



American Beacon Funds 2009 Tax Information Guide

The 2009 tax year has come to an end and we at the American Beacon Funds have prepared this tax information guide in an effort to simplify the often complicated process of filing your tax return. This guide addresses federal and state tax issues specific to your investment in the American Beacon Funds, American Beacon Mileage Funds and American Beacon Select Funds. We provide this information in accordance with the Internal Revenue Code, regardless of the tax status of our shareholder entities. Please note that state and local taxes differ from state to state. For help regarding your personal federal tax filings we recommend you consult a tax advisor or contact the Internal Revenue Service at 1.800.829.1040 or www.irs.gov.

FEDERAL TAX INFORMATION

FOREIGN TAX CREDIT

As a shareholder of the International Equity Fund you are entitled to either a foreign tax credit or an itemized deduction on your 2009 federal income tax return for the amount of foreign tax paid by the Fund during the year. The amount of credit or deduction to which you are entitled is reflected in Box 6 of your Form 1099-DIV.

To claim foreign tax paid as an itemized deduction, use Form 1040, Schedule A, Line 8. If your total foreign taxes are not more than \$300 (\$600 if filing a joint return) and you meet all the requirements listed in the Form 1040 instructions, you may be eligible to elect to claim a foreign tax credit on Form 1040, Line 47, without regard to the foreign tax credit limitation and without filing Form 1116. This election is not available to estates and trusts. Please consult your tax advisor for more information on reporting foreign taxes paid on your federal income tax return.

If you have more than \$300 in foreign taxes (\$600 on a joint return) or are otherwise ineligible to take advantage of reporting the foreign tax directly on your Form 1040, you may be required to detail your foreign taxes and income by country. Individual estate and trust shareholders must complete Form 1116 and corporate shareholders must complete Form 1118.

The table below provides the information you will need to calculate the foreign tax credit and the appropriate limitations. Multiply the *Foreign Tax Percentage* by the amount shown in Box 6 of Form 1099-DIV to determine the foreign tax paid in each country. Multiply the *Foreign Source Income Percentage* by the amount reported in Box 1a of Form 1099-DIV to determine the amount of foreign source income from each country. Multiply the *Foreign Qualified Dividend Income Percentage* by the amount in Box 1b of Form 1099-DIV to determine the amount of foreign qualified dividend income from each country.

ORDINARY INCOME DIVIDENDS AND FOREIGN TAXES PAID BY COUNTRY

Ordinary Income	Foreign Source Income Percentage	Foreign Qualified Dividend Income Percentage	Foreign Tax Percentage
Austria	0.48%	0.480%	0.80%
Belgium	0.11%	0.110%	0.18%
Canada	2.03%	2.029%	3.32%
Finland	1.81%	1.809%	3.00%
France	17.57%	17.561%	28.74%
Germany	12.00%	11.994%	16.19%
Greece	2.15%	2.149%	2.38%
Hong Kong	1.76%	1.759%	0.00%
Ireland	0.66%	0.660%	0.00%
Italy	2.89%	2.889%	4.80%
Japan	7.76%	7.756%	6.01%
Korea	0.40%	0.400%	0.73%
Netherlands	5.79%	5.787%	9.27%
Norway	0.58%	0.580%	1.20%
Portugal	1.27%	1.269%	4.27%
Singapore	3.20%	3.198%	0.00%
Spain	5.39%	5.387%	8.43%
Sweden	1.44%	1.439%	2.40%
Switzerland	4.98%	4.977%	8.28%
United Kingdom	27.65%	27.636%	0.00%
United States	0.08%	0.080%	0.00%
TOTALS	100.00%	99.949%	100.00%

DIVIDENDS RECEIVED DEDUCTION

If your corporation invests in the Funds below, you may take advantage of the dividends received deduction for corporations. This federal deduction applies to dividend income paid to the Fund and distributed through ordinary income dividends. Ordinary income dividends include distributions from dividends, interest and short-term capital gains earned by the Fund. Calculate your corporate dividends received deduction by multiplying the *Qualifying Percentage* listed in the table below by the sum of the "Dividends" and "Short-Term Capital Gains" on your annual year-end statement. Multiply that number by 70% to obtain your federal dividends received deduction. If you have any questions about how or if you should report this information, please consult your tax advisor.

Fund	Qualifying Percentage
Balanced	35.83%
Large Cap Value	83.07%
Large Cap Growth	80.73%
Mid-Cap Value	66.74%
Small Cap Value	71.29%
Retirement Income*	4.66%
High Yield Bond	0.12%
S&P 500 Index	99.67%
Small Cap Index	76.29%

*Formerly known as Enhanced Income Fund

QUALIFIED DIVIDEND DISTRIBUTIONS

The Jobs and Growth Tax Relief Reconciliation Act of 2003 created a new category of dividends, known as "qualified dividends" that are subject to lower tax rates when paid to an individual investor who meets a holding period requirement. Qualified dividends paid by corporations are taxed at a maximum rate of 15% (5% for shareholders in the 10% and 15% tax brackets). American Beacon Funds that received these corporate dividends in 2009 paid qualified dividends eligible for the new lower rates. Qualified dividends are shown in Box 1b of your Form 1099-DIV. Report this amount on Form 1040, Line 9b. Use Schedule D or the qualified dividends and capital gains tax worksheet to compute your tax. The Funds that paid qualified dividends in 2009 and the qualified dividend percentages are shown below. Please note that if your Fund is not listed below, the percentage is zero.

Fund	Qualifying Percentage
Balanced	44.70%
Large Cap Value	100.00%
Large Cap Growth	100.00%
Mid-Cap Value	100.00%
Small Cap Value	100.00%
International Equity	60.02%
Emerging Markets	100.00%
Retirement Income*	6.41%
S&P 500 Index	100.00%
International Equity Index	100.00%
Small Cap Index	84.97%

*Formerly known as Enhanced Income Fund



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STATE TAX INFORMATION

U.S. GOVERNMENT SECURITIES INFORMATION*

U.S. Government securities generate income that is fully taxable at the federal income level but may be exempt at the state income tax level. As a result, any distributions you receive from Funds investing in U.S. Government securities are included as taxable income on your Form 1099-DIV. To find out if income distributed by U.S. Government securities in your American Beacon Funds is exempt from state income taxes, first consult your state tax instruction booklet. If this exemption applies in your state, you are ready to use the table below. If these dividends are not taxable in your state, you can use the table to determine how much of your distribution might be exempt from state income tax.

The table lists every American Beacon Fund that distributed income attributable to U.S. Treasury and Agency securities. It also lists the type of security generating the income. Finally, it lists the percentage of income distributed by each Fund attributable to these various types of U.S. Government securities. Please note that if your Fund is not listed below, the percentage is zero.

Simply find the American Beacon Fund in which you are invested and for which you received a Form 1099-DIV and multiply the amount of taxable income in Box 1b of Form 1099-DIV by the appropriate percentage. The resulting number will be the amount of the distribution that may be exempt from income tax in the state where you reside.

<u>Fund</u>	<u>FFCB¹</u>	<u>FHLB²</u>	<u>TVA³</u>	<u>FHLMC⁴</u>	<u>FNMA⁵</u>	<u>GNMA⁶</u>	<u>U.S. Treasury⁷</u>	<u>Repurchase Agreements⁸</u>	<u>Other</u>	<u>Total</u>
Balanced Fund	0.01%	0.00%	0.01%	8.49%	10.38%	0.89%	2.79%	0.00%	77.43%	100.00%
Large Cap Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	99.97%	100.00%
Large Cap Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%	0.00%	99.90%	100.00%
Mid-Cap Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.00%	99.94%	100.00%
Small Cap Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.00%	99.94%	100.00%
Emerging Markets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.00%	99.95%	100.00%
S&P 500 Index Fund	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%	99.98%	100.00%
Retirement Income**	0.44%	0.00%	0.04%	9.91%	9.83%	3.77%	6.20%	0.00%	69.81%	100.00%
Intermediate Bond	0.00%	0.98%	0.03%	12.18%	23.34%	0.87%	9.62%	0.00%	52.98%	100.00%
Short-Term Bond	0.00%	0.00%	0.00%	7.05%	2.11%	1.15%	25.56%	0.00%	64.13%	100.00%
TIPS Fund	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%
Money Market	0.00%	0.00%	0.00%	9.19%	0.02%	0.00%	0.00%	0.61%	90.18%	100.00%
U.S. Govt. Money Market	0.00%	1.22%	0.00%	25.29%	23.28%	0.00%	2.56%	25.82%	21.83%	100.00%

The table above is a summary of the sources of income from which dividends paid by certain American Beacon funds during 2009 were derived. Depending upon the tax laws of your state, you may find this summary helpful in preparing your state and local tax returns.

*This information applies to all share classes in a fund.

**Formerly known as Enhanced Income Fund

¹Federal Farm Credit Bank, ²Federal Home Loan Bank, ³Tennessee Valley Authority, ⁴Federal Home Loan Mortgage Corporation, ⁵Federal National Mortgage Association, ⁶Government National Mortgage Association, ⁷U.S. Treasury Securities include bills, notes and bonds, ⁸Repurchase agreements collateralized by U.S. Government Obligations.

The American Beacon Funds, American Beacon Mileage Funds and American Beacon Select Funds are offered by prospectus only. This report is prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.