

Diversified Portfolios in Managed Account Select®

Available through Managed Account Select,¹ Diversified Portfolios provides your client with a multi-strategy portfolio that offers potential risk reduction through broad diversification at an asset class level.

AN OVERVIEW OF DIVERSIFIED PORTFOLIOS.

With Diversified Portfolios, your client can enjoy the diversification of a variety of different investment styles combined in a single account that is administered by an overlay portfolio manager. Each individual strategy is managed by a money management firm.

Opening and managing the account is straightforward; simplified paperwork allows you to open a Diversified Portfolios account with ease, and you'll receive a single, consolidated monthly report for your client.

INSTITUTIONAL-CALIBER INVESTMENT EXPERTISE WORKING FOR YOUR CLIENT.

Combining the intellectual capital of the Schwab Center for Financial Research, the experience of prescreened overlay portfolio managers and money managers, and your financial acumen, Diversified Portfolios offers your client a wealth of investment experience at every level. The table below outlines the specific roles and responsibilities associated with Diversified Portfolios.

Role	Responsibilities
The Schwab Center for Financial Research	<ul style="list-style-type: none"> • Define Diversified Portfolios target asset allocations. • Select overlay portfolio managers. • Work with overlay portfolio managers to identify money managers. • Provide investment research. • Provide ongoing monitoring of total portfolio and underlying money managers.
Financial advisor	<ul style="list-style-type: none"> • Assess client's goals, risk tolerance and tax management needs. • Recommend optimal asset allocation to meet client's long-term objectives. • Offer guidance and service.
Overlay portfolio manager	<ul style="list-style-type: none"> • Implement and oversee client's Diversified Portfolios account, including its asset allocation. • Coordinate with money managers to rebalance portfolio as necessary and according to specific guidelines.²
Underlying money manager	<ul style="list-style-type: none"> • Manage distinct portion of client's total portfolio.

Target asset allocations are designed by the Schwab Center for Financial Research—Each Diversified Portfolios account leverages one of three target asset allocations created by the Schwab Center for Financial Research.

These target asset allocations are designed to meet the risk profile, time horizon and tax preferences of different types of clients. The selected asset allocation, along with ongoing rebalancing, can help reduce your client’s portfolio risk and volatility over time.

Money managers are rigorously selected and reviewed—

All overlay portfolio managers and money managers are prescreened and monitored by the Schwab Center for Financial Research.³

KEY BENEFITS FOR CLIENTS.

Alongside broad diversification and access to exceptional investment expertise, Diversified Portfolios offers your client many benefits.

- **Direct ownership of underlying securities**—Owning the account’s securities gives your client tax management

opportunities. In the role of financial advisor, you can add value by working directly with the overlay portfolio manager to harvest gains or losses.⁴

- **Portfolio customization**—Your client can request that a particular security or industry be excluded from their Diversified Portfolios account.
- **Detailed reports**—Your client receives a single monthly account statement that lists all securities; quarterly reports detailing the Diversified Portfolios account’s overall performance; trade confirmations, either as individual or quarterly reports; and annual gain/loss reports.
- **Low account minimums**—The minimum investment for Diversified Portfolios accounts is \$350,000. While our asset-based fees are among the most competitive in the industry,⁵ your client may also be able to take advantage of lower fees by combining all household Diversified Portfolios accounts.

Asset Allocations		
Moderately Conservative*	A blend of fixed income and equities for greater stability, with modest potential for increases in the value of investments.	<ul style="list-style-type: none"> • Large-Cap Equity 25% • Small-Cap Equity 10% • International Equity 10% • Fixed Income 55%
Moderate*	A balance between growth potential and principal preservation, with less volatility than the overall equity market.	<ul style="list-style-type: none"> • Large-Cap Equity 37% • Small-Cap Equity 10% • International Equity 16% • Fixed Income 37%
Moderately Aggressive*	A focus on capital appreciation potential, with slightly less volatility than the overall equity market.	<ul style="list-style-type: none"> • Large-Cap Equity 45% • Small-Cap Equity 15% • International Equity 20% • Fixed Income 20%
Aggressive	High growth potential in exchange for the risk of substantial year-to-year volatility in the value of your client’s investment.	<ul style="list-style-type: none"> • Large-Cap Equity 53% • Small-Cap Equity 21% • International Equity 26%

* Available with taxable bonds or tax-exempt municipal bonds.

WHY CHOOSE SCHWAB'S MULTI-STRATEGY PORTFOLIO.

Resources and support for financial advisors—With specific services designed to save you time and improve business efficiencies, Diversified Portfolios can help you build your practice.

- **Money manager analysis**—Portfolio and manager-level review and monitoring information are available to you through sources that include quarterly Manager Profiles, Manager News Updates and Watch Lists.
- **A comprehensive review of your client's account**—You'll receive a single account statement and quarterly performance reports for your client.

A Simple Fee Structure	
Total Eligible Assets	Annual Fees
First \$250K	1.00%
Next \$250K	0.85%
Next \$500K	0.80%
Next \$1M	0.75%
Next \$3M	0.70%
Over \$5M	0.65%

- **In-depth knowledge**—The Investment Management Consulting Group can offer you insight into particular Diversified Portfolios accounts and into how managed accounts are generally being implemented.⁶
- **Operational service and support**—The Managed Account Service Team can answer your questions on an existing account, help complete client applications and assist you with operational procedures.

Learn more about Diversified Portfolios in Managed Account Select.

If you are a Schwab Institutional® client, learn more about Diversified Portfolios and our Managed Account Platform today.

- Visit www.schwabinstitutional.com > Resource Center > Investment Products > Managed Account Platform.
- Contact your Schwab Institutional Relationship Manager.
- Call the Investment Management Consulting Group at 1-877-202-4716.

If you're new to Schwab Institutional, explore our Managed Account Platform at www.schwabinstitutional.com/public.

Please read Schwab's Schedule H brochure for important information and disclosures relating to Managed Account Select® and Diversified Portfolios. In addition, please read the participating manager's Form ADV for important information and disclosures.

¹ Schwab is the sponsor of the Managed Account Select program, which has unaffiliated third-party managers.

² The overlay manager will generally rebalance the portfolio when the proportion of equity securities to fixed income securities varies by five or more percentage points from the target allocation and when the proportion of one strategy varies by more than 10 percentage points from the asset allocation.

³ Manager screening and research services for Managed Account Select (including Diversified Portfolios) was provided by Callan Associates Inc., an unaffiliated consulting firm, until December 31, 2007.

⁴ Schwab does not provide tax advice. Clients should consult a professional tax advisor for their needs.

⁵ The asset-based fee does not cover (i) certain costs or charges imposed by third parties, including odd-lot differentials, American depository receipt fees, exchange fees and transfer taxes mandated by law; (ii) charges for special services elected by clients, including periodic distribution fees, electronic funds and wire transfer fees, certificate delivery fees and reorganization fees; (iii) dealer markups and markdowns on fixed income securities; and (iv) execution of securities' transactions by other broker-dealers.

⁶ Neither Schwab nor Investment Management Consulting Group analysts provide advice or recommendations regarding managed accounts or money managers to investment advisors or their clients.

Diversification strategies do not ensure profit and cannot protect against losses in a declining market.

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