

# 2019 ANNUAL REPORT

October 31, 2019

GARCIA HAMILTON QUALITY BOND FUND

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically by going to [www.americanbeaconfunds.com](http://www.americanbeaconfunds.com) and clicking on "Quick Links" and then "Register for E-Delivery."

You may elect to receive all future reports in paper free of charge. You can inform the Fund that you wish to continue receiving paper copies of your shareholder reports by calling 1-800-658-5811, option 1, or you may directly inform your financial intermediary of your wish. A notice that will be mailed to you each time a report is posted will also include instructions for informing the Fund that you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held with the American Beacon Funds Complex or your financial intermediary, as applicable.

## *About American Beacon Advisors*

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Since 1986, American Beacon Advisors has offered a variety of products and investment advisory services to numerous institutional and retail clients, including a variety of mutual funds, corporate cash management, and separate account management.

Our clients include defined benefit plans, defined contribution plans, foundations, endowments, corporations, financial planners, and other institutional investors. With American Beacon Advisors, you can put the experience of a multi-billion dollar asset management firm to work for your company.

### **GARCIA HAMILTON QUALITY BOND FUND RISKS**

The use of **fixed-income securities** entails interest rate and credit risks. **Credit risk** is the risk that the issuer of a bond will fail to make timely payment of interest or principal; and the decline in an issuer's credit rating can cause the price of its bonds to go down. Please see the prospectus for a complete discussion of the Fund's risks. There can be no assurances that the investment objectives of this Fund will be met.

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Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes and should not be relied on as investment advice.

Any opinions herein, including forecasts, reflect our judgment as of the end of the reporting period and are subject to change. Each advisor'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 upon as investment advice. Although economic and market 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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## President's Message

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Dear Shareholders,

In recent months, you've likely seen and heard news reports about disruptive headwinds in the global economy - *including the U.S. trade war with China and its toll on the global economy, slowing global growth, the Federal Reserve's series of rate cuts, Brexit, disruptions in the Middle East and protests in Hong Kong* - and watched a flood of reaction in the world's markets.

As Peter L. Bernstein said in his treatise on risk, *Against the Gods: The Remarkable Story of Risk*, published by John Wiley & Sons, Inc. in September 1998, "Volatility is a proxy for uncertainty and must be accommodated in measuring investment risk."

During times of economic uncertainty and market volatility, fear of loss can be a powerful emotion - one that drives many investors to making short-term decisions subject to a variety of potential error-leading biases. Unfortunately, some short-term investment decisions may create more volatility rather than mitigate it.

Instead of dwelling on the markets' short-term reaction to waves of negative global news, we encourage investors to focus on the horizon instead. Long-term investing isn't about identifying and anticipating the next big market move, it is about identifying the right investment products for riding out those moves. As a long-term investor, you should keep in mind the three Ds: *direction, discipline* and *diversification*.

- ▶ **Direction:** Achieving your long-term financial goals requires an individualized plan of action. You may want your plan to provide some measure of protection against periods of geopolitical turmoil, economic uncertainty, market volatility and job insecurity. Your plan should be reviewed annually and be adjusted in the event your long-range needs change.
- ▶ **Discipline:** Long-term, systematic participation in an investment portfolio requires your resolution to stay the course. Spending time in the market - rather than trying to time the market - may place you in a better position to reach your long-term financial goals.
- ▶ **Diversification:** By investing in different investment styles and asset classes, you may be able to help mitigate financial risks across your investment portfolio. By allocating your investment portfolio according to your risk-tolerance level, you may be better positioned to weather storms and achieve your long-term financial goals.

Since 1986, American Beacon has endeavored to provide investors with a disciplined approach to realizing long-term financial goals. As a manager of managers, we strive to provide investment products that may enable investors to participate during market upswings while potentially insulating against market downswings.

Many of the sub-advisors to our mutual funds pursue upside capture and/or downside protection using proprietary strategies. The investment teams behind our mutual funds seek to produce consistent, long-term results rather than focus only on short-term movements in the markets. In managing our investment products, we emphasize identifying opportunities that offer the potential for long-term rewards.

Our management approach is more than a concept; it's the cornerstone of our culture. And we strive to apply it at every turn as we seek to provide a well-diversified line of investment solutions to help our shareholders seek long-term rewards while mitigating volatility and risk.

Thank you for your continued interest in American Beacon. For additional information about our investment products or to access your account information, please visit our website at [www.americanbeaconfunds.com](http://www.americanbeaconfunds.com).

Best Regards,



Gene L. Needles, Jr.  
President  
American Beacon Funds

# Domestic Bond Market Overview

October 31, 2019 (Unaudited)

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During the 12 months ended October 31, 2019, the Federal Reserve (the “Fed”) hiked the federal funds rate in December 2018, paused for the first half of 2019, and then cut the rate three times in as many meetings. The most recent meeting, held at the end of October, saw the Fed vote to cut its target rate to a range of 1.50% to 1.75%. However, the Fed also indicated its “midcycle adjustment” was complete. The official statement changed with regard to future actions by removing the phrase “will act as appropriate to sustain the expansion,” which was added in advance of the recent rate cuts, addressing economic “uncertainties” and “muted inflation pressures.” Fed Chairman Jerome Powell was more explicit about the completion of the midcycle adjustment at his October press conference when he said further easing would only be needed if developments forced a “material reassessment” of the outlook. He was likely encouraged by recent developments on global trade since U.S. officials indicated they were “close to finalizing” sections of the Phase One agreement with China and the European Union granted the U.K. a Brexit extension. Additionally, the first release of third quarter GDP was reported at 1.9%, which surprised to the upside on solid consumer spending.

Multiple rate cuts from the Fed and uncertainties around global trade caused interest rates to decline and the yield curve to steepen during the period. The 10-year Treasury yield fell 145 basis points (or 1.45%) to 1.69%. The two-year Treasury yield declined 132 basis points (or 1.32%) to 1.52%, and the 30-year Treasury yield declined 121 basis points (or 1.21%) to 2.17%. These moves caused the two- to 30-year Treasury yield spread to increase by 11 basis points (or 0.11%) to 65 basis points (or 0.65%).

With the decline in rates during the year, the bond market posted a positive return of 11.51%, according to the Bloomberg Barclays U.S. Aggregate Bond Index. Spread product was mostly in favor over the period as three of the four spread sectors posted positive excess returns. The leader was the corporate sector with an excess return of 232 basis points (or 2.32%). The agency and asset-backed sectors followed with excess returns of 107 basis points (or 1.07%) and 59 basis points (or 0.59%), respectively. The laggard was the mortgage-backed sector with a negative excess return of -11 basis points (or -0.11%). Overall, the Bloomberg Barclays U.S. Aggregate Bond Index had an excess return of 63 basis points (or 0.63%) for the period.

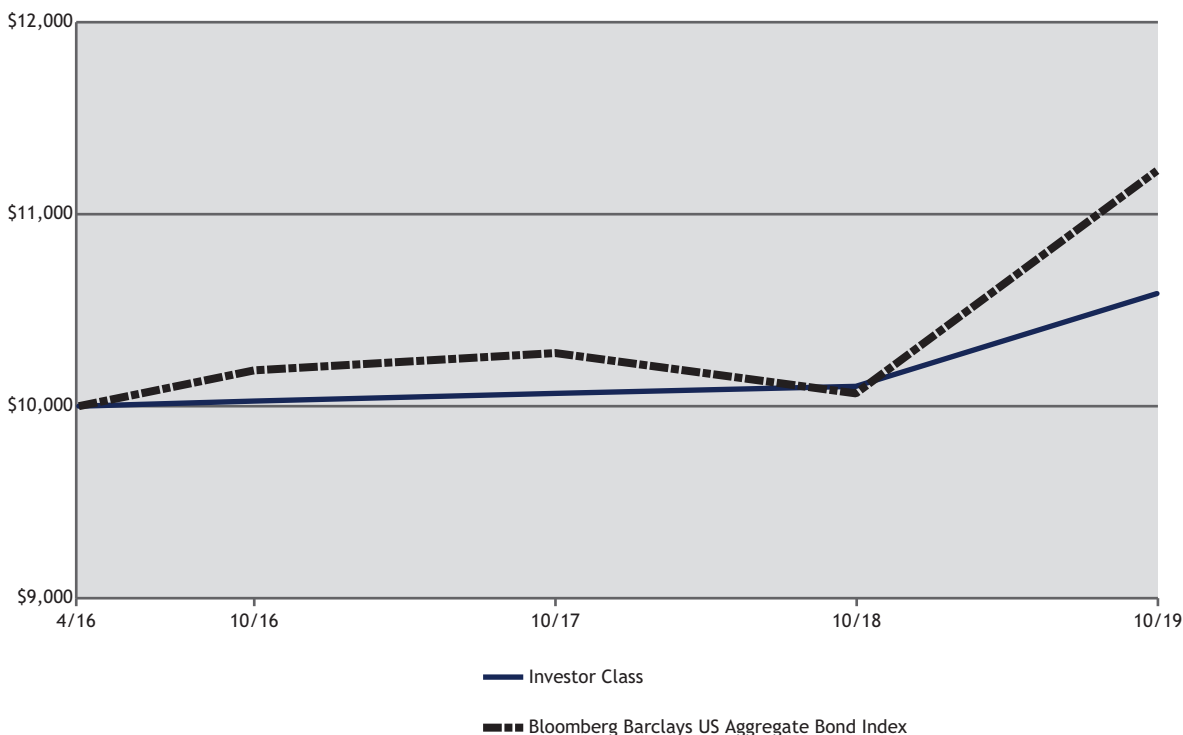
# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Performance Overview

October 31, 2019 (Unaudited)

The Investor Class of the American Beacon Garcia Hamilton Quality Bond Fund (the “Fund”) returned 4.80% for the twelve months ended October 31, 2019. The Bloomberg Barclays U.S. Aggregate Bond Index (the “Index”) returned 11.51% for the same period.

Comparison of Change in Value of a \$10,000 Investment for the period from 4/4/16 through 10/31/19



### Total Returns for the Period ended October 31, 2019

	Ticker	1 Year	3 Year	Since Inception 04/04/2016	Value of \$10,000 04/04/2016- 10/31/2019
Institutional Class (1,4)	GHQIX	5.20%	2.26%	1.99%	\$10,731
Y Class (1,4)	GHQYX	5.09%	2.16%	1.89%	\$10,693
Investor Class (1,4)	GHQPX	4.80%	1.84%	1.61%	\$10,587
R6 Class (1,3,4)	GHQRX	5.13%	2.24%	1.97%	\$10,724
Bloomberg Barclays U.S. Aggregate Bond Index (2)		11.51%	3.29%	3.28%	\$11,224

- Performance shown is historical and is not indicative of future returns. Investment returns and principal value will vary, and shares may be worth more or less at redemption than at original purchase. Performance shown is calculated based on the published end of day net asset values as of the date indicated and current performance may be lower or higher than the performance data quoted. To obtain performance as of the most recent month end, please visit [www.americanbeaconfunds.com](http://www.americanbeaconfunds.com) or call 1-800-967-9009. Fund performance in the table above does not reflect the deduction of taxes a shareholder would pay on distributions or the redemption of shares. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes only; and as such, the total return based on the unadjusted net asset value per share may differ from the total return reported in the financial highlights. A portion of the fees charged to each Class of the Fund has been waived since Fund inception. Performance prior to waiving fees was lower than the actual returns shown since inception.
- The Bloomberg Barclays U.S. Aggregate Bond Index is a market value weighted performance benchmark for government, corporate, mortgage-backed and asset-backed fixed-rate debt securities of all maturities. One cannot directly invest in an index.
- Fund performance for the periods represent the returns achieved by the Institutional Class from 4/4/16 through 2/28/19, the inception date of the R6 Class, and the returns of the R6 Class since its inception. Expenses of the R6 Class are lower than the Institutional Class. As a result, total returns shown may be lower than they would have been had the R6 Class been in existence since 4/4/16.



# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Performance Overview

October 31, 2019 (Unaudited)

4. *The Total Annual Fund Operating Expense ratios set forth in the most recent Fund prospectus for the Institutional, Y, Investor and R6 Class shares were 0.69%, 0.75%, 0.92% and 0.66%, respectively. The expense ratios above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.*

Duration management was the primary detractor from the Fund's performance during the year relative to the Index. The Fund maintained a shorter duration than the Index as the manager believed the economy would continue to perform well. However, market reaction to the temporary government shutdown, ongoing concerns regarding Brexit, global trade discussions, and the Fed's mid-cycle adjustment were drags on performance. The Fund remains positioned for a market environment in which money supply is expanding rapidly, consumer confidence is high, and the labor market is very healthy. Historically, rates have the bias to move higher as the economy continues to grow and exceed market expectations.

In addition to active duration management, the Fund maintained a barbell yield-curve position. The Fund was overweight the shortest and longest durations along the curve and was underweight in the middle. The sub-advisor believes the "belly" of the curve, which is the middle of the curve, is most overvalued and is maintaining the largest underweight there.

Sector positioning contributed to performance as the Fund was overweight the corporate sector and underweight the Treasury sector and the mortgage-backed securities sector. An underweight to the Treasury sector was a positive contributor as credit spreads tightened and the Fund's underweight to mortgage-backed securities benefited performance as the sector underperformed.

Overall, the Fund continues to emphasize high-quality, active fixed-income investing that seeks to perform well in volatile markets and serves an important role in asset allocation.

### Top Ten Holdings (% Net Assets)

U.S. Treasury Notes/Bonds, 2.500%, Due 5/15/2046	8.4
Federal Home Loan Banks, 2.032%, Due 9/13/2021, (3-mo. USD LIBOR - 0.095%)	7.3
Federal National Mortgage Association, 4.500%, Due 6/1/2039	7.0
Federal Home Loan Banks, 2.010%, Due 12/18/2020, (3-mo. USD LIBOR - 0.135%)	5.4
Citigroup, Inc., 3.224%, Due 5/17/2024, (3-mo. USD LIBOR + 1.100%)	4.6
United Parcel Service, Inc., 2.549%, Due 4/1/2023, (3-mo. USD LIBOR + 0.450%)	4.2
U.S. Treasury Notes/Bonds, 1.752%, Due 1/31/2021, (3-mo. Treasury money market yield + 0.115%)	4.2
Morgan Stanley, 3.336%, Due 10/24/2023, (3-mo. USD LIBOR + 1.400%)	3.9
IBM Credit LLC, 2.226%, Due 1/20/2021, (3-mo. USD LIBOR + 0.260%)	3.3
Intel Corp., 2.531%, Due 5/11/2022, (3-mo. USD LIBOR + 0.350%)	3.2

Total Fund Holdings

39

### Sector Allocation (% Investments)

Financial	28.1
U.S. Government Agency Obligations	16.2
Technology	13.3
U.S. Treasury Obligations	12.7
Industrial	8.4
U.S. Agency Mortgage-Backed Obligations	8.0
Communications	7.0
Consumer, Non-Cyclical	4.3
Utilities	1.1
Energy	0.9

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Expense Examples

October 31, 2019 (Unaudited)

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### Fund Expense Example

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments and redemption fees if applicable, and (2) ongoing costs, including management fees, distribution (12b-1) fees, sub-transfer agent fees, and other Fund expenses. The Examples are intended to help you understand the ongoing cost (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Examples are based on an investment of \$1,000 invested at the beginning of the period in each Class and held for the entire period from May 1, 2019 through October 31, 2019.

### Actual Expenses

The “Actual” lines of the table provide information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = \$8.60), then multiply the result by “Expenses Paid During Period” to estimate the expenses you paid on your account during this period. Shareholders of the Investor and Institutional Classes that invest in the Fund through an IRA or Roth IRA may be subject to a custodial IRA fee of \$15 that is typically deducted each December. If your account was subject to a custodial IRA fee during the period, your costs would have been \$15 higher.

### Hypothetical Example for Comparison Purposes

The “Hypothetical” lines of the table provide information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed 5% per year rate of return before expenses (not the Fund’s actual return). You may compare the ongoing costs of investing in the Fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. Shareholders of the Investor and Institutional Classes that invest in the Fund through an IRA or Roth IRA may be subject to a custodial IRA fee of \$15 that is typically deducted each December. If your account was subject to a custodial IRA fee during the period, your costs would have been \$15 higher.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs charged by the Fund, such as sales charges (loads). Similarly, the expense examples for other funds do not reflect any transaction costs charged by those funds, such as sales charges (loads), redemption fees or exchange fees. Therefore, the “Hypothetical” lines of the table are useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. If you were subject to any transaction costs during the period, your costs would have been higher.



# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Expense Examples

October 31, 2019 (Unaudited)

### American Beacon Garcia Hamilton Quality Bond Fund

	Beginning Account Value 5/1/2019	Ending Account Value 10/31/2019	Expenses Paid During Period 5/1/2019-10/31/2019*
<b>Institutional Class</b>			
Actual	\$1,000.00	\$1,026.30	\$2.30
Hypothetical**	\$1,000.00	\$1,022.94	\$2.29
<b>Y Class</b>			
Actual	\$1,000.00	\$1,025.80	\$2.81
Hypothetical**	\$1,000.00	\$1,022.43	\$2.80
<b>Investor Class</b>			
Actual	\$1,000.00	\$1,024.40	\$4.24
Hypothetical**	\$1,000.00	\$1,021.02	\$4.23
<b>R6 Class</b>			
Actual	\$1,000.00	\$1,025.60	\$2.09
Hypothetical**	\$1,000.00	\$1,023.14	\$2.09

\* Expenses are equal to the Fund's annualized expense ratios for the six-month period of 0.45%, 0.55%, 0.83%, and 0.41% for the Institutional, Y, Investor, and R6 Classes, respectively, multiplied by the average account value over the period, multiplied by the number derived by dividing the number of days in the most recent fiscal half-year (184) by days in the year (365) to reflect the half-year period.

\*\* 5% return before expenses.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Report of Independent Registered Public Accounting Firm

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To the Shareholders and the Board of Trustees of  
American Beacon Garcia Hamilton Quality Bond Fund

### *Opinion on the Financial Statements*

We have audited the accompanying statement of assets and liabilities of American Beacon Garcia Hamilton Quality Bond Fund (the “Fund”) (one of the funds constituting American Beacon Funds (the “Trust”)), including the schedule of investments, as of October 31, 2019, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the three years in the period ended October 31, 2019 and the period from April 4, 2016 (commencement of operations) to October 31, 2016 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund at October 31, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the three years in the period ended October 31, 2019 and the period from April 4, 2016 (commencement of operations) to October 31, 2016, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These financial statements are the responsibility of the Trust’s management. Our responsibility is to express an opinion on each of the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Trust is not required to have, nor were we engaged to perform, an audit of the Trust’s internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2019, by correspondence with the custodian. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Ernst & Young LLP*

We have served as the auditor of one or more American Beacon investment companies since 1987.

Dallas, Texas  
December 30, 2019

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Schedule of Investments

October 31, 2019

	Principal Amount	Fair Value
<b>CORPORATE OBLIGATIONS - 62.30%</b>		
<b>Communications - 6.89%</b>		
Comcast Corp., 2.429%, Due 10/1/2020, (3-mo. USD LIBOR + 0.330%) <sup>A</sup> . . . . .	\$ 5,730,000	\$ 5,744,382
2.631%, Due 4/15/2024, (3-mo. USD LIBOR + 0.630%) <sup>A</sup> . . . . .	13,341,000	13,457,430
TWDC Enterprises 18 Corp., 2.523%, Due 3/4/2022, (3-mo. USD LIBOR + 0.390%) <sup>A</sup> . . . . .	13,772,000	13,839,564
		<b>33,041,376</b>
<b>Consumer, Non-Cyclical - 4.28%</b>		
PepsiCo, Inc., 2.573%, Due 10/6/2021, (3-mo. USD LIBOR + 0.530%) <sup>A</sup> . . . . .	6,460,000	6,504,730
2.631%, Due 5/2/2022, (3-mo. USD LIBOR + 0.365%) <sup>A</sup> . . . . .	10,285,000	10,328,372
UnitedHealth Group, Inc., 2.071%, Due 10/15/2020, (3-mo. USD LIBOR + 0.070%) <sup>A</sup> . . . . .	3,720,000	3,715,088
		<b>20,548,190</b>
<b>Energy - 0.87%</b>		
Chevron Corp., 2.688%, Due 11/15/2021, (3-mo. USD LIBOR + 0.530%) <sup>A</sup> . . . . .	4,140,000	4,173,198
<b>Financial - 27.78%</b>		
American Express Co., 2.519%, Due 8/1/2022, (3-mo. USD LIBOR + 0.610%) <sup>A</sup> . . . . .	6,600,000	6,630,787
American Express Credit Corp., 2.838%, Due 3/3/2022, (3-mo. USD LIBOR + 0.700%) <sup>A</sup> . . . . .	7,068,000	7,113,571
Bank of America Corp., 3.126%, Due 1/20/2023, (3-mo. USD LIBOR + 1.160%) <sup>A</sup> . . . . .	9,166,000	9,293,223
2.917%, Due 3/5/2024, (3-mo. USD LIBOR + 0.790%) <sup>A</sup> . . . . .	7,830,000	7,880,443
Citigroup, Inc., 3.224%, Due 5/17/2024, (3-mo. USD LIBOR + 1.100%) <sup>A</sup> . . . . .	21,774,000	22,042,808
Fifth Third Bank, 2.549%, Due 2/1/2022, (3-mo. USD LIBOR + 0.640%) <sup>A</sup> . . . . .	5,580,000	5,610,417
Goldman Sachs Group, Inc., 3.717%, Due 11/29/2023, (3-mo. USD LIBOR + 1.600%) <sup>A</sup> . . . . .	6,638,000	6,855,091
3.448%, Due 11/23/2024, (3-mo. USD LIBOR + 1.300%) <sup>A</sup> . . . . .	8,145,000	8,180,617
JPMorgan Chase & Co., 2.840%, Due 4/25/2023, (3-mo. USD LIBOR + 0.900%) <sup>A</sup> . . . . .	12,824,000	12,909,590
3.166%, Due 10/24/2023, (3-mo. USD LIBOR + 1.230%) <sup>A</sup> . . . . .	8,400,000	8,546,709
Manufacturers & Traders Trust Co., 2.734%, Due 5/18/2022, (3-mo. USD LIBOR + 0.610%) <sup>A</sup> . . . . .	5,490,000	5,507,810
Morgan Stanley, 3.336%, Due 10/24/2023, (3-mo. USD LIBOR + 1.400%) <sup>A</sup> . . . . .	18,225,000	18,592,849
Wells Fargo & Co., 3.046%, Due 1/24/2023, (3-mo. USD LIBOR + 1.110%) <sup>A</sup> . . . . .	13,890,000	14,064,247
		<b>133,228,162</b>
<b>Industrial - 8.26%</b>		
John Deere Capital Corp., 2.582%, Due 9/8/2022, (3-mo. USD LIBOR + 0.480%) <sup>A</sup> . . . . .	9,370,000	9,392,404
2.652%, Due 6/7/2023, (3-mo. USD LIBOR + 0.550%) <sup>A</sup> . . . . .	10,095,000	10,115,634
United Parcel Service, Inc., 2.549%, Due 4/1/2023, (3-mo. USD LIBOR + 0.450%) <sup>A</sup> . . . . .	20,017,000	20,124,400
		<b>39,632,438</b>
<b>Technology - 13.14%</b>		
Apple, Inc., 2.685%, Due 2/9/2022, (3-mo. USD LIBOR + 0.500%) <sup>A</sup> . . . . .	14,585,000	14,695,547
IBM Credit LLC, 2.226%, Due 1/20/2021, (3-mo. USD LIBOR + 0.260%) <sup>A</sup> . . . . .	16,015,000	16,054,958
Intel Corp., 2.531%, Due 5/11/2022, (3-mo. USD LIBOR + 0.350%) <sup>A</sup> . . . . .	15,104,000	15,162,427
International Business Machines Corp., 2.576%, Due 5/13/2021, (3-mo. USD LIBOR + 0.400%) <sup>A</sup> . . . . .	4,890,000	4,912,460
QUALCOMM, Inc., 2.666%, Due 1/30/2023, (3-mo. USD LIBOR + 0.730%) <sup>A</sup> . . . . .	12,070,000	12,169,662
		<b>62,995,054</b>
<b>Utilities - 1.08%</b>		
Consolidated Edison Co. of New York, Inc., 2.506%, Due 6/25/2021, Series C, (3-mo. USD LIBOR + 0.400%) <sup>A</sup> . . . . .	5,180,000	5,199,441
		<b>298,817,859</b>
<b>Total Corporate Obligations (Cost \$297,553,136)</b>		

See accompanying notes

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Schedule of Investments

October 31, 2019

	Principal Amount	Fair Value
<b>U.S. AGENCY MORTGAGE-BACKED OBLIGATIONS - 7.89%</b>		
Federal Home Loan Mortgage Corp., 4.500%, Due 12/1/2034 . . . . .	\$ 2,293,372	\$ 2,487,334
Federal National Mortgage Association, 5.500%, Due 1/1/2024 . . . . .	1,208,330	1,261,390
5.000%, Due 7/1/2026 . . . . .	493,483	508,273
4.500%, Due 6/1/2039 . . . . .	31,692,781	33,574,552
<b>Total U.S. Agency Mortgage-Backed Obligations (Cost \$37,870,378)</b>		<b>37,831,549</b>
<b>U.S. GOVERNMENT AGENCY OBLIGATIONS - 16.01%</b>		
Federal Farm Credit Banks Funding Corp., 1.904%, Due 3/17/2021, (1-mo. USD LIBOR + 0.015%) <sup>A</sup> . . .	7,115,000	7,106,779
Federal Home Loan Banks, 2.010%, Due 12/18/2020, (3-mo. USD LIBOR - 0.135%) <sup>A</sup> . . . . .	25,750,000	25,726,880
1.921%, Due 1/4/2021, (3-mo. USD LIBOR - 0.135%) <sup>A</sup> . . . . .	9,165,000	9,155,148
2.032%, Due 9/13/2021, (3-mo. USD LIBOR - 0.095%) <sup>A</sup> . . . . .	34,815,000	34,786,632
<b>Total U.S. Government Agency Obligations (Cost \$76,842,823)</b>		<b>76,775,439</b>
<b>U.S. TREASURY OBLIGATIONS - 12.53%</b>		
U.S. Treasury Notes/Bonds, 1.752%, Due 1/31/2021, (3-mo. Treasury money market yield + 0.115%) <sup>A</sup> . . . . .	20,000,000	19,978,071
2.500%, Due 5/15/2046 . . . . .	37,690,000	40,131,017
<b>Total U.S. Treasury Obligations (Cost \$55,076,356)</b>		<b>60,109,088</b>
	<b>Shares</b>	
<b>SHORT-TERM INVESTMENTS - 0.76% (Cost \$3,627,253)</b>		
<b>Investment Companies - 0.76%</b>		
American Beacon U.S. Government Money Market Select Fund, Select Class, 1.75% <sup>B C</sup> . . . . .	3,627,253	3,627,253
<b>TOTAL INVESTMENTS - 99.49% (Cost \$470,969,946)</b>		<b>477,161,188</b>
<b>OTHER ASSETS, NET OF LIABILITIES - 0.51%</b>		<b>2,461,739</b>
<b>TOTAL NET ASSETS - 100.00%</b>		<b>\$ 479,622,927</b>

Percentages are stated as a percent of net assets.

<sup>A</sup> Variable, floating, or adjustable rate securities with an interest rate that changes periodically. Rates are periodically reset with rates that are based on a predetermined benchmark such as a widely followed interest rate such as T-bills, LIBOR or PRIME plus a fixed spread. The interest rate disclosed reflects the rate in effect on October 31, 2019.

<sup>B</sup> The Fund is affiliated by having the same investment advisor.

<sup>C</sup> 7-day yield.

LIBOR - London Interbank Offered Rate.

LLC - Limited Liability Company.

PRIME - A rate, charged by banks, based on the U.S. Federal Funds rate.

The Fund's investments are summarized by level based on the inputs used to determine their values. As of October 31, 2019, the investments were classified as described below:

Garcia Hamilton Quality Bond Fund	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Corporate Obligations . . . . .	\$ -	\$ 298,817,859	\$ -	\$ 298,817,859
U.S. Agency Mortgage-Backed Obligations . . . . .	-	37,831,549	-	37,831,549
U.S. Government Agency Obligations . . . . .	-	76,775,439	-	76,775,439
U.S. Treasury Obligations . . . . .	-	60,109,088	-	60,109,088
Short-Term Investments . . . . .	3,627,253	-	-	3,627,253
Total Investments in Securities - Assets . . . . .	<u>\$ 3,627,253</u>	<u>\$ 473,533,935</u>	<u>\$ -</u>	<u>\$ 477,161,188</u>

U.S. GAAP requires transfers between all levels to/from level 3 be disclosed. During the year ended October 31, 2019, there were no transfers into or out of Level 3.

See accompanying notes

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Statement of Assets and Liabilities

October 31, 2019

### Assets:

Investments in unaffiliated securities, at fair value <sup>†</sup>	\$ 473,533,935
Investments in affiliated securities, at fair value <sup>‡</sup>	3,627,253
Interest receivable	1,780,914
Receivable for investments sold	1,917,695
Receivable for fund shares sold	216,068
Receivable for expense reimbursement (Note 2)	115,945
Prepaid expenses	27,316
<b>Total assets</b>	<b><u>481,219,126</u></b>

### Liabilities:

Payable for fund shares redeemed	1,152,745
Dividends payable	130,681
Management and sub-advisory fees payable (Note 2)	227,060
Service fees payable (Note 2)	3,137
Transfer agent fees payable (Note 2)	14,574
Custody and fund accounting fees payable	11,020
Professional fees payable	44,973
Trustee fees payable (Note 2)	2,313
Payable for prospectus and shareholder reports	5,924
Other liabilities	3,772
<b>Total liabilities</b>	<b><u>1,596,199</u></b>

**Net assets** **\$ 479,622,927**

### Analysis of net assets:

Paid-in-capital	\$ 476,585,099
Total distributable earnings (deficits) <sup>A</sup>	3,037,828

**Net assets** **\$ 479,622,927**

### Shares outstanding at no par value (unlimited shares authorized):

Institutional Class	<u>31,509,871</u>
Y Class	<u>1,784,629</u>
Investor Class	<u>1,483,357</u>
R6 Class <sup>B</sup>	<u>12,966,751</u>

### Net assets:

Institutional Class	<u>\$ 316,582,604</u>
Y Class	<u>\$ 17,927,537</u>
Investor Class	<u>\$ 14,904,591</u>
R6 Class <sup>B</sup>	<u>\$ 130,208,195</u>

### Net asset value, offering and redemption price per share:

Institutional Class	<u>\$ 10.05</u>
Y Class	<u>\$ 10.05</u>
Investor Class	<u>\$ 10.05</u>
R6 Class <sup>B</sup>	<u>\$ 10.04</u>

<sup>†</sup> Cost of investments in unaffiliated securities \$ 467,342,693

<sup>‡</sup> Cost of investments in affiliated securities \$ 3,627,253

<sup>A</sup> The Fund's investments in affiliated securities did not have unrealized appreciation (depreciation) at year end.

<sup>B</sup> Class commenced operations February 28, 2019 (Note 1).

See accompanying notes

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Statement of Operations

For the year ended October 31, 2019

<b>Investment income:</b>	
Dividend income from affiliated securities (Note 7) . . . . .	\$ 262,616
Interest income . . . . .	9,641,814
<b>Total investment income</b> . . . . .	<b>9,904,430</b>
<b>Expenses:</b>	
Management and sub-advisory fees (Note 2) . . . . .	1,927,599
Transfer agent fees:	
Institutional Class (Note 2) . . . . .	108,011
Y Class (Note 2) . . . . .	19,161
Investor Class . . . . .	1,732
R6 Class <sup>A</sup> . . . . .	2,082
Custody and fund accounting fees . . . . .	62,247
Professional fees . . . . .	52,133
Registration fees and expenses . . . . .	62,461
Service fees (Note 2):	
Investor Class . . . . .	54,616
Prospectus and shareholder report expenses . . . . .	28,358
Trustee fees (Note 2) . . . . .	24,775
Other expenses . . . . .	40,426
<b>Total expenses</b> . . . . .	<b>2,383,601</b>
Net fees waived and expenses (reimbursed) (Note 2) . . . . .	(745,393)
<b>Net expenses</b> . . . . .	<b>1,638,208</b>
<b>Net investment income</b> . . . . .	<b>8,266,222</b>
<b>Realized and unrealized gain from investments:</b>	
Net realized gain from:	
Investments in unaffiliated securities <sup>B</sup> . . . . .	429,672
Change in net unrealized appreciation of:	
Investments in unaffiliated securities <sup>C</sup> . . . . .	7,820,345
<b>Net gain from investments</b> . . . . .	<b>8,250,017</b>
<b>Net increase in net assets resulting from operations</b> . . . . .	<b>\$ 16,516,239</b>

<sup>A</sup> Class commenced operations February 28, 2019.

<sup>B</sup> The Fund did not recognize net realized gains (losses) from the sale of investments in affiliated securities.

<sup>C</sup> The Fund's investments in affiliated securities did not have a change in unrealized appreciation (depreciation) at year end.

See accompanying notes



# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Statement of Changes in Net Assets

	<b>Garcia Hamilton Quality Bond Fund</b>	
	Year Ended October 31, 2019	Year Ended October 31, 2018
<b>Increase (decrease) in net assets:</b>		
<b>Operations:</b>		
Net investment income . . . . .	\$ 8,266,222	\$ 3,376,947
Net realized gain (loss) from investments in unaffiliated securities . . . . .	429,672	(780,123)
Change in net unrealized appreciation (depreciation) of investments in unaffiliated securities . . . . .	7,820,345	(1,810,001)
<b>Net increase in net assets resulting from operations</b> . . . . .	<b>16,516,239</b>	<b>786,823</b>
<b>Distributions to shareholders:</b>		
Total retained earnings:		
Institutional Class . . . . .	(7,259,770)	(3,305,504)
Y Class . . . . .	(437,870)	(59,124)
Investor Class . . . . .	(280,134)	(165,821)
R6 Class <sup>A</sup> . . . . .	(480,168)	-
<b>Net distributions to shareholders</b> . . . . .	<b>(8,457,942)</b>	<b>(3,530,449)</b>
<b>Capital share transactions (Note 9):</b>		
Proceeds from sales of shares . . . . .	295,256,390	128,042,724
Reinvestment of dividends and distributions . . . . .	6,819,084	3,065,757
Cost of shares redeemed . . . . .	(80,111,918)	(24,196,699)
<b>Net increase in net assets from capital share transactions</b> . . . . .	<b>221,963,556</b>	<b>106,911,782</b>
<b>Net increase in net assets</b> . . . . .	<b>230,021,853</b>	<b>104,168,156</b>
<b>Net assets:</b>		
Beginning of period . . . . .	249,601,074	145,432,918
<b>End of period</b> . . . . .	<b>\$ 479,622,927</b>	<b>\$ 249,601,074</b>

<sup>A</sup> Class commenced operations February 28, 2019.

*See accompanying notes*

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

### 1. Organization and Significant Accounting Policies

American Beacon Funds (the “Trust”) is organized as a Massachusetts business trust. The Fund, a series within the Trust, is registered under the Investment Company Act of 1940, as amended (the “Act”), as a diversified, open-end management investment company. As of October 31, 2019, the Trust consists of thirty-two active series, one of which is presented in this filing: American Beacon Garcia Hamilton Quality Bond Fund (the “Fund”). The remaining thirty-one active series are reported in separate filings.

American Beacon Advisors, Inc. (the “Manager”) is a Delaware corporation and a wholly-owned subsidiary of Resolute Investment Managers, Inc. (“RIM”) organized in 1986 to provide business management, advisory, administrative, and asset management consulting services to the Trust and other investors. The Manager is registered as an investment advisor under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). RIM is, in turn, a wholly-owned subsidiary of Resolute Acquisition, Inc., which is a wholly-owned subsidiary of Resolute Topco, Inc., a wholly-owned subsidiary of Resolute Investment Holdings, LLC (“RIH”). RIH is owned primarily by Kelso Investment Associates VIII, L.P., KEP VI, LLC and Estancia Capital Partners L.P., investment funds affiliated with Kelso & Company, L.P. (“Kelso”) or Estancia Capital Management, LLC (“Estancia”), which are private equity firms.

#### *Recent Accounting Pronouncements*

In March 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-08, *Premium Amortization of Purchased Callable Debt Securities*. The amendments in the ASU shorten the premium amortization period on a purchased callable debt security from the security’s contractual life to the earliest call date. It is anticipated that this change will enhance disclosures by reducing losses recognized when a security is called on an earlier date. This ASU is effective for fiscal years beginning after December 15, 2018. The Manager continues to evaluate the impact this ASU will have on the financial statements and other disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (“Topic 820”)*. The amendments in the ASU impact disclosure requirements for fair value measurement. It is anticipated that this change will enhance the effectiveness of disclosures in the notes to the financial statements. This ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted and can include the entire standard or certain provisions that exclude or amend disclosures. For the year ended October 31, 2019, the Fund has chosen to adopt the standard. The adoption of this ASU guidance did not have a material impact on the financial statements and other disclosures.

#### *Class Disclosure*

On February 28, 2019, the Fund created the R6 Class, a new class made available for sale to retirement plans pursuant to an amendment to the Fund’s registrations statement filed with the U.S. Securities and Exchange Commission (“SEC”). Refer to the Fund’s prospectus for more details.

The Fund has multiple classes of shares designed to meet the needs of different groups of investors. The following table sets forth the differences amongst the classes:

<u>Class</u>	<u>Eligible Investors</u>	<u>Minimum Initial Investments</u>
Institutional	Large institutional investors - sold directly through intermediary channels.	\$250,000
Y Class	Large institutional retirement plan investors - sold directly or through intermediary channels.	\$100,000
Investor	All investors using intermediary organizations, such as broker-dealers or retirement plan sponsors.	\$ 2,500
R6 Class	Large institutional retirement plan investors - sold through retirement plan sponsors.	None

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

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Each class offered by the Trust has equal rights as to assets and voting privileges. Income and non-class specific expenses are allocated daily to each class based on the relative net assets. Realized and unrealized capital gains and losses of each class are allocated daily based on the relative net assets of each class of the respective Fund. Class specific expenses, where applicable, currently include service, distribution, transfer agent fees, and sub-transfer agent fees that vary amongst the classes as described more fully in Note 2.

### *Significant Accounting Policies*

The following is a summary of significant accounting policies, consistently followed by the Fund in preparation of the financial statements. The Fund is considered an investment company and accordingly, follows the investment company accounting and reporting guidance of the FASB Accounting Standards Codification Topic 946, *Financial Services - Investment Companies*, a part of Generally Accepted Accounting Principles (“U.S. GAAP”).

### *Security Transactions and Investment Income*

Security transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled beyond a standard settlement period for the security after the trade date.

Dividend income, net of foreign taxes, is recorded on the ex-dividend date, except certain dividends from foreign securities which are recorded as soon as the information is available to the Fund. Interest income, net of foreign taxes, is earned from settlement date, recorded on the accrual basis, and adjusted, if necessary, for accretion of discounts and amortization of premiums. Realized gains (losses) from securities sold are determined based on specific lot identification.

### *Distributions to Shareholders*

The Fund distributes most or all of its net earning and realized gains, if any, each taxable year in the form of dividends from net investment income on a monthly basis and distributions of realized net capital gains and net gains or losses from foreign currency transactions on an annual basis. The Fund does not have a fixed dividend rate and does not guarantee that they will pay any distributions in any particular year. Dividends to shareholders are determined in accordance with federal income tax regulation, which may differ in amount and character from net investment income and realized gains recognized for purposes of U.S. GAAP. To the extent necessary to fully distribute capital gains, the Fund may designate earning and profits distributed to shareholders on the redemption of shares.

### *Allocation of Income, Trust Expenses, Gains, and Losses*

Investment income, realized and unrealized gains and losses from investments of the Fund is allocated daily to each class of shares based upon the relative proportion of net assets of each class to the total net assets of the Fund. Expenses directly charged or attributable to the Fund will be paid from the assets of the Fund. Generally, expenses of the Trust will be allocated among and charged to the assets of the Fund on a basis that the Trust’s Board of Trustees (the “Board”) deems fair and equitable, which may be based on the relative net assets of the Fund or nature of the services performed and relative applicability to the Fund.

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimated.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

### Other

Under the Trust's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In the normal course of business, the Trust enters into contracts that provide indemnification to the other party or parties against potential costs or liabilities. The Trust's maximum exposure under these arrangements is dependent on claims that may be made in the future and, therefore, cannot be estimated. The Trust has had no prior claims or losses pursuant to any such agreement.

## 2. Transactions with Affiliates

### Management and Investment Sub-Advisory Agreements

The Fund and the Manager are parties to a Management Agreement that obligates the Manager to provide the Fund with investment advisory and administrative services. As compensation for performing the duties under the Management Agreement, the Manager will receive an annualized management fee based on a percentage of the Fund's average daily net assets that is calculated and accrued daily according to the following schedule:

First \$5 billion .....	0.35%
Next \$5 billion .....	0.325%
Next \$10 billion .....	0.30%
Over \$20 billion .....	0.275%

The Trust, on behalf of the Fund, and the Manager have entered into an Investment Advisory Agreement with Garcia Hamilton & Associates, L.P. (the "Sub-Advisor") pursuant to which the Fund has agreed to pay an annualized sub-advisory fee that is calculated and accrued daily based on the Fund's average daily net assets according to the following schedule:

First \$1 billion .....	0.20%
Over \$1 billion .....	0.15%

The Management and Sub-Advisory Fees paid by the Fund for the year ended October 31, 2019 were as follows:

	<u>Effective Fee Rate</u>	<u>Amount of Fees Paid</u>
Management Fees .....	0.35%	\$ 1,226,446
Sub-Advisor Fees .....	0.20%	701,153
Total .....	<u>0.55%</u>	<u>\$ 1,927,599</u>

### Distribution Plans

The Fund has adopted a "defensive" Distribution Plan (the "Plan") in accordance with Rule 12b-1 under the Act, pursuant to which no separate fees may be charged to the Fund for distribution purposes. However, the Plan authorizes the management fee received by the Manager and the investment advisors hired by the Manager to be used for distribution purposes. Under this Plan, the Fund does not intend to compensate the Manager or any other party, either directly or indirectly, for the distribution of Fund shares.

### Service Plans

The Manager and the Trust entered into a Service Plan that obligates the Manager to oversee additional shareholder servicing of the Investor Class of the Fund. As compensation for performing the duties required under the Service Plan, the Manager receives an annualized fee up to 0.375% of the average daily net assets of the Investor Class of the Fund.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

### Sub-Transfer Agent Fees

The Manager has entered into agreements, which include servicing agreements, with financial intermediaries that provide recordkeeping, processing, shareholder communications and other services to customers of the intermediaries that hold positions in the Institutional and Y Classes of the Fund and has agreed to compensate the intermediaries for providing these services. Intermediaries transact with the Fund primarily through the use of omnibus accounts on behalf of its customers who hold positions in the Fund. Certain services would have been provided by the Fund's transfer agent and other service providers if the shareholders' accounts were maintained directly by the Fund's transfer agent. Accordingly, the Fund, pursuant to Board approval, has agreed to reimburse the Manager for certain non-distribution shareholder services provided by financial intermediaries for the Institutional and Y Classes. The reimbursement amounts (sub-transfer agent fees) paid to the Manager are subject to a fee limit of up to 0.10% of an intermediary's average net assets in the Institutional and Y Classes on an annual basis. During the year ended October 31, 2019, the sub-transfer agent fees, as reflected in "Transfer agent fees" on the Statement of Operations, were as follows:

<u>Fund</u>	<u>Sub-Transfer Agent Fees</u>
Garcia Hamilton Quality Bond .....	\$ 117,285

As of October 31, 2019, the Fund owed the Manager the following reimbursement of sub-transfer agent fees, as reflected in "Transfer agent fees payable" on the Statement of Assets and Liabilities:

<u>Fund</u>	<u>Reimbursement Sub-Transfer Agent Fees</u>
Garcia Hamilton Quality Bond .....	\$ 11,106

### Investments in Affiliated Funds

The Fund may invest in the American Beacon U.S. Government Money Market Select Fund (the "USG Select Fund"). The Fund and the USG Select Fund have the same investment advisor and therefore, are considered to be affiliated. The Manager serves as investment advisor to the USG Select Fund and receives management fees and administrative fees totaling 0.10% of the average daily net assets of the USG Select Fund. During the year ended October 31, 2019, the Manager earned fees on the Fund's direct investments in the USG Select Fund as shown below:

<u>Fund</u>	<u>Direct Investments in USG Select Fund</u>
Garcia Hamilton Quality Bond .....	\$ 12,107

### Interfund Credit Facility

Pursuant to an exemptive order issued by the SEC, the Fund, along with other registered investment companies having management contracts with the Manager, may participate in a credit facility whereby each fund, under certain conditions, is permitted to lend money directly to and borrow directly from other participating funds for temporary purposes. The interfund credit facility is advantageous to the fund because it provides added liquidity and eliminates the need to maintain higher cash balances to meet redemptions. This situation could arise when shareholder redemptions exceed anticipated volumes and certain funds have insufficient cash on hand to satisfy such redemptions or when sales of securities do not settle as expected, resulting in a cash shortfall for a fund. When a fund liquidates portfolio securities to meet redemption requests, they often do not receive payment in settlement for up to two days (or longer for certain foreign transactions). Redemption requests normally are satisfied on the next business day. The credit facility provides a source of immediate, short-term liquidity pending settlement of the sale of portfolio securities. The credit facility is administered by a credit facility team consisting of professionals from the Manager's asset management, compliance, and accounting areas who report the activities of the credit facility to the Board. During the year ended October 31, 2019, the Fund did not utilize the credit facility.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

### Expense Reimbursement Plan

The Manager contractually agreed to reduce fees and/or reimburse expenses for the classes of the Fund to the extent that total operating expenses exceed the Fund's expense cap. During the year ended October 31, 2019, the Manager waived and/or reimbursed expenses as follows:

Fund	Class	Expense Cap		Reimbursed Expenses	(Recouped) Expenses	Expiration of Reimbursed Expenses
		11/1/2018 - 8/25/2019	8/26/2019 - 10/31/2019			
Garcia Hamilton Quality Bond . . . . .	Institutional	0.45%	0.45%	\$ 630,224	\$ -	2021-2022
Garcia Hamilton Quality Bond . . . . .	Y	0.55%	0.55%	32,884	-	2021-2022
Garcia Hamilton Quality Bond . . . . .	Investor	0.83%	0.83%	28,699	-	2021-2022
Garcia Hamilton Quality Bond . . . . .	R6 <sup>(1)</sup>	0.42%	0.41%	53,586	-	2021-2022

<sup>(1)</sup> Effective February 28, 2019.

Of these amounts, \$115,945 was disclosed as a receivable from the Manager on the Statement of Assets and Liabilities at October 31, 2019.

The Fund has adopted an Expense Reimbursement Plan whereby the Manager may seek repayment of such fee or voluntary reductions and expense reimbursements. Under the policy, the Manager can be reimbursed by the Fund for any contractual or voluntary fee reductions or expense reimbursements if reimbursement to the Manager (a) occurs within three years after the date of the Manager's waiver/reimbursement and (b) does not cause the Fund's annual operating expenses to exceed the lesser of the contractual percentage limit in effect at the time of the waiver/reimbursement or time of recoupment. The reimbursed expenses listed above will expire in 2021 and 2022. The Fund did not record a liability for potential reimbursement due to the current assessment that a reimbursement is uncertain. The carryover of excess expenses potentially reimbursable to the Manager, but not recorded as a liability are as follows:

Fund	Recouped Expenses	Excess Expense Carryover	Expired Expense Carryover	Expiration of Reimbursed Expenses
Garcia Hamilton Quality Bond . . . . .	\$ -	\$ 334,782	\$ -	2019-2020
Garcia Hamilton Quality Bond . . . . .	-	410,947	-	2020-2021

### Trustee Fees and Expenses

As compensation for their service to the Trusts, each Trustee receives an annual retainer of \$120,000, plus \$10,000 for each Board meeting attended in person or via teleconference, \$2,500 for attendance by Committee members at meetings of the Audit Committee and the Investment Committee, and \$1,500 for attendance by Committee members at meetings of the Nominating and Governance Committee, plus reimbursement of reasonable expenses incurred in attending Board meetings, Committee meetings, and relevant educational seminars. The Trustees also may be compensated for attendance at special Board and/or Committee meetings from time to time. The Board Chair receives an additional annual retainer of \$50,000 as well as a \$2,500 fee each quarter for attendance at the committee meetings. The Chairpersons of the Audit Committee and the Investment Committee each receive an additional annual retainer of \$25,000 and the Chairman of the Nominating and Governance Committee receives an additional annual retainer of \$10,000. These expenses are allocated on a prorated basis to each fund of the Trusts according to its respective net assets.



# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

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### 3. Security Valuation and Fair Value Measurements

The price of the Fund's shares is based on the Fund's Net Asset Value ("NAV"). The NAV of the Fund, or each of its share classes, as applicable, is determined by dividing the total value of portfolio investments and other assets, less any liabilities attributable to the Fund or class, by the total number of shares outstanding of the Fund or class.

Investments are valued at the close of the New York Stock Exchange (the "Exchange"), normally at 4:00 p.m. Eastern Time, each day that the Exchange is open for business.

Debt securities normally are valued on the basis of prices provided by an independent pricing service and may take into account appropriate factors such as institution-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. Prices of debt securities may be determined using quotes obtained from brokers.

Investments in open-end mutual funds are valued at the closing NAV per share of the mutual fund on the day of valuation.

Securities for which the market prices are not readily available or are not reflective of the fair value of the security, as determined by the Manager, will be priced at fair value following procedures approved by the Board.

Other investments, including restricted securities and those financial instruments for which the above valuation procedures are inappropriate or are deemed not to reflect fair value, are stated at fair value, as determined in good faith by the Manager's Valuation Committee, pursuant to procedures established by the Board.

#### *Valuation Inputs*

Various inputs may be used to determine the fair value of the Fund's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

- Level 1 - Quoted prices in active markets for identical securities.
- Level 2 - Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.
- Level 3 - Prices determined using other significant unobservable inputs. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in pricing an investment.

#### *Level 1 and Level 2 trading assets and trading liabilities, at fair value*

Fixed-income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. Treasury obligations, sovereign issues, bank loans, convertible preferred securities, and non-U.S. bonds are normally valued by pricing service providers that use broker dealer quotations, reported trades or valuation estimates from their internal pricing models. The service providers' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates, and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities ("ABS") are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by pricing service providers that use broker-dealer quotations or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows, and market-based yield spreads for each tranche, and incorporates deal collateral performance, as available. Mortgage-related and ABS that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

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Investments in registered open-end investment management companies will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy.

### 4. Securities and Other Investments

#### *Agency Mortgage-Backed Securities*

Certain mortgage-backed securities (“MBS”) may be issued or guaranteed by the U.S. government or a government sponsored entity, such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”). Although these instruments may be guaranteed by the U.S. government or a government sponsored entity, many such MBS are not backed by the full faith and credit of the United States and are still exposed to the risk of non-payment.

#### *Fixed-Income Investments*

The Fund may hold debt, including government and corporate debt, and other fixed-income securities. Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause the Fund’s NAV to likewise decrease, and vice versa. How specific fixed-income securities may react to changes in interest rates will depend on the specific characteristics of each security. For example, while securities with longer maturities tend to produce higher yields, they also tend to be more sensitive to changes in prevailing interest rates and are, therefore, more volatile than shorter-term securities and are subject to greater market fluctuations as a result of changes in interest rates. Fixed-income securities are also subject to credit risk, which is the risk that the credit strength of an issuer of a fixed-income security will weaken and/or that the issuer will be unable to make timely principal and interest payments and that the security may go into default. In addition, there is prepayment risk, which is the risk that during periods of falling interest rates, certain fixed-income securities with higher interest rates, such as MBS and ABS, may be prepaid by their issuers thereby reducing the amount of interest payments. This may result in a Fund having to reinvest its proceeds in lower yielding securities. Securities underlying MBS and ABS, which may include subprime mortgages, also may be subject to a higher degree of credit risk, valuation risk, and liquidity risk.

#### *Mortgage-Backed Securities*

MBS often have stated maturities of up to thirty years when they are issued, depending upon the length of the mortgages underlying the securities. In practice however, unscheduled or early payments of principal and interest on the underlying mortgages may make the securities’ effective maturity shorter than this, and the prevailing interest rates may be higher or lower than the current yield of the Fund’s portfolio at the time resulting in reinvestment risk.

Rising or high interest rates may result in slower than expected principal payments which may tend to extend the duration of MBS, making them more volatile and more sensitive to changes in interest rates. This is known as extension risk.

MBS may have less potential for capital appreciation than comparable fixed-income securities due to the likelihood of increased prepayments of mortgages resulting from foreclosures or declining interest rates. These foreclosed or refinanced mortgages are paid off at face value (par) or less, causing a loss, particularly for any investor who may have purchased the security at a premium or a price above par. In such an environment, this risk limits the potential price appreciation of these securities.

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## Notes to Financial Statements

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### *Mortgage-Related and Other Asset-Backed Securities*

The Fund may invest in mortgage or other ABS. These securities may include mortgage instruments issued by U.S. government agencies (“agency mortgages”) or those issued by private entities (“non-agency mortgages”). Specific types of instruments may include mortgage pass-through securities, collateralized mortgage obligations (“CMOs”), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities and other securities that directly or indirectly represent a participation in, or are secured by a payable from, mortgage loans on real property. The value of the Fund’s MBS may be affected by, among other things, changes or perceived changes in interest rates, factors concerning the interests in and structure of the issuer or the originator of the mortgage, or the quality of the underlying assets. The mortgages underlying the securities may default or decline in quality or value. Through its investments in MBS, a Fund has exposure to subprime loans, Alt-A loans and non-conforming loans as well as to the mortgage and credit markets generally. Underlying collateral related to subprime, Alt-A and non-conforming mortgage loans has become increasingly susceptible to defaults and declines in quality or value, especially in a declining residential real estate market. In addition, regulatory or tax changes may adversely affect the mortgage securities markets as a whole.

### *Other Investment Company Securities and Other Exchange-Traded Products*

The Fund may invest in shares of other investment companies, including open-end funds, closed-end funds, business development companies, ETFs, unit investment trusts, and other investment companies of the Trust. The Fund may invest in securities of an investment company advised by the Manager or a sub-advisor. Investments in the securities of other investment companies may involve duplication of advisory fees and certain other expenses. By investing in another investment company, the Fund becomes a shareholder of that investment company. As a result, the Fund’s shareholders indirectly will bear the Fund’s proportionate share of the fees and expenses paid by shareholders of the other investment company, in addition to the fees and expenses the Fund’s shareholders directly bear in connection with the Fund’s own operations. These other fees and expenses are reflected as Acquired Fund Fees and Expenses and are included in the Fees and Expenses Table for the Fund in its Prospectus, if applicable. Investments in other investment companies may involve the payment of substantial premiums above the value of such issuer’s portfolio securities.

### *U.S. Government Agency Securities*

U.S. Government agency securities are issued or guaranteed by the U.S. Government or its agencies or instrumentalities. Some obligations issued by U.S. Government agencies and instrumentalities are supported by the full faith and credit of the U.S. Treasury; others by the right of the issuer to borrow from the U.S. Treasury; others by discretionary authority of the U.S. Government to purchase certain obligations of the agency or instrumentality; and others only by the credit of the agency or instrumentality. U.S. Government securities bear fixed, floating or variable rates of interest. While the U.S. Government currently provides financial support to certain U.S. Government-sponsored agencies or instrumentalities, no assurance can be given that it will always do so, since it is not so obligated by law. U.S. Government securities include U.S. Treasury bills, notes and bonds, Federal Home Loan Bank (“FHLB”) obligations, Federal Farm Credit Bank (“FFCB”) obligations, U.S. Government agency obligations and repurchase agreements secured thereby. U.S. Government agency securities are subject to credit risk and interest rate risk.

### *U.S. Treasury Obligations*

U.S. Treasury obligations include bills (initial maturities of one year or less), notes (initial maturities between two and ten years), and bonds (initial maturities over ten years) issued by the U.S. Treasury, Separately Traded Registered Interest and Principal component parts of such obligations (known as “STRIPS”) and inflation-indexed securities. The prices of these securities (like all debt securities) change between issuance and maturity in response to fluctuating market interest rates. U.S. Treasury obligations are subject to credit risk and interest rate risk.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

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### 5. Principal Risks

Investing in the Fund may involve certain risks including, but not limited to, those described below.

#### *Credit Risk*

The Fund is subject to the risk that the issuer or guarantor of a debt security, or the counterparty to a derivatives contract or a loan, will fail to make timely payment of interest or principal or otherwise honor its obligations or default completely. A decline in the credit rating of an individual security held by the Fund may have an adverse impact on its price and make it difficult for the Fund to sell it. Ratings represent a rating agency's opinion regarding the quality of the security and are not a guarantee of quality. Rating agencies might not always change their credit rating on an issuer or security in a timely manner to reflect events that could affect the issuer's ability to make timely payments on its obligations. Credit risk is typically greater for securities with ratings that are below investment grade.

#### *Floating Rate Securities Risk*

The coupons on certain fixed income securities in which the Fund may invest are not fixed and may fluctuate based upon changes in market rates. The coupon on a floating rate security is generally based on an interest rate such as a money-market index, London Interbank Offered Rate ("LIBOR") or a Treasury bill rate. Such securities are subject to interest rate risk and may fluctuate in value in response to interest rate changes if there is a delay between changes in market interest rates and the interest reset date for the obligation, or for other reasons. As short-term interest rates decline, the coupons on floating rate securities typically decrease. Alternatively, during periods of rising interest rates, changes in the coupons of 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 floating rate securities may decline if their coupons do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. Floating rate obligations are less effective than fixed rate obligations at locking in a particular yield and are subject to credit risk.

#### *Interest Rate Risk*

Investments in investment-grade and non-investment grade fixed-income securities are subject to interest rate risk. The value of the Fund's fixed-income investments typically will fall when interest rates rise. The Fund may be particularly sensitive to changes in interest rates if it invests in debt securities with intermediate and long terms to maturity. Debt securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than debt securities with shorter durations. For example, if a bond has a duration of seven years, a 1% increase in interest rates could be expected to result in a 7% decrease in the value of the bond. Yields of debt securities will fluctuate over time. Following the financial crisis that started in 2008, the Federal Reserve attempted to stabilize the economy and support the economic recovery by keeping the federal funds rate (the interest rate at which depository institutions lend reserve balances to each other overnight) at or near zero percent. The Federal Reserve has raised the federal funds rate several times since December 2015 and may continue to increase or decrease rates in the future. Interest rates may rise significantly and/or rapidly, potentially resulting in substantial losses to the Fund. During periods of very low or negative interest rates, the Fund may be unable to maintain positive returns. Certain European countries and Japan have recently experienced negative interest rates on deposits and debt securities have traded at negative yields. Negative interest rates may become more prevalent among non-U.S. issuers, and potentially within the United States. Changing interest rates, including rates that fall below zero, may have unpredictable effects on markets, may result in heightened market volatility and may detract from Fund's performance to the extent the Fund is exposed to such interest rates.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

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### *Investment Risk*

An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. When you sell your shares of the Fund, they could be worth less than what you paid for them. Therefore, you may lose money by investing in the Fund.

### *LIBOR Risk*

The Fund's investments, payment obligations and financing terms may be based on floating rates, such as LIBOR, Euro Interbank Offered Rate and other similar types of reference rates (each, a "Reference Rate"). On July 27, 2017, the Chief Executive of the UK Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that the FCA will no longer persuade nor require banks to submit rates for the calculation of LIBOR and certain other Reference Rates after 2021. Such announcement indicates that the continuation of LIBOR and other Reference Rates on the current basis cannot and will not be guaranteed after 2021. This announcement and any additional regulatory or market changes may have an adverse impact on the Fund or its investments, including increased volatility or illiquidity in markets for instruments that rely on LIBOR.

### *Liquidity Risk*

When there is little or no active trading market for a specific security it can become more difficult to purchase or sell the securities at or near their perceived value. During such periods, certain investments held by the Fund may be difficult to sell or other investments may be difficult to purchase at favorable times or prices. As a result, the Fund may have to lower the price on certain securities that it is trying to sell, sell other securities instead or forgo an investment opportunity, any of which could have a negative effect on Fund management or performance. Redemptions by a few large investors in the Fund at such times may have a significant adverse effect on the Fund's NAV and remaining Fund shareholders. In addition, the market-making capacity of dealers in certain types of securities has been reduced in recent years, in part as a result of structural and regulatory changes, such as fewer proprietary trading desks and increased regulatory capital requirements for broker-dealers. Further, many broker-dealers have reduced their inventory of certain debt securities. This could negatively affect the Fund's ability to buy or sell debt securities and increase the related volatility and trading costs. The Fund may lose money if it is forced to sell certain investments at unfavorable prices to meet redemption requests or other cash needs.

### *Market Risk*

Conditions in the U.S. and many foreign economies have resulted, and may continue to result, in certain instruments experiencing unusual liquidity issues, increased price volatility and, in some cases, credit downgrades and increased likelihood of default. These events have reduced the willingness and ability of some lenders to extend credit, and have made it more difficult for some borrowers to obtain financing on attractive terms, if at all. In some cases, traditional market participants have been less willing to make a market in some types of debt instruments, which has affected the liquidity of those instruments. During times of market turmoil, investors tend to look to the safety of securities issued or backed by the U.S. Treasury, causing the prices of these securities to rise and the yields to decline. Reduced liquidity in fixed income and credit markets may negatively affect many issuers worldwide. In addition, 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, 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.

In response to the financial crisis, the U.S. and other governments and the Federal Reserve and certain foreign central banks have taken steps to support financial markets. In some countries where economic conditions are recovering, they are nevertheless perceived as still fragile. Withdrawal of government support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding, could adversely impact



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## Notes to Financial Statements

October 31, 2019

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the value and liquidity of certain securities. The severity or duration of adverse economic conditions may also be affected by policy changes made by governments or quasi-governmental organizations, including changes in tax laws. The impact of new financial regulation legislation on the markets and the practical implications for market participants may not be fully known for some time. Regulatory changes are causing some financial services companies to exit long-standing lines of business, resulting in dislocations for other market participants. In addition, political and governmental events within the U.S. and abroad, such as the United States government's inability at times to agree on a long-term budget and deficit reduction plan, the threat of a federal government shutdown and threats not to increase the federal government's debt limit, may affect investor and consumer confidence and may adversely impact financial markets and the broader economy, perhaps suddenly and to a significant degree. The U.S. government has reduced the federal corporate income tax rates, and future legislative, regulatory and policy changes may result in more restrictions on international trade, less stringent prudential regulation of certain players in the financial markets, and significant new investments in infrastructure and national defense. Markets may react strongly to expectations about the changes in these policies, which could increase volatility, especially if the markets' expectations for changes in government policies are not borne out.

Changes in market conditions will not have the same impact on all types of securities. Interest rates have been unusually low in recent years in the United States and abroad. Because there is little precedent for this situation, it is difficult to predict the impact of a significant rate increase on various markets. For example, because investors may buy securities or other investments with borrowed money, a significant increase in interest rates may cause a decline in the markets for those investments. Because of the sharp decline in the worldwide price of oil, there is a concern that oil producing nations may withdraw significant assets now held in U.S. Treasuries, which could force a substantial increase in interest rates. Regulators have expressed concern that rate increases may cause investors to sell fixed income securities faster than the market can absorb them, contributing to price volatility. In addition, there is a risk that the prices of goods and services in the U.S. and many foreign economies may decline over time, known as deflation (the opposite of inflation). Deflation may have an adverse effect on stock prices and creditworthiness and may make defaults on debt more likely. If a country's economy slips into a deflationary pattern, it could last for a prolonged period and may be difficult to reverse.

The precise timing and the resulting impact of the United Kingdom's departure from the European Union (the "EU"), commonly referred to as "Brexit," are not yet known. The effect on the United Kingdom's economy will likely depend on the nature of trade relations with the EU and other major economies following its exit, which are matters to be negotiated. The outcomes may cause increased volatility and have a significant adverse impact on world financial markets, other international trade agreements, and the United Kingdom and European economies, as well as the broader global economy for some time, which could significantly adversely affect the value of the Fund's investments in the United Kingdom and Europe.

### *Mortgage-Backed and Mortgage Related Securities Risk*

Investments in mortgage-backed and mortgage-related securities are subject to market risks for fixed-income securities which include, but are not limited to, interest rate risk, credit risk, extension risk and prepayment risk. When mortgages and other obligations are prepaid and when securities are called, a Fund may have to reinvest in securities with a lower yield or fail to recover additional amounts (i.e., premiums) paid for securities with higher interest rates, resulting in an unexpected capital loss and/or a decrease in the amount of dividends and yield.

### *Other Investment Companies Risk*

The Fund may invest in shares of other registered investment companies, including money market funds. To the extent that the Fund invests in shares of other registered investment companies, the Fund will indirectly bear the fees and expenses, including for example advisory and administrative fees charged by those investment companies in addition to the Fund's direct fees and expenses and will be subject to the risks associated with investments in those companies. For example, the Fund's investments in money market funds are subject to



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## Notes to Financial Statements

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interest rate risk, credit risk, and market risk. The Fund must rely on the investment company in which it invests to achieve its investment objective. If the investment company fails to achieve its investment objective, the value of the Fund's investment will decline, adversely affecting the Fund's performance. To the extent the Fund invests in other investment companies that invest in equity securities, fixed income securities and/or foreign securities, or track an index, the Fund is subject to the risks associated with the underlying investments held by the investment company or the index fluctuations to which the investment company is subject.

### *Prepayment Risk*

When interest rates fall, borrowers will generally repay the loans that underlie certain debt securities, especially mortgage-related and other types of asset-backed securities, more quickly than expected, causing the issuer of the security to repay the principal prior to the security's expected maturity date. The Fund may need to reinvest the proceeds at a lower interest rate, reducing its income. Securities subject to prepayment risk generally offer less potential for gains when prevailing interest rates fall. If the Fund buys those securities at a premium, accelerated prepayments on those securities could cause the Fund to lose a portion of its principal investment. The impact of prepayments on the price of a security may be difficult to predict and may increase the security's price volatility.

### *Redemption Risk*

The Fund may experience periods of heavy redemptions that could cause the Fund to sell assets at inopportune times or at a loss or depressed value. Redemption risk is greater to the extent that one or more investors or intermediaries control a large percentage of investments in the Fund, have short investment horizons, or have unpredictable cash flow needs. A general rise in interest rates has the potential to cause investors to move out of fixed-income securities on a large scale, which may increase redemptions from mutual funds that hold large amounts of fixed-income securities. This, coupled with a reduction in the ability or willingness of dealers and other institutional investors to buy or hold fixed-income securities, may result in decreased liquidity and increased volatility in the fixed-income markets, and heightened redemption risk. Heavy redemptions, whether by a few large investors or many smaller investors, could hurt the Fund's performance. This risk is heightened if the Fund invests in emerging market securities, which are generally less liquid than the securities of U.S. and other developed markets. The sale of assets to meet redemption requests may create net capital gains or losses, which could cause the Fund to have to distribute substantial capital gains.

### *Sector Risk*

Sector risk is the risk associated with the Fund holding a significant amount of investments in similar businesses, which would be similarly affected by particular economic or market events, which may, in certain circumstances, cause the value of the equity and debt securities of companies in a particular sector of the market to change. To the extent the Fund has substantial holdings within a particular sector, the risks to the Fund associated with that sector increase. To the extent a Fund invests in the financial services sector, the value of the Fund's shares may be particularly vulnerable to factors affecting that sector, such as the availability and cost of capital funds, changes in interest rates, the rate of corporate and consumer debt defaults, extensive government regulation and price competition. The value of a Fund's shares could experience significantly greater volatility than investment companies investing more broadly.

### *U.S. Government Securities and Government-Sponsored Enterprises 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. Additionally, circumstances could arise that would prevent the payment of interest or principal. This could result in losses to the Fund. 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

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## Notes to Financial Statements

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the U.S. Treasury, such as those of the Government National Mortgage Association (“Ginnie Mae”); (ii) supported by the right of the issuer to borrow from the U.S. Treasury, such as those of the Federal Home Loan Bank 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 Fannie Mae and Freddie Mac 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, to the extent the Fund holds securities of such issuers, it might not be able to recover its investment from the U.S. Government.

### 6. Federal Income and Excise Taxes

It is the policy of the Fund to qualify as a regulated investment company (“RIC”), by complying with all applicable provisions of Subchapter M of the Internal Revenue Code, as amended, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes. For federal income tax purposes, the Fund is treated as a single entity for the purpose of determining such qualification.

The Fund does not have any unrecorded tax liabilities in the accompanying financial statements. Each of the tax years in the four year period ended October 31, 2019 remain subject to examination by the Internal Revenue Service. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in “Other expenses” on the Statement of Operations.

The Fund may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on returns of income earned or gains realized or repatriated. Taxes are accrued and applied to net investment income, net realized capital gains and net unrealized appreciation (depreciation), as applicable, as the income is earned or capital gains are recorded.

Dividends are categorized in accordance with income tax regulations which may treat certain transactions differently than U.S. GAAP. Accordingly, the character of distributions and composition of net assets for tax purposes may differ from those reflected in the accompanying financial statements.

The tax character of distributions paid were as follows:

	<u>Year Ended</u> <u>October 31, 2019</u>	<u>Year Ended</u> <u>October 31, 2018</u>
<b>Distributions paid from:</b>		
<b>Ordinary income*</b>		
Institutional Class .....	\$ 7,259,770	\$ 3,305,504
Y Class .....	437,870	59,124
Investor Class .....	280,134	165,821
R6 Class .....	480,168	-
<b>Total distributions paid</b> .....	<u>\$ 8,457,942</u>	<u>\$ 3,530,449</u>

\* For tax purposes, short-term gains are considered ordinary income distributions.

As of October 31, 2019 the components of distributable earnings (deficits) on a tax basis were as follows:

<u>Fund</u>	<u>Tax Cost</u>	<u>Unrealized</u> <u>Appreciation</u>	<u>Unrealized</u> <u>(Depreciation)</u>	<u>Net Unrealized</u> <u>Appreciation</u> <u>(Depreciation)</u>		
Garcia Hamilton Quality Bond .....	\$471,269,271	\$ 6,038,508	\$ (146,591)	\$ 5,891,917		
<u>Fund</u>	<u>Net Unrealized</u> <u>Appreciation</u> <u>(Depreciation)</u>	<u>Undistributed</u> <u>Ordinary</u> <u>Income</u>	<u>Undistributed</u> <u>Long-Term</u> <u>Capital Gains</u>	<u>Accumulated</u> <u>Capital and</u> <u>Other (Losses)</u>	<u>Other Temporary</u> <u>Differences</u>	<u>Distributable</u> <u>Earnings</u>
Garcia Hamilton Quality Bond .....	\$ 5,891,917	\$ 130,679	\$ -	\$ (2,854,087)	\$ (130,681)	\$ 3,037,828

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

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October 31, 2019

Financial reporting records are adjusted for permanent book/tax differences to reflect tax character. Financial records are not adjusted for temporary differences. The temporary differences between financial reporting and tax-basis reporting of unrealized appreciation (depreciation) are attributable primarily to the tax deferral of losses from wash sales, unused capital loss carryforwards, and dividends payable.

Due to inherent differences in the recognition of income, expenses, and realized gains (losses) under U.S. GAAP and federal income tax regulations, permanent differences between book and tax reporting have been identified and appropriately reclassified on the Statement of Assets and Liabilities. The Fund had no permanent differences as of October 31, 2019.

Under the Regulated Investment Company Modernization Act of 2010 (“RIC MOD”), net capital losses recognized by the Fund in taxable years beginning after December 22, 2010 are carried forward indefinitely and retain their character as short-term and/or long-term losses.

As of October 31, 2019, the Fund had the following capital loss carryforwards:

Fund	Short-Term Capital Loss Carryforwards	Long-Term Capital Loss Carryforwards
Garcia Hamilton Quality Bond . . . . .	\$ 1,724,644	\$ 1,129,443

The Fund utilized \$237,962 of capital loss carryforwards during the year ended October 31, 2019.

## 7. Investment Transactions

The aggregate cost of purchases and proceeds from sales and maturities of investments, other than short-term obligations, for the year ended October 31, 2019 were as follows:

Fund	Purchases (non-U.S. Government Securities)	Purchases of U.S. Government Securities	Sales (non-U.S. Government Securities)	Sales of U.S. Government Securities
Garcia Hamilton Quality Bond . . . . .	\$ 271,233,574	\$ 174,232,844	\$ 75,903,944	\$ 113,372,042

A summary of the Fund’s transactions in the USG Select Fund for the year ended October 31, 2019 were as follows:

Fund	Type of Transaction	October 31, 2018 Shares/Fair Value	Purchases	Sales	October 31, 2019 Shares/Fair Value	Dividend Income
Garcia Hamilton Quality Bond . . . . .	Direct	\$ 27,218,440	\$ 394,521,845	\$ 418,113,032	\$ 3,627,253	\$ 262,616

## 8. Borrowing Arrangements

Effective November 15, 2018 (the “Effective Date”), the Fund, along with certain other funds managed by the Manager (“Participating Funds”), entered into a committed revolving line of credit (the “Committed Line”) agreement with State Street Bank and Trust Company (the “Bank”) to be used to facilitate portfolio liquidity. The maximum borrowing amount under the Committed Line is \$250 million with interest at a rate equal to the higher of (a) one-month LIBOR plus 1.25% per annum or (b) the Federal Funds rate plus 1.25% per annum on amounts borrowed. Each of the Participating Funds paid a closing fee of \$100,000 on the Effective Date and a quarterly commitment fee at a rate of 0.25% per annum on the unused portion of the Committed Line amount. The Committed Line expires November 14, 2019, unless extended by the Bank or terminated by the Participating Funds in accordance with the agreement.

On the Effective Date, the Fund, along with certain other Participating Funds managed by the Manager, also entered into an uncommitted discretionary demand revolving line of credit (the “Uncommitted Line”) agreement

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with the Bank to be used to facilitate portfolio liquidity. The maximum borrowing amount under the Uncommitted Line is \$50 million with interest at a rate equal to the higher of (a) one-month LIBOR plus 1.25% per annum or (b) the Federal Funds rate plus 1.25% per annum on each outstanding loan. Each of the Participating Funds paid a closing fee of \$35,000 on the Effective Date. The Uncommitted Line expires November 14, 2019 unless extended by the Bank or terminated by the Participating Funds in accordance with the agreement.

The Participating Funds paid administration, legal and arrangement fees, which are recognized as a component of "Other expenses" on the Statement of Operations, along with commitment fees, that have been allocated among the Participating Funds based on average daily net assets.

During the year ended October 31, 2019, the Fund did not utilize this facility.

### 9. Capital Share Transactions

The tables below summarize the activity in capital shares for each Class of the Fund:

	Institutional Class			
	Year Ended October 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
<b>Garcia Hamilton Quality Bond Fund</b>				
Shares sold	13,533,670	\$ 134,010,760	12,598,631	\$ 124,573,816
Reinvestment of dividends	565,317	5,624,443	287,808	2,842,265
Shares redeemed	(6,579,506)	(65,522,190)	(2,278,673)	(22,493,423)
Net increase in shares outstanding	7,519,481	\$ 74,113,013	10,607,766	\$ 104,922,658

	Y Class			
	Year Ended October 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
<b>Garcia Hamilton Quality Bond Fund</b>				
Shares sold	2,565,196	\$ 25,317,668	77,645	\$ 766,204
Reinvestment of dividends	43,701	435,013	5,845	57,695
Shares redeemed	(1,200,900)	(12,027,942)	(23,305)	(230,768)
Net increase in shares outstanding	1,407,997	\$ 13,724,739	60,185	\$ 593,131

	Investor Class			
	Year Ended October 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
<b>Garcia Hamilton Quality Bond Fund</b>				
Shares sold	573,641	\$ 5,677,383	273,789	\$ 2,702,704
Reinvestment of dividends	28,161	280,122	16,784	165,797
Shares redeemed	(241,219)	(2,393,292)	(149,158)	(1,472,508)
Net increase in shares outstanding	360,583	\$ 3,564,213	141,415	\$ 1,395,993

	R6 Class	
	February 28, 2019 <sup>A</sup> to October 31, 2019	
	Shares	Amount
<b>Garcia Hamilton Quality Bond Fund</b>		
Shares sold	12,935,747 <sup>B</sup>	\$ 130,250,579 <sup>B</sup>
Reinvestment of dividends	47,760	479,506
Shares redeemed	(16,756)	(168,494)
Net increase in shares outstanding	12,966,751	\$ 130,561,591

<sup>A</sup> Class commenced operations.

<sup>B</sup> Seed capital was received on in the amount of \$100,000 for the R6 Class. As a result, shares were issued in the amount of 10,132 for R6 Class.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Notes to Financial Statements

October 31, 2019

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### 10. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure in the financial statements through the date the financial statements are issued. Management has determined that there are no material events that would require disclosure in the Fund's financial statements through this date.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Financial Highlights

(For a share outstanding throughout the period)

	Institutional Class			
	Year Ended October 31,			April 4, 2016 <sup>A</sup> to October 31, 2016
	2019	2018	2017	
<b>Net asset value, beginning of period</b> . . . . .	\$ 9.79	\$ 9.91	\$ 9.98	\$ 10.00
Income (loss) from investment operations:				
Net investment income . . . . .	0.24	0.20	0.14	0.05
Net gains (losses) on investments (both realized and unrealized) . . . . .	0.26	(0.13)	(0.05)	(0.02)
Total income (loss) from investment operations . . . . .	0.50	0.07	0.09	0.03
Less distributions:				
Dividends from net investment income . . . . .	(0.24)	(0.19)	(0.15)	(0.05)
Distributions from net realized gains . . . . .	-	-	(0.01)	-
Total distributions . . . . .	(0.24)	(0.19)	(0.16)	(0.05)
Net asset value, end of period . . . . .	\$ 10.05	\$ 9.79	\$ 9.91	\$ 9.98
Total return <sup>B</sup> . . . . .	5.20%	0.74%	0.91%	0.34% <sup>C</sup>
<b>Ratios and supplemental data:</b>				
Net assets, end of period . . . . .	\$ 316,582,604	\$ 234,919,975	\$ 132,575,412	\$ 124,032,604
Ratios to average net assets:				
Expenses, before reimbursements . . . . .	0.66%	0.69%	0.70%	1.06% <sup>D</sup>
Expenses, net of reimbursements . . . . .	0.45%	0.45%	0.45%	0.45% <sup>D</sup>
Net investment income, before expense reimbursements . . . . .	2.18%	1.68%	1.12%	0.29% <sup>D</sup>
Net investment income, net of reimbursements . . . . .	2.39%	1.92%	1.37%	0.91% <sup>D</sup>
Portfolio turnover rate . . . . .	58%	143%	52%	40% <sup>E</sup>

<sup>A</sup> Commencement of operations.

<sup>B</sup> Based on net asset value, which does not reflect the sales charge, redemption fee, or contingent deferred sales charge, if applicable. May include adjustments in accordance with U.S. GAAP and as such, the net asset value for reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions.

<sup>C</sup> Not annualized.

<sup>D</sup> Annualized.

<sup>E</sup> Portfolio turnover rate is for the period from April 4, 2016 through October 31, 2016 and is not annualized.

See accompanying notes



# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Financial Highlights

(For a share outstanding throughout the period)

	Y Class			April 4, 2016 <sup>A</sup> to October 31, 2016
	Year Ended October 31,			
	2019	2018	2017	
<b>Net asset value, beginning of period</b> . . . . .	\$ 9.79	\$ 9.90	\$ 9.98	\$ 10.00
Income (loss) from investment operations:				
Net investment income . . . . .	0.24	0.18	0.13	0.05
Net gains (losses) on investments (both realized and unrealized) . . . . .	0.25	(0.11)	(0.06)	(0.02)
Total income (loss) from investment operations . . . . .	0.49	0.07	0.07	0.03
Less distributions:				
Dividends from net investment income . . . . .	(0.23)	(0.18)	(0.14)	(0.05)
Distributions from net realized gains . . . . .	-	-	(0.01)	-
Total distributions . . . . .	(0.23)	(0.18)	(0.15)	(0.05)
Net asset value, end of period . . . . .	\$ 10.05	\$ 9.79	\$ 9.90	\$ 9.98
Total return <sup>B</sup> . . . . .	5.09%	0.74%	0.71%	0.29% <sup>C</sup>
<b>Ratios and supplemental data:</b>				
Net assets, end of period . . . . .	\$ 17,927,537	\$ 3,685,857	\$ 3,133,476	\$ 3,265,315
Ratios to average net assets:				
Expenses, before reimbursements . . . . .	0.73%	0.75%	0.77%	1.29% <sup>D</sup>
Expenses, net of reimbursements . . . . .	0.55%	0.55%	0.55%	0.55% <sup>D</sup>
Net investment income, before expense reimbursements . . . . .	2.14%	1.58%	1.05%	0.11% <sup>D</sup>
Net investment income, net of reimbursements . . . . .	2.32%	1.78%	1.27%	0.85% <sup>D</sup>
Portfolio turnover rate . . . . .	58%	143%	52%	40% <sup>E</sup>

<sup>A</sup> Commencement of operations.

<sup>B</sup> Based on net asset value, which does not reflect the sales charge, redemption fee, or contingent deferred sales charge, if applicable. May include adjustments in accordance with U.S. GAAP and as such, the net asset value for reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions.

<sup>C</sup> Not annualized.

<sup>D</sup> Annualized.

<sup>E</sup> Portfolio turnover rate is for the period from April 4, 2016 through October 31, 2016 and is not annualized.

See accompanying notes

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Financial Highlights

(For a share outstanding throughout the period)

	Investor Class			
	Year Ended October 31,			April 4, 2016 <sup>A</sup> to October 31, 2016
	2019	2018	2017	
<b>Net asset value, beginning of period</b> . . . . .	\$ 9.79	\$ 9.91	\$ 9.99	\$ 10.00
Income (loss) from investment operations:				
Net investment income . . . . .	0.21	0.15	0.10	0.03
Net gains (losses) on investments (both realized and unrealized) . . . . .	0.26	(0.11)	(0.06)	(0.01)
Total income (loss) from investment operations . . . . .	0.47	0.04	0.04	0.02
Less distributions:				
Dividends from net investment income . . . . .	(0.21)	(0.16)	(0.11)	(0.03)
Distributions from net realized gains . . . . .	-	-	(0.01)	-
Total distributions . . . . .	(0.21)	(0.16)	(0.12)	(0.03)
Net asset value, end of period . . . . .	\$ 10.05	\$ 9.79	\$ 9.91	\$ 9.99
Total return <sup>B</sup> . . . . .	4.80%	0.36%	0.43%	0.24% <sup>C</sup>
<b>Ratios and supplemental data:</b>				
Net assets, end of period . . . . .	\$ 14,904,591	\$ 10,995,242	\$ 9,724,030	\$ 8,594,617
Ratios to average net assets:				
Expenses, before reimbursements . . . . .	1.04%	0.92%	0.94%	1.19% <sup>D</sup>
Expenses, net of reimbursements . . . . .	0.83%	0.83%	0.83%	0.83% <sup>D</sup>
Net investment income, before expense reimbursements . . . . .	1.81%	1.41%	0.89%	0.21% <sup>D</sup>
Net investment income, net of reimbursements . . . . .	2.02%	1.50%	0.99%	0.57% <sup>D</sup>
Portfolio turnover rate . . . . .	58%	143%	52%	40% <sup>E</sup>

<sup>A</sup> Commencement of operations.

<sup>B</sup> Based on net asset value, which does not reflect the sales charge, redemption fee, or contingent deferred sales charge, if applicable. May include adjustments in accordance with U.S. GAAP and as such, the net asset value for reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions.

<sup>C</sup> Not annualized.

<sup>D</sup> Annualized.

<sup>E</sup> Portfolio turnover rate is for the period from April 4, 2016 through October 31, 2016 and is not annualized.

See accompanying notes

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Financial Highlights

(For a share outstanding throughout the period)

	<b>R6 Class</b>
	February 28, 2019 <sup>A</sup> to October 31, 2019
<b>Net asset value, beginning of period</b> .....	<u>\$ 9.87</u>
Income from investment operations:	
Net investment income .....	0.17
Net gains on investments (both realized and unrealized) .....	<u>0.17</u>
Total income from investment operations .....	<u>0.34</u>
Less distributions:	
Dividends from net investment income .....	<u>(0.17)</u>
Total distributions .....	<u>(0.17)</u>
Net asset value, end of period .....	<u>\$ 10.04</u>
Total return <sup>B</sup> .....	<u>3.44%<sup>C</sup></u>
<b>Ratios and supplemental data:</b>	
Net assets, end of period .....	\$ 130,208,195
Ratios to average net assets:	
Expenses, before reimbursements .....	0.66% <sup>D</sup>
Expenses, net of reimbursements .....	0.41% <sup>D</sup>
Net investment income, before expense reimbursements .....	1.90% <sup>D</sup>
Net investment income, net of reimbursements .....	2.15% <sup>D</sup>
Portfolio turnover rate .....	58% <sup>E</sup>

<sup>A</sup> Commencement of operations.

<sup>B</sup> Based on net asset value, which does not reflect the sales charge, redemption fee, or contingent deferred sales charge, if applicable. May include adjustments in accordance with U.S. GAAP and as such, the net asset value for reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions.

<sup>C</sup> Not annualized.

<sup>D</sup> Annualized.

<sup>E</sup> Portfolio turnover is for the period ended herein.

See accompanying notes

# American Beacon Funds<sup>SM</sup>

## Federal Tax Information

October 31, 2019 (Unaudited)

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Certain tax information regarding the Funds are required to be provided to shareholders based upon the Funds' income and distributions for the taxable year ended October 31, 2019. The information and distributions reported herein may differ from information and distributions taxable to the shareholders for the calendar year ended December 31, 2019.

The Fund designated the following items with regard to distributions paid during the fiscal year ended October 31, 2019. All designations are based on financial information available as of this annual report and, accordingly, are subject to change. For each item, it is the intention of the Funds to designate the maximum amount permitted under the Internal Revenue Code of 1986, as amended, and the regulations there under.

### Corporate Dividends-Received Deduction:

Garcia Hamilton Quality Bond	-%
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### Qualified Dividend Income:

Garcia Hamilton Quality Bond	-%
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### Long-Term Capital Gain Distributions:

Garcia Hamilton Quality Bond	\$ -
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### Short-Term Capital Gain Distributions:

Garcia Hamilton Quality Bond	\$ -
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Shareholders will receive notification in January 2020 of the applicable tax information necessary to prepare their 2019 income tax returns.

# Disclosure Regarding Approval of the Management and Investment Advisory Agreements (Unaudited)

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## Renewal and Approval of Management Agreement and Investment Advisory Agreement

At in-person meetings held on May 9, 2019 and June 4-5, 2019 (collectively, the “Meetings”), the Board of Trustees (“Board” or “Trustees”) considered and then, at its June 5, 2019 meeting, approved the renewal of:

(1) the Management Agreement between American Beacon Advisors, Inc. (“Manager”) and the American Beacon Funds (“Trust”), on behalf of the American Beacon Garcia Hamilton Quality Bond Fund (“Fund”); and

(2) the Investment Advisory Agreement among the Manager, Garcia Hamilton & Associates, LP (“subadvisor”), and the Trust, on behalf of the Fund.

The Management Agreement and the Investment Advisory Agreement are referred to herein individually as an “Agreement” and collectively as the “Agreements.” In preparation for its consideration of the renewal of the Agreements, the Board undertook steps to gather and consider information furnished by the Manager, the subadvisor, Broadridge, Inc. (“Broadridge”) and Morningstar, Inc. (“Morningstar”). The Board, with the assistance of independent legal counsel, requested and received certain relevant information from the Manager and the subadvisor.

In advance of the Meetings, the Board’s Investment Committee and/or the Manager coordinated the production of information from Broadridge and Morningstar regarding the performance, fees and expenses of the Fund as well as information from the Manager and the subadvisor. At the Meetings, the Board considered the information provided in connection with the renewal process, as well as information furnished to the Board throughout the year at regular meetings of the Board and its committees. In connection with the Board’s consideration of the Agreements, the Board received and evaluated such information as they deemed necessary. This information is described below in the section summarizing the factors the Board considered in connection with its renewal and approval of the Agreements, as well as the section describing additional Board considerations with respect to the Fund.

The Board noted that the Manager provides management and administrative services to the Fund pursuant to the Management Agreement. The Board considered that many mutual funds have separate contracts governing each type of service and observed that, with respect to such mutual funds, the actual management fee rates provided by Broadridge for peer group funds reflect the combined advisory and administrative expenses, reduced by any fee waivers and/or reimbursements.

A firm may not have been able to, or opted not to, provide information in response to certain information requests, in which case the Board conducted its evaluation of the firm based on information that was provided. In such cases, the Board determined that the omission of any such information was not material to its considerations. The class of shares used for comparative performance purposes was the share class with the lowest expenses available for purchase by the general public, which was the Institutional Class. The Board also considered that the use of Institutional Class performance generally facilitates a meaningful comparison for expense and performance purposes.

Provided below is an overview of certain factors the Board considered in connection with its renewal and approval of the Agreements. The Board did not identify any particular information that was most relevant to its consideration to renew or approve each Agreement, and each Trustee may have afforded different weight to the various factors. Legal counsel to the independent Trustees provided the Board with a memorandum regarding its responsibilities pertaining to the renewal and approval of investment advisory contracts, such as the Agreements. The memorandum explained the regulatory requirements surrounding the Board’s process for evaluating investment advisors and the terms of investment advisory contracts. Based on its evaluation, the Board unanimously concluded that the terms of each Agreement were reasonable and fair and that the renewal and approval of each Agreement was in the best interests of the Fund and its shareholders.

# Disclosure Regarding Approval of the Management and Investment Advisory Agreements (Unaudited)

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## Considerations With Respect to the Renewal of the Management Agreement and the Investment Advisory Agreement

In determining whether to renew the Agreements, the Board considered the Fund's investment management and subadvisory relationships separately. In each instance, the Board considered, among other things, the following factors: (1) the nature, extent and quality of the services provided; (2) the investment performance of the Fund; (3) the costs incurred by the Manager in rendering services to the Fund and its resulting profits or losses; (4) comparisons of services and fee rates with contracts entered into by the Manager or the subadvisor or their affiliates with other clients (such as pension funds and other institutional clients); (5) the extent to which economies of scale, if any, have been taken into account in setting each fee rate schedule; (6) whether fee rate levels reflect economies of scale, if any, for the benefit of Fund investors; and (7) any other benefits derived or anticipated to be derived by the Manager or the subadvisor from their relationships with the Fund.

*Nature, Extent and Quality of Services.* With respect to the renewal of the Management Agreement, the Board considered, among other factors: the Fund's performance since its inception on April 4, 2016; the length of service of key investment personnel at the Manager; the cost structure of the Fund; the Manager's culture of compliance and support that reduce risks to the Fund; the Manager's quality of services; the Manager's active role in monitoring and, as appropriate, recommending additional or replacement subadvisors; and the Manager's efforts to retain key employees and maintain staffing levels.

With respect to the renewal of the Investment Advisory Agreement, the Board considered the level of staffing and the size of the subadvisor. The Board also considered the adequacy of the resources committed to the Fund by the subadvisor, and whether those resources were commensurate with the needs of the Fund and are sufficient to sustain appropriate levels of performance and compliance needs. In this regard, the Board considered the financial stability of the subadvisor. The Board also considered the subadvisor's representations regarding its compliance program and code of ethics. Based on the foregoing information, the Board concluded that the nature, extent and quality of the management and advisory services provided by the Manager and the subadvisor were appropriate for the Fund.

*Investment Performance.* The Board evaluated the comparative information provided by Broadridge and the Manager regarding the performance of the Fund relative to its Broadridge performance universe, Morningstar Category, and benchmark index, as well as the Fund's Morningstar rating. The Board considered the information provided by Broadridge regarding Broadridge's independent methodology for selecting the Fund's Broadridge performance universe. The Board also considered that the performance universes selected by Broadridge may not provide appropriate comparisons for the Fund. In addition, the Board considered the performance reports and discussions with management at Board and Committee meetings throughout the year. The Board also evaluated the comparative information provided by the subadvisor regarding the performance of its portion of the Fund relative to the performance of a composite of similar accounts managed by the subadvisor and the Fund's benchmark index. In addition, the Board considered the Manager's recommendation to continue to retain the subadvisor. A discussion regarding the Board's considerations with respect to the Fund's performance appears below under "Additional Considerations and Conclusions with Respect to the Fund."

*Costs of the Services Provided to the Fund and the Profits Realized by the Manager from its Relationship with the Fund.* In analyzing the cost of services and profitability of the Manager, the Board considered the revenues earned and the expenses incurred by the Manager, before and after the payment of distribution-related expenses by the Manager. The profits or losses were noted at both an aggregate level for all funds within the group of mutual funds sponsored by the Manager (the "Fund Complex") and at an individual Fund level, with the Manager sustaining a loss before and after the payment of distribution-related expenses by the Manager for the Fund. The Board also considered comparative information provided by the Manager regarding the Manager's overall profitability with respect to the Fund Complex relative to the overall profitability of other firms in the mutual fund industry, as disclosed in publicly available sources. Although the Board noted that, in certain cases, the fee rates paid by other clients of the Manager are lower than the fee rates paid by the Fund, the Manager represented that,

## Disclosure Regarding Approval of the Management and Investment Advisory Agreements (Unaudited)

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among other matters, the difference is attributable to the fact that the Manager does not perform administrative services for non-investment company clients and reflects the greater level of responsibility and regulatory requirements associated with managing the Fund.

The Board also noted that the Manager proposed to continue the expense waivers and reimbursements for the Fund that were in place during the last fiscal year. The Board further considered that, with respect to the Fund, the Management Agreement provides for the Manager to receive a management fee comprised of an annualized fee that is retained by the Manager. The Board also noted that certain share classes of the Fund maintain higher expense ratios in order to compensate third-party financial intermediaries.

In analyzing the fee rates charged by the subadvisor in connection with its investment advisory services to the Fund, the Board considered representations made by the subadvisor that the fee rate negotiated by the Manager is favorable relative to the fee rates that the subadvisor charges for any comparable client accounts. The Board did not request profitability data from the subadvisor because the Board did not view this data as imperative to its deliberations given the arm's-length nature of the relationship between the Manager and the subadvisor with respect to the negotiation of subadvisory fee rates. In addition, the Board considered that it was advised that the subadvisor may not account for its profits on an account-by-account basis and that different firms likely employ different methodologies in connection with these calculations.

Based on the foregoing information, the Board concluded that the profitability levels of the Manager were reasonable in light of the services performed by the Manager. A discussion regarding the Board's considerations with respect to the Fund's fee rates is set forth below under "Additional Considerations and Conclusions with Respect to the Fund."

*Economies of Scale.* In considering the reasonableness of the management and investment advisory fees rates, the Board considered whether economies of scale will be realized as the Fund grows and whether fee rate levels reflect these economies of scale for the benefit of Fund shareholders. In this regard, the Board considered that the Manager has negotiated breakpoints in the subadvisory fee rate for the Fund. In addition, the Board noted the Manager's representation that the Management Agreement contains fee schedule breakpoints at higher asset levels with respect to the Fund. Based on the foregoing information, the Board concluded that the Manager and subadvisor fee rate schedules for the Fund provide for a reasonable sharing of benefits from any economies of scale with the Fund.

*Benefits Derived from the Relationship with the Fund.* The Board considered the "fall-out" or ancillary benefits that accrue to the Manager and/or the subadvisor as a result of the advisory relationships with the Fund, including greater exposure in the marketplace with respect to the Manager's or the subadvisor's investment process and expanding the level of assets under management by the Manager and the subadvisor. Based on the foregoing information, the Board concluded that the potential benefits accruing to the Manager and the subadvisor by virtue of their relationships with the Fund appear to be fair and reasonable.

### **Additional Considerations and Conclusions with Respect to the Fund**

The performance comparisons below were made in comparison to the Fund's Broadridge performance universe and Morningstar Category. With respect to the Broadridge performance universe, the 1<sup>st</sup> Quintile represents the top 20 percent of the universe based on performance and the 5<sup>th</sup> Quintile representing the bottom 20 percent of the universe based on performance. References below to the Fund's Broadridge performance universe are to the universe of mutual funds with a comparable investment classification/objective included in the analysis provided by Broadridge.

The expense comparisons below were made in comparison to the Fund's Broadridge expense universe and Broadridge expense group, with the 1<sup>st</sup> Quintile representing the lowest 20 percent of the universe or group based on lowest total expense and the 5<sup>th</sup> Quintile representing the highest 20 percent of the universe or group based on



## Disclosure Regarding Approval of the Management and Investment Advisory Agreements (Unaudited)

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highest total expense. References below to the Fund's expense group and expense universe are to the respective group or universe of comparable mutual funds included in the analysis by Broadridge. A Broadridge expense group consists of the Fund and a representative sample of funds with similar operating structures and asset sizes, as selected by Broadridge. A Broadridge expense universe includes all funds in the investment classification/objective with a similar operating structure as the share class of the Fund included in the Broadridge comparative information and provides a broader view of expenses across the Fund's investment classification/objective. The Board also considered the Fund's Morningstar fee level category. In reviewing expenses, the Board considered the positive impact of fee waivers where applicable and the Manager's agreement to continue the fee waivers. In addition, information regarding the subadvisor's use of soft dollars was requested from the Manager and was considered by the Board.

In considering the renewal of the Management Agreement and the Investment Advisory Agreement with the subadvisor for the Fund, the Board considered the following additional factors:

### Broadridge Total Expenses Excluding 12b-1 Fees and Morningstar Fee Level Ranking

Compared to Broadridge Expense Group	2 <sup>nd</sup> Quintile
Compared to Broadridge Expense Universe	3 <sup>rd</sup> Quintile
Morningstar Fee Level Ranking - Institutional Class	Below Average Expense Ratio

### Broadridge and Morningstar Performance Analysis (one-year period ended December 31, 2018)

Compared to Broadridge Performance Universe	1 <sup>st</sup> Quintile
Compared to Morningstar Category	1 <sup>st</sup> Quintile

The Board also considered: (1) information provided by the subadvisor regarding fee rates charged for managing assets in the same or a similar strategy as the subadvisor manages the Fund; and (2) the Manager's recommendation to continue to retain the subadvisor based upon, among other factors, the relatively brief period that this Fund has been in operation.

Based on these and other considerations, the Board: (1) concluded that the fees paid to the Manager and subadvisor under the Management and Investment Advisory Agreements are fair and reasonable; and (2) determined that the Fund and its shareholders would benefit from the Manager's and subadvisor's continued management of the Fund.

## Trustees and Officers of the American Beacon Funds<sup>SM</sup> (Unaudited)

The Trustees and officers of the American Beacon Funds (the “Trust”) are listed below, together with their principal occupations during the past five years. The address of each person listed below is 220 Las Colinas Boulevard East, Suite 1200, Irving, Texas 75039. Each Trustee oversees thirty-six funds in the fund complex that includes the Trust, the American Beacon Select Funds, the American Beacon Institutional Funds Trust, the American Beacon Sound Point Enhanced Income Fund, American Beacon Apollo Total Return Fund and the American Beacon Sound Point Alternative Lending Fund. The Trust’s Statement of Additional Information contains additional information about the Trustees and is available without charge by calling 1-800-658-5811.

<u>Name, Age</u>	<u>Position, Term of Office and Length of Time Served with the Trust</u>	<u>Principal Occupation(s) During Past 5 Years and Current Directorships</u>
<b>INTERESTED TRUSTEES</b>		
	<u>Term</u> Lifetime of Trust until removal, resignation or retirement*	
Alan D. Feld** (82)	Trustee since 1996	Partner in the law firm of Akin, Gump, Strauss, Hauer & Feld, LLP (law firm) (1960-Present); Trustee, American Beacon Select Funds (1999-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
<b>NON-INTERESTED TRUSTEES</b>		
	<u>Term</u> Lifetime of Trust until removal, resignation or retirement*	
Gilbert G. Alvarado (49)	Trustee since 2015	Director, Kura MD, Inc. (local telehealth organization) (2015-present); Vice President & CFO, Sierra Health Foundation (health conversion private foundation) (2006-Present); Vice President & CFO, Sierra Health Foundation: Center for Health Program Management (California public benefit corporation) (2012-Present); Director, Innovative North State (2012-2015); Director, Sacramento Regional Technology Alliance (2011-2016); Director, Women’s Empowerment (2009-2014); Director, Valley Healthcare Staffing (2017-present); Trustee, American Beacon Select Funds (2015-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Joseph B. Armes (57)	Trustee since 2015	Chairman & CEO, CSW Industrials f/k/a Capital Southwest Corporation (investment company) (2015-Present); Chairman of the Board of Capital Southwest Corporation, predecessor to CSW Industrials, Inc. (2014-2017) (investment company); CEO, Capital Southwest Corporation (2013-2015); President & CEO, JBA Investment Partners (family investment vehicle) (2010-Present); Director and Chair of Audit Committee, RSP Permian (oil and gas producer) (2013-Present); Trustee, American Beacon Select Funds (2015-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Gerard J. Arpey (61)	Trustee since 2012	Director, The Home Depot, Inc. (2015-Present); Partner, Emerald Creek Group (private equity firm) (2011-Present); Director, S.C. Johnson & Son, Inc. (privately held company) (2008-present); Trustee, American Beacon Select Funds (2012-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).

## Trustees and Officers of the American Beacon Funds<sup>SM</sup> (Unaudited)

Name, Age	Position, Term of Office and Length of Time Served with the Trust	Principal Occupation(s) During Past 5 Years and Current Directorships
<b>NON-INTERESTED TRUSTEES (CONT.)</b>		
	<u>Term</u> Lifetime of Trust until removal, resignation or retirement*	
Brenda A. Cline (58)	Trustee since 2004 Chair since 2019 Vice Chair 2018	Chief Financial Officer, Treasurer and Secretary, Kimbell Art Foundation (1993-Present); Director, Tyler Technologies, Inc. (public sector software solutions company) (2014-Present); Director, Range Resources Corporation (oil and natural gas company) (2015-Present); Trustee, Cushing Closed-End and Open-End Funds and ETFs (2017-Present); Trustee, American Beacon Select Funds (2004-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Eugene J. Duffy (65)	Trustee since 2008	Managing Director, Global Investment Management Distribution, Mesirow Financial (2016-Present); Managing Director, Institutional Services, Intercontinental Real Estate Corporation (2014-Present); Principal and Executive Vice President, Paradigm Asset Management (1994-2014); Trustee, American Beacon Select Funds (2008-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Claudia A. Holz (62)	Trustee since 2018	Partner, KPMG LLP (1990-2017); Trustee, American Beacon Select Funds (2018-Present); Trustee, American Beacon Institutional Funds Trust (2018-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Douglas A. Lindgren(57)	Trustee since 2018	CEO North America, Came Global Financial Services (2016-2017); Managing Director, IPS Investment Management and Global Head, Content Management, UBS Wealth Management (2010-2016); Trustee, American Beacon Select Funds (2018-Present); Trustee, American Beacon Institutional Funds Trust (2018-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Richard A. Massman (76)	Trustee since 2004 Chair 2008-2018 Chair Emeritus since 2019	Consultant and General Counsel Emeritus, Hunt Consolidated, Inc. (holding company engaged in oil and gas exploration and production, refining, real estate, farming, ranching and venture capital activities) (2009-Present); Trustee, American Beacon Select Funds (2004-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Barbara J. McKenna, CFA (56)	Trustee since 2012	President/Managing Principal, Longfellow Investment Management Company (2005-Present); Trustee, American Beacon Select Funds (2012-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).

## Trustees and Officers of the American Beacon Funds<sup>SM</sup> (Unaudited)

<u>Name, Age</u>	<u>Position, Term of Office and Length of Time Served with the Trust</u>	<u>Principal Occupation(s) During Past 5 Years and Current Directorships</u>
<b>NON-INTERESTED TRUSTEES (CONT.)</b>		
	<u>Term</u> Lifetime of Trust until removal, resignation or retirement*	
R. Gerald Turner (73)	Trustee since 2001	President, Southern Methodist University (1995-Present); Director, J.C. Penney Company, Inc. (1996-Present); Director, Kronus Worldwide Inc. (chemical manufacturing) (2003-Present); Trustee, American Beacon Select Funds (2001-Present); Trustee, American Beacon Institutional Funds Trust (2017-Present); Trustee, American Beacon Sound Point Enhanced Income Fund (2018-Present); Trustee, American Beacon Apollo Total Return Fund (2018-Present); Trustee, American Beacon Sound Point Alternative Lending Fund (2019-Present).
<b>OFFICERS</b>		
	<u>Term</u> One Year	
Gene L. Needles, Jr. (64)	President since 2009	President (2009-2018), CEO and Director (2009-Present), and Chairman (2018-Present), American Beacon Advisors, Inc., President (2015-2018), Director and CEO (2015-Present), and Chairman (2018-Present), Resolute Investment Holdings, LLC; President (2015-2018), Director and CEO (2015-Present), and Chairman (2018-Present), Resolute Topco, Inc.; President (2015-2018); Director, and CEO (2015-Present), and Chairman (2018-Present), Resolute Acquisition, Inc.; President (2015-2018), Director and CEO (2015-Present), Chairman (2018-Present), Resolute Investment Managers, Inc.; Director, Chairman, President and CEO, Resolute Investment Distributors (2017-Present); Director, Chairman, President and CEO; Resolute Investment Services, Inc. (2017-Present); President and CEO, Lighthouse Holdings Parent, Inc. (2009-2015); President, CEO and Director, Lighthouse Holdings, Inc. (2009-2015); Manager, President and CEO, American Private Equity Management, LLC (2012-Present); Director, Chairman, President and CEO, Alpha Quant Advisors, LLC (2016-Present); Director, ARK Investment Management LLC (2016-Present); Director, Shapiro Capital Management LLC (2017-Present); Director, Chairman and CEO, Continuous Capital, LLC (2018-Present); President, American Beacon Cayman Managed Futures Strategy Fund, Ltd. (2014-Present); Director and President, American Beacon Cayman Transformational Innovation Company, LTD., (2017-2018); President, American Beacon Delaware Transformational Innovation Corporation (2017-2018); President American Beacon Cayman TargetRisk Company, Ltd. (2018-Present); Member, Investment Advisory Committee, Employees Retirement System of Texas (2017-Present); Trustee, American Beacon NextShares Trust (2015-Present); President, American Beacon Select Funds (2009-Present); President, American Beacon Institutional Funds Trust (2017-Present); President, American Beacon Sound Point Enhanced Income Fund (2018-Present); President, American Beacon Apollo Total Return Fund (2018-Present); Director, RSW Investments Holdings LLC, (2019-Present); Manager, SSI Investment Management, LLC (2019-Present); President, American Beacon Sound Point Alternative Lending Fund (2019-Present); Director, Green Harvest Asset Management (2019-Present).

## Trustees and Officers of the American Beacon Funds<sup>SM</sup> (Unaudited)

Name, Age	Position, Term of Office and Length of Time Served with the Trust	Principal Occupation(s) During Past 5 Years and Current Directorships
<b>OFFICERS (CONT.)</b>		
	<u>Term</u> One Year	
Rosemary K. Behan (60)	VP, Secretary and Chief Legal Officer since 2006	Vice President, Secretary and General Counsel, American Beacon Advisors, Inc. (2006-Present); Secretary, Resolute Investment Holdings, LLC (2015-Present); Secretary, Resolute Topco, Inc. (2015-Present); Secretary, Resolute Acquisition, Inc. (2015-Present); Vice President, Secretary and General Counsel, Resolute Investment Managers, Inc. (2015-Present); Secretary, Resolute Investment Distributors, Inc. (2017-Present); Vice President, Secretary and General Counsel, Resolute Investment Services, Inc. (2017-Present); Vice President and Secretary, Lighthouse Holdings Parent, Inc. (2008-2015); Vice President and Secretary, Lighthouse Holdings, Inc. (2008-2015); Secretary, American Private Equity Management, LLC (2008-Present); Secretary and General Counsel, Alpha Quant Advisors, LLC (2016-Present); Vice President and Secretary, Continuous Capital, LLC (2018-Present); Secretary, American Beacon Delaware Transformational Innovation Corporation (2017-2018); Secretary, American Beacon Cayman Transformational Innovation Company, Ltd. (2017-2018); Secretary, American Beacon Cayman Managed Futures Strategy Fund, Ltd. (2014-Present); Secretary, American Beacon Cayman TargetRisk Company, Ltd (2018-Present); Chief Legal Officer, Vice President and Secretary, American Beacon Select Funds (2006-Present); Chief Legal Officer, Vice President and Secretary, American Beacon Institutional Funds Trust (2017-Present); Chief Legal Officer, Vice President and Secretary, American Beacon Sound Point Enhanced Income Fund (2018-Present); Chief Legal Officer, Vice President and Secretary, American Beacon Apollo Total Return Fund (2018-Present); Chief Legal Officer, Vice President and Secretary, American Beacon Sound Point Alternative Lending Fund (2019-Present); Secretary, Green Harvest Asset Management (2019-Present).
Brian E. Brett (59)	VP since 2004	Senior Vice President, Head of Distribution (2012-Present), Vice President, Director of Sales (2004-2012), American Beacon Advisors, Inc.; Senior Vice President, Resolute Investment Managers, Inc. (2017-Present); Senior Vice President, Resolute Investment Distributors, Inc. (2018-Present), Senior Vice President, Resolute Investment Services, Inc. (2018-Present); Senior Vice President, Lighthouse Holdings Parent, Inc. (2008-2015); Senior Vice President, Lighthouse Holdings, Inc. (2008-2015); Vice President, American Beacon Select Funds (2004-Present); Vice President, American Beacon Institutional Funds Trust (2017-Present); Vice President American Beacon Sound Point Enhanced Income Fund (2018-Present); Vice President American Beacon Apollo Total Return Fund (2018-Present); Vice President, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Paul B. Cavazos (50)	VP since 2016	Chief Investment Officer and Senior Vice President, American Beacon Advisors, Inc. (2016-Present); Chief Investment Officer, DTE Energy (2007-2016); Vice President, American Private Equity Management, L.L.C. (2017-Present); Vice President, American Beacon Select Funds (2016-Present); Vice President, American Beacon Institutional Funds Trust (2017-Present); Vice President American Beacon Sound Point Enhanced Income Fund (2018-Present); Vice President American Beacon Apollo Total Return Fund (2018-Present); Vice President, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Erica Duncan (49)	VP Since 2011	Vice President, American Beacon Advisors, Inc. (2011-Present); Vice President, Resolute Investment Managers (2018-Present); Vice President, Resolute Investment Services, Inc. (2018-Present); Vice President, American Beacon Select Funds (2011-Present); Vice President, American Beacon Institutional Funds Trust (2017-Present); Vice President American Beacon Sound Point Enhanced Income Fund (2018-Present); Vice President American Beacon Apollo Total Return Fund (2018-Present); Vice President, American Beacon Sound Point Alternative Lending Fund (2019-Present).

## Trustees and Officers of the American Beacon Funds<sup>SM</sup> (Unaudited)

<u>Name, Age</u>	<u>Position, Term of Office and Length of Time Served with the Trust</u>	<u>Principal Occupation(s) During Past 5 Years and Current Directorships</u>
<b>OFFICERS (CONT.)</b>		
	<u>Term</u> One Year	
Melinda G. Heika (58)	Treasurer since 2010	Treasurer and CFO (2010-Present), American Beacon Advisors, Inc.; Treasurer, Resolute Topco, Inc. (2015-Present); Treasurer, Resolute Investment Holdings, LLC. (2015-Present); Treasurer, Resolute Acquisition, Inc. (2015-Present); Treasurer and CFO, Resolute Investment Managers, Inc. (2017-Present); Treasurer, Resolute Investment Distributors, Inc. (2017-2017); Treasurer and CFO, Resolute Investment Services, Inc. (2015-Present); Treasurer, Lighthouse Holdings Parent Inc., (2010-2015); Treasurer, Lighthouse Holdings, Inc. (2010-2015); Treasurer, American Private Equity Management, LLC (2012-Present); Treasurer and CFO, Alpha Quant Advisors, LLC (2016-Present); Treasurer and CFO, Continuous Capital, LLC (2018-Present); Treasurer, American Beacon Cayman Transformational Innovation, Ltd. (2017-2018); Treasurer, American Beacon Delaware Transformational Innovation Corporation (2017-2018); Director and Treasurer, American Beacon Cayman Managed Futures Strategy Fund, Ltd. (2014-Present); Treasurer, American Beacon Cayman TargetRisk Company, Ltd. (2018-Present); Treasurer, American Beacon Select Funds (2010-Present); Treasurer, American Beacon Institutional Funds Trust (2017-Present); Treasurer, American Beacon Sound Point Enhanced Income Fund (2018-Present); Treasurer, American Beacon Apollo Total Return Fund (2018-Present); Treasurer, American Beacon Sound Point Alternative Lending Fund (2019-Present); Treasurer, Green Harvest Asset Management (2019-Present).
Terri L. McKinney (55)	VP since 2010	Vice President (2009-Present), Managing Director (2003-2009), American Beacon Advisors, Inc.; Vice President, Resolute Investment Managers, Inc. (2017-Present); Vice President, Resolute Investment Services, Inc (2018-Present); Vice President, Alpha Quant Advisors, LLC (2016-Present); Vice President, Continuous Capital, LLC (2018-Present); Vice President, American Beacon Select Funds (2010-Present); Vice President, American Beacon Institutional Funds Trust (2017-Present); Vice President, American Beacon Sound Point Enhanced Income Fund (2018-Present); Vice President, American Beacon Apollo Total Return Fund (2018-Present); Vice President, American Beacon Sound Point Alternative Lending Fund (2019-Present).



## Trustees and Officers of the American Beacon Funds<sup>SM</sup> (Unaudited)

Name, Age	Position, Term of Office and Length of Time Served with the Trust	Principal Occupation(s) During Past 5 Years and Current Directorships
<b>OFFICERS (CONT.)</b>		
	<u>Term</u> One Year	
Jeffrey K. Ringdahl (44)	VP since 2010	<p>Director (2015-Present), President (2018-Present), Chief Operating Officer (2010-Present), Senior Vice President (2013-2018), Vice President (2010-2013), American Beacon Advisors, Inc.; Director (2015-Present), President (2018-Present), Senior Vice Present (2015-2018), Resolute Investment Holdings, LLC; Director (2015-Present), President (2018-Present), Senior Vice President (2015-2018), Resolute Topco, Inc.; Director (2015-Present), President (2018-Present), Senior Vice President (2015-2018), Resolute Acquisition, Inc.; Director (2015-Present), President &amp; COO (2018-Present), Senior Vice President (2015-2018), Resolute Investment Managers, Inc.; Director and Executive Vice President (2017-Present), Resolute Investment Distributors, Inc.; Director (2017-Present), President &amp; COO (2018-Present), Executive Vice President (2017-2018), Resolute Investment Services, Inc.; Senior Vice President (2017-Present), Vice President (2012-2017), Manager (2015-Present), American Private Equity Management, LLC; Senior Vice President, Lighthouse Holdings Parent, Inc. (2013-2015); Senior Vice President, Lighthouse Holdings, Inc. (2013-2015); Trustee, American Beacon NextShares Trust (2015-Present); Director, Executive Vice President &amp; COO, Alpha Quant Advisors, LLC (2016-Present); Director, Shapiro Capital Management, LLC (2017-Present); Director, Executive Vice President &amp; COO, Continuous Capital, LLC (2018-Present); Director and Vice President, American Beacon Cayman Transformational Innovation Company, Ltd., (2017-Present); Vice President, American Beacon Delaware Transformational Innovation Corporation (2017-2018); Director and Vice President, American Beacon Cayman Managed Futures Strategy Fund, Ltd. (2014-Present); Vice President, American Beacon Cayman TargetRisk Company, Ltd (2018-Present); Vice President, American Beacon Select Funds (2010-2018); Vice President, American Beacon Institutional Funds Trust (2017-Present); Vice President, American Beacon Sound Point Enhanced Income Fund (2018-Present); Vice President, American Beacon Apollo Total Return Fund (2018-Present); Director, RSW Investments Holdings LLC, (2019-Present); Manager, SSI Investment Management, LLC (2019-Present), Vice President, American Beacon Sound Point Alternative Lending Fund (2019-Present).</p>
Samuel J. Silver (56)	VP Since 2011	<p>Vice President (2011-Present), Chief Fixed Income Officer (2016-Present), American Beacon Advisors, Inc. (2011-Present); Vice President, American Beacon Select Funds (2011-Present); Vice President, American Beacon Institutional Funds Trust (2017-Present); Vice President, American Beacon Sound Point Enhanced Income Fund (2018-Present); Vice President, American Beacon Apollo Total Return Fund (2018-Present); Vice President, American Beacon Sound Point Alternative Lending Fund (2019-Present).</p>
Christina E. Sears (48)	Chief Compliance Officer since 2004 and Asst. Secretary since 1999	<p>Vice President, American Beacon Advisors, Inc. (2019-Present); Chief Compliance Officer, American Beacon Advisors, Inc. (2004-Present); Vice President, Resolute Investment Managers, Inc. (2017-Present); Vice President, Resolute Investment Distributors (2017-Present); Vice President, Resolute Investment Services, Inc. (2019-Present); Chief Compliance Officer, American Private Equity Management, LLC (2012-Present); Chief Compliance Officer (2016-2019) and Vice President, Alpha Quant Advisors, LLC (2016-Present); Vice President, Continuous Capital, LLC (2018-Present); Chief Compliance Officer (2004-Present) and Assistant Secretary (1999-Present), American Beacon Select Funds; Chief Compliance Officer and Assistant Secretary, American Beacon Institutional Funds Trust (2017-Present); Chief Compliance Officer and Assistant Secretary, American Beacon Sound Point Enhanced Income Fund (2018-Present); Chief Compliance Officer and Assistant Secretary, American Beacon Apollo Total Return Fund (2018-Present); Chief Compliance Officer and Assistant Secretary, American Beacon Sound Point Alternative Lending Fund (2019-Present).</p>



## Trustees and Officers of the American Beacon Funds<sup>SM</sup> (Unaudited)

Name, Age	Position, Term of Office and Length of Time Served with the Trust	Principal Occupation(s) During Past 5 Years and Current Directorships
<b>OFFICERS (CONT.)</b>		
	<u>Term</u>	
	One Year	
Sonia L. Bates (62)	Asst. Treasurer since 2011	Assistant Treasurer, American Beacon Advisors, Inc. (2011-2018); Assistant Treasurer, Lighthouse Holdings Parent Inc. (2011-2015); Assistant Treasurer, Lighthouse Holdings, Inc. (2011-2015); Assistant Treasurer, American Private Equity Management, LLC (2012-Present); Assistant Treasurer, American Beacon Cayman Transformational Innovation Company, Ltd. (2017-Present); Assistant Treasurer, American Beacon Cayman TargetRisk Company, Ltd. (2018-Present); Assistant Treasurer, American Beacon Select Funds (2011-Present); Assistant Treasurer, American Beacon Institutional Funds Trust (2017-Present); Assistant Treasurer, American Beacon Sound Point Enhanced Income Fund (2018-Present); Assistant Treasurer, American Beacon Apollo Total Return Fund (2018-Present); Assistant Treasurer, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Shelley D. Abrahams (44)	Assistant Secretary since 2008	Assistant Secretary, American Beacon Select Funds (2008-Present); Assistant Secretary, American Beacon Institutional Funds Trust (2017-Present); Assistant Secretary, American Beacon Sound Point Enhanced Income Fund (2018-Present); Assistant Secretary, American Beacon Apollo Total Return Fund (2018-Present); Assistant Secretary, American Beacon Sound Point Alternative Lending Fund (2019-Present); Assistant Secretary, Green Harvest Asset Management (2019-Present).
Rebecca L. Harris (52)	Assistant Secretary since 2010	Vice President, American Beacon Advisors, Inc. (2011-Present); Vice President, Resolute Investment Managers, Inc. (2017-Present); Vice President, Resolute Investment Services (2015-Present); Vice President, Alpha Quant Advisors, LLC (2016-Present); Vice President, Continuous Capital, LLC (2018-Present); Assistant Secretary, American Beacon Select Funds (2010-Present); Assistant Secretary, American Beacon Institutional Funds Trust (2017-Present); Assistant Secretary, American Beacon Sound Point Enhanced Income Fund (2018-Present); Assistant Secretary, American Beacon Apollo Total Return Fund (2018-Present); Assistant Secretary, American Beacon Sound Point Alternative Lending Fund (2019-Present).
Teresa A. Oxford (61)	Assistant Secretary since 2015	Assistant Secretary, American Beacon Advisors, Inc. (2015-Present); Assistant Secretary, Resolute Investment Distributors (2018-Present); Assistant Secretary, Resolute Investment Services (2018-Present); Assistant Secretary, Alpha Quant Advisors, LLC (2016-Present); Assistant Secretary, American Beacon Select Funds (2015-Present); Assistant Secretary, American Beacon Institutional Funds Trust (2017-Present); Assistant Secretary, American Beacon Sound Point Enhanced Income Fund (2018-Present); Assistant Secretary, American Beacon Apollo Total Return Fund (2018-Present); Assistant Secretary, American Beacon Sound Point Alternative Lending Fund (2019-Present); Assistant Secretary, Green Harvest Asset Management (2019-Present).

\* As of 11/12/2014, the Board adopted a retirement plan that requires Trustees, other than Messrs. Feld and Massman to retire no later than the last day of the calendar year in which they reach the age of 75. As of 11/7/17, the Board approved a waiver of the mandatory retirement policy with respect to Mr. Massman, who turned 75 in November 2018, to permit him to continue to serve on the Board as Chair Emeritus through 12/31/19.

\*\* Mr. Feld is deemed to be an “interested person” of the Trusts, as defined by the 1940 Act. Mr. Feld’s law firm of Akin, Gump, Strauss, Hauer & Feld LLP has provided legal services within the past two fiscal years to one or more of the Trust’s sub-advisors.

# American Beacon Garcia Hamilton Quality Bond Fund<sup>SM</sup>

## Privacy Policy

October 31, 2019 (Unaudited)

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The American Beacon Funds recognize and respect the privacy of our shareholders. We are providing this notice to you so you will understand how shareholder information may be collected and used.

We may collect nonpublic personal information about you from one or more of the following sources:

- information we receive from you on applications or other forms;
- information about your transactions with us or our service providers; and
- information we receive from third parties.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law.

We restrict access to your nonpublic personal information to those employees or service providers who need to know that information to provide products or services to you. To ensure the confidentiality of your nonpublic personal information, we maintain safeguards that comply with federal standards.

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**Delivery of Documents**

**eDelivery is NOW AVAILABLE** - Stop traditional mail delivery and receive your shareholder reports and summary prospectus on-line. Sign up at [www.americanbeaconfunds.com](http://www.americanbeaconfunds.com)

If you invest in the Fund through a financial institution, you may be able to receive the Fund's regulatory mailings, such as the Prospectus, Annual Report and Semi-Annual Report, by e-mail. If you are interested in this option, please go to [www.icsdelivery.com](http://www.icsdelivery.com) and search for your financial institution's name or contact your financial institution directly.

**To obtain more information about the Fund:**



**By E-mail:**

[american\\_beacon.funds@ambeacon.com](mailto:american_beacon.funds@ambeacon.com)



**On the Internet:**

Visit our website at [www.americanbeaconfunds.com](http://www.americanbeaconfunds.com)



**By Telephone:**

Call (800) 658-5811



**By Mail:**

American Beacon Funds  
P.O. Box 219643  
Kansas City, MO 64121-9643

**Availability of Quarterly Portfolio Schedules**

In addition to the Schedule of Investments provided in each semi-annual and annual report, the Fund files a complete schedule of its portfolio holdings with the Securities and Exchange Commission ("SEC") on Form N-PORT as of the first and third fiscal quarters. The Fund's Forms N-PORT are available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Forms N-PORT may also be reviewed and copied at the SEC's Public Reference Section, 100 F Street, NE, Washington, D.C. 20549-2736. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling (800)-SEC-0330. A complete schedule of the Fund's portfolio holdings is also available at [www.americanbeaconfunds.com](http://www.americanbeaconfunds.com) approximately twenty days after the end of each month.

**Availability of Proxy Voting Policy and Records**

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities is available in the Fund's Statement of Additional Information, is available free of charge on the Fund's website [www.americanbeaconfunds.com](http://www.americanbeaconfunds.com) and by calling 1-800-967-9009 or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's proxy voting record for the most recent year ended June 30 is filed annually with the SEC on Form N-PX. The Fund's Forms N-PX are available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's proxy voting record may also be obtained by calling 1-800-967-9009.

**Fund Service Providers:**

**CUSTODIAN**  
State Street Bank and  
Trust Company  
Boston, Massachusetts

**TRANSFER AGENT**  
DST Asset Manager  
Solutions, Inc.  
Quincy, Massachusetts

**INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**  
Ernst & Young LLP  
Dallas, Texas

**DISTRIBUTOR**  
Resolute Investment  
Distributors, Inc.  
Irving, Texas

*This report is prepared for shareholders of the American Beacon Funds and may be distributed to others only if preceded or accompanied by a current Prospectus or Summary Prospectus.*

American Beacon Funds and American Beacon Garcia Hamilton Quality Bond Fund are service marks of American Beacon Advisors, Inc.