



American Beacon Advisors, Inc.
("American Beacon")

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Form ADV Part 2A
("Brochure")

March 28, 2024

This Brochure provides information about the qualifications and business practices of American Beacon Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (817) 391-6100 or client.services@ambeacon.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

American Beacon Advisors, Inc. is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about American Beacon Advisors, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Discussed below is a summary of material changes to the Brochure since the last annual update on March 20, 2023:

In January 2024, American Beacon discontinued its advisory services to private equity funds-of-funds, and all such references have been removed from the Brochure.

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Item 4 – Advisory Business

American Beacon Advisors, Inc. ("American Beacon"), located in Irving, Texas, has been an investment adviser since 1986. American Beacon is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act") and with the National Futures Association ("NFA") as a commodity pool operator. American Beacon provides investment advisory services to institutional clients such as investment companies, corporations, governmental entities, collective investment trusts and corporate employee benefit plans. As of December 31, 2023, American Beacon managed approximately \$57.4 billion in assets on a discretionary basis.

American Beacon is a wholly-owned asset management subsidiary of Resolute Investment Managers, Inc., an indirect subsidiary of Resolute Topco, Inc. ("Topco"), which is owned primarily by various institutional investment funds that are managed by financial institutions and other investment advisory firms. No owner of Topco owns 25% or more of the outstanding equity or voting interests of Topco.

Resolute Investment Services, Inc. ("RIS"), an asset management servicing company under common ownership with American Beacon, provides operational and sales support to American Beacon under an employee leasing agreement. American Beacon's investment professionals who provide advisory services to clients are employed directly by American Beacon.

American Beacon offers the following advisory services to its clients.

Investment Companies

As investment adviser to the American Beacon Funds, American Beacon Select Funds and American Beacon Institutional Funds Trust (individually, a "Fund" and collectively, the "Beacon Funds"), American Beacon has the responsibility for the management and investment of the assets of each Fund in accordance with its current registration statement and applicable investment objectives, policies, and restrictions. In connection with these responsibilities, American Beacon performs certain administrative services pursuant to its agreements with the Beacon Funds. American Beacon selects investment sub-advisers for the Beacon Funds for approval by the applicable Fund's Board of Trustees and manages certain Beacon Funds directly. American Beacon and/or the applicable Fund contracts with each sub-adviser to manage all or a portion of the assets of a Fund. If more than one sub-adviser manages a Fund, American Beacon allocates assets of the Fund among the sub-advisers. American Beacon makes recommendations to the Board of Trustees of the Beacon Funds regarding any necessary changes to the investment adviser structure. In addition to managing certain Beacon Fund assets directly, American Beacon recommends investment advisers affiliated with it to serve as sub-advisers. American Beacon monitors the performance of each sub-adviser and seeks to assure compliance with investment objectives, policies and restrictions of each Fund. This type of arrangement is commonly known as a "manager-of-managers" structure. American Beacon is permitted to delegate certain of its duties related to sub-adviser selection and allocation to another investment adviser that is subject to American Beacon's oversight.

Employee Benefit Plans

American Beacon provides investment management services to a number of employee benefit plans sponsored by a large corporation and its affiliates (the “Plans”). The services may include the selection and monitoring of separately managed accounts, mutual funds, collective investment trusts, investment managers, and private investments; the allocation of assets among managers/funds in accordance with Plan policies; the selection and monitoring of securities lending agents, trade execution analysis providers, and proxy consultants; maintaining commission recapture agreements with brokerage firms; ministerial rebalancing services; and direct investment management. American Beacon monitors the performance of each investment manager and seeks to assure compliance with the investment objectives, policies and restrictions of each Plan.

Collective Investment Trusts

American Beacon has been retained by the trustee of a collective investment trust to assist in management of the assets of certain separate funds under the trust (the “CITs”). The trustee oversees American Beacon’s investment decisions for the CITs. American Beacon selects investment sub-advisers for the CITs for approval by the trustee. Any such sub-advisers manage assets of the CITs pursuant to an agreement between the sub-adviser and American Beacon. If more than one sub-adviser manages a CIT, American Beacon allocates the assets of the fund among the sub-advisers. American Beacon monitors the performance of each sub-adviser and seeks to assure compliance with investment objectives, policies and restrictions of each CIT.

Separate Accounts

American Beacon’s separate accounts generally fall into two categories: Stable Value portfolios and Current Income and Total Return portfolios. American Beacon generally manages Stable Value portfolios to generate current income from investments in high-quality instruments maturing in less than 13 months while seeking to maintain stable principal. American Beacon actively manages Current Income and Total Return portfolios to provide higher current income than the Stable Value portfolios, with total return as a secondary emphasis. These portfolios generally have a weighted average duration of six months to three years. American Beacon seeks to manage each client’s separate account within the investment objectives, policies and restrictions provided by the client as well as the client’s liquidity needs. The performance of each separate account may vary based on the circumstances of each account and American Beacon’s customization of such accounts.

Limitations on American Beacon’s Liability

American Beacon’s management or advisory agreements with its clients typically contain provisions that may act as a waiver, release or limitation of certain rights clients may have against American Beacon arising from its services. In substance, the agreements usually state that American Beacon, and its personnel and affiliates, are not liable for any loss arising out of American Beacon’s advice or for any other act or omission taken with respect to its services, except for any act or omission which constitutes willful misfeasance, bad faith or negligence in the performance of its duties, or reckless disregard of its obligations and duties under the agreement.

Notwithstanding the liability limiting nature of these provisions, clients should be aware that federal and state securities laws may impose liabilities on American Beacon under certain circumstances. Therefore, nothing in those or any other provisions in the agreements will have the effect of waiving, releasing or limiting any rights a client may have under those laws or under any other laws that are not permitted to be waived by contract.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by American Beacon is established in a client's written agreement with American Beacon. Depending upon the type of account, American Beacon generally bills its fees in arrears on a monthly or quarterly basis. For certain client accounts, management fees are prorated for contributions and withdrawals of assets made to or from the account during the applicable period. Accounts initiated or terminated during a billing cycle will be charged a prorated fee. Except for the Beacon Funds, American Beacon does not have the authority to deduct its fees from the clients' custodial accounts. Upon termination of any account, any earned, unpaid fees will be due and payable.

Investment Companies

American Beacon's agreements with the Beacon Funds provide for payment of annualized investment management fees by the Beacon Funds to American Beacon for investment management, administrative and clerical services provided by American Beacon to each Fund. The fees paid to American Beacon by the Beacon Funds are determined by the type of Fund and the number of sub-advisers and are computed daily and paid monthly from each Fund's assets at the annual rates as percentages of that Fund's average daily net assets. In addition, American Beacon receives a percentage of the net monthly income generated from securities lending activities of certain Beacon Funds for its oversight of the securities lending activities. American Beacon also receives shareholder servicing fees from the Beacon Funds, depending on the share class, which are paid to intermediaries for servicing of shareholder accounts.

Certain share classes of the Beacon Funds pay distribution (Rule 12b-1) fees to American Beacon's affiliated broker-dealer for distribution and shareholder servicing related services provided to the Beacon Funds. The Rule 12b-1 fees offset expenses that American Beacon would otherwise bear in distributing the Beacon Funds. The distribution fees are paid pursuant to Distribution Plans that have been approved by the Board of Trustees of the Beacon Funds. The plans are "compensation plans" meaning that the Beacon Funds pay a specified level of compensation for distribution and/or shareholder service-related activities, regardless of whether American Beacon or its affiliates expends more or less than this amount on distribution efforts. However, all Rule 12b-1 fees received by American Beacon's affiliated broker-dealer from the Beacon Funds are utilized to pay expenses under the Distribution Plans, such as expenses relating to selling efforts of various broker-dealers, shareholder servicing fees and the preparation and distribution of advertising material and sales literature. In addition, American Beacon commits certain of its own resources to pay for various Beacon Fund promotional activities, which are unreimbursed by the Beacon Funds. Certain sub-advisers also make payments to support the Beacon Funds' distribution activities and potentially

defray American Beacon's expenses. See item 10 below for more information on the conflict of interest this presents.

Fees charged to the Beacon Funds are generally calculated and accrued daily and paid monthly in arrears. American Beacon periodically waives fees or reimburses expenses otherwise payable by the Beacon Funds. Accordingly, actual fees may differ from contractual rates.

Employee Benefit Plans

American Beacon has no basic fee schedule for its employee benefit plan management services. American Beacon's investment management agreement with the Plans provides that the Plans will pay American Beacon a monthly fee in arrears equal to the product of the month-end assets, the applicable fee rate and the actual number of days in the month, divided by the actual number of days in the year. The monthly fee is offset, consistent with applicable regulations, by any investment advisory fees and by certain other fees described in the agreement that are collected by American Beacon or its affiliates from commingled funds affiliated with American Beacon in which such month-end assets are invested. Fees for some Plans are governed by the applicable Prospectus and any applicable Shareholder Services Agreement between the Plans and American Beacon.

Collective Investment Trusts

American Beacon has no basic fee schedule for its collective investment trust services. American Beacon's Sub-Advisor Agreement for the CITs provides that American Beacon shall receive an annualized sub-advisory fee paid from total fee collected from the CITs by the trustee. The fees are accrued daily and paid quarterly in arrears from the net asset of the CITs.

Separate Accounts

American Beacon's standard fee schedule for separate accounts is generally at the rate of 0.10% per annum on the first \$250 million in assets, 0.06% on the next \$250 million, and 0.04% thereafter. Irrespective of the amount of assets managed, a minimum annual fee of \$30,000 is charged for separate accounts. American Beacon's fees are negotiable. American Beacon may negotiate lower fee arrangements in certain circumstances, including situations when: there is a likelihood of significant growth of assets in the account; the prospective client is in a new industry or marketplace; the client is an affiliate of American Beacon; or interest rates are so low that a lower fee may be justified. A single client and its affiliates with assets in more than one investment vehicle managed by American Beacon and/or its affiliates may have its assets aggregated for fee calculation purposes and/or be charged a lower fee rate with respect to assets maintained in one or more accounts. Fees are normally based upon a percentage of the average daily market value of assets under management calculated on a 365-day basis. Fees charged are generally payable monthly or quarterly in arrears.

Other Types of Fees and Expenses

In addition to American Beacon's fees, clients will incur brokerage commissions, dealer spreads, transaction fees, ticket charges and other related costs and expenses in connection with transactions in their advised accounts. See Item 12 below for more information about brokerage practices. Clients

may also incur charges imposed by custodians, broker-dealers, prime brokers, other investment companies, and other third parties that may include items such as custodial fees, account maintenance fees, activity or inactivity fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer fees, electronic fund transfer fees, termination fees, postage and handling charges, exchange fees, interest to cover short positions, and other fees and charges on accounts or transactions. These fees, charges and/or commissions are exclusive of and in addition to the management and other fees paid to American Beacon, and American Beacon will not receive any portion of those charges.

Clients that American Beacon invests in the Beacon Funds and other investment companies will also bear indirectly as fund shareholders their proportionate share of each fund's internal expenses. These internal fees and charges are known as the fund's expense ratio. Each fund's expense ratio will vary over time and is disclosed in its Prospectus. Similarly, internal expenses of the CITs and the Plans will be borne by investors in those accounts.

Compensation from Investments in Affiliated Vehicles

For certain client accounts, American Beacon is authorized to invest client assets in affiliated investment vehicles including, for example, the investment of short-term cash and/or securities lending cash collateral into an American Beacon managed money market fund. When American Beacon invests a client in the Beacon Funds, fees and other compensation flow indirectly to American Beacon since, as adviser to the funds, American Beacon receives management fees and/or shareholder servicing fees based on the amount of assets invested in the funds. The fee rates and other compensation paid to American Beacon and its affiliates are described above in Item 5 and may vary depending on the vehicle.

In light of these circumstances, American Beacon faces a conflict of interest to the extent it has an incentive to invest clients in those vehicles – or recommend that clients invest in those vehicles -- based on the fact that American Beacon and its affiliates will receive compensation or other benefits, rather than based strictly on a client's needs. That conflict is mitigated, however, in those cases where American Beacon offsets the fees it charges to the client by any investment advisory fees and other fees that are collected by American Beacon or its affiliates from any American Beacon affiliated vehicle in which the client's assets are invested. This and other conflicts are disclosed to clients in this Brochure and/or in the advisory agreement between American Beacon and its client.

Clients generally have the option to purchase investment products recommended by American Beacon through other brokers, agents or advisors that are not affiliated with American Beacon. In addition, clients are able to meet their investing goals by investing in other funds or investments as to which American Beacon does not provide advice, including some that charge lower fees or entail lower costs than investing in vehicles affiliated with American Beacon.

Item 6 – Performance-Based Fees and Side-By-Side Management

Neither American Beacon nor any of its affiliates is entitled to receive performance-based compensation. Nevertheless, American Beacon's compensation varies among its clients, so American Beacon could be motivated to favor accounts with higher fees over accounts with lower

fees. American Beacon attempts to address and/or manage these conflicts through its investment allocation policy and full and fair disclosure of its compensation in this Brochure, client agreements, and the offering documents for the Beacon Funds and the CITs. With respect to the allocation of investment opportunities, it is American Beacon's policy to treat all clients fairly relative to one another. To this end, American Beacon regularly monitors the allocation of investment opportunities and makes investment decisions with the aim of ensuring that no client or group of clients is unfairly favored relative to others over time.

Item 7 – Types of Clients

American Beacon provides investment advisory services to investment companies (the Beacon Funds), corporate employee benefit plans, collective investment trusts, corporations and governmental entities. For separate accounts, American Beacon generally requires a minimum of \$100 million to open an account, although it has discretion to waive the minimum in certain circumstances. The CITs are available only to qualified employee benefit plans. Minimum investments and other eligibility requirements for the Beacon Funds and the CITs are governed by the organizational and disclosure documents of each of those funds.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The methods of analysis and investment strategies used by American Beacon in formulating advice or managing assets for clients are described below. Investing in securities involves risk of loss that clients should be prepared to bear.

Investment Companies

American Beacon advises Beacon Funds that feature a sole sub-adviser or multiple sub-advisers depending on the design of each Fund. American Beacon selects unaffiliated and affiliated investment advisers as sub-advisers. Additionally, American Beacon's investment professionals manage certain Beacon Funds directly without a sub-adviser. American Beacon also makes recommendations to the Beacon Funds regarding the creation and structure of new funds, including asset classes, style, strategy and the type of sub-adviser structure best suited for the fund. With respect to multi-manager sub-advised Funds, American Beacon's goal is to assemble the most effective combination of investment sub-advisers, for a specific asset class, investment style, or market strategy. Each sub-adviser is responsible for investing its portion of the Beacon Funds' assets directly in securities and other instruments aimed at achieving the investment objectives of the Fund. Our sub-adviser evaluation and selection process is designed to be selective and ongoing. In vetting sub-advisers to the Beacon Funds, American Beacon evaluates prospective asset management teams based upon their tenure with their firm and their involvement in producing the product's performance track record, the level of coordination between portfolio managers and analysts, the amount of time spent on asset management versus administrative functions, the number of separate accounts managed by the portfolio manager and other factors that American Beacon and the Board may deem relevant. American Beacon is authorized to delegate the selection and monitoring of sub-advisers to another investment adviser.

In regard to the sub-advised Beacon Funds, the sub-advisers have ultimate authority for buy and sell decisions after adhering to the guidelines set forth by American Beacon and the Beacon Funds. With respect to the Beacon Funds managed directly by American Beacon, American Beacon's portfolio managers have authority to make buy and sell decisions after adhering to the guidelines set forth by American Beacon and the Beacon Funds. American Beacon's compliance team regularly monitors trading activity in each Fund on a post-trade basis to ensure compliance with the applicable Prospectus and internal guidelines. The compliance team also implements an ongoing sub-adviser due diligence program, which includes an evaluation of the sub-adviser's pre- and post-trade compliance systems, and which may include an on-site visit. American Beacon's asset management team meets with each sub-adviser on a regular basis to review style and process adherence.

Principal Risks – Investment Companies

The principal risk posed by investing in the Beacon Funds is that the securities selected by American Beacon or a sub-adviser for the Beacon Funds do not perform to expectations. This could result in a Fund's underperformance compared to other funds with similar investment objectives.

Depending on the Fund, other risks of investing in the Beacon Funds may include the following:

- Allocation Risk
- Asset Selection Risk
- Asset-Backed and Mortgage-Backed Securities Risk
- Callable Securities Risk
- Collateralized Loan Obligations ("CLOs") Risk
- Commodities Risk
- Convertible Securities Risk
- Counterparty Risk
- "Covenant-Lite" Obligations Risk
- Credit Risk
- Crowding/Convergence Risk
- Currency Risk
- Cybersecurity and Operational Risk
- Debentures Risk
- Derivatives Risk
- Developing Markets Risk
- Dividend Risk
- Emerging Markets Risk
- Environmental, Social, and/or Governance Investing Risk
- Equity Investments Risk
- Event-Driven Investing Risk
- Exchange-Traded Funds Risk
- Flexible Strategy Risk
- Focused Holdings Risk

- Foreign Exposure Risk
- Foreign Investing Risk
- Geographic Concentration Risk
- Growth Companies Risk
- Hedging Risk
- High Portfolio Turnover Risk
- High Yield Securities Risk
- Inflation Index-Linked Securities Risk
- Interest Rate Risk
- Investment Risk
- Issuer Risk
- Large Capitalization Companies Risk
- Leverage Risk
- LIBOR Risk
- Liquidity Risk
- Loan Interests Risk
- Market Direction Risk
- Market Risk
- Market Timing Risk
- Micro-Capitalization Companies Risk
- Mid-Capitalization Companies Risk
- Model and Data Risk
- Model and Data / Programming Error Risk
- Mortgage Backed and Mortgage-Related Securities Risk
- Multiple Sub-Advisor Risk
- Municipal Securities Risk
- National Resources Concentration Risk
- Net Asset Value Risk
- New Fund Risk
- Non-Diversification Risk
- Obsolescence Risk
- Other Investment Companies Risk
- Preferred Stock Risk
- Prepayment and Extension Risk
- Quantitative Strategy Risk
- Recently-Organized Fund Risk
- Redemption Risk
- Reliance on Corporate Management and Financial Reporting Risk
- Repurchase Agreement Risk
- Restricted Securities Risk
- Risk Management
- Sector Risk
- Secured, Partially Secured and Unsecured Obligation Risk

- Securities Lending Risk
- Securities Selection Risk
- Segregated Assets Risk
- Short Position Risk
- Small-Capitalization Companies Risk
- Small Fund Risk
- Sovereign and Quasi-Sovereign Debt Risk
- Subsidiary Risk
- Supranational Risk
- Sustainable Investing Risk
- Tax Risk
- Tax Management Risk
- Trading System and Execution of Orders Risk
- Transformational Innovation Risk
- Trust Preferred Securities Risk
- Government Securities and Sponsored Enterprises Risk
- U.S. Treasury Obligation Risk
- Unrated Securities Risk
- Valuation Risk
- Value Stocks Risk
- Variable and Floating Rate Securities Risk
- Volatility Risk
- Zero Coupon Securities Risk

As with all investment companies, there is no assurance that any of the Beacon Funds will achieve its investment objective and you could lose part or all of your investment in the Beacon Funds. The Beacon Funds are generally not designed for investors who need an assured level of current income and, except for money market funds, are intended to be long-term investments. The Beacon Funds are not a complete investment program and may not be appropriate for all investors. Investors should carefully consider their own investment goals and risk tolerance before investing in the Beacon Funds. The Prospectuses and Statements of Additional Information for the Beacon Funds contain important information regarding objectives, investments, risks, fees and additional disclosures. These documents are available online at www.americanbeaconfunds.com. Prior to making any investment in the Beacon Funds, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Beacon Funds.

Collective Investment Trusts

American Beacon advises CITs that feature a sole sub-adviser or multiple sub-advisers depending on the design of each CIT. Each sub-adviser is responsible for investing its portion of a CIT's assets directly in securities aimed at achieving the investment objectives of the CIT. Our sub-adviser evaluation and selection process is designed to be continuous and selective. In vetting sub-advisers to the CITs, American Beacon evaluates prospective asset management teams based upon their

tenure with their firm and their involvement in producing the product's performance track record, the level of coordination between portfolio managers and analysts, the amount of time spent on asset management versus administrative functions, the number of separate accounts managed by the portfolio manager and other factors that American Beacon and the CIT trustee may deem relevant.

The CIT's sub-advisers have authority to make buy and sell decisions after adhering to the guidelines set forth by the CIT trustee and American Beacon. American Beacon's Compliance team implements an ongoing sub-adviser due diligence program, which includes an evaluation of the sub-adviser's pre- and post-trade compliance systems, and which may include an on-site visit. American Beacon's asset management team meets with each sub-adviser on a regular basis to review style and process adherence.

Principal Risks – Collective Investment Trusts

The principal risk posed by investing in the CITs is that the securities selected by American Beacon or a sub-adviser do not perform to expectations. This could result in the CIT's underperformance compared to other funds with similar investment objectives. Other risks are determined by the particular CIT's investment objective and strategies. The CITs are offered exclusively to qualified retirement plans, which are sophisticated institutional investors capable of independently assessing investment risks.

Separate Accounts

As mentioned above in Item 4, American Beacon's separate accounts generally fall into two categories: Stable Value portfolios and Current Income and Total Return portfolios. American Beacon's investment philosophy for the separate accounts is committed to high quality, low volatility investing. Our top-down approach to portfolio management leads us to concentrate on macro-economic factors including the leading economic indicators, the shape of the yield curve, the business cycle, and Federal Reserve Board monetary policy. In addition, we strictly prohibit the use of instruments that amplify market conditions to achieve short-term gains, such as collateralized debt obligations and structured investment vehicles, to limit risk. We have committed compliance resources to ensure portfolio guidelines are adhered to and objectives are met, and we have developed a framework to provide segregation of duties among portfolio management, compliance, pricing and performance measurement personnel.

American Beacon's "top-down" investing strategy focuses on analysis of fundamental economic data, the yield curve, business cycle patterns, and credit quality combined, aiming to create a dynamic, high quality portfolio.

Investment Strategy and Economic Outlook – Our top-down process begins with an overall investment strategy developed in accordance with our forecast for inflation, interest rates, and other economic factors.

American Beacon's fixed income portfolio managers and credit analyst are involved in developing the overall investment strategy for separate accounts. The portfolio managers focus on different

aspects of the yield curve and credit markets and offer their perspective in the decision-making process. To the extent that there is agreement on the investment outlook, the portfolio managers then analyze their sector allocation and security selection decisions accordingly. To the extent that opinions diverge on the outlook, the Chief Fixed Income Officer makes the ultimate decision on an investment strategy. The portfolio managers then incorporate that strategy and analyze sectors and securities for their portfolios. Portfolio managers determine the weighting and selection decisions in accordance with each client's guidelines and risk tolerances. All of these decisions are made within the context of the client's overall investment policy.

The Chief Fixed Income Officer oversees the portfolio construction process to ensure that the portfolios are being managed in accordance with the investment strategy and the client's investment policy.

Maturity Structure and Sector Analysis – We then establish weighted average maturity (WAM) targets based on the direction of interest rates, the phase of the business cycle, and the slope of the yield curve. American Beacon seeks to optimize the sector mix to take full advantage of spread opportunities.

Issue Selection – We focus on highly rated obligations to minimize credit risk. Credit review occurs not only before purchase, but also continually during the holding period of the obligation.

Our security selection process is initially based on our top-down assessment of a sector, but bottom-up analysis naturally follows. Since similarly rated issuers do not necessarily possess the same credit risk, our research emphasizes credit metrics, ratings expectations, and other factors to uncover those differences. For example, the rating agencies have a tolerance for small changes in leverage, interest coverage and profitability ratios. We stress test these metrics to determine a margin of safety for a given rating. Additionally, at times, we discuss these issues with the rating agencies and securities firms to clarify the factors that may affect a credit rating.

Detailed credit analysis is instrumental to assist the portfolio managers with relative valuation decisions. The credit ratings provide a starting point from which to consider individual issuers, but the credit research process allows us to make appropriate security selection decisions given the underlying fundamentals and incremental yield. Ultimately, we are looking for stable issuers that offer attractive value relative to government equivalents. In order to justify adding credit risk to the portfolio, we must determine that the incremental yield is appropriate for that particular issuer.

Our credit research process involves assessing fundamental credit strength and ratings stability in order to assist portfolio managers in relative value decisions. The primary function of our research is to gather and filter appropriate information to gain an understanding of market sectors and individual companies.

American Beacon maintains an Approved Issuer List that applies to stable value accounts. In addition to continuous informal reviews, a formal written determination of creditworthiness is required for each issuer at the initial approval stage. All approved issuers are assigned an internal rating designed to delineate the credit quality of equally rated (by the nationally recognized statistical ratings organizations "NRSROs") issuers based on our independent analysis. Additionally, maturity

limitations may be placed on individual issuers based upon our credit research and will be noted on the Approved Issuer List.

American Beacon utilizes a combination of externally published material and internally generated research in this process. External research may come from the NRSROs, brokerage firms, SEC filings, Bloomberg, Internet and/or conferences / forums.

Principal Risks – Separate Accounts

The key risk factors we incorporate into our investment decisions for separate accounts are as follows:

Securities Selection Risk

Securities selected by American Beacon may not perform to expectations. This could result in the underperformance of the account compared to other accounts with similar investment objectives.

Interest Rate Risk

Interest rate risk (duration) is one of the primary risk factors driving portfolio risk and return. Duration measures the interest rate sensitivity of a portfolio to an instantaneous, parallel shift in the yield curve. We attempt to control interest rate risk by adjusting portfolio duration relative to that of the benchmark duration in a manner that incorporates a conservative risk/return objective. The decision parameters as to when and by what magnitude we would deviate from the benchmark duration would be determined by our view of the stage of the economy, business cycle, and the Federal Reserve monetary policy.

Yield Curve Risk

One component of interest rate risk includes the maturity profile of holdings across the yield curve. We monitor yield curve risk by mapping the portfolio's exposure to various segments of the yield curve to identify an optimal yield curve position.

During an economic recovery, when the yield curve generally flattens, a barbell strategy (where portfolio holdings are weighted toward short maturities, or floating rate securities, in conjunction with intermediate maturity securities) would reduce yield curve risk. Short maturity and floating rate securities have very low duration, thus low-price risk. Short maturities can be reinvested at higher rates, and floating-rate securities automatically reset with higher coupons. These types of securities offer protection from a rising Federal Funds rate. The intermediate maturities employed in the barbell strategy capture the yield advantage of being further out in the yield curve, which offsets the yield given up in the short-maturity component of the strategy. Generally, the short end of the yield curve is the most volatile part of the yield curve, thus a barbell strategy can be effectively implemented in anticipation of rising rates.

Similarly, as interest rates decline, the yield curve generally steepens. With a steep yield curve, the

roll down contribution to total return can be significant. As such, a bullet strategy (where maturities are staggered across the yield curve) can be implemented to control yield curve risk and capture roll-down return.

Default Risk

Default risk is the risk of loss arising from an issuer's failure to pay principal and interest when due. We aim to avoid default risk by performing credit research on issuers prior to investment to determine fundamental credit quality based on operating trends, balance sheet strength, cash flow generation, management track record, and capital structure. We also conduct periodic reviews of each issuer and closely follow market and credit default prices of the individual securities and issuers.

Standard Deviation Risk

Investment portfolios managed to conservative guidelines should result in lower return volatility, and therefore lower standard deviation risk. We aim to control standard deviation risk by making small adjustments to target duration, taking active views on yield curve positioning, and minimizing default risk through credit research.

Liquidity Risk

Liquidity risk is the risk that a security may have to be sold at a lower price than that at which it is being valued or may not be able to be sold. This can happen due to the complexity of the security or other issuer- or market-specific factors. We aim to control liquidity risk through careful security selection based on credit analysis, issue size, and security structure analysis. Liquidity risk can also occur as a result of cash flow mismatch. This risk factor can be controlled by staggering the maturities in accordance with anticipated cash flow needs, by closely monitoring the credit quality of the issuers, and by reviewing price changes of portfolio holdings on a regular basis to identify potential liquidity risk candidates.

Issuer and Counterparty Credit Risk

The value of a security may decline if the security's credit rating is downgraded or credit quality otherwise falls. There is the risk that the issuers or guarantors of securities, including securities issued by U.S. Government agencies not backed by the full faith and credit of the U.S. Government, will default on the payment of principal or interest or the obligation to repurchase securities.

Foreign Exposure Risk

Investing in securities issued or supported by foreign entities carries potential foreign exposure considerations, including but not limited to the risk of: (1) political and financial instability, (2) less liquidity, (3) lack of uniform accounting, auditing and financial reporting standards, and (4) increased price volatility. Global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact

issuers in a different country or region. A rise in protectionist trade policies, the risks associated with ongoing trade negotiations with China, and the possibility of changes to some international trade agreements, could affect the economies of many nations, including the United States, in ways that cannot necessarily be foreseen at the present time. The severity or duration of adverse economic conditions may also be affected by policy changes made by governments or quasi-governmental organizations.

Investment Companies Risk

American Beacon may invest Separate Account clients in shares of money market funds. To the extent that the Separate Account invests in shares of money market funds, the client will indirectly bear fees and expenses, including for example, advisory and administrative fees, charged by the underlying funds and will be subject to the risks associated with investments in those funds. American Beacon must rely on the underlying fund to achieve its investment objective. If the underlying fund fails to achieve its investment objective, the value of the Separate Account's investment will decline, adversely affecting its performance.

Government-Sponsored Enterprises Risk

Investments in government-sponsored enterprises are debt obligations issued by agencies and instrumentalities of the U.S. Government. These obligations vary in the level of support they receive from the U.S. Government. They may be: (i) supported by the full faith and credit of the U.S. Treasury, such as those of the Government National Mortgage Association; (ii) supported by the right of the issuer to borrow from the U.S. Treasury, such as those of the Federal Home Loan Banks and the Federal Farm Credit Banks; (iii) supported by the discretionary authority of the U.S. Government to purchase the agency obligations, such as those of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation or (iv) supported only by the credit of the issuer, such as those of the Federal Farm Credit Bureau. The U.S. Government may choose not to provide financial support to U.S. Government sponsored agencies or instrumentalities if it is not legally obligated to do so in which case, if the issuer defaulted, a client holding securities of such issuer might not be able to recover its investment from the U.S. Government. Like all bonds, U.S. Government-sponsored enterprise bonds are also subject to credit risk.

U.S. Government Securities Risk

A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. In addition, because many types of U.S. Government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities. For example, the U.S. Government's failure to increase the federal debt limit, or the risk that it might not do so, can affect demand and prices for U.S. Government securities.

Variable and Floating Rate Securities Risk

The coupons on variable and floating rate securities are not fixed and may fluctuate based upon changes in market rates. A variable rate security has a coupon that is adjusted at pre-designated periods in response to changes in the market rate of interest on which the coupon is based. The coupon on a floating rate security is generally based on an interest rate, such as a money-market index, Secured Overnight Financing Rate, Euro Interbank Offered Rate or a Treasury bill rate. Variable and floating rate securities are subject to interest rate risk and credit risk. As short-term interest rates decline, the coupons on variable and floating rate securities typically decrease. Alternatively, during periods of rising short-term interest rates, the coupons on variable and floating rate securities typically increase. Changes in the coupons of variable and floating rate securities may lag behind changes in market rates or may have limits on the maximum increases in the coupon rates. The value of variable and floating rate securities may decline if their coupons do not rise as much, or as quickly, as interest rates in general. Conversely, variable and floating rate securities will not generally increase in value if interest rates decline. Certain types of variable and floating rate instruments may be subject to greater liquidity risk than other debt securities.

Market Risk

Market risks can affect the value of investments. These risks include political, regulatory, market and economic developments, including developments that impact specific economic sectors, industries or segments of the market.

Recent Market Events Risk

Geopolitical and other events, including war, terrorism, natural disasters, economic uncertainty, trade disputes, pandemics, public health crises and related geopolitical events have led, and in the future may continue to lead, to instability in world economies and markets generally. This instability has disrupted, and may continue to disrupt, U.S. and world economies and markets and adversely affect the value of your portfolio. Events that have led to market disruptions include the pandemic spread of the novel coronavirus known as COVID-19, tensions, war, or open conflict between nations, such as between Russia and Ukraine, in the Middle East or in eastern Asia could affect the economies of many nations, including the United States. The duration of ongoing hostilities in the Middle East and between Russia and Ukraine, and any sanctions and related events cannot be predicted. Those events present material uncertainty and risk with respect to markets globally, the full effects of which are still uncertain. Market disruptions have caused, and may continue to cause, broad changes in market value, negative public perceptions concerning these developments, and adverse investor sentiment or publicity. Changes in value may be temporary or may last for extended periods.

Prepayment and Extension Risk

Investments in asset-backed and mortgage-backed securities are subject to the risk that the principal amount of the underlying collateral may be repaid prior to the bond's maturity date. If this occurs, no additional interest will be paid on the investment and an investment may have to be made at a lower rate. Conversely, a decrease in expected prepayments may result in the extension of a security's

effective maturity and a decline in its price.

High Portfolio Turnover Risk

Portfolio turnover is a measure of trading activity over a one-year period. A portfolio turnover rate of 100% would indicate that an account sold and replaced the entire value of its securities holdings during the period. High portfolio turnover could increase transaction costs and possibly have a negative impact on performance. Frequent trading could also result in increased short-term capital gain distributions to clients, which are taxable as ordinary income.

Employee Benefit Plans

American Beacon performs certain duties and responsibilities on behalf of the Plans, as more fully described under Item 4 above. The investment strategies and methods of analysis for the Plans are determined by the named fiduciaries for the Plans. In most cases, American Beacon is authorized to select investment managers and commingled vehicles for the Plans.

Principal Risks – Employee Benefit Plans

The principal risks are that the managers and commingled vehicles selected by American Beacon may not achieve the Plan's objectives as expected or may otherwise deviate from applicable requirements. The named fiduciaries for the Plans are responsible for approving certain investment managers and/or commingled funds involving potential conflicts of interest.

Securities Lending

The Plans may lend securities from their portfolios to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. In connection with such loans, the Plans continue to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities. The Plans also have the right to initiate the termination of a loan at any time. The Plans do not have the right to vote on securities while they are on loan.

Should the borrower of the securities fail financially or otherwise fail to return the securities when due, the Plans may experience delays in recovering the loaned securities. Loans are made only to borrowers that are deemed by American Beacon to present an acceptable level of credit risk. The Plans intend to receive collateral consisting of cash and securities in an amount equal to at least 100% of the current market value of the loaned securities. The cash collateral may be reinvested in securities, which will expose the Plans to the risk of any decline in the value of those securities.

Item 9 – Disciplinary Information

American Beacon is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of American Beacon or the integrity of American Beacon's management. American Beacon has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

American Beacon's parent company is a diversified, multi-affiliate asset management platform comprised of SEC-registered investment advisers, a limited-purpose broker-dealer, and an asset management servicing company. These financial industry affiliations may be significant to clients and are discussed below.

Certain officers and directors of American Beacon are also officers and directors of one or more of its affiliated entities ("Dual Officers"). In their capacity as Dual Officers, the officers provide management services, corporate governance and day-to-day oversight of American Beacon's and the affiliates' operations. In addition, certain Dual Officers are registered representatives of the affiliated broker-dealer.

American Beacon has an affiliated broker-dealer, Resolute Investment Distributors, Inc. ("RID"), which is a limited purpose broker-dealer registered with the Financial Industry Regulatory Authority. RID limits its activities to distribution and marketing of registered investment companies and private funds to financial intermediaries and institutional investors and does not perform any securities execution or clearing services. Therefore, American Beacon will not use RID as a broker when executing any client transactions. Pursuant to agreements between American Beacon and RID, RID's registered representatives market the Beacon Funds and CITs to investors and provide business development and client services to American Beacon's other clients. American Beacon compensates RID for these activities. Certain directors and officers of American Beacon are registered representatives of RID, and they may participate in offering the Beacon Funds and CITs to financial intermediaries and other institutional investors.

American Beacon receives corporate and operational support from RIS pursuant to an employee leasing agreement that provides for American Beacon to pay RIS a fee for such services. The services include corporate accounting, human resources, information technology, marketing, legal counsel and compliance.

The Dual Officers and those employees of RIS who have access to American Beacon's non-public information regarding clients' account activity or holdings are subject to American Beacon's Code of Ethics and certain other policies and procedures designed to protect clients from potential conflicts of interest. Please see Item 11 for a description of the Code of Ethics.

As described above in Items 4 and 5, American Beacon and/or its affiliates are compensated for various services provided to the Beacon Funds and the CITs, in which certain American Beacon clients may be invested. In addition, American Beacon performs advisory services for client accounts and vehicles with investment objectives and policies similar to one another, including vehicles in which American Beacon and/or its affiliates have an interest, such as the Beacon Funds. The conflicts of interest arising from these activities are described more fully under Items 5, 6 and 11.

American Beacon is registered as a commodity pool operator with the NFA. Directors, officers and certain employees of American Beacon are registered as associated persons or listed as principals of American Beacon with the NFA.

American Beacon has an incentive to select its affiliated investment advisers as sub-advisers for client assets to improve the financial performance of Resolute rather than based strictly on the client's interest in retaining the best sub-adviser to meet its needs. However, this conflict of interest is mitigated by the fact that American Beacon is restricted from selecting affiliated investment managers for the Plans, and sub-adviser selections for the Beacon Funds and CITs are subject to Board of Trustees or CIT trustee approval, as applicable.

Pursuant to solicitation agreements with certain affiliated investment advisers and an unaffiliated investment adviser, American Beacon performs client solicitation services under the name Resolute Investment Managers. American Beacon does not recommend or select those other advisers for our clients, except when those advisers have been approved by the Beacon Funds' Board of Trustees to serve as sub-advisers. American Beacon does not believe its solicitation activities conflict with the interests of American Beacon's clients, principally because such advisers' investment strategies are substantially different from American Beacon's.

As referenced above under Item 5, certain sub-advisers to the Beacon Funds make contributions to the portion of the Beacon Funds' distribution activities that are paid for by American Beacon. This poses a conflict of interest for American Beacon to the extent it creates an incentive for American Beacon to retain a particular sub-adviser based on American Beacon's interest in continuing to receive financial support for distribution, rather than based strictly on the Beacon Funds' interest in retaining the best sub-adviser to meet its needs. However, American Beacon does not request a proposed sub-adviser's contribution to distribution payments until after the sub-adviser has been selected and fees have been negotiated. Therefore, a sub-adviser's willingness to make such payments is not a factor in the selection process. In addition, all distribution expenditures using Beacon Fund assets are overseen by the Beacon Funds' Board of Trustees, who regularly receives information about fees paid under the Funds' Distribution Plans, as well as information about unreimbursed promotional expenditures made by American Beacon out of its own resources and contributions made by sub-advisers to support distribution activities.

From time to time, American Beacon selects service providers for its clients. American Beacon has a disciplined process for vetting and selecting service providers. When American Beacon or its personnel have relationships or transactions involving prospective service providers (including their affiliates and personnel), American Beacon may be conflicted between the interests of its clients and the interests of American Beacon or its personnel. The vetting and selection process herein described, as well as American Beacon's supervision of its employees, are designed to mitigate those potential conflicts.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

American Beacon has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Advisers Act and Rule 17j-1 of the Investment Company Act. American Beacon has designed the Code to inform the firm's directors, officers and employees of their duty to place client interests

above their own personal interests. In addition to American Beacon's directors, officers and employees, those officers and employees of RIS who have access to non-public portfolio information regarding American Beacon's client accounts are considered Access Persons under the Code. The Code addresses potential conflicts of interest generally and specifically in four main areas: 1) personal securities trading, 2) receipt and provision of gifts and entertainment involving parties associated with American Beacon, 3) investment personnel serving as directors of publicly-traded companies, and 4) political contributions.

The Code significantly restricts the personal trading of Access Persons. In general, the Code prohibits Access Persons from purchasing or selling a security, if the Access Person has knowledge that the security is being purchased or sold or being considered for purchase or sale by American Beacon or a sub-adviser on behalf of a client account. Except in limited circumstances, the Code requires that Access Persons obtain pre-approval of their personal securities trades from American Beacon's Compliance Department. In determining whether to approve an Access Person's trade request, the Compliance Department considers the significance of the employee's requested trade and recent activity in the security on behalf of client accounts, including recent activity by the sub-advisers employed or monitored by American Beacon. American Beacon does not typically have knowledge of anticipated trading by the sub-advisers, so the Compliance Department may approve an Access Person's purchase or sale of a security when a sub-adviser is considering the same or a related security for purchase or sale at the same time. However, portfolio managers employed by American Beacon are prohibited from purchasing or selling the same or an equivalent security within seven days around a purchase or sale by that portfolio manager on behalf of a client account. Significant trades by an Access Person at or near the same time that a sub-adviser or American Beacon is trading on behalf of a client account could adversely affect the price that the client account obtains on the transaction.

The Code also requires that Access Persons comply with American Beacon's policy on the use of material non-public information, which is intended to prevent the use of such information for personal or client benefit. Certain other prohibitions in the Code apply to portfolio managers and investment personnel with the intent of preventing or mitigating potential conflicts between their personal interests and those of client accounts. For example, the following activities are generally prohibited: investment personnel recognizing a profit on the purchase and sale (or sale and purchase) of the same (or equivalent) security within sixty calendar days; portfolio managers trading a security that is a significant position in a client account under their management; and investment in initial public offerings by investment personnel.

All Access Persons must report their personal securities trades and holdings on a regular basis, including those in the Beacon Funds, to American Beacon's Compliance Department, which reviews the reports for compliance with the Code. All Access Persons are required to report any violation of the Code of which they are aware to American Beacon's Chief Compliance Officer. The Code provides for an executive officer, in consultation with the Chief Compliance Officer, to determine appropriate sanctions for violations, up to and including termination of employment.

American Beacon provides the Code to each Access Person upon hire and annually, at which time Access Persons certify in writing that they agree to comply with the Code. American Beacon will provide a copy of the Code to any client or prospective client upon request.

Clients Invested in American Beacon Affiliated Vehicles

Certain separate accounts under American Beacon's management and the Plans permit American Beacon to invest account assets in the Beacon Funds. These arrangements pose conflicts of interest that are described more fully under Item 5. American Beacon discloses that it earns additional advisory fees under these circumstances in its Form ADV, and separate account clients and the Plans acknowledge in their investment management agreement that they have received and read American Beacon's Form ADV.

In addition, American Beacon personnel may be invested personally in those vehicles. As a result, they may benefit like all investors from the added stability and positive effects that result from new asset inflows and investor interest when American Beacon invests its clients in those vehicles.

Voting Proxies Issued by Affiliated Funds

Because the separate accounts can invest in certain Beacon Funds, American Beacon may be called upon to vote on behalf of a client a proxy issued by a Fund that it manages. To avoid the appearance of a conflict of interest in these cases, American Beacon will contact the client to obtain consent before voting. If other potential conflicts of interest arise when voting a proxy for a separate account, American Beacon will contact the client to obtain consent before voting. See the discussion of American Beacon's proxy voting policies and procedures in Item 17.

Investing in the Same Securities or at the Same Time

American Beacon does not manage accounts directly for itself or its related persons. However, American Beacon or its affiliates may invest their own assets in the Beacon Funds, and as noted above, Access Persons may invest their personal assets in the Beacon Funds and some may be participants in the Plans. This poses a conflict of interest by creating an incentive for American Beacon to favor accounts in which it or its related persons are invested over other client accounts when allocating investment opportunities. For example, if both the Beacon Funds and the Plans are in need of an additional sub-adviser for a particular strategy, and the sub-adviser selected by American Beacon has a limited capacity for managing assets, American Beacon might have an incentive to allocate more of the sub-adviser's capacity to a Beacon Fund where American Beacon has an investment versus to the Plans. However, it is American Beacon's policy to allocate investment opportunities fairly among all accounts.

For accounts that are managed directly by American Beacon (certain Beacon Funds and the separate accounts), American Beacon may have an incentive to favor Beacon Funds in which it or its related persons are invested over the separate accounts or other Beacon Funds. To mitigate this conflict, it is American Beacon's policy to group client orders together when multiple accounts in the same strategy are seeking to acquire or dispose of the same security and when such grouping is consistent with each participating client's investment management agreement and American Beacon's duty to seek best execution. When American Beacon is unable to acquire sufficient quantity of a security to fill a grouped (or aggregated) trade, the quantity obtained will be allocated among the participating client accounts on either a pro rata or rotational basis when practical. See Item 12 below for further discussion of American Beacon's policy with respect to aggregated orders.

Another trading practice that could provide an opportunity for favoring an account in which American Beacon or its related persons have an interest would be the crossing of securities between client accounts. In the event that one client account is seeking to dispose of a security at the same time that another client account is seeking to acquire the security, it could be advantageous for the accounts to cross the security to save on transaction costs. However, such a practice could also be used to move higher-performing securities to a favored account. To satisfy American Beacon's fiduciary duty to each client, cross trades will only be executed when both the selling and purchasing clients receive equal or more favorable treatment than if each side of the transaction were executed separately in the open market. Such treatment will be supported by obtaining competitive market quotations to ensure that cross trades are conducted at the current fair market price. American Beacon's Compliance Department monitors the relative performance of similarly managed accounts in an attempt to detect favoritism of one account over another.

Item 12 – Brokerage Practices

Selection of Brokers and Dealers; Best Execution

American Beacon has discretion to select brokerage firms for security transactions in the separate accounts and Beacon Funds under American Beacon's direct management. American Beacon has a fiduciary duty to seek best execution on all transactions in order to reduce the impact of trading costs on client portfolio returns. Broadly defined, to seek “best execution” is to seek to maximize the value of a client transaction considering the relevant circumstances of that transaction. American Beacon will use its best efforts to obtain the most favorable execution available under the circumstances. Transactions executed by American Beacon are purchases or sales of fixed-income securities, which are typically traded with a mark-up (or spread) charged by the dealer rather than a negotiated or stated commission rate. In seeking best execution of a fixed-income transaction, American Beacon may consider several factors, including the price of the security, fill capability of the broker-dealer, settlement efficiency, the reasonableness of the spread, and other services or expertise provided by the broker-dealer.

Research and Other Soft Dollar Benefits

When client brokerage activity is used to obtain research or brokerage services, the adviser receives a benefit because the adviser does not have to produce or pay for the research or brokerage services itself out of its own resources. This poses a conflict of interest for the adviser to the extent it creates an incentive for the adviser to select a broker-dealer based on the adviser's interest in receiving the research or brokerage services. In addition, research and brokerage services obtained through client brokerage activity may be used to service other of the adviser's client accounts and thus, not allocated proportionately to the accounts whose brokerage transactions paid for the benefits. This poses a conflict of interest among clients to the extent that clients that did not bear any of the cost for the information may nonetheless benefit from the information obtained.

American Beacon may receive research or brokerage services provided by a broker as a result of transactions executed for the Beacon Funds and the separate accounts. It is possible that the mark-

up or commission paid to a broker-dealer that provides research or brokerage services may be higher than the amount of mark-up or commission that another broker-dealer would charge for effecting the transaction. However, it is American Beacon's policy to seek best execution and not to direct transactions to any broker-dealer because of benefits that American Beacon may receive from that broker-dealer. The research and brokerage services that American Beacon may receive are not conditioned upon any predetermined amount of brokerage activity with the broker-dealers providing them.

The types of products and services that American Beacon received from broker-dealers within the last fiscal year were general market and economic analysis reports. American Beacon used these reports to assist in making investment decisions on behalf of client accounts.

Commission Recapture

American Beacon has negotiated commission recapture agreements on behalf of the Beacon Funds, the CITs and the Plans, whereby a broker-dealer agrees to rebate a portion of its commission back to the applicable client account. Any collateral benefit received through participation in the commission recapture program is directed exclusively to the client accounts. A sub-adviser's participation in the brokerage commission recapture program is optional. Each sub-adviser retains full discretion in selecting broker-dealers for securities transactions and is instructed to use the commission recapture program for a transaction only if it is consistent with the sub-adviser's obligation to seek the best execution available. Neither American Beacon nor its sub-advisers receive any benefits from the commission recapture program.

Directed Brokerage

American Beacon does not permit clients to direct their transactions to particular broker-dealers, unless those broker-dealers are on American Beacon's approved broker-dealer list. American Beacon has discretion to select brokers and dealers for all client accounts under its direct management.

Order Aggregation

Because American Beacon's investment decisions for its client accounts under direct management may affect more than one account, there may be the opportunity to group or aggregate purchase and sale orders across multiple client accounts when consistent with the terms of each client's investment management agreement and American Beacon's duty to seek best execution of transactions. Factors that American Beacon will consider in determining whether to aggregate orders among client accounts include: any issuer limits applied by the client, actual or anticipated cash flows for the client, the impact of the transaction on the weighted average maturity (duration) target for the account, relative sector weighting targets, and any other investment guidelines or restrictions that would limit an account's ability to participate in the order. Aggregated orders may include client accounts in which American Beacon, or its related persons have an interest, which along with the conflicts of interest this poses, is discussed in more detail under Item 11.

Aggregating orders may allow the participating accounts to receive reduced transaction costs that would not be available when orders are executed separately. Aggregation of orders may give rise to

actual or potential conflicts of interest among the accounts participating in the transaction, if American Beacon is unable to acquire sufficient quantity of a security to fill the trade. In these instances, the quantity obtained will be allocated among the participating client accounts using a pro rata or rotational method when practical. A pro rata allocation would be based on the respective amounts initially identified for each participating account, while a rotational allocation could be used alone or in combination with a pro rata allocation to ensure that over time accounts get a fair percentage of their transactions filled first. These standard allocation methods may be modified by American Beacon when strict adherence to the method is impractical or leads to inefficient results. Because of the moderate amount of assets managed directly by American Beacon and the nature of the fixed-income markets and our strategies, American Beacon expects to typically purchase securities in the amount desired for allocation to all participating accounts.

Other Brokerage Matters

It is American Beacon's policy not to direct transactions to a broker-dealer based upon that broker-dealer: 1) promoting or selling (or agreeing to promote or sell) shares of the Beacon Funds or any other investment company, 2) referring prospective clients to American Beacon, or 3) absorbing the cost of trade errors.

The sub-advisers to the Beacon Funds, the CITs and the Plans have discretion to determine the securities to be purchased and sold and to select the brokers or dealers that will execute the purchases and sales, subject to compliance with the investment restrictions and guidelines set forth in the relevant disclosure/offering documents for the client and any other instructions provided to the sub-adviser by American Beacon. In its initial selection and ongoing monitoring of sub-advisers, American Beacon evaluates their brokerage practices and efforts to obtain best execution. American Beacon permits the sub-advisers to the Beacon Funds, the CITs and the Plans to receive research and brokerage services as a result of transactions executed for those clients. This may include research and brokerage services produced by a third party other than the executing broker and provided/paid for by the executing broker. Beacon Fund investors may reference the Prospectuses and SAIs for the Beacon Funds and the Form ADV of each sub-adviser for descriptions of the sub-advisers' brokerage practices.

Item 13 – Review of Accounts

Assets managed directly by American Beacon are serviced by various departments. Account assets are reviewed daily by the individual portfolio managers and generally weekly by the Chief Fixed Income Officer. The Finance Department, along with the applicable account custodian, is responsible for pricing of portfolio securities and monitoring volatility in prices to detect unusual variances. American Beacon's Compliance team periodically audits compliance checklists to ensure compliance with investment guidelines and other applicable restrictions. The Fixed Income Group also conducts periodic investment strategy meetings. At these meetings, the participants discuss the relative economic cycle, the direction of interest rates, the shape of the yield curve, sector allocations and re-balancing ideas.

For those portfolios for which American Beacon hires and/or monitors sub-advisers, the Compliance

team reviews compliance checklists completed by the sub-advisers and verifies information reported by the sub-advisers against custodial reports to ensure compliance with investment guidelines. The Compliance team periodically reviews sub-advisers' operations and internal compliance programs, which may include an on-site visit. In addition, portfolio management and other senior staff meet regularly with individual sub-advisers to review performance and style adherence.

The frequency of client reports depends upon the nature of the account and each client's requirements. Some clients receive reports on a monthly basis, while others receive reports quarterly or on a less frequent basis. Client reports are in writing and generally provide account performance and information about American Beacon's investment strategy.

Item 14 – Client Referrals and Other Compensation

From time to time, American Beacon has compensated third parties for referrals that resulted in clients opening separately managed accounts or investors opening accounts in products advised by American Beacon that are offered pursuant to exemptions from registration under the Securities Act and the Investment Company Act. To the extent that compensation is considered a solicitation fee, the compensation will be disclosed in writing to the client. American Beacon has no such compensation arrangements currently but would pay any future compensation from its advisory fees or other resources.

American Beacon and its employees are permitted to receive gifts of nominal value, books, occasional meals or entertainment, or reimbursement or subsidies in connection with attendance at conferences sponsored by consultants, investment managers, broker-dealers, or vendors. American Beacon has implemented policies and procedures intended to monitor for conflicts of interest that may arise as a result of receipt of these items. Such policies include limits on employees' receipt of gifts and business entertainment from parties that do business, or that seek to do business, with American Beacon. In addition, American Beacon receives research from broker-dealers in connection with transactions executed for client accounts, as more fully described under Item 12.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets. American Beacon urges you to carefully review the custodian's statements and compare them to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

American Beacon has discretionary authority for the majority of its clients to select the identity and amount of securities to be bought or sold. American Beacon's authority typically appears in the investment management agreement it executes with the client and is generally limited by the stated

investment objectives, policies and restrictions for the particular client account. For registered investment companies, American Beacon's authority to trade securities may also be limited by certain other factors, such as federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

As noted previously, American Beacon performs advisory services for a variety of clients in a variety of accounts and arrangements. At times, a conflict of interest may arise among clients or accounts. Accounts may compete for limited investment opportunities. In addition, the advice given and the action taken with respect to any given advisory client's account may differ from advice given or the timing and nature of action taken with respect to another client's account, even an account with a similar investment strategy and objectives. This may result from a variety of circumstances, among them restrictions placed on the account by the client, the timing of cash flows into and out of the account or other characteristics of the account. Although American Beacon takes reasonable steps to avoid it when possible, action taken with respect to securities in one account may adversely impact the value of securities held by another account.

Item 17 – Voting Client Securities

Separate Accounts

American Beacon has adopted proxy voting policies and procedures designed to implement its duty to vote proxies in the best interests of each client that has delegated proxy voting authority to American Beacon. Given the investment guidelines of the separate accounts, the only securities for which American Beacon expects to receive proxies are money market mutual funds. As such, the proxy voting policies and procedures set forth voting guidelines for the proxy issues and proposals common to money market funds.

For routine proposals that will not materially change the strategy, structure, bylaws or operations of the money market fund, American Beacon's policy is to support management; however, each proposal will be considered individually focusing on the financial interests of the client. Non-routine proposals, such as board elections, advisory contract and distribution plan approvals, and mergers, will generally be reviewed on a case-by-case basis with American Beacon first and foremost considering the effect of the proposal on the client.

When American Beacon invests its clients in Beacon Funds and American Beacon has proxy voting authority, American Beacon may be conflicted with the client's interests. To avoid the appearance of a conflict of interest in these cases, American Beacon will contact the client to obtain consent before voting. If other potential conflicts of interest arise when voting a proxy, American Beacon will contact the client to obtain consent before voting. For voting matters that do not represent a conflict of interest, it is not American Beacon's practice to solicit a client's instructions for voting.

A copy of American Beacon's proxy voting policies and procedures is available upon request using the contact information located on the first page of this Brochure. A client may also contact American Beacon to receive a detailed record of any proxies voted on its behalf.

Investment Companies

The Beacon Funds have delegated proxy voting authority to American Beacon. American Beacon maintains proxy voting authority for the assets under its direct management and has delegated proxy voting authority to sub-advisers with respect to each Fund's assets under the sub-adviser's management. The respective boards of the Beacon Funds have adopted policies and procedures to govern American Beacon and the sub-advisers in voting proxies in the best interests of shareholders. This includes procedures to address potential conflicts of interest between shareholders and American Beacon, the sub-advisers or their affiliates. The Beacon Funds' SAIs include the proxy voting policies and procedures and instructions for shareholders to request the proxy voting record for the Beacon Funds.

Collective Investment Trusts

The CIT trustee has delegated proxy voting authority to American Beacon. American Beacon has delegated proxy voting authority to each sub-adviser with respect to the sub-adviser's respective portion of the CIT under management.

Employee Benefit Plans

The Plans have delegated proxy voting authority to each investment manager with respect to the manager's respective portion of Plan assets. The Plans have delegated voting authority to American Beacon for any proxies issued by mutual funds that American Beacon selects for the Plans (with the exception of any Beacon Funds held by the Plans). In addition, American Beacon is authorized to exercise voting or consent rights with respect to the Plans' investments in private funds.

Item 18 – Financial Information

This item requires an adviser to make certain disclosures that are not applicable to American Beacon, because it has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, it has not been the subject of a bankruptcy petition at any time during the past 10 years, and it does not require or solicit prepayment of fees by any client.