

Schwab VIT Balanced Portfolio™

Investment objective

The Portfolio seeks long-term capital appreciation and income.

Portfolio highlights

The Portfolio is designed to:

- Combine modest long-term capital appreciation and income potential with less exposure to volatility than the overall stock market
- Provide broad diversification across asset classes in one portfolio that can help meet long-term investing goals
- Allocate approximately 32% to 62% of the portfolio to equity securities and 38% to 68% of the portfolio to fixed income securities primarily through its investments in underlying exchange-traded funds (ETFs)

Portfolio details	
Total net assets	\$64,474,736
Number of fund holdings	13
Distribution frequency	Annually
Portfolio turnover rate	9.00%
Inception date	07/25/12
Total annual fund operating expenses (including AFPE) ¹	0.68%

Portfolio manager	
Zifan Tang, CFA, Managing Director Senior Portfolio Manager	

Morningstar Rating™ and Style Box ²	
Portfolio Category: Allocation--30% to 50% Equity	
Rating	
Overall ★★	
Three-Year ★★	
Five-Year ★★	

Source: Morningstar, Inc. As of 12/31/17 the total number of Allocation--30% to 50% Equity portfolios for the Overall, three-, five- and ten-year periods were 435, 118, 96, and 39, respectively. The ratings reflect historical risk-adjusted performance and the Overall Rating is derived from a weighted average of the Portfolio's three-, five- and 10-year Morningstar Rating metrics.

The horizontal axis focuses on **interest-rate sensitivity** as measured by the portfolio's weighted average duration. Duration is a measure of an individual bond's sensitivity to interest rates. Calculations of duration generally take into account the bond's yield, interest payments, maturity date and call features. Weighted average duration is a measure of the duration of all bonds in a fund's portfolio based on the market value weighted average duration of each bond in the fund's portfolio. The vertical axis focuses on **average credit quality**, which is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio.

Performance (%) as of 12/31/17	Cumulative		Annualized			
	Year to Date	3 Months	1 Year	3 Years	5 Years	Since Inception
Portfolio ³	10.00	2.36	10.00	4.14	4.69	5.24
Portfolio (after annuity fees) ³	9.35	2.21	9.35	3.52	4.06	4.61
VIT Balanced Composite Index	10.53	2.64	10.53	4.90	5.44	5.98
S&P 500® Index ⁴	21.83	6.64	21.83	11.41	15.79	16.01
Bloomberg Barclays U.S. Aggregate Bond Index ⁴	3.54	0.39	3.54	2.24	2.10	1.99
Category Average ⁴	10.84	2.59	10.84	4.87	5.86	—

Performance data quoted represents past performance and is no guarantee of future results. Investment returns and principal value will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than performance data quoted. To obtain performance information current to the most recent month end, please visit www.schwabfunds.com.

Portfolio performance data after annuity fees is calculated and provided by Pacific Life Insurance Company. Performance is net of the 0.60% Base Annuity Fee for participating in the Schwab Retirement Income Variable Annuity. Additional fees for Guaranteed Lifetime Withdrawal Benefit and Death Benefit options are not included.

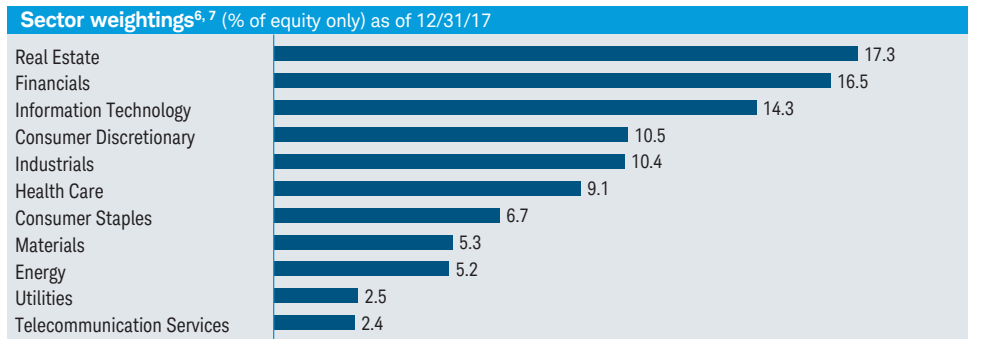
Index performance returns do not reflect any management fees, transaction costs or expenses, which would lower performance. They assume dividends and distributions were reinvested. Indices are unmanaged and cannot be invested in directly.

The first index listed for each fund is the fund's primary benchmark, as shown in the prospectus. Additional indices shown are provided for comparative purposes.

Important investment concerns

The value of portfolios that utilize bonds will be susceptible to loss of principal with increases in interest rates.

Top holdings ^{5, 6, 7} (% of portfolio) as of 12/31/17	
Schwab U.S. Aggregate Bond ETF	33.95
Schwab U.S. Large-Cap ETF	14.87
Schwab Variable Share Price Money Fund, Ultra Shares	11.77
Schwab International Equity ETF	11.05
Schwab U.S. REIT ETF	5.99
Schwab Emerging Markets Equity ETF	5.20
Schwab U.S. Small-Cap ETF	4.06
Credit Suisse Commodity Return Strategy Fund, Class I	3.09
Schwab U.S. TIPS ETF	2.02
SPDR Bloomberg Barclays International Treasury Bond ETF	2.01
TOTAL	94.01



Sector and/or industry weightings for the portfolio are determined using the Global Industry Classification Standard (GICS). GICS was developed by and is the exclusive property of MSCI and Standard & Poor's (S&P). GICS is a service mark of MSCI and S&P and has been licensed for use by Charles Schwab & Co., Inc.



Variable annuities are long-term vehicles designed for retirement purposes. Withdrawals of taxable amount will be subject to income tax, and if taken prior to age 59½, a 10% penalty tax may apply. The underlying fund discussed here is only available as an investment option in certain insurance company variable annuity products. Variable annuity contract investors should review the variable contract prospectus prepared by their insurance company.

- As stated in the prospectus for each fund. These figures may differ from those presented in a fund's shareholder report. **Gross Expense:** Does not reflect the effect of contractual fee waivers. **Net Expense:** The investment adviser and its affiliates have agreed to limit the total annual fund operating expenses (excluding interest, taxes and certain non-routine expenses) of each fund to 0.58% for so long as the investment adviser serves as the adviser to the fund. This agreement is limited to the fund's direct operating expenses and does not apply to acquired fund fees and expenses (AFFE), which reflect the estimated amount of the fees and expenses incurred indirectly by the fund through its investments in the underlying funds during its prior fiscal year. This agreement may only be amended or terminated with the approval of the fund's Board of Trustees.
- Morningstar proprietary ratings reflect historical risk-adjusted performance. For each portfolio with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar risk-adjusted return measure that accounts for variation in a portfolio's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. (Each share class is counted as a fraction of one portfolio within this scale and rated separately, which may cause slight variations in the distribution percentages). The top 10% of the portfolios in an investment category receive 5 stars, 22.5% receive 4 stars, 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star.
- Portfolio expenses have been partially absorbed by CSIM and its affiliates. Without these reductions, the portfolio's returns would have been lower. Performance does not reflect the deduction of taxes that a shareholder would pay on portfolio distributions or the redemption of portfolio shares.
- Source: Morningstar, Inc. as of 12/31/17.
- Portfolio holdings are as of the date shown and may not represent current or future holdings and are not a recommendation of individual securities by the investment adviser.
- Data provided by FactSet as of 12/31/17.
- Percentage total may not equal 100%. May include such items as open and pending trades.

VIT Balanced Composite Index A custom blended index developed by CSIM based on a comparable portfolio asset allocation and calculated using the following portion allocations effective June 8, 2016: 2% Bloomberg Barclays Global Treasury ex-U.S. Capped Index, 34% Bloomberg Barclays U.S. Aggregate Bond Index, 15% Bloomberg Barclays U.S. Treasury Bills 1-3 Month Index, 2% Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L), 3% Bloomberg Commodity Index, 6% Dow Jones U.S. Select REIT Index, 15% Dow Jones U.S. Large Cap Total Stock Market Index, 4% Dow Jones U.S. Small Cap Total Stock Market Index, 5% FTSE All Emerging Index (Net), 11% FTSE Developed ex-U.S. Index (Net), 2% FTSE Developed Small Cap ex-U.S. Liquid Index (Net), 1% Russell Microcap® Index. Prior to June 8, 2016, the composite index was derived using the following allocations: 15% Dow Jones U.S. Large Cap Total Stock Market Index, 4% Dow Jones U.S. Small-Cap Total Stock Market Index, 1% Russell Microcap Index, 11% FTSE Developed ex-US Index (Net), 2% FTSE Developed Small Cap ex-US Liquid Index (Net), 5% FTSE Emerging Index (Net), 6% Dow Jones U.S. Select REIT Index, 3% Dow Jones UBS Commodity Index, 2% Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L), 12% Bloomberg Barclays 3-10 Year U.S. Treasury Bond Index, 2% Bloomberg Barclays U.S. Aggregate: Agencies Index, 6% Bloomberg Barclays U.S. Credit Index, 13% Bloomberg Barclays U.S. Mortgage Backed Securities Index, 2% Bloomberg Barclays Global Treasury ex-U.S. Capped Index, 1% Bloomberg Barclays High Yield Bond Very Liquid Index, 15% Bloomberg Barclays U.S. Treasury Bills 1-3 Month Index. **S&P 500® Index** An index that is designed to measure the performance of 500 leading publicly traded companies from a broad range of industries. **Bloomberg Barclays U.S. Aggregate Bond Index** An index that represents securities that are SEC registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

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Portfolio investment adviser: Charles Schwab Investment Management, Inc. (CSIM). Distributor: Charles Schwab & Co., Inc. (Schwab).

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