1.11%, 03/17/04	70,000	69,837	1.10%, 01/06/04	48,731	48,724
1.13%, 03/17/04	10,169	10,145	1.11%, 01/07/04	50,000	49,991
1.12%, 03/18/04	103,000	102,755	1.10%, 01/08/04	50,000	49,989
1.10%, 04/13/04	45,000	44,858	1.10%, 01/12/04	100,000	99,966
1.10%, 04/14/04	190,000	189,396	1.10%, 01/20/04	100,000	99,942
Bank of America Corp.			◆ Concord Minutemen Capital Co., L.L.C., Section 3c7 / 144A		
1.14%, 05/06/04	370,000	368,537	Series A		
◆ Barton Capital Corp., Section 4(2) / 144A			1.11%, 01/09/04	46,000	45,989
1.09%, 01/06/04	50,000	49,992	1.12%, 01/12/04	15,000	14,995
1.10%, 01/20/04	35,000	34,980	1.11%, 01/21/04	41,000	40,975
Bear Stearns Companies, Inc.			1.12%, 01/21/04	31,000	30,981
1.10%, 01/29/04	49,000	48,958	1.11%, 01/23/04	110,000	109,925
1.09%, 02/09/04	58,000	57,932	1.11%, 02/05/04	40,151	40,108
◆+ Beta Finance, Inc., Section 3c7 / 144A			1.17%, 02/06/04	30,000	29,965
1.10%, 01/23/04	19,000	18,987	1.11%, 02/10/04	50,000	49,938
1.10%, 01/28/04	68,000	67,944	1.11%, 02/17/04	16,000	15,977
1.10%, 02/24/04	19,000	18,969	◆+ CRC Funding, L.L.C., Section 4(2) / 144A		
1.13%, 03/10/04	43,000	42,908	1.09%, 01/09/04	14,000	13,997
1.12%, 03/18/04	37,000	36,912	1.09%, 01/14/04	58,000	57,977
1.13%, 03/22/04	14,000	13,965	◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, Section 4(2) / 144A		
1.13%, 04/15/04	6,000	5,980	1.09%, 01/09/04	25,000	24,994
1.16%, 04/15/04	25,000	24,916	1.09%, 01/13/04	24,000	23,991
◆ CC (USA), Inc., Section 3c7 / 144A			1.10%, 01/13/04	75,000	74,973
1.10%, 01/28/04	20,000	19,984	1.10%, 01/14/04	48,000	47,981
1.09%, 01/30/04	68,000	67,940	1.10%, 01/21/04	150,000	149,908
1.10%, 02/09/04	22,500	22,473	1.10%, 01/22/04	200,000	199,872
1.10%, 02/11/04	10,000	9,987	1.11%, 01/22/04	45,000	44,971
1.11%, 02/13/04	25,000	24,967	1.10%, 01/23/04	24,000	23,984
1.11%, 02/17/04	27,500	27,460	1.11%, 01/23/04	16,000	15,989
1.12%, 03/15/04	55,000	54,873	1.09%, 01/30/04	19,000	18,983
1.12%, 03/18/04	53,000	52,874	1.09%, 02/05/04	10,000	9,989
1.13%, 04/13/04	7,000	6,978	+ Danske Corp.		
1.24%, 08/09/04	75,000	75,000	1.11%, 03/08/04	50,000	49,897
CDC Commercial Paper Corp., Section 4(2) / 144A			◆ Delaware Funding Corp., Section 4(2) / 144A		
1.09%, 03/16/04	77,000	76,825	1.09%, 01/13/04	31,127	31,116
Citicorp			1.08%, 01/23/04	25,099	25,082
1.09%, 02/11/04	15,000	14,981	1.09%, 01/23/04	25,031	25,014

Schwab Value Advantage Money Fund®

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Den Norske Bank ASA			1.10%, 01/28/04	103,000	102,915
1.11%, 03/02/04	70,000	69,868	1.11%, 02/11/04	22,000	21,972
1.11%, 03/04/04	23,000	22,955	1.11%, 02/12/04	50,000	49,935
1.12%, 05/19/04	35,000	34,849	1.11%, 02/17/04	7,750	7,739
Depfa PLC, Section 4(2) / 144A			1.10%, 02/18/04	30,000	29,956
1.10%, 03/10/04	11,000	10,977	1.10%, 02/20/04	130,000	129,801
+ Dexia Delaware, L.L.C.			1.10%, 02/24/04	20,000	19,967
1.08%, 02/25/04	110,000	109,819	1.10%, 02/25/04	40,000	39,933
1.08%, 02/26/04	167,000	166,719	+ GE Capital International Funding, Inc., Section 4(2) / 144A		
◆ Dorada Finance, Inc., Section 3c7 / 144A			1.10%, 01/27/04	28,000	27,978
1.09%, 01/12/04	42,500	42,486	1.11%, 03/03/04	71,000	70,864
1.10%, 01/28/04	17,000	16,986	1.11%, 03/05/04	202,000	201,601
1.11%, 01/28/04	42,500	42,465	GE Financial Assurance Holdings, Inc., Section 4(2) / 144A		
1.13%, 04/13/04	17,000	16,946	1.10%, 01/22/04	68,090	68,046
◆+ Edison Asset Securitization Corp., L.L.C., Section 4(2) / 144A			1.09%, 02/10/04	20,000	19,976
1.10%, 02/19/04	33,000	32,951	General Electric Capital Corp.		
◆ Eiffel Funding, L.L.C., Section 4(2) / 144A			1.10%, 01/27/04	185,000	184,853
1.10%, 01/12/04	50,000	49,983	1.10%, 02/19/04	238,000	237,644
1.10%, 01/23/04	59,000	58,960	1.11%, 03/03/04	235,000	234,551
1.11%, 01/23/04	65,000	64,956	1.11%, 03/04/04	87,000	86,831
◆+ Fairway Finance Corp., Section 4(2) / 144A			General Electric Capital Services		
1.06%, 01/08/04	5,000	4,999	1.09%, 02/09/04	44,000	43,948
1.10%, 01/15/04	50,000	49,979	1.10%, 02/11/04	25,000	24,969
1.10%, 01/29/04	18,171	18,155	1.10%, 03/05/04	255,000	254,501
1.10%, 02/17/04	11,987	11,970	General Electric Co.		
1.12%, 03/08/04	14,453	14,423	1.13%, 02/12/04	232,000	231,694
1.12%, 03/12/04	125,000	124,726	◆+ Giro Funding U.S. Corp., Section 4(2) / 144A		
1.12%, 03/25/04	35,000	34,909	1.10%, 01/15/04	143,824	143,762
1.15%, 04/15/04	17,657	17,598	1.11%, 01/16/04	38,000	37,982
◆+ Falcon Asset Securitization Corp., Section 4(2) / 144A			1.10%, 01/22/04	20,000	19,987
1.04%, 01/12/04	18,000	17,994	1.10%, 01/27/04	20,000	19,984
1.09%, 01/12/04	91,920	91,889	1.12%, 02/03/04	30,000	29,969
1.09%, 01/16/04	128,835	128,777	1.10%, 02/06/04	55,000	54,940
1.09%, 01/27/04	27,000	26,979	1.11%, 02/09/04	25,000	24,970
1.09%, 01/30/04	30,000	29,974	1.10%, 03/12/04	45,000	44,902
ForeningsSparbanken AB (Swedbank)			1.13%, 03/24/04	24,000	23,938
1.08%, 02/05/04	80,000	79,916	◆+ Grampian Funding, Ltd., Section 4(2) / 144A		
1.08%, 02/12/04	17,000	16,979	1.10%, 02/19/04	49,000	48,927
+ Fortis Funding, L.L.C., Section 4(2) / 144A			1.11%, 02/25/04	31,000	30,947
1.10%, 01/15/04	33,000	32,986	◆ Greyhawk Funding, L.L.C., Section 4(2) / 144A		
1.10%, 01/16/04	27,886	27,873	1.10%, 01/28/04	42,000	41,965
◆+ Galaxy Funding, Inc., Section 4(2) / 144A			1.11%, 02/05/04	17,000	16,982
1.11%, 01/16/04	30,000	29,986	1.10%, 02/06/04	25,000	24,973
1.10%, 01/26/04	93,000	92,929			

See financial notes. 35

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.11%, 02/06/04	154,000	153,829			
1.10%, 02/13/04	49,800	49,735			
◆+ Hatteras Funding Corp., Section 4(2) / 144A			+ Landesbank Schleswig-Holstein Girozentrale, Section 4(2) / 144A		
1.11%, 01/15/04	24,018	24,008	1.29%, 03/09/04	90,000	89,784
1.11%, 01/22/04	15,000	14,990	1.33%, 03/26/04	30,000	29,907
1.11%, 01/23/04	13,305	13,296	1.35%, 04/15/04	35,000	34,864
1.10%, 01/26/04	27,000	26,979	◆ Lexington Parker Capital Co., L.L.C., Section 4(2) / 144A		
1.10%, 01/28/04	23,269	23,250	1.16%, 01/08/04	30,000	29,993
1.10%, 02/20/04	15,533	15,509	1.11%, 01/20/04	11,503	11,496
1.10%, 02/23/04	35,014	34,957	1.11%, 01/23/04	46,000	45,969
+ HBOS Treasury Services, PLC			1.10%, 02/05/04	70,545	70,470
1.10%, 02/04/04	55,000	54,943	1.11%, 02/10/04	40,000	39,951
1.10%, 02/19/04	59,000	58,912	1.11%, 02/11/04	45,000	44,943
1.11%, 02/23/04	33,000	32,946	1.13%, 03/05/04	18,480	18,443
1.11%, 03/03/04	64,000	63,878	1.15%, 04/16/04	35,715	35,595
1.13%, 03/11/04	15,000	14,967	◆+ Links Finance, L.L.C., Section 3c7 / 144A		
1.10%, 03/23/04	50,000	49,875	1.10%, 02/19/04	49,000	48,927
HSBC U.S.A., Inc.			1.10%, 03/08/04	59,000	58,879
1.09%, 01/27/04	146,000	145,885	◆ Mane Funding Corp., Section 4(2) / 144A		
◆+ Independence Funding, L.L.C., Section 4(2) / 144A			1.11%, 01/22/04	50,086	50,054
1.09%, 01/12/04	16,000	15,995	1.11%, 01/27/04	8,505	8,498
1.10%, 01/15/04	128,000	127,946	1.12%, 01/27/04	10,000	9,992
Irish Life & Permanent, PLC, Section 4(2) / 144A			1.10%, 02/04/04	100,000	99,896
1.10%, 03/10/04	38,000	37,920	1.10%, 02/05/04	36,534	36,495
1.09%, 04/13/04	22,000	21,931	1.11%, 02/09/04	35,000	34,958
J.P. Morgan Chase & Co.			◆+ Mont Blanc Capital Corp., Section 4(2) / 144A		
1.10%, 02/10/04	107,000	106,869	1.10%, 01/06/04	65,000	64,990
1.10%, 02/12/04	70,000	69,910	1.10%, 01/07/04	13,000	12,998
◆+ Jupiter Securitization Corp., Section 4(2) / 144A			1.10%, 01/15/04	16,000	15,993
1.09%, 01/12/04	114,000	113,962	1.09%, 01/20/04	40,000	39,977
1.12%, 01/20/04	23,000	22,986	1.11%, 01/28/04	22,999	22,980
+ KBC Financial Products International, Ltd., Section 4(2) / 144A			1.10%, 02/12/04	80,000	79,897
1.10%, 01/14/04	98,000	97,961	Morgan Stanley		
◆+ Kitty Hawk Funding Corp., Section 4(2) / 144A			1.08%, 01/05/04	185,000	184,978
1.08%, 01/12/04	100,000	99,967	1.08%, 01/13/04	100,000	99,964
1.09%, 01/15/04	33,899	33,885	1.08%, 01/20/04	195,000	194,889
1.10%, 02/10/04	13,577	13,560	1.08%, 01/26/04	76,000	75,943
1.11%, 02/10/04	48,342	48,282	1.08%, 02/10/04	175,000	174,790
1.10%, 02/17/04	16,566	16,542	Nationwide Building Society		
1.10%, 03/16/04	20,419	20,372	1.10%, 01/28/04	45,000	44,963
1.13%, 03/22/04	38,309	38,212	◆ Newcastle Certificates Program, Section 4(2) / 144A		
			Series 2000A		
			1.11%, 01/16/04	31,000	30,986
			1.10%, 01/21/04	107,000	106,935
			1.11%, 01/23/04	36,000	35,976

Schwab Value Advantage Money Fund®

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ Nordea North America, Inc.			1.13%, 03/11/04	15,000	14,967
1.08%, 01/22/04	53,554	53,520	1.14%, 03/11/04	20,000	19,956
1.09%, 02/12/04	98,000	97,875	1.13%, 03/23/04	54,000	53,862
1.10%, 03/25/04	20,000	19,949	1.14%, 03/23/04	39,000	38,900
◆+ Old Line Funding Corp., Section 4(2) / 144A			+ Stadshypotek Delaware, Inc., Section 4(2) / 144A		
1.09%, 01/08/04	30,033	30,027	1.11%, 03/03/04	35,000	34,933
1.09%, 01/09/04	17,884	17,880	◆+ Thunder Bay Funding, Inc., Section 4(2) / 144A		
1.09%, 01/15/04	27,938	27,926	1.10%, 01/09/04	42,893	42,883
1.10%, 01/16/04	62,829	62,800	1.10%, 01/15/04	38,699	38,683
1.10%, 01/20/04	12,462	12,455	1.10%, 01/20/04	20,000	19,988
1.09%, 01/23/04	9,591	9,585	1.09%, 01/23/04	27,079	27,061
1.09%, 01/28/04	14,094	14,083	1.09%, 01/26/04	13,766	13,756
1.10%, 01/28/04	18,115	18,100	1.09%, 02/05/04	19,081	19,061
◆ Park Granada, L.L.C., Section 4(2) / 144A			1.09%, 02/13/04	23,000	22,970
1.11%, 01/06/04	50,000	49,992	◆+ Ticonderoga Funding, L.L.C., Section 4(2) / 144A		
1.12%, 01/07/04	100,397	100,378	1.10%, 01/13/04	33,000	32,988
1.12%, 01/08/04	14,000	13,997	1.09%, 01/14/04	53,000	52,979
1.12%, 01/09/04	106,100	106,074	1.10%, 01/16/04	15,686	15,679
1.12%, 02/12/04	12,000	11,984	1.09%, 01/23/04	95,533	95,469
1.13%, 03/09/04	39,000	38,917	1.10%, 01/23/04	43,209	43,180
◆+ Preferred Receivables Funding Corp., Section 4(2) / 144A			1.10%, 01/28/04	20,500	20,483
1.09%, 01/14/04	134,533	134,480	◆+ Triple-A One Funding Corp., Section 4(2) / 144A		
1.11%, 02/11/04	61,000	60,923	1.08%, 01/08/04	13,411	13,408
◆ Receivables Capital Corp., Section 4(2) / 144A			1.10%, 01/09/04	16,939	16,935
1.09%, 01/05/04	20,000	19,998	1.09%, 01/13/04	25,078	25,069
1.08%, 01/16/04	225,780	225,678	1.08%, 01/14/04	20,000	19,992
1.09%, 01/20/04	80,000	79,954	◆+ Tulip Funding Corp., Section 4(2) / 144A		
1.10%, 01/20/04	25,023	25,008	1.09%, 01/09/04	56,598	56,584
1.10%, 03/01/04	40,000	39,927	1.10%, 01/14/04	100,000	99,960
+ San Paolo IMI U.S. Financial Co.			1.10%, 01/23/04	20,000	19,987
1.09%, 03/18/04	115,000	114,732	1.10%, 01/26/04	185,000	184,859
◆ Scaldis Capital Ltd., Section 4(2) / 144A			+ Westpac Capital Corp.		
1.10%, 01/14/04	6,056	6,054	1.08%, 02/04/04	123,000	122,875
1.11%, 01/21/04	95,000	94,941	+ Westpac Trust Securities NZ		
1.10%, 02/26/04	45,000	44,923	1.10%, 03/05/04	12,700	12,675
1.14%, 03/24/04	23,000	22,940	1.11%, 03/12/04	106,000	105,769
◆+ Sigma Finance, Inc., Section 3c7 / 144A			◆+ Windmill Funding Corp., Section 4(2) / 144A		
1.11%, 01/28/04	10,000	9,992	1.09%, 01/23/04	25,000	24,983
1.11%, 02/13/04	112,000	111,852	1.09%, 02/03/04	99,000	98,901
1.14%, 02/13/04	16,000	15,978	1.10%, 02/04/04	17,000	16,982
1.10%, 02/19/04	10,000	9,985			15,771,018
1.13%, 02/26/04	24,000	23,958			

See financial notes. 37

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Certificates of Deposit 30.3%					
† Abbey National Treasury Services, PLC			Danske Bank A/S		
1.09%, 01/06/04	126,000	126,000	1.09%, 02/23/04	299,000	299,002
Alliance & Leicester, PLC			DePfa Bank, PLC		
1.10%, 02/20/04	30,000	30,000	1.13%, 03/22/04	68,000	68,000
1.10%, 03/10/04	50,000	50,000	Deutsche Bank, AG		
1.11%, 03/19/04	19,000	19,000	1.40%, 09/03/04	110,000	110,000
American Express Centurion Bank			1.41%, 10/15/04	285,000	285,000
1.08%, 01/30/04	141,000	141,000	1.42%, 10/27/04	27,000	27,000
Bank of Nova Scotia			1.50%, 11/19/04	100,000	100,000
1.10%, 03/24/04	194,000	194,000	First Tennessee Bank, N.A.		
Barclays Bank, PLC			1.10%, 02/10/04	55,000	55,000
1.10%, 01/09/04	125,000	125,000	ForeningsSparbanken, AB (Swedbank)		
1.10%, 01/13/04	127,000	127,000	1.05%, 01/12/04	50,000	50,000
1.10%, 03/22/04	200,000	200,000	Fortis Bank		
1.10%, 04/19/04	25,000	25,019	1.08%, 02/03/04	100,000	100,000
1.35%, 08/26/04	49,000	48,997	1.10%, 02/13/04	98,000	98,000
Bayerische Landesbank Girozentrale			† HBOS Treasury Services, PLC		
1.25%, 03/15/04	100,000	99,997	1.11%, 01/20/04	48,000	48,000
1.30%, 03/26/04	100,000	99,998	1.09%, 02/06/04	17,000	17,000
BNP Paribas			1.11%, 03/12/04	24,000	24,000
1.08%, 02/04/04	50,000	50,000	1.11%, 04/19/04	27,000	27,000
1.10%, 02/06/04	214,000	214,000	HSBC Bank, PLC		
1.11%, 03/10/04	200,000	200,000	1.09%, 02/11/04	78,000	78,000
1.11%, 04/02/04	196,000	196,000	1.09%, 02/17/04	21,000	21,000
1.10%, 04/19/04	140,000	140,000	1.09%, 02/19/04	55,000	55,000
Canadian Imperial Bank of Commerce			HSH Nordbank, AG		
1.09%, 01/15/04	45,000	45,000	1.08%, 02/09/04	34,000	34,000
1.08%, 02/06/04	19,000	19,000	1.42%, 09/07/04	92,000	91,994
1.10%, 02/17/04	232,000	232,000	1.42%, 10/29/04	18,000	17,999
Citibank, N.A.			ING Bank, NV		
1.10%, 01/22/04	160,000	160,000	1.05%, 01/14/04	65,000	65,000
1.09%, 02/04/04	20,000	20,000	1.10%, 02/20/04	102,000	102,000
1.10%, 02/13/04	70,000	70,000	1.10%, 03/24/04	150,000	150,000
1.10%, 03/04/04	155,000	155,000	KBC Bank NV		
Commonwealth Bank of Australia			1.10%, 01/20/04	35,000	35,000
1.10%, 01/13/04	71,000	71,000	Landesbank Baden Wurttemberg		
Credit Agricole Indosuez			1.10%, 01/30/04	143,000	143,000
1.08%, 02/02/04	161,000	161,000	1.10%, 02/26/04	90,000	90,000
Credit Lyonnais S.A.			1.10%, 03/19/04	20,000	20,000
1.12%, 03/08/04	28,000	27,999	Landesbank Hessen-Thuringen Girozentrale		
1.11%, 04/01/04	140,000	140,004	1.30%, 02/03/04	36,000	36,003
Credit Suisse First Boston			1.35%, 08/26/04	80,000	79,995
1.09%, 03/16/04	283,000	283,000	1.51%, 11/19/04	62,000	62,000

Schwab Value Advantage Money Fund®

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Lloyds TSB Bank, PLC			Washington Mutual Bank		
1.10%, 04/02/04	39,000	39,000	1.11%, 02/09/04	57,000	57,000
Nationwide Building Society			Wells Fargo Bank N.A.		
1.10%, 02/04/04	85,000	85,000	1.08%, 01/07/04	25,000	25,000
Norddeutsche Landesbank Girozentrale			WestLB AG		
1.25%, 04/05/04	50,000	50,000	1.26%, 04/02/04	105,000	105,000
1.30%, 04/13/04	55,000	54,999	1.34%, 04/14/04	99,000	99,000
1.40%, 08/05/04	33,000	33,001	1.35%, 04/23/04	100,000	99,997
1.38%, 09/03/04	5,000	5,000	Wilmington Trust Co.		
Royal Bank of Scotland, PLC			1.13%, 02/27/04	25,000	25,000
1.08%, 01/14/04	89,000	89,000			9,259,002
1.08%, 02/06/04	97,000	97,000	Bank Notes 2.4%		
1.10%, 03/15/04	92,000	92,002	Bank of America, N.A.		
1.35%, 08/26/04	100,000	99,993	1.10%, 03/15/04	208,000	208,000
1.40%, 09/07/04	85,000	84,994	1.08%, 04/13/04	190,000	190,000
San Paolo IMI SPA			1.08%, 04/15/04	175,000	175,000
1.03%, 01/07/04	90,000	90,000	Lasalle National Bank, N.A.		
1.10%, 01/30/04	80,000	80,000	1.10%, 02/09/04	17,000	17,000
1.11%, 02/17/04	78,000	78,002	Standard Federal Bank, N.A.		
1.10%, 02/18/04	77,000	77,000	1.10%, 01/30/04	89,000	89,000
1.12%, 02/18/04	15,000	15,000	1.10%, 02/13/04	73,000	73,000
Societe Generale					752,000
1.11%, 03/16/04	100,000	100,000	Promissory Notes 1.4%		
1.10%, 03/22/04	292,000	292,000	The Goldman Sachs Group, Inc.		
1.10%, 03/23/04	200,000	200,000	1.14%, 01/28/04	60,000	60,000
Southtrust Bank			1.22%, 02/05/04	77,000	77,000
1.08%, 02/11/04	82,000	82,000	1.21%, 02/20/04	12,000	12,000
Svenska Handelsbanken AB			1.19%, 03/23/04	279,000	279,000
1.08%, 01/08/04	82,000	82,000			428,000
1.08%, 01/21/04	92,000	92,000	U.S. Government Securities 2.8% of Net Assets		
1.11%, 02/03/04	48,000	48,000	Discount Notes 2.4%		
Toronto Dominion Bank			Fannie Mae		
1.11%, 04/02/04	75,000	75,000	1.10%, 03/17/04	381,000	380,115
UBS, AG			Freddie Mac		
1.10%, 03/17/04	71,000	71,019	1.10%, 03/15/04	185,000	184,582
1.32%, 08/04/04	25,000	25,000	1.00%, 03/25/04	50,000	49,885
1.38%, 08/26/04	45,000	44,997	1.10%, 04/05/04	110,000	109,683
1.42%, 11/12/04	200,000	199,991			724,265
Unicredito Italiano SPA					
1.10%, 01/15/04	165,000	165,000			
1.12%, 01/21/04	45,000	45,000			
1.12%, 01/26/04	107,000	107,000			
1.09%, 01/29/04	20,000	20,000			
1.11%, 03/19/04	240,000	240,000			
1.12%, 03/24/04	30,000	30,000			

See financial notes. 39

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Coupon Notes 0.4%			Merlot Trust		
Fannie Mae			Series 2000B, Section 4(2) / 144A		
1.55%, 11/17/04	25,000	25,000	1.25%, 01/07/04	30,000	30,000
1.65%, 12/30/04	100,000	100,000	Metropolitan Life Insurance Co., 144A		
		125,000	1.22%, 01/30/04	50,000	50,000
			1.24%, 02/02/04	100,000	100,000
			Monumental Life Insurance Co., 144A		
			1.25%, 01/01/04	100,000	100,000
			1.29%, 01/01/04	10,000	10,000
			1.27%, 01/02/04	100,000	100,000
			New Jersey Economic Development Authority		
			Taxable Economic Development Bonds		
			(MSNBC CNBC Project)		
			Series 1997A, 144A		
			1.15%, 01/02/04	23,500	23,500
			Royal Bank of Canada		
			1.15%, 01/12/04	40,000	40,000
			Royal Bank of Scotland, PLC		
			1.09%, 01/14/04	85,000	84,979
			Santa Rosa, California		
			Wastewater Taxable RB		
			Series 2002A		
			1.25%, 01/07/04	23,700	23,700
			Sigma Finance, Inc., Section 3c7 / 144A		
			1.14%, 01/05/04	35,000	34,998
			1.14%, 01/12/04	20,000	20,000
			1.13%, 01/14/04	50,000	49,997
			1.12%, 01/15/04	100,000	99,999
			1.12%, 01/16/04	50,000	49,999
			1.12%, 01/20/04	60,000	59,995
			1.10%, 01/21/04	55,000	54,995
			1.09%, 01/27/04	50,000	49,993
			1.12%, 11/22/04	50,000	49,996
			Town of Islip, New York IDA, 144A		
			Taxable Adjustable Rate IDR		
			(Nussdorf Associates/Quality King		
			Distributions, Inc. Facility)		
			Series 1992		
			1.32%, 01/07/04	2,595	2,595
			Travelers Insurance Co., 144A		
			1.22%, 01/30/04	25,000	25,000
			1.23%, 02/01/04	25,000	25,000
			1.25%, 02/21/04	100,000	100,000
					1,962,608

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
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Other Investments 5.1% of Net Assets

Repurchase Agreements 5.1%

Credit Suisse First Boston L.L.C. Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$56,566 1.02% issued 12/31/03, due 01/02/04	55,458	55,455
Goldman Sachs & Co. Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$1,020,000 1.02% issued 12/31/03, due 01/02/04	1,000,057	1,000,000
UBS Financial Services, Inc. Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$510,001 1.02% issued 12/31/03, due 01/02/04	500,028	500,000
		1,555,455

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

At December 31, 2003, portfolio holdings included illiquid restricted securities as follows:

Issuer Rate, Acquisition Date, Maturity Date	Face Amount (\$ x 1,000)	Cost/ Value (\$ x 1,000)
GE Life & Annuity Assurance Co., 144A 1.22%, 10/01/03, 01/01/04	50,000	50,000
Metropolitan Life Insurance Co., 144A 1.22%, 12/28/00, 01/30/04 1.24%, 02/03/03, 02/02/04	50,000 100,000	50,000 100,000
		150,000
Monumental Life Insurance Co., 144A 1.25%, 10/09/96, 01/01/04 1.27%, 01/12/00, 01/02/04 1.29%, 06/09/93, 01/01/04	100,000 100,000 10,000	100,000 100,000 10,000
		210,000
The Goldman Sachs Group, Inc. 1.14%, 07/28/03, 01/28/04 1.22%, 08/05/03, 02/04/04 1.21%, 08/19/03, 02/20/04 1.19%, 09/24/03, 03/23/04 1.19%, 09/25/03, 03/23/04	60,000 77,000 12,000 235,000 44,000	60,000 77,000 12,000 235,000 44,000
		428,000
Travelers Insurance Co., 144A 1.22%, 01/31/03, 01/30/04 1.23%, 10/31/03, 02/01/04 1.25%, 08/21/03, 02/21/04	25,000 25,000 100,000	25,000 25,000 100,000
		150,000

Schwab Value Advantage Money Fund®

Statement of
Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$30,577,348
Receivables:	
Fund shares sold	133,735
Interest	29,665
Prepaid expenses	+ 485
Total assets	30,741,233

Liabilities

Payables:	
Fund shares redeemed	143,504
Dividends to shareholders	2,687
Investment adviser and administrator fees	176
Transfer agent and shareholder service fees	173
Accrued expenses	+ 875
Total liabilities	147,415

Net Assets

Total assets	30,741,233
Total liabilities	- 147,415
Net assets	\$30,593,818

Net Assets by Source

Capital received from investors	30,593,921
Net realized capital losses	(103)

Net Asset Value (NAV) by Share Class

Share Class	Net Assets	÷	Shares Outstanding	=	NAV
Investor Shares	\$28,860,444		28,860,656		\$1.00
Select Shares®	\$1,012,891		1,012,891		\$1.00
Institutional Shares	\$720,483		720,483		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost of the fund's securities was \$30,577,348. Includes illiquid restricted securities worth \$988,000, or 3.23% of the fund's total net assets. Also, includes other restricted but deemed liquid securities comprised of 144A, section 4(2) and 3c7 securities, worth \$11,810,729 or 38.60% of the fund's total net assets.

Federal Tax Data

Cost basis of portfolio \$30,577,348

Capital losses utilized \$1

Unused capital losses:

Expires 12/31 of: Loss amount:
2005 \$103

Schwab Value Advantage Money Fund®

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$458,365**

Net Realized Gains and Losses

Net realized gains **1**

Expenses

Investment adviser and administrator fees 116,421

Transfer agent and shareholder service fees:

Investor Shares 76,724

Select Shares® 1,686

Institutional Shares 1,613

Trustees' fees 178

Custodian and portfolio accounting fees 3,157

Professional fees 130

Registration fees 953

Shareholder reports 382

Other expenses + 352

Total expenses 201,596

Expense reduction - 40,218

Net expenses **161,378**

Increase in Net Assets from Operations

Total investment income 458,365

Net expenses - 161,378

Net investment income **296,987**

Net realized gains + 1

Increase in net assets from operations **\$296,988**

Unless stated, all numbers x 1,000.

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. These fees are paid by Charles Schwab & Co.

For the fund's independent trustees only.

Includes \$37,912 from the investment adviser (CSIM) and \$2,306 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.

Schwab Value Advantage Money Fund®

Statements of
Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03–12/31/03	1/1/02–12/31/02
Net investment income	\$296,987	\$650,804
Net realized gains	1	—
Increase in net assets from operations	296,988	650,804

Distributions Paid

Dividends from net investment income		
Investor Shares	283,303	648,150
Select Shares®	6,346	—
Institutional Shares	+ 7,338	2,654
Total dividends from net investment income	296,987	650,804

Transactions in Fund Shares

Shares Sold

Investor Shares	22,006,388	34,345,512
Select Shares®	2,532,939	—
Institutional Shares	+ 2,319,828	1,058,467
Total shares sold	26,859,155	35,403,979

Shares Reinvested

Investor Shares	263,067	608,484
Select Shares®	5,541	—
Institutional Shares	+ 6,123	1,551
Total shares reinvested	274,731	610,035

Shares Redeemed

Investor Shares	(32,136,966)	(40,473,102)
Select Shares®	(1,525,589)	—
Institutional Shares	+ (2,126,860)	(538,626)
Total shares redeemed	(35,789,415)	(41,011,728)

Net transactions in fund shares (8,655,529) (4,997,714)

Net Assets

Beginning of period	39,249,346	44,247,060
Total decrease	+ (8,655,528)	(4,997,714)
End of period	\$30,593,818	\$39,249,346

Unless stated, all numbers x 1,000.

The tax-basis components of distributions are:

Current year

Ordinary income	\$296,987
Long-term capital gains	\$—

Prior year

Ordinary income	\$650,804
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. The fund started offering Select Shares® on February 28, 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

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 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 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

The funds pay fees to affiliates of the investment adviser 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 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.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds®. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds®.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the 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 borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

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

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

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

Report of Independent Auditors

To the Board of Trustees and Shareholders of:

Schwab Money Market Fund

Schwab Government Money Fund

Schwab U.S. Treasury Money Fund

Schwab Value Advantage Money Fund*

In our opinion, the accompanying statements of assets and liabilities, including the Portfolio holdings, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Schwab Money Market Fund, Schwab Government Money Fund, Schwab U.S. Treasury Money Fund and Schwab Value Advantage Money Fund (four of the portfolios constituting The Charles Schwab Family of Funds, hereafter referred to as the “Funds”) at December 31, 2003, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and the financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Funds’ management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, CA

February 6, 2004

Fund Trustees

A fund's Board of Trustees is responsible for protecting the interests of that fund's shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds (of which there were 49 as of 12/31/03) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp.; CEO, Director, Schwab Holdings, Inc.; Chair, Director, Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc.; Chair, Charles Schwab Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, The Gap, Inc. (clothing retailer), Siebel Systems (software); Trustee, Stanford University. <i>Until 6/03</i> : Director, Xsign, Inc. (electronic payment systems). <i>Until 5/03</i> : Co-Chair, The Charles Schwab Corporation. <i>Until 5/02</i> : Director, Vodafone AirTouch PLC (telecom). <i>Until 3/02</i> : Director, Audiobase, Inc. (Internet audio solutions). <i>Until 7/01</i> : Director, The Charles Schwab Trust Company. <i>Until 1/99</i> : Director, Schwab Retirement Plan Services, Inc., Mayer & Schweitzer, Inc. (securities brokerage subsidiary of The Charles Schwab Corp.), Performance Technologies, Inc. (technology), TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Money Funds

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	Trustee:2003 (all trusts)	Vice Chair, EVP, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.
Jeffrey M. Lyons ¹ 2/22/55	Trustee: 2002 (all trusts).	EVP, Asset Management Products and Services, Charles Schwab & Co., Inc. <i>Until 9/01</i> : EVP, Mutual Funds, Charles Schwab & Co., Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; VP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Money Funds

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, Director, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital. <i>2001</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Director, Non-Executive Chairman, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Networks (telecommunications); Public Governor, Member, executive committee, Pacific Stock & Options Exchange. Director, Digital Microwave Corp. (network equipment). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Director, Pennzoil-Quaker State Co. (oil and gas), Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products); Member, audit committee, Northern Border Partners, L.P. (energy).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investments).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

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 security A bond or other debt security that represents ownership in a pool of debt obligations such as credit card debt.

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.

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.

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

Schwab Money Funds

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.

illiquid securities A security is generally considered illiquid if it cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instrument.

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.

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

restricted securities A security that is subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

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

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities A security exempt from registration under Section 4(2) of the Securities Act of 1933. It may be sold only to qualified institutional buyers under Securities Act Rule 144A.

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 clearly defined investment approach and using disciplined 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 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 Dividend Equity Fund™
Schwab Small-Cap Equity Fund™
Schwab Hedged Equity Fund™
Schwab Focus Funds
 Communications Focus Fund
 Financial Services Focus Fund
 Health Care Focus Fund
 Technology Focus Fund
Schwab MarketMasters Funds™
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
 Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack 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, subject to availability, 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

Annual Report
December 31, 2003

charles SCHWAB

In This Report

Schwab Government Cash Reserves

Ticker Symbol: **SWHXX**

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The president of SchwabFunds® and the fund's manager take a look at the factors that shaped fund performance during the report period.	
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Fund investment adviser: Charles Schwab Investment Management, Inc. (CSIM).
Distributor and transfer agent: Charles Schwab & Co., Inc. (Schwab).

From the Chairman



Charles R. Schwab
Chairman

In 1989, we founded SchwabFunds® on the belief that mutual funds represent an important tool for investors. Money funds, for example, are especially well-suited for the cash portion of your portfolio when you are seeking capital preservation or liquidity.

Over the past few years, mutual funds have faced a number of challenges, affecting both their performance and investor perception. Yet recently we have seen signs of positive change. The economy and the stock market have shown increasing strength. And while much remains to be done within the fund industry, the industry has been moving quickly to assess and improve its operations and its investor safeguards.

As a firm, we continue to change as well. Our capabilities are evolving in ways that allow us to offer investors more choices and better ways to do business with us. I'm enthusiastic about these changes because they're designed to offer benefits for our fund shareholders.

One thing that hasn't changed is my belief in mutual funds. Mutual funds still offer all the features that have made them so popular: diversification, liquidity, convenience, low investment minimums, and professional management. For individual investors especially, I believe mutual funds continue to be one of the most cost-effective investment vehicles available.

To date, millions of Americans have successfully relied on mutual funds as an important way to invest for retirement security, their children's education, and other financial goals. We remain optimistic that mutual funds will continue to do the same for millions more Americans in the years to come.

Sincerely,

A handwritten signature in cursive script that reads "Charles R. Schwab". The signature is written in dark ink and is positioned below the typed name.

Management's Discussion for the year ended December 31, 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 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

In today's current low-interest-rate environment, it's tempting to ask whether money funds still have a place in an investment portfolio.

It's a fair question, but I'd suggest the answer is not as obvious as it may seem. Money funds are designed to offer several potential benefits. If you're like many investors, your asset allocation calls for a portion of your portfolio to be in cash. If the purpose of that allocation is to offer capital preservation or liquidity, or to help reduce the impact of market volatility on your portfolio, then money funds probably still make sense for you, regardless of the yield environment.

Here at SchwabFunds®, we're proud of our seasoned fund managers and their ability to work as a team. Our managers have an average of over 16 years of experience in the investment management industry. I'm also proud to say that we're in the process of building on that experience: by expanding our selection of mutual funds, adding new share classes, and offering new, competitively priced alternatives.

Thirty years ago, Charles Schwab founded his firm with a vision to create the most useful and ethical financial services firm in the world. We live by that philosophy every day.

Your investment in SchwabFunds is an indication of the trust you place in us. As the managers of your money, we have a special obligation to live up to that trust. I have enjoyed the opportunity to respond to several shareholder inquiries, and I hope you'll let us know how we're doing.

I want to thank you for investing with us and want to assure you that we strive relentlessly to operate our business with the highest ethical standards and an unwavering commitment to serve you, our SchwabFunds shareholders.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk".



Karen Wiggan, a vice president of the investment adviser and senior 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

During 2003, the U.S. economy began to gather strength, especially during the second half of the year. In the months before the war in Iraq (which began in March 2003), the economy remained in a holding pattern, as businesses and investors adopted a wait-and-see stance. Once the combat phase drew to an end, America began to pay more attention to the economy, which by year-end appeared to be recovering.

Seeking additional protection against the risk of deflation, the Federal Reserve (the Fed) cut short-term interest rates by 0.25% in June. This brought the Fed funds target rate to a 45-year low of 1.00%. Short-term interest rates began plummeting in May in anticipation of the Fed's rate cut but quickly began a modest recovery and ended the year somewhat above their mid-year lows. Nevertheless, money fund yields remained close to historically low levels.

During the period, the securities of Freddie Mac came under pressure as news of potential earnings restatements arose. Our analysis indicated that the creditworthiness of these securities was not in doubt. As a result, we continued purchasing these securities at yields comparable to CDs and commercial paper.

As of the end of the report period, neither deflation nor inflation appeared to be immediate risks. In our view, the main questions facing the market were: how strong is the economy, when might inflation return, and when might the Fed start tightening short-term rates?

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 12/31/03

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 Yield-No Waiver²	-0.40%
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	7 days
Credit Quality of Holdings % 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.

Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab. Please refer to the Statement of Operations for additional information on expense waivers.

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00
Income from investment operations:					
Net investment income	0.00 ¹	0.01	0.03	0.05	0.04
Less distributions:					
Dividends from net investment income	(0.00) ¹	(0.01)	(0.03)	(0.05)	(0.04)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.08	0.68	3.08	5.33	4.28
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	1.14 ²	1.25	1.25	1.14 ³	0.95
Gross operating expenses	1.45 ²	1.41	1.50	1.47	1.09
Net investment income	0.08	0.67	2.99	5.24	4.34
Net assets, end of period (\$ x 1,000,000)	644	639	562	412	198

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

² Please refer to Statement of Operations for additional information on expense waivers.

³ The ratio of net operating expenses would have been 1.13% if certain non-routine expenses (proxy fees) had not been included.

Schwab Government Cash Reserves

Portfolio Holdings as of December 31, 2003

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 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)	Value (\$x1,000)
54.6% U.S. Government Securities	351,102	351,102
45.5% Other Investments	292,866	292,866
100.1% Total Investments	643,968	643,968
(0.1)% Other Assets and Liabilities		(392)
100.0% Total Net Assets		643,576

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

U.S. Government Securities 54.6% of Net Assets

Discount Notes 52.7%

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Fannie Mae		
1.03%, 01/05/04	15,000	14,998
1.05%, 01/05/04	19,500	19,498
1.02%, 01/08/04	30,000	29,994
1.06%, 01/09/04	1,600	1,600
1.00%, 01/14/04	1,455	1,455
1.03%, 01/14/04	2,200	2,199
1.07%, 01/14/04	20,000	19,992
1.03%, 01/15/04	1,000	1,000
1.07%, 02/04/04	10,000	9,990

Federal Home Loan Bank

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.05%, 01/02/04	94,450	94,447
1.05%, 01/05/04	10,000	9,999
1.02%, 01/07/04	11,600	11,598
1.03%, 01/09/04	3,062	3,061
1.12%, 01/09/04	1,013	1,013
1.00%, 01/14/04	2,000	1,999

Freddie Mac

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
1.03%, 01/06/04	24,786	24,782
1.03%, 01/08/04	19,583	19,579
1.06%, 01/08/04	3,026	3,025
1.06%, 01/14/04	10,000	9,996
1.03%, 01/15/04	26,400	26,389
1.08%, 01/15/04	5,000	4,998
1.08%, 01/21/04	13,756	13,748
1.07%, 01/30/04	3,023	3,020
1.09%, 02/02/04	1,400	1,399
1.09%, 02/19/04	5,000	4,993
1.08%, 03/01/04	4,100	4,093

338,865

Coupon Notes 1.9%

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Fannie Mae		
5.13%, 02/13/04	7,680	7,715
Federal Home Loan Bank		
5.25%, 02/13/04	4,500	4,522

12,237

Schwab Government Cash Reserves

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

Other Investments 45.5% of Net Assets

Repurchase Agreements 45.5%

Bear Stearns & Co., Inc.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$74,464 1.02%, issued 12/31/03, due 01/02/04	73,004	73,000
---	--------	--------

Credit Suisse First Boston L.L.C.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$75,344 1.02%, issued 12/31/03, due 01/02/04	73,870	73,866
---	--------	--------

J.P. Morgan Chase & Co.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$74,462 1.02%, issued 12/31/03, due 01/02/04	73,004	73,000
---	--------	--------

The Goldman Sachs Group, Inc.

Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$74,460 1.02%, issued 12/31/03, due 01/02/04	73,004	73,000
---	--------	--------

292,866

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

Schwab Government Cash Reserves

Statement of

Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$351,102
Repurchase agreements, at value	292,866
Receivables:	
Interest	246
Prepaid expenses	+ 251
Total assets	644,465

Liabilities

Payables:	
Dividends to shareholders	3
Transfer agent and shareholder service fees	2
Transaction service fees	797
Accrued expenses	+ 87
Total liabilities	889

Net Assets

Total assets	644,465
Total liabilities	- 889
Net assets	\$643,576

Net Assets by Source

Capital received from investors	643,599
Net realized capital losses	(23)

Net Asset Value (NAV)

Net Assets	+	Shares Outstanding	=	NAV
\$643,576		643,599		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost for the fund's securities was \$643,968.

Federal Tax Data

Cost basis of portfolio \$643,968

Unused capital losses:

Expires 12/31 of:	Loss amount:
2007	\$1
2011	+ 22
	\$23

Schwab Government Cash Reserves

Statement of

Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest	\$7,790
----------	----------------

Net Realized Gains and Losses

Net realized loss on investments sold	(22)
---------------------------------------	-------------

Expenses

Investment adviser and administrator fees	2,435
Transfer agent and shareholder service fees	2,883
Transaction service fees	3,525
Trustees' fees	30
Custodian and portfolio accounting fees	63
Professional fees	25
Registration fees	207
Shareholder reports	108
Other expenses	+
	9
Total expenses	9,285
Expense reduction	-
	1,997
Net expenses	7,288

Increase in Net Assets from Operations

Total investment income	7,790
Net expenses	-
	7,288
Net investment income	502
Net realized losses	+
	(22)
Increase in net assets from operations	\$480

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

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 \$1,274, 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 \$723 of the fund's expenses, which reduced the fund's annualized OER by an additional 0.11%. The combination of these two waivers resulted in a net annualized OER for the period of 1.14%.

Schwab Government Cash Reserves

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$502	\$3,885
Net realized losses	+ (22)	-
Increase in net assets from operations	480	3,885

Distributions Paid

Dividends from net investment income	502	3,885
--------------------------------------	------------	--------------

Transactions in Fund Shares

Shares sold	6,056,415	5,847,747
Shares reinvested	481	3,716
Shares redeemed	+ (6,052,786)	(5,773,588)
Net transactions in fund shares	4,110	77,875

Net Assets

Beginning of period	639,488	561,613
Total increase	+ 4,088	77,875
End of period	\$643,576	\$639,488

Unless stated, all numbers x 1,000.

The tax-basis components of distributions are:

Current period

Ordinary income	\$502
Long-term capital gains	\$-

Prior period

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

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 to affiliates of the investment adviser 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.

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.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds®. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds®.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the 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 funds may borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts that they borrow at rates that are negotiated periodically.

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 net realized 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 or a class are charged directly to the fund or class. Expenses that are common to all funds within the trust generally are allocated among the funds in proportion to their average daily 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.

Report of Independent Auditors

To the Board of Trustees and Shareholders of:
Schwab Government Cash Reserves

In our opinion, the accompanying statement of assets and liabilities, including the portfolio holdings, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Schwab Government Cash Reserves (one of the portfolios constituting The Charles Schwab Family of Funds, hereafter referred to as the “Fund”) at December 31, 2003, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and the financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
San Francisco, CA
February 6, 2004

Fund Trustees

A fund's Board of Trustees is responsible for protecting the interests of that fund's shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an "interested person," meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as "interested trustees." The "independent trustees" are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds (of which there were 49 as of 12/31/03) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp.; CEO, Director, Schwab Holdings, Inc.; Chair, Director, Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc.; Chair, Charles Schwab Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, The Gap, Inc. (clothing retailer), Siebel Systems (software); Trustee, Stanford University. <i>Until 6/03</i> : Director, Xsign, Inc. (electronic payment systems). <i>Until 5/03</i> : Co-Chair, The Charles Schwab Corporation. <i>Until 5/02</i> : Director, Vodafone AirTouch PLC (telecom). <i>Until 3/02</i> : Director, Audiobase, Inc. (Internet audio solutions). <i>Until 7/01</i> : Director, The Charles Schwab Trust Company. <i>Until 1/99</i> : Director, Schwab Retirement Plan Services, Inc., Mayer & Schweitzer, Inc. (securities brokerage subsidiary of The Charles Schwab Corp.), Performance Technologies, Inc. (technology), TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Government Cash Reserves

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	Trustee:2003 (all trusts)	Vice Chair, EVP, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.
Jeffrey M. Lyons ¹ 2/22/55	Trustee: 2002 (all trusts).	EVP, Asset Management Products and Services, Charles Schwab & Co., Inc. <i>Until 9/01</i> : EVP, Mutual Funds, Charles Schwab & Co., Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; VP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Government Cash Reserves

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, Director, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital. <i>2007</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Director, Non-Executive Chairman, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Networks (telecommunications); Public Governor, Member, executive committee, Pacific Stock & Options Exchange. Director, Digital Microwave Corp. (network equipment). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Director, Pennzoil-Quaker State Co. (oil and gas), Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products); Member, audit committee, Northern Border Partners, L.P. (energy).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investments).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

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 security A bond or other debt security that represents ownership in a pool of debt obligations such as credit card debt.

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.

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.

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

Schwab Government Cash Reserves

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.

illiquid securities A security is generally considered illiquid if it cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instrument.

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.

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

restricted securities A security that is subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

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

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities A security exempt from registration under Section 4(2) of the Securities Act of 1933. It may be sold only to qualified institutional buyers under Securities Act Rule 144A.

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 clearly defined investment approach and using disciplined 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 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 Dividend Equity Fund™
Schwab Small-Cap Equity Fund™
Schwab Hedged Equity Fund™
Schwab Focus Funds
 Communications Focus Fund
 Financial Services Focus Fund
 Health Care Focus Fund
 Technology Focus Fund
Schwab MarketMasters Funds™
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
 Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack 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, subject to availability, 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[®]

Annual Report
December 31, 2003

charles SCHWAB

In This Report

Management's Discussion

The president of SchwabFunds® and the funds' managers take a look at the factors that shaped fund performance during the report period.

Performance and Fund Facts **4**

Schwab Institutional Advantage Money Fund®

Ticker Symbol: **SWIXX**

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Schwab Retirement Money Fund®

Ticker Symbol: **SWRXX**

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From the Chairman



Charles R. Schwab
Chairman

In 1989, we founded SchwabFunds® on the belief that mutual funds represent an important tool for investors. Money funds, for example, are especially well-suited for the cash portion of your portfolio when you are seeking capital preservation or liquidity.

Over the past few years, mutual funds have faced a number of challenges, affecting both their performance and investor perception. Yet recently we have seen signs of positive change. The economy and the stock market have shown increasing strength. And while much remains to be done within the fund industry, the industry has been moving quickly to assess and improve its operations and its investor safeguards.

As a firm, we continue to change as well. Our capabilities are evolving in ways that allow us to offer investors more choices and better ways to do business with us. I'm enthusiastic about these changes because they're designed to offer benefits for our fund shareholders.

One thing that hasn't changed is my belief in mutual funds. Mutual funds still offer all the features that have made them so popular: diversification, liquidity, convenience, low investment minimums, and professional management. For individual investors especially, I believe mutual funds continue to be one of the most cost-effective investment vehicles available.

To date, millions of Americans have successfully relied on mutual funds as an important way to invest for retirement security, their children's education, and other financial goals. We remain optimistic that mutual funds will continue to do the same for millions more Americans in the years to come.

Sincerely,

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

Management's Discussion for the year ended December 31, 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 2002, bringing with him 24 years of experience in the asset management industry.

Dear Shareholder:

In today's current low-interest-rate environment, it's tempting to ask whether money funds still have a place in an investment portfolio.

It's a fair question, but I'd suggest the answer is not as obvious as it may seem. Money funds are designed to offer several potential benefits. If you're like many investors, your asset allocation calls for a portion of your portfolio to be in cash. If the purpose of that allocation is to offer capital preservation or liquidity, or to help reduce the impact of market volatility on your portfolio, then money funds probably still make sense for you, regardless of the yield environment.

Here at SchwabFunds®, we're proud of our seasoned fund managers and their ability to work as a team. Our managers have an average of over 16 years of experience in the investment management industry. I'm also proud to say that we're in the process of building on that experience: by expanding our selection of mutual funds, adding new share classes, and offering new, competitively priced alternatives.

Thirty years ago, Charles Schwab founded his firm with a vision to create the most useful and ethical financial services firm in the world. We live by that philosophy every day.

Your investment in SchwabFunds is an indication of the trust you place in us. As the managers of your money, we have a special obligation to live up to that trust. I have enjoyed the opportunity to respond to several shareholder inquiries, and I hope you'll let us know how we're doing.

I want to thank you for investing with us and want to assure you that we strive relentlessly to operate our business with the highest ethical standards and an unwavering commitment to serve you, our SchwabFunds shareholders.

Sincerely,

A handwritten signature in black ink that reads "Randall W. Merk".



Linda Klingman, a vice president of the investment adviser 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

During 2003, the U.S. economy began to gather strength, especially during the second half of the year. In the months before the war in Iraq (which began in March 2003), the economy remained in a holding pattern, as businesses and investors adopted a wait-and-see stance. Once the combat phase drew to an end, America began to pay more attention to the economy, which by year-end appeared to be recovering.

Seeking additional protection against the risk of deflation, the Federal Reserve (the Fed) cut short-term interest rates by 0.25% in June. This brought the Fed funds target rate to a 45-year low of 1.00%. Short-term interest rates began plummeting in May in anticipation of the Fed's rate cut but quickly began a modest recovery and ended the year somewhat above their mid-year lows. Nevertheless, money fund yields remained close to historically low levels.

Falling interest rates pushed money fund yields to new lows (see next page for fund yield information). Within this challenging interest rate environment, we sought to take what measures we could to gain incrementally higher yields for the funds.

For example, we were able to take advantage of modest fluctuations in yields of one-year securities. These fluctuations appeared to be driven by shifts in the market's outlook on the economic recovery. The funds bought longer-term money market securities when, in our view, they offered an attractive yield compared to their shorter maturity counterparts. Because of this, the funds' weighted average maturities were often longer than the average for their peer group during the report period.¹

During the period, the securities of Freddie Mac came under pressure as news of potential earnings restatements arose. Our analysis indicated that the creditworthiness of these securities was not in doubt. As a result, the funds increased their holdings of these securities at yields comparable to CDs and commercial paper.

As of the end of the report period, neither deflation nor inflation appeared to be immediate risks. In our view, the main questions facing the market were: how strong is the economy, when might inflation return, and when might the Fed increase short-term rates?

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.

¹Source: iMoney Net, Inc. First Tier Retail Category, 12/31/03.

Performance and Fund Facts as of 12/31/03

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	0.64% ¹	0.47%
Seven-Day Yield—No Waiver	0.51% ²	n/a
Seven-Day Effective Yield	0.64%	0.47%

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	55 days	52 days
Credit Quality of Holdings % 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.

Portfolio holdings may have changed since the report date.

¹ Fund expenses have been partially absorbed by CSIM and Schwab.

² Yield if fund expenses had not been partially absorbed by CSIM and Schwab.

Schwab Institutional Advantage Money Fund[®]

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00
Income from investment operations:					
Net investment income	0.01	0.01	0.04	0.06	0.05
Less distributions:					
Dividends from net investment income	(0.01)	(0.01)	(0.04)	(0.06)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.74	1.48	3.96	6.12	4.90
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.50	0.50	0.50	0.51 ¹	0.50
Gross operating expenses	0.63	0.63	0.66	0.69	0.71
Net investment income	0.75	1.46	3.83	5.96	4.84
Net assets, end of period (\$ x 1,000,000)	766	907	797	647	604

¹ The ratio of net operating expenses would have been 0.50% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
91.2% Fixed-Rate Obligations	698,943	698,943
2.3% U.S. Government Securities	17,667	17,667
5.9% Variable-Rate Obligations	45,174	45,174
6.4% Other Investments	48,612	48,612
105.8% Total Investments	810,396	810,396
(5.8)% Other Assets and Liabilities		(44,366)
100.0% Total Net Assets		766,030

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

Fixed-Rate Obligations 91.2% of Net Assets**Commercial Paper & Other Corporate Obligations** 54.4%

AB Spintab		
1.09%, 02/05/04	1,000	999
1.10%, 02/06/04	3,000	2,997
1.09%, 02/10/04	1,000	999
Alliance & Leicester, PLC, Section 4(2) / 144A		
1.09%, 01/14/04	2,000	1,999
◆ Amstel Funding Corp., Section 4(2) / 144A		
1.11%, 01/15/04	1,500	1,499
1.12%, 01/15/04	1,000	1,000
1.09%, 02/12/04	1,000	999
◆✦ Amsterdam Funding Corp., Section 4(2) / 144A		
1.10%, 01/06/04	2,000	2,000
1.09%, 02/04/04	4,000	3,996
✦ ANZ (Delaware), Inc.		
1.09%, 02/10/04	2,088	2,085
◆✦ Aquinas Funding, L.L.C., Section 4(2) / 144A		
1.11%, 03/02/04	1,000	998
1.10%, 03/05/04	1,000	998
◆ ASAP Funding, Ltd., Section 4(2) / 144A		
1.12%, 02/27/04	5,000	4,991
◆✦ Asset Securitization Cooperative Corp., Section 4(2) / 144A		
1.10%, 01/20/04	1,000	999
1.10%, 01/21/04	11,000	10,993
◆✦ Atlantis One Funding Corp., Section 4(2) / 144A		
1.11%, 01/13/04	5,000	4,998
1.12%, 03/18/04	5,000	4,988
Bank of America Corp.		
1.14%, 05/06/04	10,000	9,960
◆ Barton Capital Corp., Section 4(2) / 144A		
1.10%, 01/20/04	10,000	9,994
Bear Stearns Companies, Inc.		
1.09%, 02/02/04	4,000	3,996
◆✦ Beta Finance, Inc., Section 3c7 / 144A		
1.10%, 01/23/04	1,000	999
1.13%, 03/10/04	1,000	998
1.12%, 03/15/04	2,000	1,995
1.16%, 04/15/04	2,000	1,993

Schwab Institutional Advantage Money Fund*

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ CBA (Delaware) Finance, Inc.			◆+ Edison Asset Securitization Corp., L.L.C., Section 4(2) / 144A		
1.10%, 01/26/04	1,200	1,199	1.09%, 02/05/04	8,000	7,992
1.10%, 01/30/04	1,100	1,099	1.11%, 02/12/04	3,000	2,996
1.10%, 02/09/04	2,400	2,397	1.10%, 02/18/04	2,000	1,997
1.10%, 02/17/04	1,000	999	◆ Eiffel Funding, L.L.C., Section 4(2) / 144A		
1.10%, 03/09/04	2,400	2,395	1.10%, 01/12/04	5,000	4,998
◆ CC (USA), Inc., Section 3c7 / 144A			◆+ Fairway Finance Corp., Section 4(2) / 144A		
1.10%, 01/12/04	2,000	1,999	1.10%, 02/17/04	2,000	1,997
1.09%, 01/30/04	2,000	1,998	1.12%, 03/12/04	3,443	3,435
1.10%, 02/03/04	3,000	2,997	◆+ Falcon Asset Securitization Corp., Section 4(2) / 144A		
1.24%, 08/09/04	1,000	1,000	1.10%, 01/09/04	8,000	7,998
CDC Commercial Paper Corp., Section 4(2) / 144A			ForeningsSparbanken AB (Swedbank)		
1.09%, 03/18/04	3,000	2,993	1.08%, 02/12/04	1,000	999
Citigroup Global Markets Holdings, Inc.			+ Fortis Funding, L.L.C., Section 4(2) / 144A		
1.09%, 01/05/04	1,000	1,000	1.10%, 01/16/04	1,000	1,000
1.08%, 01/08/04	5,000	4,999	◆+ Galaxy Funding, Inc., Section 4(2) / 144A		
1.09%, 01/26/04	4,000	3,997	1.10%, 02/11/04	2,000	1,998
◆+ Clipper Receivables Corp., Section 4(2) / 144A			1.11%, 02/11/04	6,000	5,992
1.11%, 01/06/04	5,000	4,999	1.10%, 02/18/04	3,000	2,996
1.10%, 01/12/04	6,000	5,998	1.11%, 03/08/04	2,000	1,996
◆ Concord Minutemen Capital Co., L.L.C., Section 3c7 / 144A			+ GE Capital International Funding, Inc., Section 4(2) / 144A		
Series A			1.11%, 01/21/04	1,000	999
1.11%, 01/06/04	1,000	1,000	1.10%, 02/06/04	2,000	1,998
1.11%, 02/11/04	4,000	3,995	1.10%, 02/19/04	5,000	4,993
1.10%, 02/18/04	5,000	4,993	1.08%, 02/24/04	4,000	3,994
◆+ CRC Funding, L.L.C., Section 4(2) / 144A			1.11%, 03/05/04	3,000	2,994
1.09%, 01/14/04	5,000	4,998	1.12%, 03/12/04	7,000	6,984
◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, Section 4(2) / 144A			1.10%, 04/16/04	1,000	997
1.09%, 01/29/04	5,000	4,996	GE Financial Assurance Holdings, Inc., Section 4(2) / 144A		
+ Danske Corp.			1.09%, 02/10/04	3,000	2,996
1.09%, 02/17/04	3,140	3,136	General Electric Capital Corp.		
1.10%, 02/17/04	1,000	999	1.11%, 01/21/04	1,250	1,249
1.10%, 02/23/04	1,400	1,398	1.10%, 01/27/04	1,000	999
1.10%, 04/01/04	4,000	3,989	1.10%, 02/24/04	1,505	1,503
Den Norske Bank ASA			1.11%, 03/03/04	3,000	2,994
1.10%, 02/13/04	2,000	1,997	1.10%, 03/15/04	1,100	1,098
1.12%, 05/19/04	2,000	1,991	1.12%, 04/06/04	1,000	997
+ Dexia Delaware, L.L.C.			General Electric Capital Services		
1.08%, 02/26/04	8,000	7,987	1.10%, 02/11/04	6,000	5,993
◆ Dorada Finance, Inc., Section 3c7 / 144A					
1.11%, 02/17/04	4,000	3,994			

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
◆+ Giro Funding U.S. Corp., Section 4(2) / 144A			Morgan Stanley		
1.11%, 01/16/04	2,000	1,999	1.08%, 01/26/04	2,000	1,999
1.11%, 02/24/04	5,000	4,992	1.08%, 02/23/04	9,000	8,986
1.13%, 03/24/04	1,000	997	◆ Newcastle Certificates Program, Section 4(2) / 144A		
◆+ Grampian Funding, Ltd., Section 4(2) / 144A			Series 2000A		
1.10%, 02/19/04	1,000	999	1.11%, 01/12/04	1,000	1,000
1.10%, 02/20/04	1,000	998	1.10%, 02/18/04	3,000	2,996
1.11%, 02/25/04	1,000	998	1.10%, 03/10/04	1,000	998
◆ Greyhawk Funding, L.L.C., Section 4(2) / 144A			◆+ Nordea North America, Inc.		
1.11%, 02/05/04	5,000	4,995	1.08%, 01/22/04	1,000	999
◆+ Hatteras Funding Corp., Section 4(2) / 144A			1.10%, 01/26/04	3,600	3,597
1.10%, 01/15/04	1,000	1,000	◆+ Old Line Funding Corp., Section 4(2) / 144A		
1.11%, 01/20/04	3,000	2,998	1.09%, 01/23/04	7,500	7,495
+ HBOS Treasury Services, PLC			◆ Park Granada, L.L.C., Section 4(2) / 144A		
1.11%, 02/05/04	1,500	1,498	1.10%, 03/25/04	6,000	5,985
1.10%, 02/23/04	1,000	998	1.10%, 03/26/04	2,000	1,995
HSBC Bank, PLC			◆+ Preferred Receivables Funding Corp.,		
1.09%, 01/27/04	2,000	1,998	Section 4(2) / 144A		
◆+ Independence Funding, L.L.C., Section 4(2) / 144A			1.10%, 01/05/04	6,000	5,999
1.10%, 01/07/04	3,210	3,209	1.10%, 01/07/04	1,100	1,100
+ ING (U.S.) Funding, L.L.C.			1.09%, 01/08/04	1,000	1,000
1.10%, 03/05/04	8,000	7,984	◆ Receivables Capital Corp., Section 4(2) / 144A		
Irish Life & Permanent, PLC, Section 4(2) / 144A			1.09%, 01/07/04	5,000	4,999
1.11%, 03/05/04	1,000	998	1.10%, 03/01/04	5,438	5,428
1.10%, 03/10/04	1,000	998	◆ Scaldis Capital Ltd., Section 4(2) / 144A		
J.P. Morgan Chase & Co.			1.10%, 02/23/04	4,000	3,994
1.10%, 02/10/04	1,000	999	+ Shell Finance (UK), PLC		
1.10%, 02/12/04	6,000	5,992	1.10%, 01/15/04	3,600	3,598
+ KBC Financial Products International, Ltd.,			◆+ Sigma Finance, Inc., Section 3c7 / 144A		
Section 4(2) / 144A			1.11%, 02/13/04	1,000	999
1.10%, 01/14/04	2,000	1,999	1.14%, 02/13/04	3,000	2,996
◆+ Kitty Hawk Funding Corp., Section 4(2) / 144A			1.13%, 03/11/04	1,000	998
1.11%, 02/06/04	1,737	1,735	1.14%, 03/11/04	5,000	4,989
1.10%, 02/10/04	5,000	4,994	1.14%, 03/23/04	2,000	1,995
◆ Lexington Parker Capital Co., L.L.C.,			◆+ Thunder Bay Funding, Inc., Section 4(2) / 144A		
Section 4(2) / 144A			1.09%, 02/05/04	3,000	2,997
1.15%, 01/08/04	2,000	2,000	◆+ Ticonderoga Funding, L.L.C., Section 4(2) / 144A		
1.11%, 01/12/04	1,000	1,000	1.10%, 01/13/04	7,250	7,247
1.11%, 01/23/04	2,000	1,999	◆+ Triple-A One Funding Corp., Section 4(2) / 144A		
Lloyds TSB Bank, PLC			1.10%, 01/05/04	3,000	3,000
1.10%, 03/09/04	1,100	1,098	◆+ Variable Funding Capital Corp., Section 4(2) / 144A		
◆ Mane Funding Corp., Section 4(2) / 144A			1.10%, 01/16/04	10,000	9,995
1.11%, 01/27/04	1,000	999	1.09%, 01/26/04	1,000	999
1.12%, 01/27/04	2,000	1,998			
1.11%, 02/03/04	2,000	1,998			

Schwab Institutional Advantage Money Fund*

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ Westpac Capital Corp.			Fortis Bank		
1.10%, 02/05/04	1,900	1,898	1.10%, 02/13/04	1,000	1,000
1.10%, 03/24/04	1,000	997	1.10%, 04/06/04	4,000	4,000
◆+ Windmill Funding Corp., Section 4(2) / 144A			+ HBOS Treasury Services, PLC		
1.10%, 02/04/04	1,000	999	1.11%, 01/20/04	3,000	3,000
		416,944	1.11%, 04/19/04	3,000	3,000
			HSBC Bank, PLC		
Certificates of Deposit 32.8%			1.09%, 02/17/04	3,000	3,000
+ Abbey National Treasury Services, PLC			HSH Nordbank, AG		
1.09%, 01/06/04	4,000	4,000	1.08%, 02/09/04	1,000	1,000
Alliance & Leicester, PLC			ING Bank, NV		
1.10%, 02/20/04	3,000	3,000	1.10%, 03/24/04	3,000	3,000
American Express Centurion Bank			Landesbank Baden Wurttemberg		
1.08%, 02/02/04	3,000	3,000	1.10%, 01/30/04	4,000	4,000
Bank of Nova Scotia			1.10%, 02/26/04	5,000	5,000
1.10%, 03/24/04	4,000	4,000	Landesbank Hessen-Thuringen Girozentrale		
Barclays Bank, PLC			1.41%, 09/07/04	5,000	5,000
1.10%, 01/13/04	6,000	6,000	Lloyds TSB Bank, PLC		
Bayerische Landesbank Girozentrale			1.10%, 04/02/04	6,000	6,000
1.30%, 03/26/04	3,000	3,000	Nationwide Building Society		
BNP Paribas			1.10%, 02/04/04	5,000	5,000
1.10%, 02/06/04	3,000	3,000	Norddeutsche Landesbank Girozentrale		
1.10%, 03/25/04	6,000	6,000	1.38%, 09/03/04	2,000	2,000
1.50%, 11/19/04	5,000	5,000	Nordea Bank Finland, PLC		
Canadian Imperial Bank of Commerce			1.09%, 02/04/04	4,000	4,000
1.09%, 01/15/04	5,000	5,000	1.08%, 02/24/04	3,000	3,000
Citibank, N.A.			Rabobank Nederland		
1.10%, 01/22/04	2,000	2,000	1.37%, 08/26/04	2,000	1,999
1.10%, 02/13/04	10,000	10,000	Royal Bank of Scotland, PLC		
1.10%, 03/04/04	14,000	14,000	1.08%, 01/14/04	5,000	5,000
Credit Agricole Indosuez			1.08%, 02/06/04	4,000	4,000
1.08%, 02/02/04	1,000	1,000	San Paolo IMI SPA		
1.11%, 04/14/04	3,000	3,001	1.10%, 01/30/04	10,000	10,000
Credit Suisse First Boston			1.11%, 02/17/04	2,000	2,000
1.09%, 03/16/04	7,000	7,000	Societe Generale		
Danske Bank A/S			1.10%, 03/22/04	8,000	8,000
1.10%, 03/03/04	1,000	1,000	Svenska Handelsbanken AB		
DePfa Bank, PLC			1.08%, 01/08/04	4,000	4,000
1.13%, 03/22/04	3,000	3,000	1.08%, 01/21/04	1,000	1,000
1.11%, 03/29/04	2,000	2,000	1.10%, 03/19/04	1,000	1,000
Deutsche Bank, AG			Toronto Dominion Bank		
1.40%, 09/03/04	7,000	7,000	1.08%, 03/02/04	6,000	6,000
1.41%, 10/15/04	5,000	5,000	1.10%, 03/26/04	1,000	1,000
1.42%, 10/27/04	5,000	5,000			

See financial notes. 9

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
UBS, AG			U.S. Government Securities 2.3% of Net Assets		
1.32%, 08/04/04	2,000	2,000	Discount Notes 2.3%		
1.38%, 08/26/04	10,000	9,999	Fannie Mae		
Unicredito Italiano SPA			1.22%, 03/05/04		
1.10%, 01/15/04	4,000	4,000	Freddie Mac		
1.12%, 01/22/04	2,000	2,000	1.10%, 03/15/04		
1.12%, 01/26/04	4,000	4,000	1.65%, 12/30/04		
1.09%, 01/29/04	2,000	2,000			
1.11%, 03/19/04	2,000	2,000			
1.12%, 03/24/04	1,000	1,000			
Washington Mutual Bank					
1.11%, 02/09/04	4,000	4,000			
Wells Fargo Bank N.A.					
1.08%, 01/07/04	10,000	10,000			
WestLB AG			Variable-Rate Obligations 5.9% of Net Assets		
1.10%, 01/09/04	1,000	1,000	+ BMC Special Care Facilities Financing Authority of the City of Montgomery, Alabama		
1.05%, 01/14/04	3,000	3,000	Taxable RB (Montgomery Baptist Outreach Services Corp. Project)		
1.26%, 04/02/04	2,000	2,000	Series 1997A		
1.34%, 04/14/04	1,000	1,000	1.25%, 01/07/04		
Wilmington Trust Co.			8,200		
1.10%, 01/09/04	5,000	5,000	Taxable RB (Montgomery Baptist Outreach Services Corp. Project)		
		250,999	Series 1997B		
Bank Notes 3.1%			1.25%, 01/07/04		
Bank of America, N.A.			2,105		
1.10%, 03/15/04	2,000	2,000	+ Bayerische Landesbank Girozentrale		
1.08%, 04/15/04	15,000	15,000	1.11%, 01/13/04		
Lasalle National Bank, N.A.			3,000		
1.10%, 02/09/04	3,000	3,000	+ City of New Britain, Connecticut GO, 144A		
Standard Federal Bank, N.A.			4,900		
1.10%, 01/30/04	4,000	4,000	1.27%, 01/07/04		
		24,000	+ Loanstar Assets Partners II, L.P., 144A		
Promissory Notes 0.9%			1.17%, 01/07/04		
+ The Goldman Sachs Group, Inc.			+ Martinez, California		
1.22%, 02/05/04	1,000	1,000	M/F Housing Revenue		
1.18%, 03/04/04	2,000	2,000	Refunding Bond (Muirwood Garden Apartments)		
1.19%, 03/23/04	1,000	1,000	Series 2003A-T		
1.45%, 08/27/04	3,000	3,000	1.25%, 01/07/04		
		7,000	2,800		
			+ New York City IDA		
			Taxable Industrial Revenue		
			Refunding Bond (Allway Tools, Inc. Project) Series 1997		
			1.35%, 01/07/04		
			170		
			170		

Schwab Institutional Advantage Money Fund*

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ Palm Springs, California		
COP (Downtown Parking Project) Series 2002A		
1.27%, 01/07/04	7,000	7,000
Royal Bank of Scotland, PLC		
1.09%, 01/14/04	5,000	4,999
◆ Sigma Finance, Inc., Section 3c7 / 144A		
1.14%, 01/05/04	5,000	5,000
1.12%, 01/16/04	2,000	2,000
		45,174

Security	Maturity Amount (\$ x 1,000)
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Other Investments 6.4% of Net Assets

Repurchase Agreements 6.4%

Credit Suisse First Boston L.L.C.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$49,585		
1.02%, issued 12/31/03, due 01/02/04	48,615	48,612

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

At December 31, 2003, portfolio holdings included illiquid restricted securities as follows:

Issuer Rate, Acquisition Date, Maturity Date	Face Amount (\$ x 1,000)	Cost/ Value (\$ x 1,000)
The Goldman Sachs Group, Inc.		
1.22%, 08/05/03, 02/05/04	1,000	1,000
1.18%, 09/08/03, 03/04/04	2,000	2,000
1.19%, 09/23/03, 03/23/04	1,000	1,000
1.45%, 12/02/03, 08/27/04	3,000	3,000
		7,000

Schwab Institutional Advantage Money Fund*

Statement of

Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$810,396
Receivables:	
Fund shares sold	2,821
Interest	679
Prepaid expenses	+ 38
Total assets	813,934

Liabilities

Payables:	
Fund shares redeemed	47,808
Dividends to shareholders	13
Investment adviser and administrator fees	10
Transfer agent and shareholder service fees	5
Accrued expenses	+ 68
Total liabilities	47,904

Net Assets

Total assets	813,934
Total liabilities	- 47,904
Net assets	\$766,030

Net Assets by Source

Capital received from investors	766,031
Net realized capital losses	(1)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$766,030		766,088		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost of the fund's securities was \$810,396. Includes illiquid restricted securities worth \$7,000, or 0.91% of the fund's total net assets. Also, includes other restricted but deemed liquid securities comprised of 144A, section 4(2) and 3c7 securities, worth \$314,753 or 41.09% of the fund's total net assets.

Federal Tax Data

Cost basis of portfolio \$810,396

Unused capital losses:

Expires 12/31 of: Loss amount:
2004 \$1

Schwab Institutional Advantage Money Fund*

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$10,982**

Expenses

Investment adviser and administrator fees	3,350	
Transfer agent and shareholder service fees	1,940	
Trustees' fees	32	
Custodian and portfolio accounting fees	102	
Professional fees	27	
Registration fees	54	
Shareholder reports	17	
Other expenses	+	14
Total expenses	5,536	
Expense reduction	-	1,128
Net expenses	4,408	

Increase in Net Assets from Operations

Total investment income	10,982
Net expenses	-
Net investment income	<u>6,574</u>
Increase in net assets from operations	\$6,574

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

This reduction was made by the investment adviser (CSIM). It reflects a guarantee by CSIM and the transfer agent and shareholder service agent (Schwab) to limit the 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.

Schwab Institutional Advantage Money Fund*

Statements of
Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$6,574	\$12,097
Increase in net assets from operations	6,574	12,097

Distributions Paid

Dividends from net investment income	6,574	12,097
--------------------------------------	--------------	---------------

Transactions in Fund Shares

Shares sold	638,868	810,966
Shares reinvested	6,495	12,003
Shares redeemed	+ (786,194)	(712,969)
Net transactions in fund shares	(140,831)	110,000

Net Assets

Beginning of period	906,861	796,861
Total increase or decrease	+ (140,831)	110,000
End of period	\$766,030	\$906,861

Unless stated, all numbers x 1,000.

The tax-basis components of distributions are:

Current period	
Ordinary income	\$6,574
Long-term capital gains	\$-
Prior period	
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.

Schwab Retirement Money Fund[®]

Financial Statements

Financial Highlights

	1/1/03– 12/31/03	1/1/02– 12/31/02	1/1/01– 12/31/01	1/1/00– 12/31/00	1/1/99– 12/31/99
Per-Share Data (\$)					
Net asset value at beginning of period	1.00	1.00	1.00	1.00	1.00
Income from investment operations:					
Net investment income	0.01	0.01	0.04	0.06	0.05
Less distributions:					
Dividends from net investment income	(0.01)	(0.01)	(0.04)	(0.06)	(0.05)
Net asset value at end of period	1.00	1.00	1.00	1.00	1.00
Total return (%)	0.58	1.30	3.75	5.90	4.68
Ratios/Supplemental Data (%)					
Ratios to average net assets:					
Net operating expenses	0.66	0.68	0.70	0.72 ¹	0.72
Gross operating expenses	0.66	0.68	0.70	0.72	0.74
Net investment income	0.58	1.28	3.61	5.77	4.62
Net assets, end of period (\$ x 1,000,000)	578	566	515	399	322

¹ The ratio of net operating expenses would have been 0.71% if certain non-routine expenses (proxy fees) had not been included.

Portfolio Holdings as of December 31, 2003

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)	Value (\$x1,000)
87.3% Fixed-Rate Obligations	504,279	504,279
1.9% U.S. Government Securities	10,980	10,980
5.6% Variable-Rate Obligations	32,438	32,438
6.1% Other Investments	35,179	35,179
100.9% Total Investments	582,876	582,876
(0.9)% Other Assets and Liabilities		(5,208)
100.0% Total Net Investments		577,668

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Fixed-Rate Obligations 87.3% of Net Assets**Commercial Paper & Other Corporate Obligations** 53.9%

AB Spintab		
1.09%, 02/10/04	1,000	999
1.10%, 02/10/04	2,000	1,998
1.11%, 04/08/04	2,000	1,994
Alliance & Leicester, PLC, Section 4(2) / 144A		
1.09%, 01/14/04	2,000	1,999
◆ Amstel Funding Corp., Section 4(2) / 144A		
1.09%, 02/12/04	2,000	1,997
◆+ Aquinas Funding, L.L.C., Section 4(2) / 144A		
1.10%, 02/23/04	2,000	1,997
◆ ASAP Funding, Ltd., Section 4(2) / 144A		
1.12%, 01/30/04	4,000	3,996
◆+ Asset Portfolio Funding Corp., Section 4(2) / 144A		
1.09%, 01/09/04	1,000	1,000
1.10%, 01/13/04	1,000	1,000
◆+ Asset Securitization Cooperative Corp., Section 4(2) / 144A		
1.10%, 01/09/04	8,000	7,998
◆+ Atlantis One Funding Corp., Section 4(2) / 144A		
1.10%, 01/08/04	1,606	1,606
1.11%, 01/13/04	2,000	1,999
1.10%, 03/09/04	1,000	998
Bank of America Corp.		
1.14%, 05/06/04	10,000	9,960
Bank of Ireland, Section 4(2) / 144A		
1.10%, 01/15/04	3,000	2,999
Bear Stearns Companies, Inc.		
1.09%, 02/09/04	5,000	4,994
◆+ Beta Finance, Inc., Section 3c7 / 144A		
1.11%, 01/12/04	1,600	1,599
1.13%, 03/10/04	1,000	998
1.13%, 03/22/04	1,500	1,496
✦ CBA (Delaware) Finance, Inc.		
1.10%, 01/27/04	1,300	1,299
1.10%, 02/17/04	1,100	1,098
◆ CC (USA), Inc., Section 3c7 / 144A		
1.10%, 02/03/04	2,000	1,998
1.12%, 03/18/04	2,500	2,494

Schwab Retirement Money Fund*

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
Citicorp			+ GE Capital International Funding, Inc., Section 4(2) / 144A		
1.09%, 02/12/04	2,000	1,997	1.11%, 01/21/04	6,000	5,996
Citigroup Global Markets Holdings, Inc.			1.10%, 01/27/04	1,000	999
1.08%, 01/06/04	3,000	3,000	1.10%, 02/19/04	4,000	3,994
1.09%, 01/26/04	4,000	3,997	1.11%, 03/05/04	3,000	2,994
◆+ Clipper Receivables Corp., Section 4(2) / 144A			GE Financial Assurance Holdings, Inc., Section 4(2) / 144A		
1.11%, 01/06/04	2,000	2,000	1.09%, 01/30/04	1,000	999
1.10%, 01/08/04	6,000	5,999	General Electric Capital Corp.		
◆ Concord Minutemen Capital Co., L.L.C., Section 3c7 / 144A			1.10%, 01/27/04	3,000	2,998
Series A			1.10%, 02/19/04	2,000	1,997
1.17%, 01/13/04	2,034	2,033	1.10%, 02/24/04	2,000	1,997
1.11%, 02/11/04	2,000	1,997	1.11%, 03/04/04	1,000	998
1.10%, 02/18/04	3,000	2,996	1.11%, 04/06/04	4,000	3,988
+ Credit Lyonnais N.A., Inc.			General Electric Capital Services		
1.09%, 03/05/04	2,000	1,996	1.11%, 03/24/04	8,000	7,980
◆ Dakota CP Notes of Citibank Credit Card Issuance Trust, Section 4(2) / 144A			◆+ Giro Funding U.S. Corp., Section 4(2) / 144A		
1.11%, 01/22/04	5,000	4,997	1.10%, 03/12/04	4,000	3,991
+ Danske Corp.			1.13%, 03/24/04	1,000	997
1.10%, 04/01/04	2,000	1,995	◆+ Grampian Funding, Ltd., Section 4(2) / 144A		
Den Norske Bank ASA			1.11%, 02/25/04	2,000	1,997
1.10%, 02/13/04	1,000	999	◆ Greyhawk Funding, L.L.C., Section 4(2) / 144A		
1.11%, 03/02/04	2,000	1,996	1.12%, 01/20/04	3,000	2,998
+ Dexia Delaware, L.L.C.			◆+ Hatteras Funding Corp., Section 4(2) / 144A		
1.10%, 01/05/04	1,000	1,000	1.05%, 01/06/04	2,000	2,000
1.08%, 02/26/04	4,000	3,993	+ HBOS Treasury Services, PLC		
◆ Dorada Finance, Inc., Section 3c7 / 144A			1.10%, 02/19/04	1,000	999
1.11%, 01/30/04	3,250	3,247	1.11%, 03/05/04	2,000	1,996
◆+ Edison Asset Securitization Corp., L.L.C., Section 4(2) / 144A			HSBC U.S.A., Inc.		
1.11%, 03/12/04	5,000	4,989	1.09%, 01/27/04	1,000	999
◆ Eiffel Funding, L.L.C., Section 4(2) / 144A			◆+ Independence Funding, L.L.C., Section 4(2) / 144A		
1.10%, 01/12/04	4,000	3,999	1.10%, 01/15/04	2,000	1,999
◆+ Fairway Finance Corp., Section 4(2) / 144A			+ ING (U.S.) Funding, L.L.C.		
1.06%, 01/08/04	3,698	3,697	1.10%, 03/05/04	3,000	2,994
1.10%, 02/17/04	2,000	1,997	Irish Life & Permanent, PLC, Section 4(2) / 144A		
◆+ Falcon Asset Securitization Corp., Section 4(2) / 144A			1.11%, 03/05/04	1,000	998
1.09%, 01/16/04	3,000	2,999	J.P. Morgan Chase & Co.		
◆+ Galaxy Funding, Inc., Section 4(2) / 144A			1.10%, 02/10/04	4,000	3,995
1.10%, 01/26/04	5,000	4,996	◆+ Jupiter Securitization Corp., Section 4(2) / 144A		
1.10%, 03/15/04	3,000	2,993	1.09%, 01/12/04	1,000	1,000
1.09%, 03/29/04	1,000	997	1.12%, 01/20/04	2,000	1,999
			1.10%, 03/01/04	2,000	1,996

See financial notes. 17

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
+ KBC Financial Products International, Ltd., Section 4(2) / 144A			◆ Receivables Capital Corp., Section 4(2) / 144A		
1.10%, 01/14/04	2,000	1,999	1.10%, 01/09/04	4,981	4,980
◆+ Kitty Hawk Funding Corp., Section 4(2) / 144A			Royal Bank of Scotland, PLC		
1.10%, 02/10/04	4,000	3,995	1.12%, 01/27/04	1,500	1,499
1.10%, 03/16/04	1,000	998	◆ Scaldis Capital Ltd., Section 4(2) / 144A		
+ Landesbank Schleswig-Holstein Girozentrale, Section 4(2) / 144A			1.12%, 03/30/04	3,000	2,992
1.35%, 04/15/04	1,000	996	+ Shell Finance (UK), PLC		
◆ Lexington Parker Capital Co., L.L.C., Section 4(2) / 144A			1.10%, 01/15/04	2,000	1,999
1.11%, 01/12/04	2,119	2,118	◆+ Sigma Finance, Inc., Section 3c7 / 144A		
1.09%, 01/26/04	2,000	1,999	1.10%, 02/02/04	4,000	3,996
◆+ Links Finance, L.L.C., Section 3c7 / 144A			1.11%, 02/13/04	2,000	1,997
1.10%, 02/19/04	1,000	999	1.14%, 02/13/04	3,000	2,996
Lloyds TSB Bank, PLC			1.14%, 03/11/04	1,000	998
1.11%, 03/09/04	1,000	998	◆+ Thunder Bay Funding, Inc., Section 4(2) / 144A		
◆ Mane Funding Corp., Section 4(2) / 144A			1.10%, 01/13/04	2,000	1,999
1.12%, 01/27/04	3,000	2,998	1.10%, 01/16/04	2,000	1,999
1.11%, 02/03/04	2,000	1,998	◆+ Ticonderoga Funding, L.L.C., Section 4(2) / 144A		
◆+ Mont Blanc Capital Corp., Section 4(2) / 144A			1.10%, 01/13/04	5,000	4,998
1.10%, 01/15/04	5,000	4,998	1.08%, 02/17/04	1,665	1,663
1.12%, 01/22/04	1,000	999	◆+ Triple-A One Funding Corp., Section 4(2) / 144A		
Morgan Stanley			1.10%, 01/05/04	2,000	2,000
1.08%, 02/23/04	13,000	12,979	◆+ Tulip Funding Corp., Section 4(2) / 144A		
◆ Newcastle Certificates Program, Section 4(2) / 144A			1.09%, 01/21/04	1,000	999
Series 2000A			1.10%, 01/23/04	7,542	7,537
1.11%, 01/16/04	2,000	1,999	+ Westpac Capital Corp.		
1.10%, 03/10/04	1,000	998	1.10%, 02/12/04	1,000	999
+ Nordea North America, Inc.			1.10%, 03/24/04	1,000	997
1.09%, 01/14/04	3,000	2,999	+ Westpac Trust Securities NZ		
◆+ Old Line Funding Corp., Section 4(2) / 144A			1.10%, 02/04/04	1,000	999
1.09%, 01/07/04	1,000	1,000	1.10%, 02/05/04	1,000	999
1.10%, 01/15/04	2,000	1,999	◆+ Windmill Funding Corp., Section 4(2) / 144A		
1.11%, 01/21/04	4,000	3,998	1.09%, 02/03/04	1,000	999
1.11%, 02/17/04	1,118	1,116			311,275
◆ Park Avenue Receivables Corp., Section 4(2) / 144A			Certificates of Deposit 29.4%		
1.10%, 01/07/04	6,141	6,140	Alliance & Leicester, PLC		
1.08%, 01/29/04	1,000	999	1.10%, 02/20/04	3,000	3,000
◆ Park Granada, L.L.C., Section 4(2) / 144A			Bank of Nova Scotia		
1.13%, 03/09/04	6,000	5,987	1.10%, 03/24/04	1,000	1,000
◆+ Preferred Receivables Funding Corp., Section 4(2) / 144A			Barclays Bank, PLC		
1.11%, 01/20/04	3,000	2,998	1.12%, 03/17/04	1,000	1,000
			1.10%, 04/19/04	3,000	3,002
			Bayerische Landesbank Girozentrale		
			1.30%, 03/26/04	2,000	2,000

Schwab Retirement Money Fund*

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)	Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
BNP Paribas			Royal Bank of Scotland, PLC		
1.10%, 02/06/04	2,000	2,000	1.08%, 01/14/04	2,000	2,000
1.12%, 02/17/04	1,000	1,000	1.08%, 02/06/04	2,000	2,000
1.10%, 03/25/04	5,000	5,000	San Paolo IMI SPA		
1.11%, 04/02/04	4,000	4,000	1.03%, 01/07/04	5,000	5,000
1.10%, 04/19/04	3,000	3,000	1.10%, 01/30/04	3,000	3,000
Citibank, N.A.			Societe Generale		
1.09%, 02/04/04	3,000	3,000	1.11%, 03/16/04	3,000	3,000
1.10%, 02/13/04	10,000	10,000	1.10%, 03/22/04	4,000	4,000
1.10%, 03/04/04	13,000	13,000	Svenska Handelsbanken AB		
Commonwealth Bank of Australia			1.08%, 01/08/04	4,000	4,000
1.10%, 01/13/04	4,000	4,000	Toronto Dominion Bank		
Credit Agricole Indosuez			1.08%, 03/02/04	2,000	2,000
1.11%, 04/14/04	5,000	5,002	1.11%, 04/02/04	3,000	3,000
Danske Bank A/S			UBS, AG		
1.10%, 03/03/04	5,000	5,000	1.32%, 08/04/04	1,000	1,000
DePfa Bank, PLC			1.38%, 08/26/04	5,000	5,000
1.13%, 03/22/04	3,000	3,000	Unicredito Italiano SPA		
1.11%, 03/29/04	2,000	2,000	1.10%, 01/15/04	3,000	3,000
Deutsche Bank, AG			1.12%, 01/26/04	5,000	5,000
1.40%, 09/03/04	7,000	7,000	1.11%, 01/29/04	1,000	1,000
1.41%, 10/15/04	7,000	7,000	1.11%, 03/19/04	2,000	2,000
First Tennessee Bank, N.A.			Washington Mutual Bank		
1.10%, 02/10/04	1,000	1,000	1.11%, 02/09/04	4,000	4,000
Fortis Bank			Wells Fargo Bank N.A.		
1.10%, 04/06/04	2,000	2,000	1.08%, 01/06/04	4,000	4,000
+ HBOS Treasury Services, PLC			WestLB AG		
1.11%, 01/20/04	3,000	3,000	1.05%, 01/14/04	1,000	1,000
HSBC Bank, PLC			1.26%, 04/02/04	3,000	3,000
1.09%, 02/11/04	2,000	2,000	Wilmington Trust Co.		
1.09%, 02/17/04	3,000	3,000	1.10%, 01/09/04	4,000	4,000
HSH Nordbank, AG					170,004
1.42%, 09/07/04	1,000	1,000	Bank Notes 2.8%		
KBC Bank NV			Bank of America, N.A.		
1.10%, 01/20/04	3,000	3,000	1.08%, 04/13/04	10,000	10,000
Landesbank Baden Wurttemberg			1.08%, 04/15/04	2,000	2,000
1.10%, 01/30/04	1,000	1,000	Lasalle National Bank, N.A.		
Landesbank Hessen-Thuringen Girozentrale			1.10%, 02/09/04	1,000	1,000
1.30%, 02/03/04	1,000	1,000	Standard Federal Bank, N.A.		
1.51%, 11/19/04	3,000	3,000	1.10%, 01/30/04	3,000	3,000
Nationwide Building Society					16,000
1.10%, 02/04/04	5,000	5,000			

See financial notes. 19

Portfolio Holdings continued

Issuer Rate, Maturity Date	Face Amount (\$ x 1,000)	Value (\$ x 1,000)
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Promissory Notes 1.2%

• The Goldman Sachs Group, Inc.		
1.22%, 02/05/04	2,000	2,000
1.18%, 03/09/04	1,000	1,000
1.19%, 03/23/04	4,000	4,000
		7,000

U.S. Government Securities 1.9% of Net Assets**Discount Notes 1.9%**

Fannie Mae		
1.10%, 03/17/04	4,000	3,991
Freddie Mac		
1.10%, 03/15/04	5,000	4,989
1.65%, 12/30/04	2,000	2,000
		10,980

Variable-Rate Obligations 5.6% of Net Assets

+ California Pollution Control Financing Authority		
Solid Waste Disposable RB (Burr Properties Project) Series 1998		
1.75%, 01/07/04	1,835	1,835
+ Columbus, Georgia Development Authority		
Taxable RB (Jay Leasing, Inc. Project) Series 1997		
1.25%, 01/07/04	1,940	1,940
+ Eagle County, Colorado Taxable Housing Facilities		
RB (BC Housing, L.L.C. Project) Series 1997B		
1.14%, 01/07/04	1,500	1,500
Lloyds TSB Bank, PLC		
1.06%, 01/13/04	2,000	1,999
+ LP Pinewoods SPV		
1.14%, 01/07/04	15,000	15,000
Royal Bank of Scotland, PLC		
1.09%, 01/14/04	5,000	4,999
◆ Sigma Finance, Inc., Section 4(2) / 144A		
1.12%, 01/16/04	3,000	3,000
+ Trap Rock Industries, Inc.		
RB Series 1997, 144A		
1.12%, 01/07/04	1,240	1,240
+ Village of Sturtevant, Wisconsin		
IDRB (Andis Co. Project) Series 1996B		
1.32%, 01/07/04	925	925
		32,438

20 See financial notes.

Security	Maturity Amount (\$ x 1,000)	Value (\$ x 1,000)
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Other Investments 6.1% of Net Assets**Repurchase Agreements 6.1%**

Credit Suisse First Boston L.L.C.		
Tri-Party Repurchase Agreement Collateralized by U.S. Government Securities with a value of \$35,885 1.02% issued 12/31/03, due 01/02/04		
	35,181	35,179

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

At December 31, 2003, portfolio holdings included illiquid restricted securities as follows:

Issuer Rate, Acquisition Date, Maturity Date	Face Amount (\$ x 1,000)	Cost/ Value (\$ x 1,000)
The Goldman Sachs Group, Inc.		
1.22%, 08/05/03, 02/05/04	2,000	2,000
1.18%, 09/09/03, 03/09/04	1,000	1,000
1.19%, 09/22/03, 03/23/04	4,000	4,000
		7,000

Schwab Retirement Money Fund*

Statement of
Assets and Liabilities

As of December 31, 2003. All numbers x 1,000 except NAV.

Assets

Investments, at value	\$582,876
Receivables:	
Fund shares sold	1,790
Interest	552
Prepaid expenses	+ 34
Total assets	585,252

Liabilities

Payables:	
Fund shares redeemed	7,505
Dividends to shareholders	4
Investment adviser and administrator fees	6
Transfer agent and shareholder service fees	4
Accrued expenses	+ 65
Total liabilities	7,584

Net Assets

Total assets	585,252
Total liabilities	- 7,584
Net assets	\$577,668

Net Assets by Source

Capital received from investors	577,669
Net realized capital losses	(1)

Net Asset Value (NAV)

Net Assets	÷	Shares Outstanding	=	NAV
\$577,668		577,726		\$1.00

Unless stated, all numbers x 1,000.

The amortized cost of the fund's securities was \$582,876. Includes illiquid restricted securities worth \$7,000, or 1.21% of the fund's total net assets. Also, includes other restricted but deemed liquid securities comprised of 144A, section 4(2) and 3c7 securities, worth \$216,791 or 37.53% of the fund's total net assets.

Federal Tax Data

Cost basis of portfolio \$582,876

Unused capital losses:

Expires 12/31 of: Loss amount:
2004 \$1

Schwab Retirement Money Fund®

Statement of
Operations

For January 1, 2003 through December 31, 2003. All numbers x 1,000.

Investment Income

Interest **\$7,389**

Expenses

Investment adviser and administrator fees 2,263

Transfer agent and shareholder service fees 1,489

Trustees' fees 32

Custodian and portfolio accounting fees 75

Professional fees 24

Registration fees 27

Shareholder reports 31

Other expenses 9

Total expenses **3,950**

Increase in Net Assets from Operations

Total investment income 7,389

Total expenses - 3,950

Net investment income 3,439

Increase in net assets from operations **\$3,439**

Unless stated, all numbers x 1,000.

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. These fees are paid to Charles Schwab & Co.

For the fund's independent trustees only.

Statements of

Changes in Net Assets

For the current and prior report periods. All numbers x 1,000.

Operations

	1/1/03-12/31/03	1/1/02-12/31/02
Net investment income	\$3,439	\$6,849
Increase in net assets from operations	3,439	6,849

Distributions Paid

Dividends from net investment income	3,439	6,849
--------------------------------------	--------------	--------------

Transactions in Fund Shares

Shares sold	449,661	449,315
Shares reinvested	3,396	6,808
Shares redeemed	+ (441,321)	(405,628)
Net transactions in fund shares	11,736	50,495

Net Assets

Beginning of period	565,932	515,437
Total increase	+ 11,736	50,495
End of period	\$577,668	\$565,932

Unless stated, all numbers x 1,000.

The tax-basis components of distributions are:

Current period

Ordinary income	\$3,439
Long-term capital gains	\$-

Prior period

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

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 to affiliates of the investment adviser 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.

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.

Pursuant to an exemptive order issued by the SEC, the funds may enter into interfund borrowing and lending transactions within the SchwabFunds®. All loans are for temporary or emergency purposes only. The interest rate charged on the loan is the average of the overnight repurchase agreement rate and the short-term bank loan rate. The interfund lending facility is subject to the oversight and periodic review of the Board of Trustees of the SchwabFunds®.

Trustees may include people who are officers and/or directors of the investment adviser or Schwab. Federal securities law limits the percentage of such "interested persons" who may serve on a trust's board, and the 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 borrow money from banks and custodians. The funds may obtain temporary bank loans through the trust to which they belong, to use for meeting shareholder redemptions or for extraordinary or emergency purposes. The trusts have custodian overdraft facilities and line of credit arrangements of \$150 million and \$100 million with PNC Bank, N.A. and Bank of America, N.A., respectively. The funds pay interest on the amounts they borrow at rates that are negotiated periodically.

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

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

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

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

Report of Independent Auditors

To the Board of Trustees and Shareholders of:

Schwab Institutional Advantage Money Fund* and
Schwab Retirement Money Fund*

In our opinion, the accompanying statements of assets and liabilities, including the portfolio holdings, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Schwab Institutional Advantage Money Fund and Schwab Retirement Money Fund (two of the portfolios constituting The Charles Schwab Family of Funds, hereafter referred to as the “Funds”) at December 31, 2003, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and the financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Funds’ management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, CA

February 6, 2004

Fund Trustees

A fund's Board of Trustees is responsible for protecting the interests of that fund's shareholders. The tables below give information about the people who serve as trustees and officers for the SchwabFunds®, including the funds covered in this report. Trustees remain in office until they resign, retire or are removed by shareholder vote.¹

Under the Investment Company Act of 1940, any officer, director, or employee of Schwab or CSIM is considered an “interested person,” meaning that he or she is considered to have a business interest in Schwab or CSIM. These individuals are listed as “interested trustees.” The “independent trustees” are individuals who, under the 1940 Act, are not considered to have a business interest in Schwab or CSIM.

Each of the SchwabFunds (of which there were 49 as of 12/31/03) belongs to one of these trusts: The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust or Schwab Annuity Portfolios. Currently all these trusts have the same trustees and officers. The address for all trustees and officers is 101 Montgomery Street, San Francisco, CA 94104. You can find more information about the trustees and officers in the Statement of Additional Information, which is available free by calling 1-800-435-4000.

Individuals Who Are Interested Trustees and Officers of the Trust

Name and Birthdate	Trust Position(s); Trustee Since	Main Occupations and Other Directorships and Affiliations
Charles R. Schwab ² 7/29/37	Chair, Trustee: Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, Director, The Charles Schwab Corp.; CEO, Director, Schwab Holdings, Inc.; Chair, Director, Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc.; Chair, Charles Schwab Holdings, Inc. I, Schwab International Holdings, Inc.; Director, U.S. Trust Corp., United States Trust Co. of New York, The Gap, Inc. (clothing retailer), Siebel Systems (software); Trustee, Stanford University. <i>Until 6/03</i> : Director, Xsign, Inc. (electronic payment systems). <i>Until 5/03</i> : Co-Chair, The Charles Schwab Corporation. <i>Until 5/02</i> : Director, Vodafone AirTouch PLC (telecom). <i>Until 3/02</i> : Director, Audiobase, Inc. (Internet audio solutions). <i>Until 7/01</i> : Director, The Charles Schwab Trust Company. <i>Until 1/99</i> : Director, Schwab Retirement Plan Services, Inc., Mayer & Schweitzer, Inc. (securities brokerage subsidiary of The Charles Schwab Corp.), Performance Technologies, Inc. (technology), TrustMark, Inc.

¹ The SchwabFunds retirement policy requires that independent trustees elected after January 1, 2000 retire at age 72 or after twenty years of service as a trustee, whichever comes first. Independent trustees elected prior to January 1, 2000 will retire on the following schedule: Messrs. Holmes and Dorward will retire on December 31, 2007, and Messrs. Stephens and Wilsey will retire on December 31, 2010.

² In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Institutional Advantage Money Fund* and Schwab Retirement Money Fund*

Individuals Who Are Interested Trustees but Not Officers of the Trust

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Dawn G. Lepore ¹ 3/21/54	Trustee: 2003 (all trusts)	Vice Chair, EVP, The Charles Schwab Corp.; <i>Until 10/01</i> : CIO, The Charles Schwab Corporation. <i>Until 1999</i> : EVP, The Charles Schwab Corporation. Director, Wal-Mart Stores, eBay, Inc.
Jeffrey M. Lyons ¹ 2/22/55	Trustee: 2002 (all trusts).	EVP, Asset Management Products and Services, Charles Schwab & Co., Inc. <i>Until 9/01</i> : EVP, Mutual Funds, Charles Schwab & Co., Inc.

Individuals Who Are Officers of the Trust but Not Trustees

Name and Birthdate	Trust Office(s) Held	Main Occupations and Other Directorships and Affiliations
Randall W. Merk 7/25/54	President, CEO (all trusts).	President, CEO, Charles Schwab Investment Management, Inc.; EVP, Charles Schwab & Co., Inc.; Director, Charles Schwab Worldwide Funds PLC, Charles Schwab Asset Management (Ireland) Ltd. <i>Until 9/02</i> : President, CIO, American Century Investment Management; Director, American Century Cos., Inc. <i>Until 6/01</i> : CIO, Fixed Income, American Century Cos., Inc. <i>Until 1997</i> : SVP, Director, Fixed Income and Quantitative Equity Portfolio Management, Twentieth Century Investors, Inc.
Tai-Chin Tung 3/7/51	Treasurer, Principal Financial Officer (all trusts).	SVP, CFO, Charles Schwab Investment Management, Inc.; VP, The Charles Schwab Trust Co.; Director, Charles Schwab Asset Management (Ireland) Ltd., Charles Schwab Worldwide Funds PLC.
Stephen B. Ward 4/5/55	SVP, Chief Investment Officer (all trusts).	SVP, Chief Investment Officer, Director, Charles Schwab Investment Management, Inc.; CIO, The Charles Schwab Trust Co.
Koji E. Felton 3/13/61	Secretary (all trusts).	SVP, Chief Counsel, Assistant Corporate Secretary, Charles Schwab Investment Management, Inc. <i>Until 6/98</i> : Branch Chief in Enforcement, U.S. Securities and Exchange Commission, San Francisco.

¹ In addition to their positions with the investment adviser and the distributor, Ms. Lepore and Messrs. Schwab and Lyons, as well as some of Mr. Lyons's immediate family members, also own stock of The Charles Schwab Corporation.

Schwab Institutional Advantage Money Fund* and Schwab Retirement Money Fund*

Individuals Who Are Independent Trustees

Name and Birthdate	Trustee Since	Main Occupations and Other Directorships and Affiliations
Mariann Byerwalter 8/13/60	2000 (all trusts).	Chair, JDN Corp. Advisory LLC; Trustee, Stanford University, Director, America First Cos., (venture capital/fund management), Redwood Trust, Inc. (mortgage finance), Stanford Hospitals and Clinics, SRI International (research), PMI Group, Inc. (mortgage insurance), Lucile Packard Children's Hospital. <i>2007</i> : Special Advisor to the President, Stanford University. <i>Until 2002</i> : Director, LookSmart, Ltd. (Internet infrastructure). <i>Until 2001</i> : VP, Business Affairs, CFO, Stanford University.
Donald F. Dorward 9/23/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	CEO, Dorward & Associates (management, marketing and communications consulting). <i>Until 1999</i> : EVP, Managing Director, Grey Advertising.
William A. Hasler 11/22/41	2000 (all trusts).	Co-CEO, Aphton Corp. (bio-pharmaceuticals). Director, Non-Executive Chairman, Solectron Corp. (manufacturing), Airlease Ltd. (aircraft leasing), Mission West Properties (commercial real estate), Stratex Networks (telecommunications); Public Governor, Member, executive committee, Pacific Stock & Options Exchange. Director, Digital Microwave Corp. (network equipment). <i>Until 1998</i> : Dean, Haas School of Business, University of California, Berkeley.
Robert G. Holmes 5/15/31	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Director, Semloh Financial, Inc. (international financial services and investment advice).
Gerald B. Smith 9/28/50	2000 (all trusts).	Chair, CEO, Founder, Smith Graham & Co. (investment advisors); Director, Pennzoil-Quaker State Co. (oil and gas), Rorento N.V. (investments—Netherlands), Cooper Industries (electrical products); Member, audit committee, Northern Border Partners, L.P. (energy).
Donald R. Stephens 6/28/38	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Managing Partner, D.R. Stephens & Co. (investments). <i>Until 1996</i> : Chair, CEO, North American Trust (real estate investments).
Michael W. Wilsey 8/18/43	Family of Funds, 1989; Investments, 1991; Capital Trust, 1993; Annuity Portfolios, 1994.	Chair, CEO, Wilsey Bennett, Inc. (transportation, real estate and investments).

Glossary

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 security A bond or other debt security that represents ownership in a pool of debt obligations such as credit card debt.

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.

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.

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

Schwab Institutional Advantage Money Fund* and Schwab Retirement Money 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.

illiquid securities A security is generally considered illiquid if it cannot be disposed of promptly (typically within seven days) and in the ordinary course of business at approximately the amount at which a fund has valued the instrument.

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.

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

restricted securities A security that is subject to contractual restrictions on resale and may be sold only to "qualified institutional buyers" under Securities Act Rule 144A. These securities are often purchased in private placement transactions.

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

section 3c7 securities Section 3c7 of the Investment Company Act of 1940 (the "1940 Act") exempts certain issuers from many regulatory requirements applicable to investment companies under the 1940 Act. An issuer whose outstanding securities are exclusively owned by "qualified purchasers" and who is not making or proposing to make a public offering of the securities may qualify for this exemption.

section 4(2)/144A securities A security exempt from registration under Section 4(2) of the Securities Act of 1933. It may be sold only to qualified institutional buyers under Securities Act Rule 144A.

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.

Contact Schwab

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

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 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 Dividend Equity Fund™
Schwab Small-Cap Equity Fund™
Schwab Hedged Equity Fund™
Schwab Focus Funds
 Communications Focus Fund
 Financial Services Focus Fund
 Health Care Focus Fund
 Technology Focus Fund
Schwab MarketMasters Funds™
 Schwab U.S. MarketMasters Fund™
 Schwab Small-Cap MarketMasters Fund™
 Schwab International MarketMasters Fund™
 Schwab Balanced MarketMasters Fund™

Asset Allocation Funds

Schwab MarketTrack Portfolios®
 Schwab MarketTrack All Equity Portfolio™
 Schwab MarketTrack Growth Portfolio™
 Schwab MarketTrack Balanced Portfolio™
 Schwab MarketTrack 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, subject to availability, 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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