

AMERICAN BEACON TREASURY INFLATION
PROTECTED SECURITIES FUND

THE PRUDENT CHOICE FOR THE FORESIGHTED INCOME INVESTOR



THE AMERICAN BEACON DIFFERENCE: PURSUING STYLE PURITY

At American Beacon Advisors, we think a little differently about providing investment advisory services to institutional and retail markets. We have extensive experience identifying the premier investment manager or managers in each asset class we offer.

Our oversight is ongoing and our process demanding. To be selected as a manager for an American Beacon Fund, each investment firm must meet and maintain our criteria for:

- Long-term performance
- Adherence to stated investment philosophy
- Continuity of the management team

We use this same disciplined approach when it comes to protecting investors against the impact of future inflation on their savings. For this reason,

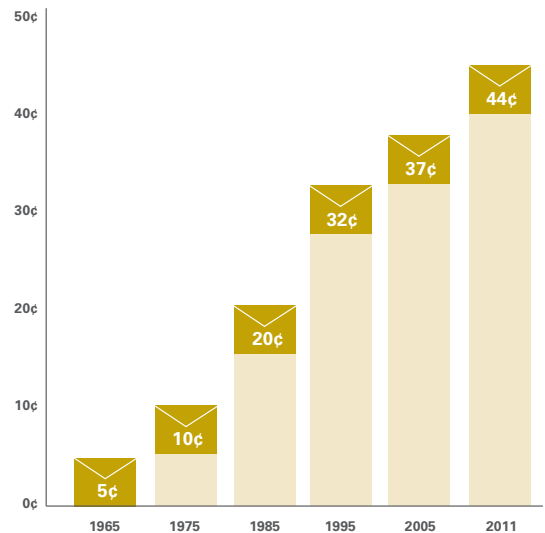
our American Beacon Treasury Inflation Protected Securities (TIPS) Fund is intently focused on maintaining a purity of style to produce the consistent results investors seek while exposing them to as little risk as possible.

As a result, this Fund is currently unique within its asset class since it seeks to maintain a TIPS-only portfolio.



INFLATION IS A PERVERSIVE FORCE THAT CAN UNDERMINE THE LONG-TERM PURCHASING POWER OF YOUR ASSETS

An Everyday Example of Rising Prices: U.S. Postage



There's no escaping the fact that the cost of meeting our basic needs and commonplace expenses—even something as simple as mailing a letter—tends to creep upward with every passing year. Unfortunately, inflation—the persistent increase in prices over time—is an economic factor that we all must learn to live with (as it isn't likely to go away).

Treasury inflation-protected securities (TIPS) are structured to help offset this persistent impact of price inflation over time.

WHY INVEST IN INFLATION PROTECTION NOW?

After years of historically low interest rates and low inflation, many investors have had little reason to focus on protecting the long-term purchasing power of their assets. But in view of the increase in government stimulus spending and continued growth in the federal deficit, the likelihood that inflation may reassert itself in the U.S. is rising.

The time to consider adding inflation protection to a portfolio is before market conditions change and a significant inflation cycle begins. At that point, the demand for such securities drives up their price, diminishing their inflation-fighting effectiveness.

MONTHLY INCOME WITH INFLATION PROTECTION

Learn more at americanbeaconfunds.com



WHAT ARE TIPS?

Treasury inflation-protected securities (TIPS) were specifically created to protect investors against inflation. By design, TIPS generally perform better than other Treasury securities during periods of rising inflation. Even in times of mild inflation, they can still make sense for a well-balanced, actively managed portfolio.

Introduced to the bond market in 1997, TIPS are bonds issued by the U.S. Treasury and carry the direct guarantee of the U.S. government. As inflation-indexed securities, they guarantee investors a real rate of return above the inflation rate.

Investing in debt securities entails interest rate risk, which is the risk that debt securities will decrease in value with increases in market interest rates.

¹ The relevant component is the CPI-U, which is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the U.S. Department of Labor.

TIPS: THE “COMPLETE” PACKAGE

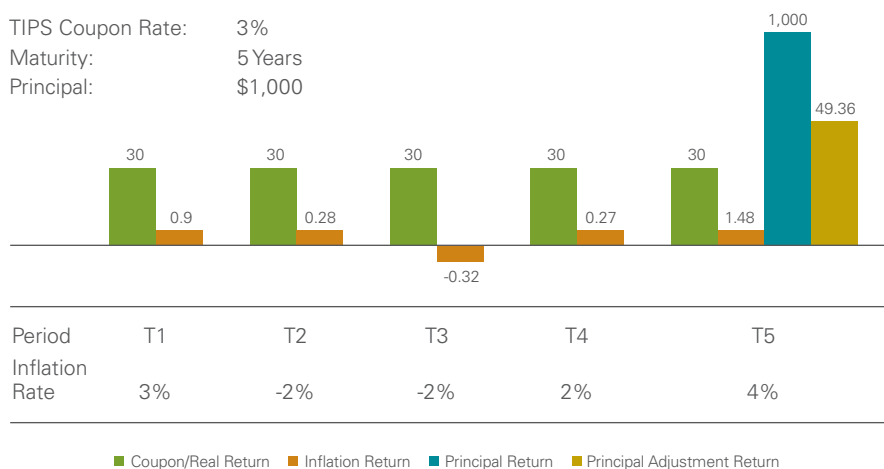
To understand the benefits that an investment in this specialized asset class can offer an investor—regardless of his or her ultimate investment objectives—it helps to review some of the defining traits of TIPS, such as:

- TIPS are backed by the full faith and credit of the U.S. government.
- TIPS carry a fixed coupon rate from the time of issuance.
- TIPS make semiannual coupon payments.
- The principal of a TIPS bond fluctuates daily based on changes in a component¹ of the Consumer Price Index (CPI), but with a three-month lag.
- TIPS coupon payments rise and fall with inflation (and deflation) as the fixed coupon rate is applied to the inflation-adjusted principal value at the time of each payment date.
- TIPS offer deflation protection—at maturity, the investor receives the greater of the inflation-adjusted principal or the original par amount.

TIPS WERE DESIGNED TO PROTECT YOUR PURCHASING POWER AGAINST INFLATION

TIPS FOR SAVING: HOW INFLATION AFFECTS RETURN OVER TIME

TIPS Coupon Rate: 3%
 Maturity: 5 Years
 Principal: \$1,000



Note: This analysis is for illustrative purposes only and is not intended to represent or predict the performance of any specific investment. For simplicity, this analysis assumes annual TIPS interest payments (rather than semiannual).

The return an investor receives from a TIPS bond will be affected as the rate of inflation rises and falls. In this example, the investor's original principal of \$1,000 would be worth \$1,201.97 after a five-year period in which inflation ranged between -2% and 4%.

The REAL RATE OF RETURN is what an investor earns on an investment after considering the impact of inflation.

THE TIPS ADVANTAGE: INCOME THAT KEEPS PACE WITH INFLATION

TIPS can actually increase the interest income received by investors over time, protecting their purchasing power for the future. This is possible because the TIPS coupon rate is applied to a bond value that is typically increasing over time (as it adjusts higher to reflect a rise in inflation).

When the securities mature, the inflation-adjusted principal is returned to investors, so regardless of what inflation has done during the life of the security—risen or fallen—the bond will have preserved its underlying purchasing power.

HOW TIPS WORK

The determining factor in the performance of TIPS is the performance of realized inflation relative to expected inflation. In other words:

$$\text{NOMINAL TREASURY RETURN} = \text{REAL YIELD} + \text{EXPECTED INFLATION} + \text{INFLATION RISK PREMIUM}$$

$$\text{TIPS RETURN} = \text{REAL YIELD} + \text{REALIZED INFLATION}$$

TIPS: COMPONENTS OF RETURN

Return Component	Compensation for...	Component of TIPS Return	Component of Nominal Bond Return
Expected Inflation	Losing purchasing power due to future inflation	No	Yes
Real Yield	Time value of money	Yes	Yes
Inflation Risk Premium	Bearing the risk of inflation	No	Yes
Realized Inflation	Losing purchasing power due to inflation shocks	Yes	No

While both TIPS and nominal Treasuries—those not adjusted for inflation—are sensitive to changes in real rates, they differ in terms of how they react to the levels of expected inflation, the inflation risk premium and realized inflation. The chart above demonstrates these relationships.



TIPS VERSUS TREASURIES

Is it certain that a TIPS investment will outperform a nominal Treasury investment? The answer depends on the inflation rate over the life of the investment. In general, TIPS usually outperform when the inflation rate exceeds the break-even rate at the time of purchase (see the calculation below).

The accompanying chart helps to understand how to gauge when TIPS will outperform.

While there is some uncertainty as to how much an investor will receive in actual dollars from a TIPS investment, at the very least, the original principal amount will be received at maturity. However, more likely, the amount received at maturity will be higher than the original principal amount after accounting for the actual inflation.

REALIZED INFLATION OVER NEXT FIVE YEARS

	1%	2%	3%	4%	5%	10%
1%	0%	+1%	+2%	+3%	+4%	+9%
2%	-1%	0%	+1%	+2%	+3%	+8%
3%	-2%	-1%	0%	+1%	+2%	+7%
4%	-3%	-2%	-1%	0%	+1%	+6%
5%	-4%	-3%	-2%	-1%	0%	+5%
10%	-9%	-8%	-7%	-6%	-5%	0%

BREAK-EVEN INFLATION RATE

- TIPS outperform Nominal Treasuries
- Nominal Treasuries outperform TIPS
- TIPS = Nominal Treasuries

Note: For simplicity, this analysis ignores compounding.

EXAMPLE

$$\begin{array}{r}
 4.0\% \\
 \text{NOMINAL} \\
 \text{TREASURY} \\
 \text{YIELD}
 \end{array}
 -
 \begin{array}{r}
 3.0\% \\
 \text{TIPS} \\
 \text{REAL} \\
 \text{YIELD}
 \end{array}
 =
 \begin{array}{r}
 1.0\% \\
 \text{BREAK-EVEN} \\
 \text{INFLATION} \\
 \text{RATE}
 \end{array}$$



Seeking to provide inflation protection and income to investors, the American Beacon Treasury Inflation Protected Securities Fund invests in inflation-indexed debt securities that are issued by the U.S. Treasury Department and backed by the full faith and credit of the U.S. government.*

THE AMERICAN BEACON DIFFERENCE

- The Fund is actively managed by two experienced sub-advisors.
- The Fund follows strict investment guidelines to invest only in TIPS, thereby avoiding the potential risks introduced by adding other types of securities to the portfolio.
- The Fund is designed to limit price volatility, as it is benchmarked against a lower-duration index.

THE ACTIVE ADVANTAGE

With an actively managed TIPS fund (rather than a passive index fund), it may be possible to benefit from a range of favorable pricing circumstances:

- **Lower transaction costs.** Active managers use their expertise and the size of their funds to achieve economies of scale and enhance market opportunities when trading.
- **Reduced funding/liquidation costs.** As the prices assigned to a TIPS index are made at the end of the trading day, active managers may be able to acquire bonds prior to this fixed valuation point by trading in the market instead. This can potentially offset adverse pricing dynamics that may occur at the end of a trading day.
- **Fewer cyclical inefficiencies.** Most indices rebalance on a predictable schedule, which can inhibit trading values on those dates. Active managers who are sensitive to historical pricing trends may be able to capitalize on attractive risk-adjusted opportunities to the benefit of their fund investors.

*An investment in the Treasury Inflation Protected Securities Fund is not insured or guaranteed by any U.S. government agency.

WHY THE AMERICAN BEACON TREASURY INFLATION PROTECTED SECURITIES FUND?

THE FIRST “PURE” TIPS PORTFOLIO

The American Beacon Treasury Inflation Protected Securities Fund invests nearly all of its assets in U.S. Treasury inflation-protected securities. While that may seem logical, this is actually unusual among funds in this asset class.

In fact, many inflation-protected funds carry significant investments in foreign and corporate inflation-protected bonds, nominal Treasury bonds, commodities, and other non-TIPS financial instruments. Such diversification may boost returns at times, but it can greatly increase the risk represented within the portfolio.

The American Beacon Treasury Inflation Protected Securities Fund invests in TIPS in order to provide the inflation protection its shareholders expect and avoid exposure to unnecessary risks associated with other securities.

Our fund managers feel strongly about maintaining the purity of the Fund’s style, because only TIPS offer direct inflation compensation backed by the U.S. government.

THE BENCHMARK EFFECT: LESS VOLATILITY

American Beacon further distinguishes itself by benchmarking its performance against the Barclays Capital 1-10 Year U.S. TIPS Index. This index is less sensitive to changes in real interest rates (as it has a lower duration) than the index used by most of the funds in this category (the Barclays Capital U.S. TIPS Index).

The main benefit for Fund shareholders is that its chosen benchmark generally experiences a lower risk of volatility than the one used by its competitors—**in other words, the Fund’s returns are managed to produce a lower risk of volatility.** This is something most investors tend to prefer in this type of investment.



Consider the benefits offered by this fund:

- **Expertise of the sub-advisors.** American Beacon selects sub-advisors for its funds only after exhaustive searches and holds them to continuous and rigorous review standards to ensure they remain the best possible choice for the Fund.
- **Regular income.** The Fund pays monthly distributions based on the return earned by an actively managed portfolio of TIPS—securities that are backed by the full faith and credit of the U.S. government.
- **Inflation hedge.** Because they are directly tied to the rise and fall of the U.S. inflation rate, TIPS offer one of the purest hedges against the future impact of inflation available.

NOW MAY BE THE TIME TO ADD TIPS TO YOUR PORTFOLIO

It's impossible to predict the future, so forward-thinking investors consider a range of possible strategies for their portfolios. The American Beacon Treasury Inflation Protected Securities Fund, in particular, offers an opportunity to add another dimension to your portfolio.

For more information about the American Beacon Treasury Inflation Protected Securities Fund, visit americanbeaconfunds.com.

American Beacon Treasury Inflation Protected Securities Fund

Institutional Class	ATPIX
Investor Class	ABTPX
Y Class	ACUYX
A Class	ATSAX
C Class	ATSCX

EVER WATCHFUL. EVER ANALYTICAL. EVER FOCUSED. EVER COMMITTED.

For more than 25 years, American Beacon has been on the watch—overseeing investments for corporate, institutional and individual investors. Our leadership position as an expert evaluator of investment managers is built on a long-standing history of independent thinking, discipline and consistency.

In fact, as a fiduciary for billions of dollars in pension plan assets, we have been evaluating, selecting and monitoring investment managers for several decades. And we remain intent on pursuing consistent, long-term investment performance on behalf of those who place their assets under our watchful eye.

OVERSIGHT 360



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You should consider the investment objectives, risks, fees and expenses of any mutual fund carefully before investing. This and other information is available in each Fund's prospectus and summary prospectus, which you may obtain at americanbeaconfunds.com or by calling 800-679-7759. Please read the prospectus and summary prospectus carefully before investing.

Investing in debt securities entails interest rate risk, which is the risk that debt securities will decrease in value with increases in market interest rates.

Any opinions herein, including forecasts, reflect our judgment and are subject to change. The manager's strategies and the Fund's portfolio composition will change depending on economic and market conditions. This report is not a complete analysis of market conditions and, therefore, should not be relied on as investment advice. Although information has been compiled from reliable sources, American Beacon Advisors, Inc., makes no representation as to the completeness or accuracy of the statements contained herein.

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