

SECURITIES AND EXCHANGE COMMISSION

FORM N-CSR/A

Certified annual shareholder report of registered management investment companies filed on Form N-CSR [amend]

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FILER

**AMERICAN AADVANTAGE FUNDS**

CIK: **809593** | State of Incorpor.: **MA** | Fiscal Year End: **1031**  
Type: **N-CSR/A** | Act: **40** | File No.: **811-04984** | Film No.: **04667422**

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR/A

Amendment to Form N-CSR Filed on March 10, 2004

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-4984

AMERICAN AADVANTAGE FUNDS  
(Exact name of registrant as specified in charter)

4151 Amon Carter Boulevard, MD 2450  
Fort Worth, Texas 76155  
(Address of principal executive offices)-(Zip code)

WILLIAM F. QUINN, PRESIDENT  
4151 Amon Carter Boulevard, MD 2450  
Fort Worth, Texas 76155  
(Name and address of agent for service)

Registrant's telephone number, including area code: (817) 967-3509

Date of fiscal year end: December 31, 2003

Date of reporting period: December 31, 2003

ITEM 1. REPORTS TO STOCKHOLDERS.

[AMERICAN AADVANTAGE FUNDS LOGO]

-----o-----  
ANNUAL REPORT

December 31, 2003

[GRAPHIC]

S&P 500 INDEX FUND  
SMALL CAP INDEX FUND  
INTERNATIONAL EQUITY INDEX FUND

MANAGED BY AMR INVESTMENTS

[AA EAGLE]

About AMR Investments  
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AMR Investments is an experienced provider of investment advisory services to institutional and retail markets. We act as manager of the American AAdvantage Funds, a family of diversified mutual funds, and offer customized fixed income portfolio management services.

Our clients include defined benefit plans, defined contribution plans, foundations, endowments, corporations, and other institutional investors.

AMR Investments is a wholly owned subsidiary of AMR Corporation. Incorporated in 1986, we are directly responsible for the investment management and oversight of AMR Corporation's defined benefit and defined contribution plans, as well as its fixed income investments.

Any opinions herein, including forecasts, reflect our judgement as of the end of the reporting period and are subject to change. Each adviser's strategies and each 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, AMR Investment Services, Inc. makes no representation as to the completeness or accuracy of the statements contained herein.

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American AAdvantage Funds December 31, 2003

[BILL QUINN PICTURE]

FELLOW SHAREHOLDERS:

I am pleased to present you with the Annual Report for the index series of the American AAdvantage Funds for the twelve months ended December 31, 2003.

During this time, investors experienced both upward and downward market trends while successfully avoiding a fourth consecutive annual decline in the stock market (something that has not occurred since 1932). The reality seems to be that the economic recovery has arrived. The economy had to overcome the war with Iraq, the occupation of Afghanistan, and the SARS outbreak. However, the lowest Fed Funds rate in 45 years at 1.0% improved corporate earnings growth, and was reflected in the markets.

Investors welcomed an "upswing" in the market as the major market indices posted significant gains for the fiscal year ended December 31, 2003. The S&P 500 Index reported a gain of 28.68%, the MSCI EAFE Index increased 38.59%, and the Dow Jones Industrial Average was up 28.29%.

During the year, the American AAdvantage S&P 500 Index Fund realized an increase of 28.26%, the American AAdvantage Small Cap Index Fund grew by 46.90%, and the American AAdvantage International Equity Index Fund returned 38.87%.

As the economy rebounds, the index series of the American AAdvantage Funds will continue to pursue their objective to replicate the returns, before expenses, of each Fund's corresponding Index.

Please review the enclosed portfolio listings and detailed financial data. As always, we welcome the opportunity to serve your financial needs. Should you have any questions about the enclosed information, please do not hesitate to contact us at 800-967-9009. You may also access Fund and account information at [www.aafunds.com](http://www.aafunds.com). Thank you for your continued confidence in the American AAdvantage Funds.

Sincerely,

-s- WILLIAM F. QUINN  
William F. Quinn, President  
American AAdvantage Funds

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(AMERICAN EAGLE LOGO)

2

#### ECONOMIC OVERVIEW

-----

The year 2003 marked the end of the longest and deepest equity bear market since the Great Depression. Punctuated by better-than-expected earnings due to stunning productivity and modest revenue growth, the equity market recorded better-than-consensus returns. After a setback related to the start of war with Iraq, the market did not look back and never had more than a 5% pullback. As is common after a major bear market low, the best performers featured low-quality, high beta and small capitalization issues as well as those with earnings losses and low prices.

At its June 25th meeting, the Federal Open Market Committee chose to lower rates to 1.00% from the 1.25% target at which they began 2003. This was the only rate change of the calendar year, as the Committee stated that an accommodative stance of monetary policy, coupled with robust underlying growth in productivity, is providing important ongoing support to economic activity.

The S&P 500(R) Index closed at 1,111.92 on December 31st, its high for the year, and returned 28.7% for the twelve month period. While large cap stocks performed very well this year, small cap stocks stole the show. The Russell 2000(R) Index gained a whopping 47.3% for the year due to the exceptional performance of some of the lower quality companies.

Within the large caps, value stocks outperformed growth for the year. The S&P 500/BARRA Value Index outperformed the S&P 500/BARRA Growth Index by over 6 percentage points in 2003, returning 31.8% and 25.7%, respectively. However, the reverse was true for small caps as the Russell 2000 Growth Index returned 48.5% while the Russell 2000 Value Index posted a return of 46.0% for the year.

Favorable liquidity conditions, stimulative fiscal policy and rising earnings expectations have been responsible for the domestic equity bull market that began in October 2002. The stimulus from falling interest rates and excess liquidity is passing at the same time that the growth baton is being passed from the U.S. consumer to the rest of the U.S. economy and the world. Higher confidence levels regarding sustainability of growth, the waning of deflation fears and a declining dollar are likely to cause rising interest rates. Earnings growth is key for the equity bull market to continue.

The year turned out to be a great period for international investors. After a difficult start with a negative first quarter, most investment markets rose for the remainder of 2003. Equities broke their 3-year losing streak, bonds produced another strong year, and commodity prices soared.

For the year ended December 31, 2003, the MSCI EAFE Index posted an impressive total return of 38.6%, the first positive calendar year return since 1999. The European markets moved upward over the year with the price returns of the Dow Jones STOXX 50 up 10.5% in Euros and the FTSE up 13.6% in Sterling. In Japan, the Nikkei 225 Index price rose 24.5% in Yen.

Over the calendar year, the European Central Bank cut rates twice from 2.75% to 2.50% and from 2.50% to 2.00%, the lowest level since 1999. Low rate levels reflected an effort to boost Europe's struggling economy and counter the Euro's rise, as Euro strengthening negatively affects export competitiveness. Despite decreasing rates, the Euro appreciated 20.2% versus the U.S. Dollar.

The starting point for 2004 is very different from a year ago. Rather than struggling in the depths of depression, equity investors are optimistic and this

optimism has been reflected in valuations. European earnings remain cyclically depressed and have the potential to surprise in 2004 as Europe lags the global recovery. In addition, Europe has the greatest potential for a recovery in M&A activity. The German financial system, so near to the brink a year ago, is healthier although still wobbly. Japan has sidestepped a major banking crisis and the economy is growing. In general the starting position is on the other

side of the track from 12 months ago.

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Russell 2000 Index is a service mark of the Frank Russell Company.

PERFORMANCE OVERVIEW

AMERICAN AADVANTAGE S&P 500 INDEX FUND+

For the twelve months ended December 31, 2003, the total return of the Institutional Class of the American AAdvantage S&P 500 Index Fund was 28.3%, lagging the S&P 500 Index return of 28.7% but exceeding the Lipper S&P 500 Objective Funds Index return of 28.2%.

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT FOR THE PERIOD FROM 12/31/96\* THROUGH 12/31/03

(PERFORMANCE GRAPH)

<Table>

<Caption>

	INSTITUTIONAL CLASS	PLANAHEAD CLASS	S&P 500 INDEX	LIPPER S&P 500 INDEX
<S>	<C>	<C>	<C>	<C>
12/96.....	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
12/97.....	\$13,309.00	\$13,309.00	\$13,336.00	\$13,308.00
12/98.....	\$17,151.00	\$17,113.00	\$17,147.00	\$17,079.00
12/99.....	\$20,702.00	\$20,576.00	\$20,755.00	\$20,601.00
12/00.....	\$18,807.00	\$18,646.00	\$18,867.00	\$18,685.00
12/01.....	\$16,528.00	\$16,319.00	\$16,625.00	\$16,404.00
12/02.....	\$12,847.00	\$12,633.00	\$12,951.00	\$12,746.00
12/03.....	\$16,478.00	\$16,126.00	\$16,665.00	\$16,345.00

</Table>

\* Inception of S&P 500 Index Fund

<Table>

<Caption>

	ANNUALIZED TOTAL RETURNS			
	PERIODS ENDED 12/31/03			
	SINCE INCEPTION (12/31/96)			
	1 YEAR	3 YEAR	5 YEAR	
<S>	<C>	<C>	<C>	<C>
Institutional Class(1)...	28.26%	-4.31%	-0.80%	7.40%
PlanAhead Class(1,2)....	27.65%	-4.72%	-1.18%	7.07%
Lipper S&P 500 Index.....	28.24%	-4.36%	-0.87%	7.27%
S&P 500 Index.....	28.68%	-4.05%	-0.57%	7.57%

</Table>

- 1 Past performance is not indicative of future performance. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance in the table above does not reflect the deduction of taxes a shareholder would pay on distributions or the redemption of shares.
- 2 Fund performance for the since inception period represents the total returns achieved by the Institutional Class from 12/31/96 up to 3/2/98, the inception date of the PlanAhead Class, and the returns of the

PlanAhead Class since its inception. Expenses of the PlanAhead Class are higher than those of the Institutional Class. Therefore, total returns shown may be higher than they would have been had the PlanAhead Class been in existence since 12/31/96.

Nobody predicted such handsome equity returns in 2003, but we will take them after three consecutive years of poor performance. A fourth down year would have been an event not experienced since the equity market crash of 1929 and the subsequent three years. Contributing to the good performance this year was ample liquidity provided on the fiscal and monetary fronts, an improving economy, and less geo-political risk, especially after the capture of Saddam Hussein.

All ten sectors of the S&P 500 had positive returns for the 2003 calendar year. The sectors with the highest returns in 2003 were Information Technology (up 46.1%) and Materials (up 38.2%). Strong performers in Information Technology included Yahoo (up 175.4%), Intel (up 106.6%) and EMC Corp (up 110.4%). Notable names in the Materials sector included Alcoa (up 70.9%), Newmont Mining (up 68.2%) and Dow Chemical (up 45.7%).

The prospects for continued economic growth in 2004 look promising. The consumer continues to spend, monetary and fiscal policy remain stimulative, capital spending has turned, job growth has begun and export markets are awakening. With that in mind, the portfolio is expected to continue to meet its objective of closely replicating, before expenses, the return of its benchmark, the S&P 500 Index.

#### TOP TEN HOLDINGS

<Table>

<Caption>

	% OF EQUITIES*
	-----
<S>	<C>
General Electric Co.	3.0%
Microsoft Corp.	2.9%
Exxon Mobil Corp.	2.6%
Pfizer, Inc.	2.6%
Citigroup, Inc.	2.4%
Wal Mart Stores, Inc.	2.2%
Intel Corp.	2.0%
American Int'l Group, Inc.	1.7%
Cisco Systems, Inc.	1.6%
IBM	1.6%

#### EQUITY SECTOR ALLOCATION

<Table>

<Caption>

	% OF EQUITIES*
	-----
<S>	<C>
Financials	20.7%
Information Technology	17.1%
Consumer Discretionary	13.7%
Health Care	13.3%
Industrials	11.5%
Consumer Staples	8.6%
Energy	5.8%
Telecommunication Services	3.4%
Materials	3.1%
Utilities	2.8%

\* Percent of equity portion of State Street Equity 500 Index

#### Portfolio

+ The S&P 500 Index Fund is not sponsored, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in this fund.

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#### PERFORMANCE OVERVIEW

##### AMERICAN AADVANTAGE SMALL CAP INDEX FUND(SM)

For the twelve months ended December 31, 2003, the total return of the Institutional Class of the American AAdvantage Small Cap Index Fund was 46.9%. The Fund's performance tracked closely to the Russell 2000(R) Index return of 47.3%, and exceeded the Lipper Small-Cap Core Funds Index return of 40.9%.

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT FOR THE PERIOD FROM  
7/31/00+ THROUGH 12/31/03

(PERFORMANCE GRAPH)

+ Inception of Small Cap Index Fund

	INSTITUTIONAL CLASS	LIPPER SMALL-CAP CORE INDEX	RUSSELL 2000 INDEX
7/31/00.....	\$10,000.00	\$10,000.00	\$10,000.00
12/00.....	\$ 9,741.00	\$10,166.00	\$ 9,725.00
12/01.....	\$ 9,943.00	\$10,890.00	\$ 9,967.00
12/02.....	\$ 7,917.00	\$ 8,795.00	\$ 7,926.00
12/03.....	\$11,631.00	\$12,391.00	\$11,671.00

	ANNUALIZED TOTAL RETURNS		
	PERIODS ENDED 12/31/03		
	1 YEAR	3 YEAR	SINCE INCEPTION (7/31/00)
Institutional Class(1).....	46.90%	6.09%	4.52%
Lipper Small-Cap Core Index.....	40.89%	6.82%	6.48%
Russell 2000 Index.....	47.25%	6.27%	4.62%

1 Past performance is not indicative of future performance. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance in the table above does not reflect the deduction of taxes a shareholder would pay on distributions or the redemption of shares.

All 12 Russell 2000 sectors posted positive returns for the year. The top-performing sector was Technology, returning an impressive 65.6%, followed by Health Care and Producer Durables, up 59.6% and 59.0%, respectively. The worst performing sector for the year was Consumer Staples, with a return of 28.2%, followed by Utilities, up 32.7%, and Other (which includes many conglomerates), up 38.7%. The largest individual contributors to the Fund's return for 2003 were Sonus Networks, MGI Pharma and Akamai Technologies. The largest individual detractors from performance were Vertex Pharmaceuticals, AK Steel Holding and Too Inc.

The Fund will continue to strive to meet its objective of closely replicating, before expenses, the return of its benchmark, the Russell 2000 Index.

TOP TEN HOLDINGS

	% OF EQUITIES*
AMR Corp.	0.24%
Louisiana-Pacific Corp.	0.23%
Gen-Probe, Inc.	0.21%
South Financial Group, Inc.	0.21%
Health Care REIT, Inc.	0.21%
RF Micro Devices, Inc.	0.21%
Sybase, Inc.	0.20%
Andrew Corp.	0.20%
The Titan Corp.	0.20%
Sonus Networks, Inc.	0.20%

EQUITY SECTOR ALLOCATION

	% OF EQUITIES*
Financial Services	22.5%

Consumer Discretionary	18.3%
Technology	14.6%
Health Care	13.2%
Materials & Processing	8.4%
Producer Durables	8.2%
Autos and Transportation	4.3%
Utilities	4.1%
Other Energy	3.9%
Consumer Staples	2.0%
Other	0.5%

\* Percent of equity portion of Master Small Cap Index Series

PERFORMANCE OVERVIEW  
 AMERICAN AADVANTAGE INTERNATIONAL EQUITY INDEX FUND(SM)

For the twelve months ended December 31, 2003, the Institutional Class of the American AAdvantage International Equity Index Fund posted an impressive total return of 38.9%, closely tracking the MSCI EAFE Index return of 38.6% and outperforming the Lipper International Funds Index return of 36.0%.

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT  
 FOR THE PERIOD FROM 7/31/00\* THROUGH 12/31/03

(PERFORMANCE GRAPH)

\* Inception of International Equity Index Fund

	INSTITUTIONAL CLASS	EAFE INDEX	LIPPER INTERNATIONAL INDEX
<S>	<C>	<C>	<C>
7/31/00.....	\$10,000.00	\$10,000.00	\$10,000.00
12/00.....	\$ 9,297.00	\$ 9,338.00	\$ 9,191.00
12/01.....	\$ 7,239.00	\$ 7,321.00	\$ 7,413.00
12/02.....	\$ 6,106.00	\$ 6,177.00	\$ 6,387.00
	\$ 8,479.00	\$ 8,560.00	\$ 8,687.00

	ANNUALIZED TOTAL RETURNS		
	PERIODS ENDED 12/31/03		
	SINCE INCEPTION (7/31/00)		
	1 YEAR	3 YEAR	
<S>	<C>	<C>	<C>
Institutional Class(1).....	38.87%	-3.02%	-4.71%
Lipper Int'l. Funds Index.....	36.00%	-1.86%	-4.04%
EAFE Index(2).....	38.59%	-2.85%	-4.44%

1 Past performance is not indicative of future performance. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance in the table above does not reflect the deduction of taxes a shareholder would pay on distributions or the redemption of shares.

2 Performance is that of the MSCI EAFE Index through 9/30/01, the MSCI Provisional EAFE Index from 10/1/01 through 5/31/02, and the MSCI EAFE Index thereafter.

All 21 countries in the MSCI EAFE Index ("EAFE") posted positive returns for the year. The top performer was Greece, up 69.5%, followed by Sweden and Germany, with respective returns of 64.5% and 63.8%, all in U.S. dollars. The worst performers for the year were Finland, the Netherlands, and the United Kingdom with respective returns of 19.4%, 28.1%, and 32.1%.



Turning to sector performance, all 10 EAFE sectors posted positive returns for the year, led by Industrials (up 48.7%), Information Technology (up 48.6%), and Materials (up 48.4%). Lagging performers were Consumer Staples (up 22.8%), Energy (up 26.3%), and Health Care (up 28.1%). Although they lagged in comparison with other sectors, all broke the 20% mark for the year.

The largest individual contributors to the Fund's return for 2003 were HSBC Holdings, UFJ Holdings and Vodafone Group. The largest detractors to performance were Sony, Koninklijke Ahold and AMP Limited.

The American AAdvantage International Equity Index Fund continues to pursue its objective of closely replicating, before expenses, the return of its benchmark, the MSCI EAFE Index.

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PERFORMANCE OVERVIEW

AMERICAN AADVANTAGE INTERNATIONAL EQUITY INDEX FUND(SM) -- CONTINUED

TOP TEN HOLDINGS

<Table>	
<Caption>	
	% OF EQUITIES*
	-----
<S>	<C>
BP plc	2.4%
HSBC Holdings plc	2.3%
Vodafone Group plc	2.3%
GlaxoSmithKline plc	1.8%
Total SA	1.6%
Royal Dutch Petroleum Co.	1.5%
Novartis AG	1.5%
Nestle SA	1.4%
Toyota Motor Corp.	1.2%
Nokia Oyj	1.1%

EQUITY SECTOR ALLOCATION

<Table>		
<Caption>		
	% OF EQUITIES*	EAFE
	-----	-----
<S>	<C>	<C>
Financials	26.4%	26.5%
Consumer Discretionary	12.7%	12.7%
Health Care	9.0%	9.0%
Industrials	8.7%	8.9%
Consumer Staples	8.5%	8.5%
Energy	8.3%	8.3%
Telecommunication Services	7.8%	7.8%
Materials	6.9%	6.8%
Information Technology	6.9%	6.8%
Utilities	4.8%	4.7%

COUNTRY ALLOCATION

(COUNTRY WEIGHTINGS PIE CHART)

<Table>		
<Caption>		
	% OF EQUITIES*	EAFE
	-----	-----
<S>	<C>	<C>
United Kingdom	25.9%	25.8%
Japan	21.4%	21.4%
France	9.9%	9.8%
Switzerland	7.3%	7.4%
Germany	7.2%	7.2%
Netherlands	5.2%	5.2%
Australia	5.1%	5.1%
Italy	3.9%	3.9%
Spain	3.7%	3.7%
Sweden	2.3%	2.3%
Finland	1.7%	1.7%
Hong Kong	1.6%	1.6%
Belgium	1.0%	1.0%
Singapore	0.8%	0.8%
Denmark	0.7%	0.7%
Ireland	0.7%	0.7%
Norway	0.5%	0.5%

Greece	0.4%	0.4%
Portugal	0.3%	0.4%
Austria	0.2%	0.2%
New Zealand	0.2%	0.2%

\* Percent of equity portion of Master International Index Series

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AMERICAN AADVANTAGE FUNDS

STATEMENTS OF ASSETS AND LIABILITIES

December 31, 2003

(in thousands, except share and per share amounts)

<Table>

<Caption>

	S&P 500 INDEX	SMALL CAP INDEX	INTERNATIONAL EQUITY INDEX
<S>	<C>	<C>	<C>
<b>ASSETS:</b>			
Investment in master portfolio, at value.....	\$ 279,987	\$ 67,762	\$ 10,043
Receivable for fund shares sold.....	74	--	--
Other assets.....	--	--	--
<b>TOTAL ASSETS.....</b>	<b>280,061</b>	<b>67,762</b>	<b>10,043</b>
<b>LIABILITIES:</b>			
Payable for fund shares redeemed.....	16	--	--
Administrative service fees payable (Note 2).....	19	2	--
Other liabilities.....	46	4	--
<b>TOTAL LIABILITIES.....</b>	<b>81</b>	<b>6</b>	<b>--</b>
<b>NET ASSETS.....</b>	<b>\$ 279,980</b>	<b>\$ 67,756</b>	<b>\$ 10,043</b>
<b>ANALYSIS OF NET ASSETS:</b>			
Paid-in capital.....	\$ 279,896	\$ 62,739	\$ 10,328
Undistributed net investment income.....	147	22	16
Accumulated net realized loss.....	(44,986)	(640)	(1,272)
Unrealized net appreciation of investments and futures contracts.....	44,923	5,635	971
<b>NET ASSETS.....</b>	<b>\$ 279,980</b>	<b>\$ 67,756</b>	<b>\$ 10,043</b>
<b>SHARES OUTSTANDING (NO PAR VALUE):</b>			
Institutional Class.....	16,238,361	6,013,125	1,253,566
PlanAhead Class.....	2,321,307	N/A	N/A
<b>NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE:</b>			
Institutional Class.....	\$ 15.10	\$ 11.27	\$ 8.01
PlanAhead Class.....	\$ 14.96	N/A	N/A

</Table>

See notes to financial statements.

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AMERICAN AADVANTAGE FUNDS

STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2003

(in thousands)

<Table>

<Caption>

	S&P 500 INDEX	SMALL CAP INDEX	INTERNATIONAL EQUITY INDEX
<S>	<C>	<C>	<C>
<b>INVESTMENT INCOME ALLOCATED FROM MASTER PORTFOLIO:</b>			
Portfolio income.....	\$ 4,306	\$ 311	\$ 195

Portfolio expenses**.....	(109)	(21)	(6)
NET INVESTMENT INCOME ALLOCATED FROM MASTER PORTFOLIO.....	4,197	290	189
FUND EXPENSES:			
Administrative service fees (Note 2):			
Institutional Class.....	107	12	3
PlanAhead Class.....	73	--	--
Transfer agency fees:			
Institutional Class.....	35	6	1
PlanAhead Class.....	21	--	--
Custody and Accounting fees.....	11	11	3
Professional fees.....	9	1	1
Registration fees.....	25	2	3
Service fees - PlanAhead Class (Note 2).....	73	--	--
Printing.....	22	5	2
Other expenses.....	--	--	1
TOTAL FUND EXPENSES.....	376	37	14
Less reimbursement of fund expenses (Note 2).....	(5)	--	--
NET FUND EXPENSES.....	371	37	14
NET INVESTMENT INCOME.....	3,826	253	175
REALIZED AND UNREALIZED GAIN (LOSS) ALLOCATED FROM MASTER PORTFOLIO:			
Net realized gain (loss) from investment transactions...	(12,058)	264	(66)
Net realized gain from futures transactions.....	1,782	--	--
Net change in unrealized appreciation of investments and futures contracts.....	69,056	8,677	2,328
NET GAIN ON INVESTMENTS.....	58,780	8,941	2,262
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	\$ 62,606	\$9,194	\$2,437

</Table>

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\*\* Expenses allocated from the Master Small Cap Index Series and Master International Index Series include expense waivers from their investment adviser. Had expenses not been waived, allocated expenses would have been higher.

See notes to financial statements.

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AMERICAN ADVANTAGE FUNDS  
STATEMENTS OF CHANGES IN NET ASSETS

(in thousands)

<Table>

<Caption>

	S&P 500 INDEX		SMALL CAP INDEX		INTERNATIONAL EQUITY INDEX	
	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS: OPERATIONS:						
Net investment income.....	\$ 3,826	\$ 3,604	\$ 253	\$ 150	\$ 175	\$ 89
Net realized gain (loss) on investments and futures transactions.....	(10,276)	(8,115)	264	(889)	(66)	(413)
Change in net unrealized appreciation (depreciation) of investments and futures contracts.....	69,056	(59,391)	8,677	(2,815)	2,328	(569)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....	62,606	(63,902)	9,194	(3,554)	2,437	(893)
DISTRIBUTIONS TO SHAREHOLDERS:						
Net investment income:						
Institutional Class.....	(3,602)	(3,240)	(242)	(140)	(148)	(71)
PlanAhead Class.....	(356)	(297)	--	--	--	--

TOTAL DISTRIBUTIONS TO SHAREHOLDERS.....	(3,958)	(3,537)	(242)	(140)	(148)	(71)
CAPITAL SHARE TRANSACTIONS:						
Proceeds from sales of shares.....	185,256	111,986	67,986	9,040	6,510	5,088
Reinvestments of dividends and distributions.....	3,847	3,518	242	140	148	71
Cost of shares redeemed.....	(188,024)	(114,385)	(20,651)	(6,062)	(3,816)	(3,056)
NET INCREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS.....						
	1,079	1,119	47,577	3,118	2,842	2,103
NET INCREASE (DECREASE) IN NET ASSETS.....						
	59,727	(66,320)	56,529	(576)	5,131	1,139
NET ASSETS:						
Beginning of period.....	220,253	286,573	11,227	11,803	4,912	3,773
END OF PERIOD*.....	\$ 279,980	\$220,253	\$ 67,756	\$11,227	\$10,043	\$ 4,912
* Includes undistributed net investment income of.....	\$ 147	\$ 67	\$ 22	\$ 10	\$ 16	\$ 18

</Table>

See notes to financial statements.

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#### AMERICAN AADVANTAGE FUNDS

#### NOTES TO FINANCIAL STATEMENTS December 31, 2003

#### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

American AAdvantage Funds (the "Trust") is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940 (the "Act"), as amended, as a no load, open-end management investment company. These financial statements and notes to the financial statements relate to the American AAdvantage S&P 500 Index Fund, the American AAdvantage Small Cap Index Fund and the American AAdvantage International Equity Index Fund (each a "Fund" and collectively, the "Funds"), each a series of the Trust. The S&P 500 Index Fund commenced operations on December 31, 1996, and commenced sale of a second class of shares of the Fund, designated as "PlanAhead Class" shares, on March 2, 1998. The Institutional Classes of the Small Cap Index and the International Equity Index Funds commenced operations on July 31, 2000.

Each Fund invests all of its investable assets in a corresponding portfolio. The State Street Equity 500 Index Portfolio, Master Small Cap Index Series and the Master International Index Series (each a "Portfolio" and collectively the "Portfolios") are open-ended management investment companies registered under the Act. The value of such investment reflects each Fund's proportionate interest in the net assets of the corresponding Portfolio.

<Table>

<Caption>

AMERICAN AADVANTAGE:	PORTFOLIOS:	% OF PORTFOLIO HELD BY FUND AT DECEMBER 31, 2003
<S>	<C>	<C>
S&P 500 Index Fund	State Street Equity 500 Index Portfolio	10.3%
Small Cap Index Fund	Master Small Cap Index Series	20.2%
International Equity Index Fund	Master International Index Series	1.8%

</Table>

The financial statements of the Portfolios are included elsewhere in this report and should be read in conjunction with the Funds' financial statements.

AMR Investment Services, Inc. (the "Manager") is a wholly-owned subsidiary of AMR Corporation, the parent company of American Airlines, Inc. ("American"), and was organized in 1986 to provide business management, advisory, administrative and asset management consulting services to the Trust and other investors.

The following is a summary of the significant accounting policies followed by the Funds.

#### Valuation of Investments

Valuation of securities by each Portfolio is discussed in the Portfolio's Notes to Financial Statements which are included elsewhere in this report.

Investment Income

Each Fund records its share of net investment income and realized and unrealized gains and losses from the security transactions of its corresponding Portfolio each day. All net investment income and realized and unrealized gains (losses) of the Portfolio are allocated pro rata among the investors in the Portfolio at the time of such determination.

Dividends

Dividends from net investment income of the Small Cap Index and International Equity Index Funds normally will be declared and paid annually. The S&P 500 Index Fund normally will declare and pay dividends quarterly. Distributions of net realized capital gains earned by the Funds, if any,

AMERICAN ADVANTAGE FUNDS

NOTES TO FINANCIAL STATEMENTS -- CONTINUED  
December 31, 2003

will be paid annually. Dividends are determined in accordance with income tax principles which may treat certain transactions differently than generally accepted accounting principles.

The tax character of distributions during the year ended December 31, 2003 and the fiscal year ended December 31, 2002 were as follows (in thousands):

<Table>  
<Caption>

	S&P 500 INDEX		SMALL CAP INDEX		INTERNATIONAL EQUITY INDEX	
	YEAR ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2003	2002	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>
DISTRIBUTIONS PAID FROM:						
ORDINARY INCOME						
Institutional Class.....	\$3,602	\$3,240	\$242	\$140	\$148	\$71
Plan Ahead Class.....	356	297	--	--	--	--
TOTAL DISTRIBUTIONS PAID.....	\$3,958	\$3,537	\$242	\$140	\$148	\$71

</Table>

As of December 31, 2003 the components of distributable earnings were as follows (in thousands):

<Table>  
<Caption>

	S&P 500 INDEX	SMALL CAP INDEX	INTERNATIONAL EQUITY INDEX
<S>	<C>	<C>	<C>
COST BASIS OF INVESTMENTS FOR FEDERAL INCOME TAX.....	\$257,562	\$60,918	\$ 9,320
Gross tax unrealized appreciation.....	80,293	8,415	920
Gross tax unrealized depreciation.....	(57,868)	(3,168)	(196)
Net tax unrealized appreciation of investments.....	22,425	5,247	724
Undistributed ordinary income.....	145	20	36
Undistributed long-term loss.....	(23,182)	(245)	(1,111)
TOTAL UNDISTRIBUTED EARNINGS.....	\$ (612)	\$ 5,022	\$ (351)

</Table>

The temporary differences between book-basis and tax-basis unrealized appreciation/(depreciation) is attributable primarily to the tax deferral of losses from wash sales, the realization for tax purposes of unrealized gains/(losses) on certain derivative instruments, the difference between book

and tax amortization for premium and market discount, and the realization for tax purposes of unrealized gains/(losses) on investment in passive foreign investment companies.

Due to inherent differences in the recognition of income, expenses and realized gains/losses under accounting principles generally accepted in the United States of America and federal income tax purposes, permanent differences between book and tax reporting have been identified and appropriately reclassified on the Statement of Assets and Liabilities. S&P 500 Index and International Equity Index Funds reclassified \$244 and \$10, respectively, of undistributed net investment income to paid-in capital. S&P 500 Index Fund reclassified \$17 of undistributed net investment income to accumulated net realized loss. International Equity Index Fund reclassified \$2 of undistributed net investment income to unrealized net appreciation of investments and futures contracts. S&P 500 Index, Small Cap Index and International Equity Index Fund reclassified \$768, \$126 and \$60, respectively, of accumulated net realized loss to paid-in capital. S&P 500 Index Fund reclassified \$4 of paid-in capital to unrealized net appreciation of investments and futures contracts.

AMERICAN AADVANTAGE FUNDS

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

December 31, 2003

Federal Income and Excise Taxes

It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute substantially all net investment income as well as any net realized capital gains on the sale of investments. Therefore, no federal income or excise tax provision is required. At December 31, 2003, capital loss carryforward positions for federal income tax purposes were as follows (in thousands):

<Table>

<Caption>

FUND	CAPITAL LOSS	
	CARRYOVER AMOUNT	EXPIRES
S&P 500 Index.....	\$23,182	2005-2011
Small Cap Index.....	245	2008-2010
International Equity Index.....	1,111	2009-2011

Net capital loss carryovers utilized for the period ended December 31, 2003 by the Small Cap Index Fund amounted to \$401.

Allocation of Income, Expenses, Gains and Losses

Income, expenses (other than those attributable to a specific class), gains and losses are allocated daily to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

Valuation of Shares

The price per share is calculated on each day on which shares are offered for sale and orders accepted or upon receipt of a redemption request. Net asset value per share is computed by dividing the value of each Fund's total assets (which includes the value of the Fund's investment in its Portfolio), less liabilities, by the number of Fund shares outstanding.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

2. FEES AND TRANSACTIONS WITH AFFILIATES

Administrative Services Agreement

The Manager and the Trust entered into an Administrative Services Agreement that obligates the Manager to provide or oversee administrative and management services to the Fund. As compensation for performing the duties required under the Administrative Services Agreement, the Manager receives an annualized fee of 0.05% of the average daily net assets of the Institutional Class of the S&P 500

AMERICAN AADVANTAGE FUNDS

NOTES TO FINANCIAL STATEMENTS -- CONTINUED  
December 31, 2003

Service Agreement

The Manager and the Trust entered into a Service Agreement which obligates the Manager to oversee additional shareholder servicing of the PlanAhead Class of the S&P 500 Index Fund. As compensation for performing the duties required under the Service Agreement, the Manager receives 0.25% based on the daily net assets of the PlanAhead Class of the S&P 500 Index Fund.

Other

Certain officers or Trustees of the Trust are also officers of the Manager or American. The Trust makes no direct payments to its officers. Unaffiliated Trustees and their spouses are provided unlimited air transportation on American. However, the Trust compensates each Trustee with payments in an amount equal to the Trustee's income tax on the value of this free airline travel. For the year ended December 31, 2003, the cost of air transportation for the Trustees was not material to any of the Funds. One Trustee, as a retiree of American, already receives flight benefits. This Trustee receives an annual retainer of \$40,000 plus \$1,250 for each Board meeting attended.

At December 31, 2003, the employee benefit plans of AMR Corporation and its subsidiary companies owned 89.7% of the Institutional Class of the S&P 500 Index Fund and 100% of the Institutional Class of both the Small Cap Index and International Equity Index Funds.

Reimbursement of Expenses

For the period ended December 31, 2003, the Manager reimbursed expenses totaling \$4,631 to the PlanAhead Class of the S&P 500 Index Fund.

3. CAPITAL SHARE TRANSACTIONS

The tables below summarize the activity in capital shares of the Funds:

S&P 500 INDEX FUND

<Table>

<Caption>

	FOR THE YEAR ENDED DECEMBER 31, 2003		FOR THE YEAR ENDED DECEMBER 31, 2002	
	SHARES	AMOUNT	SHARES	AMOUNT
INSTITUTIONAL CLASS				
<S>	<C>	<C>	<C>	<C>
Shares sold.....	14,142,227	\$ 171,509,436	7,200,563	\$ 92,333,428
Reinvestment of dividends.....	260,652	3,501,218	249,102	3,229,100
Shares redeemed.....	(14,504,514)	(176,989,380)	(7,388,124)	(94,764,097)
Net increase (decrease) in capital shares outstanding.....	(101,635)	\$ (1,978,726)	61,541	\$ 798,431

</Table>

<Table>

<Caption>

	FOR THE YEAR ENDED DECEMBER 31, 2003		FOR THE YEAR ENDED DECEMBER 31, 2002	
	SHARES	AMOUNT	SHARES	AMOUNT
PLANAHEAD CLASS				
<S>	<C>	<C>	<C>	<C>
Shares sold.....	1,087,611	\$ 13,747,224	1,397,297	\$ 19,652,433
Reinvestment of dividends.....	25,890	346,072	22,392	289,205
Shares redeemed.....	(891,739)	(11,034,987)	(1,404,639)	(19,621,383)
Net increase in capital shares outstanding.....	221,762	\$ 3,058,309	15,050	\$ 320,256

</Table>

## AMERICAN AADVANTAGE FUNDS

## NOTES TO FINANCIAL STATEMENTS -- CONTINUED

December 31, 2003

## SMALL CAP INDEX FUND

<Table>  
<Caption>

INSTITUTIONAL CLASS	FOR THE YEAR ENDED DECEMBER 31, 2003		FOR THE YEAR ENDED DECEMBER 31, 2002	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Shares sold.....	6,641,904	\$ 67,985,621	955,743	\$ 9,039,698
Reinvestment of dividends.....	21,770	241,866	17,853	139,614
Shares redeemed.....	(2,108,632)	(20,651,424)	(721,156)	(6,061,590)
Net increase in capital shares outstanding.....	4,555,042	\$ 47,576,063	252,440	\$ 3,117,722

</Table>

## INTERNATIONAL EQUITY INDEX FUND

<Table>  
<Caption>

INSTITUTIONAL CLASS	FOR THE YEAR ENDED DECEMBER 31, 2003		FOR THE YEAR ENDED DECEMBER 31, 2002	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Shares sold.....	942,076	\$ 6,510,253	775,200	\$ 5,087,960
Reinvestment of dividends.....	19,104	148,248	12,273	71,181
Shares redeemed.....	(545,169)	(3,816,176)	(483,575)	(3,055,729)
Net increase in capital shares outstanding.....	416,011	\$ 2,842,325	303,898	\$ 2,103,412

</Table>

## AMERICAN AADVANTAGE S&amp;P 500 INDEX FUND

## FINANCIAL HIGHLIGHTS

(For a share outstanding throughout each period)

<Table>  
<Caption>

	INSTITUTIONAL CLASS				
	YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000 (B)	1999
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD....	\$ 11.96	\$ 15.62	\$ 17.99	\$ 20.05	\$ 16.78
INCOME FROM INVESTMENT OPERATIONS: (A)					
Net investment income.....	0.21	0.20	0.20	0.23	0.19
Net gains (losses) on securities (both realized and unrealized)....	3.14	(3.66)	(2.38)	(2.05)	3.27
Total from investment operations.....	3.35	(3.46)	(2.18)	(1.82)	3.46
LESS DISTRIBUTIONS:					
Dividends from net investment income.....	(0.21)	(0.20)	(0.19) (C)	(0.24) (C)	(0.19)
Total distributions.....	(0.21)	(0.20)	(0.19)	(0.24)	(0.19)
NET ASSET VALUE, END OF PERIOD.....	\$ 15.10	\$ 11.96	\$ 15.62	\$ 17.99	\$ 20.05
TOTAL RETURN.....	28.26%	(22.27%)	(12.12%)	(9.15%)	20.70%



RATIOS AND SUPPLEMENTAL DATA:

Net assets, end of period (in thousands).....	\$245,251	\$195,368	\$254,289	\$321,805	\$568,645
Ratios to average net assets (annualized): (A)					
Net investment income.....	1.63%	1.47%	1.22%	1.09%	1.28%
Expenses.....	0.14%	0.14%	0.15%	0.16%	0.17%

</Table>

(A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the BT Equity 500 Index Portfolio prior to March 1, 2000, and the State Street Equity 500 Index Portfolio thereafter.

(B) On March 1, 2000, the Fund invested all of its investable assets in the State Street Equity 500 Index Portfolio. Prior to March 1, 2000, the Fund invested all of its investable assets in the BT Equity 500 Index Portfolio.

(C) Includes a tax return of capital distribution which amounts to less than \$0.01 per share.

AMERICAN AADVANTAGE S&P 500 INDEX FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout each period)

<Table>

<Caption>

	PLANAHEAD CLASS				
	YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000 (B)	1999
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$ 11.85	\$ 15.49	\$ 17.99	\$ 20.12	\$ 16.83
INCOME FROM INVESTMENT OPERATIONS: (A)					
Net investment income.....	0.15	0.14	0.14	0.13	0.15
Net gains (losses) on securities (both realized and unrealized).....	3.12	(3.64)	(2.39)	(2.00)	3.25
Total from investment operations.....	3.27	(3.50)	(2.25)	(1.87)	3.40
LESS DISTRIBUTIONS:					
Dividends from net investment income.....	(0.16)	(0.14)	(0.25) (C)	(0.26) (C)	(0.11)
Total distributions.....	(0.16)	(0.14)	(0.25)	(0.26)	(0.11)
NET ASSET VALUE, END OF PERIOD.....	\$ 14.96	\$ 11.85	\$ 15.49	\$ 17.99	\$ 20.12
TOTAL RETURN.....	27.65%	(22.59%)	(12.48%)	(9.38%)	20.24%
RATIOS AND SUPPLEMENTAL DATA:					
Net assets, end of period (in thousands).....	\$34,729	\$ 24,885	\$ 32,284	\$ 5,143	\$ 6,173
Ratios to average net assets (annualized): (A)					
Net investment income.....	1.16%	1.06%	0.89%	0.66%	0.91%
Expenses.....	0.63%	0.55%	0.56%	0.54%	0.55%
Decrease reflected in above expense ratio due to absorption of expenses by State Street Bank, BT and AMR Investment Services, Inc.....	0.01%	0.08%	0.05%	0.16%	0.17%

</Table>

(A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the BT Equity 500 Index Portfolio prior to March 1, 2000, and the State Street Equity 500 Index Portfolio thereafter.

(B) On March 1, 2000, the Fund invested all of its investable assets in the State Street Equity 500 Index Portfolio. Prior to March 1, 2000, the Fund invested all of its investable assets in the BT Equity 500 Index Portfolio.

(C) Includes a tax return of capital distribution which amounted to less than \$0.01 per share.

AMERICAN AADVANTAGE SMALL CAP INDEX FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout each period)

<Table>

<Caption>

	INSTITUTIONAL CLASS			
	YEAR ENDED DECEMBER 31,			JULY 31 TO
	2003	2002	2001	DECEMBER 31, 2000
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$ 7.70	\$ 9.79	\$ 9.69	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS: (A)				
Net investment income.....	0.04	0.11	0.09	0.05
Net gains (losses) on securities (both realized and unrealized).....	3.57	(2.10)	0.11	(0.31)
Total from investment operations.....	3.61	(1.99)	0.20	(0.26)
LESS DISTRIBUTIONS:				
Dividends from net investment income.....	(0.04)	(0.10)	(0.09)	(0.05)
Tax return of capital.....	--	--	(0.01)	--
Total distributions.....	(0.04)	(0.10)	(0.10)	(0.05)
NET ASSET VALUE, END OF PERIOD.....	\$ 11.27	\$ 7.70	\$ 9.79	\$ 9.69
TOTAL RETURN.....	46.90%	(20.37%)	2.07%	(2.59%) (B)
RATIOS AND SUPPLEMENTAL DATA:				
Net assets, end of period (in thousands).....	\$67,756	\$ 11,227	\$11,803	\$ 4,120
Ratios to average net assets (annualized): (A)				
Net investment income.....	1.04%	1.13%	1.36%	1.61%
Expenses.....	0.24%	0.20%	0.19%	0.50%
Decrease reflected in above expense ratio due to absorption of expenses by AMR Investment Services, Inc.....	--	--	--	0.46%

</Table>

(A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the Master Small Cap Index Series.

(B) Not annualized.

AMERICAN AADVANTAGE INTERNATIONAL EQUITY INDEX FUND

FINANCIAL HIGHLIGHTS

(For a share outstanding throughout each period)

<Table>

<Caption>

	INSTITUTIONAL CLASS			
	YEAR ENDED DECEMBER 31,			JULY 31 TO
	2003	2002	2001	DECEMBER 31, 2000
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$ 5.86	\$ 7.07	\$ 9.21	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS: (A)				
Net investment income.....	0.14	0.11	0.10	0.02
Net gains (losses) on securities (both realized				

and unrealized).....	2.13	(1.23)	(2.12)	(0.72)
Total from investment operations.....	2.27	(1.12)	(2.02)	(0.70)
LESS DISTRIBUTIONS:				
Dividends from net investment income.....	(0.12)	(0.09)	(0.09)	(0.03)
Distributions from net realized gain on investments.....	--	--	--	(0.05)
Tax return of capital.....	--	--	(0.03)	(0.01)
Total distributions.....	(0.12)	(0.09)	(0.12)	(0.09)
NET ASSET VALUE, END OF PERIOD.....	\$ 8.01	\$ 5.86	\$ 7.07	\$ 9.21
TOTAL RETURN.....	38.87%	(15.65%)	(22.14%)	(7.03%) (B)
RATIOS AND SUPPLEMENTAL DATA:				
Net assets, end of period (in thousands).....	\$10,043	\$ 4,912	\$ 3,773	\$ 3,542
Ratios to average net assets (annualized):(A)				
Net investment income.....	2.71%	1.97%	1.49%	0.63%
Expenses.....	0.31%	0.25%	0.29%	0.60%
Decrease reflected in above expense ratio due to absorption of expenses by AMR				
Investment Services, Inc.....	--	--	--	1.52%

</Table>

(A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the Master International Index Series.

(B) Not annualized.

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AMERICAN AADVANTAGE INDEX FUNDS  
REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Shareholders and Board of Trustees  
American AAdvantage S&P 500 Index Fund  
American AAdvantage Small Cap Index Fund  
American AAdvantage International Equity Index Fund

We have audited the accompanying statements of assets and liabilities of the American AAdvantage S&P 500 Index Fund, the American AAdvantage Small Cap Index Fund, and the American AAdvantage International Equity Index Fund (collectively, "the Funds") (separate funds comprising the American AAdvantage Funds), as of December 31, 2003, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years then ended and the financial highlights for each of the fiscal periods since December 31, 2000. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights of the American AAdvantage S&P 500 Index Fund for each of the three years in the period ended December 31, 1999 were audited by other auditors whose report dated February 11, 2000 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of investments owned as of December 31, 2003, by correspondence with the custodian or other audit procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the respective American AAdvantage Funds at December 31, 2003, the results of their operations for the year then ended, the changes in their net assets for each of the two years then ended and the financial highlights for each of the fiscal periods since December 31, 2000, in conformity with accounting principles generally accepted in the United States.

-s-

ERNST & YOUNG LLP

AMERICAN AADVANTAGE FUNDS  
OFFICERS AND TRUSTEES (unaudited)

The Trustees and officers of the Trust are listed below, together with their principal occupations during the past five years. Unless otherwise indicated, the address of each person listed below is 4151 Amon Carter Boulevard, MD 2450, Fort Worth, Texas 76155. Each Trustee oversees twenty-five funds in the fund complex that includes the AMR Investment Services Trust, the American AAdvantage Funds, the American AAdvantage Mileage Funds, and the American AAdvantage Select Funds. The Trust's Statement of Additional Information contains additional information about the Trustees and is available without charge by calling 1-800-658-5811.

<Table>  
<Caption>

NAME, AGE AND ADDRESS	POSITION, TERM OF OFFICE AND LENGTH OF TIME SERVED WITH THE TRUST	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND CURRENT DIRECTORSHIPS
-----		
<S>	<C>	<C>
INTERESTED TRUSTEES		
	TERM	
	-----	
	Lifetime of Trust until removal, resignation or retirement*	
William F. Quinn** (56)	Trustee and President since 1987	President, AMR Investment Services, Inc. (1986-Present); Chairman (1989-2003) and Director (2003-Present), American Airlines Federal Credit Union; Director, Crescent Real Estate Equities, Inc. (1994-Present); Director, Pritchard, Hubble & Herr, LLC (investment adviser) (2001-Present); Director of Investment Committee, Southern Methodist University Endowment Fund (1996-Present); Member of Advisory Board, Southern Methodist University Cox School of Business (1999-2002); Member of Pension Manager Committee, New York Stock Exchange (1997-1998, 2000-2002); Trustee, American AAdvantage Mileage Funds (1995-Present); Trustee, American AAdvantage Select Funds (1999-Present).
Alan D. Feld** (67)	Trustee since 1996	Partner, Akin, Gump, Strauss, Hauer & Feld, LLP (law firm) (1960-Present); Director, Clear Channel Communications (1984-Present); Trustee, CenterPoint Properties (1994-Present); Trustee, American AAdvantage Mileage Funds (1996-Present); Trustee, American AAdvantage Select Funds (1999-Present).
NON-INTERESTED TRUSTEES		
	TERM	
	-----	
	Lifetime of Trust until removal, resignation or retirement*	
Stephen D. O'Sullivan (68)	Trustee since 1987	Consultant (1994-Present); Trustee, American AAdvantage Mileage Funds (1995-Present); Trustee, American AAdvantage Select Funds (1999-Present).

</Table>

AMERICAN AADVANTAGE FUNDS  
OFFICERS AND TRUSTEES (unaudited) -- CONTINUED

<Table>  
<Caption>

POSITION, TERM OF

NAME, AGE AND ADDRESS	OFFICE AND LENGTH OF TIME SERVED WITH THE TRUST	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND CURRENT DIRECTORSHIPS
<S> NON-INTERESTED TRUSTEES (CONT.)	<C>	<C>
R. Gerald Turner (58) 225 Perkins Admin. Bldg. Southern Methodist Univ. Dallas, Texas 75275	Trustee since 2001	President, Southern Methodist University (1995-Present); Director, ChemFirst (1986-2002); Director, J.C. Penney Company, Inc. (1996- Present); Director, California Federal Preferred Capital Corp. (2001- 2003); Director, Kronus Worldwide Inc. (chemical manufacturing) (2003-Present); Director, First Broadcasting Investment Partners, LLC (2003-Present); Member, United Way of Dallas Board of Directors; Member, Salvation Army of Dallas Board of Directors; Member, Methodist Hospital Advisory Board; Member, Knight Commission on Intercollegiate Athletics; Trustee, American AAdvantage Mileage Funds (2001-Present); Trustee, American AAdvantage Select Funds (2001-Present).

Kneeland Youngblood (48) 100 Crescent Court Suite 1740 Dallas, Texas 75201	Trustee since 1996	Managing Partner, Pharos Capital Group, LLC (a private equity firm) (1998-Present); Trustee, The Hockaday School (1997-Present); Director, Starwood Hotels and Resorts (2001-Present); Member, Council on Foreign Relations (1995-Present); Director, Just For the Kids (1995-2001); Director, L&B Realty Advisors (1998-2000); Trustee, Teachers Retirement System of Texas (1993-1999); Director, Starwood Financial Trust (1998-2001); Trustee, St. Mark's School of Texas (2002-Present); Trustee, American AAdvantage Mileage Funds (1996-Present); Trustee, American AAdvantage Select Funds (1999-Present).
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OFFICERS

	TERM	
	One Year	
Nancy A. Eckl (41)	VP since 1990	Vice President, Trust Investments, AMR Investment Services, Inc. (1990-Present).
Michael W. Fields (50)	VP since 1989	Vice President, Fixed Income Investments, AMR Investment Services, Inc. (1988-Present).
Barry Y. Greenberg (40)	VP since 1995 and Secretary since 2004	Vice President, Legal and Compliance, AMR Investment Services, Inc. (1995-Present).
Rebecca L. Harris (37)	Treasurer since 1995	Vice President, Finance, AMR Investment Services, Inc. (1995- Present).
John B. Roberson (45)	VP since 1989	Vice President, Director of Sales, AMR Investment Services, Inc. (1991-Present).

</Table>

\* The Board has adopted a retirement plan that requires Trustees to retire no later than the last day of the calendar year in which they reach the age of 70, with the exception of Mr. Quinn.

\*\* Messrs. Quinn and Feld are deemed to be "interested persons" of the Trust, as defined by the 1940 Act. Mr. Quinn is President of the Manager. Mr. Feld's law firm of Akin, Gump, Strauss, Hauer & Feld LLP has provided legal services within the past two years to one or more of the Trust's sub-advisers.

STATE STREET EQUITY 500 INDEX PORTFOLIO

PORTFOLIO OF INVESTMENTS  
December 31, 2003

<Table>  
<Caption>

	SHARES	VALUE
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
COMMON STOCKS - 96.1%		
CONSUMER DISCRETIONARY - 10.8%		

American Greetings Corp. Class A (a).....	16,714	\$	366
AutoNation, Inc. (a).....	69,000		1,268
AutoZone, Inc. (a).....	22,887		1,950
Bed Bath & Beyond, Inc. (a)....	74,814		3,243
Best Buy Co.....	81,821		4,274
Big Lots, Inc. (a).....	32,038		455
Black & Decker Corp.....	19,433		958
Brunswick Corp.....	22,929		730
Carnival Corp.....	159,419		6,334
Centex Corp.....	15,788		1,700
Circuit City Stores - Circuit City Group.....	52,939		536
Clear Channel Communications, Inc.....	155,765		7,294
Comcast Corp. (a).....	570,367		18,748
Cooper Tire & Rubber Co.....	18,637		398
Dana Corp.....	40,449		742
Darden Restaurants, Inc.....	43,710		920
Delphi Corp.....	140,767		1,437
Dillard's, Inc. Class A.....	19,253		317
Dollar General Corp.....	86,615		1,818
Dow Jones & Co., Inc.....	21,526		1,073
Eastman Kodak Co.....	72,637		1,865
eBay, Inc. (a).....	163,560		10,564
Family Dollar Stores, Inc.....	43,568		1,563
Federated Department Stores, Inc.....	45,576		2,148
Ford Motor Co.....	463,455		7,415
Fortune Brands, Inc.....	37,566		2,686
Gannett Co., Inc.....	68,538		6,111
Gap, Inc.....	228,630		5,307
General Motors Corp.....	141,973		7,581
Genuine Parts Co.....	45,093		1,497
Goodyear Tire & Rubber Co.....	44,442		349
Harley-Davidson, Inc.....	76,538		3,638
Harrah's Entertainment, Inc....	27,933		1,390
Hasbro, Inc.....	43,987		936
Hilton Hotels Corp.....	95,443		1,635
Home Depot, Inc.....	576,557		20,462
International Game Technology..	87,452		3,122
Interpublic Group Cos., Inc....	99,277		1,549
JC Penney & Co., Inc.....	68,788		1,808
Johnson Controls, Inc.....	22,698		2,636
Jones Apparel Group, Inc.....	32,379		1,141
KB HOME.....	11,631		844
Knight-Ridder, Inc.....	20,191		1,562
Kohl's Corp. (a).....	86,910		3,906
Leggett & Platt, Inc.....	50,754		1,098
Limited Brands.....	130,278		2,349
Liz Claiborne, Inc.....	27,641		980
Lowe's Cos., Inc.....	199,123		11,029

</Table>

<Table>  
<Caption>

	SHARES		VALUE
	-----		-----
	(DOLLARS IN		THOUSANDS)
<S>	<C>		<C>
Marriot International, Inc.			
Class A.....	58,339	\$	2,695
Mattel, Inc.....	108,345		2,088
May Department Stores Co.....	73,867		2,147
Maytag Corp.....	20,729		577
McDonald's Corp.....	321,253		7,977
McGraw-Hill, Inc.....	48,413		3,385
Meredith Corp.....	13,347		651
New York Times Co. Class A....	38,745		1,852
Newell Rubbermaid, Inc.....	70,821		1,613
NIKE, Inc. Class B.....	66,313		4,540
Nordstrom, Inc.....	34,938		1,198
Office Depot, Inc. (a).....	81,670		1,365
Omnicom Group, Inc.....	48,017		4,193
Pulte Homes, Inc.....	16,218		1,518
Radioshack Corp.....	42,553		1,306
Reebok International, Ltd.....	15,571		612
Sears Roebuck & Co.....	64,554		2,937
Sherwin-Williams Co.....	36,770		1,277
Snap-On, Inc.....	14,748		475
Stanley Works.....	20,232		766
Staples, Inc. (a).....	127,150		3,471
Starbucks Corp. (a).....	98,726		3,264
Starwood Hotels & Resorts			

Worldwide, Inc. Class B.....	50,612	1,821
Target Corp.....	230,757	8,861
Tiffany & Co.....	36,868	1,666
Time Warner, Inc. (a).....	1,145,847	20,614
TJX Cos., Inc.....	129,713	2,860
Toys "R" Us, Inc. (a).....	54,169	685
Tribune Co.....	78,955	4,074
Tupperware Corp.....	13,036	226
Univision Communications, Inc. Class A (a).....	81,418	3,232
V.F. Corp.....	27,888	1,206
Viacom, Inc. Class B.....	443,289	19,673
Visteon Corp.....	29,453	307
Walt Disney Co.....	518,073	12,087
Wendy's International, Inc.....	28,567	1,121
Whirlpool Corp.....	18,266	1,327
Yum! Brands, Inc. (a).....	74,222	2,553
		-----
		293,952
		-----

CONSUMER STAPLES - 10.6%

Adolph Coors Co. Class B.....	9,244	519
Alberto Culver Co. Class B.....	15,639	987
Albertson's, Inc.....	92,413	2,093
Altria Group, Inc.....	514,764	28,013
Anheuser-Busch Cos., Inc.....	206,367	10,871
Archer-Daniels-Midland Co.....	164,367	2,502
Avon Products, Inc.....	60,474	4,081
Brown-Forman Corp. Class B.....	15,241	1,424
Campbell Soup Co.....	104,683	2,805
Clorox Co.....	54,410	2,642

</Table>

See notes to financial statements.

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STATE STREET EQUITY 500 INDEX PORTFOLIO

PORTFOLIO OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>

<Caption>

	SHARES	VALUE
	-----	-----
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Coca-Cola Co.....	621,335	\$ 31,533
Coca-Cola Enterprises, Inc.....	115,700	2,530
Colgate-Palmolive Co.....	135,935	6,804
ConAgra Foods, Inc.....	135,646	3,580
Costco Wholesale Corp. (a).....	115,751	4,304
CVS Corp.....	99,792	3,604
General Mills, Inc.....	94,364	4,275
Gillette Co.....	256,144	9,408
H.J. Heinz Co.....	88,820	3,236
Hershey Foods Corp.....	33,504	2,579
Kellogg Co.....	103,129	3,927
Kimberly-Clark Corp.....	127,664	7,544
Kroger Co. (a).....	188,222	3,484
McCormick & Co., Inc.....	36,800	1,108
Pepsi Bottling Group, Inc.....	66,053	1,597
PepsiCo, Inc.....	435,010	20,280
Procter & Gamble Co.....	328,711	32,832
R.J. Reynolds Tobacco Holdings, Inc.....	21,240	1,235
Safeway, Inc. (a).....	111,793	2,449
Sara Lee Corp.....	201,217	4,368
SuperValu, Inc.....	33,960	971
SYSCO Corp.....	163,781	6,098
UST Corp.....	41,647	1,486
Wal-Mart Stores, Inc.....	1,097,128	58,203
Walgreen Co.....	259,610	9,445
Winn-Dixie Stores, Inc.....	31,710	316
Wrigley Wm., Jr. Co.....	56,716	3,188
		-----
		286,321
		-----

ENERGY - 5.6%

Amerada Hess Corp.....	22,502	1,196
------------------------	--------	-------

Anadarko Petroleum Corp.....	63,554	3,242
Apache Corp.....	40,965	3,322
Ashland, Inc.....	17,080	753
Baker Hughes, Inc.....	84,480	2,717
BJ Services Co. (a).....	40,055	1,438
Burlington Resources, Inc.....	51,128	2,831
ChevronTexaco Corp.....	270,947	23,407
ConocoPhillips.....	172,441	11,307
Devon Energy Corp.....	58,761	3,365
EOG Resources, Inc.....	28,984	1,338
ExxonMobil Corp.....	1,675,702	68,704
Halliburton Co.....	111,386	2,896
Kerr-McGee Corp.....	26,136	1,215
Marathon Oil Corp.....	78,234	2,589
Nabors Industries, Ltd. (a)....	38,215	1,586
Noble Corp. (a).....	34,523	1,235
Occidental Petroleum Corp.....	98,123	4,145
Rowan Cos., Inc. (a).....	23,639	548
Schlumberger, Ltd.....	148,207	8,110
Sunoco, Inc.....	19,228	983

</Table>  
<Caption>

	SHARES	VALUE
	-----	-----
	(DOLLARS IN	THOUSANDS)
<S>	<C>	<C>
Transocean, Inc. (a).....	82,295	\$ 1,976
Unocal Corp.....	66,788	2,460
		-----
		151,363
		-----

FINANCIALS - 19.8%

ACE, Ltd.....	70,455	2,918
AFLAC, Inc.....	129,716	4,693
Allstate Corp.....	178,107	7,662
Ambac Financial Group, Inc....	27,047	1,877
American Express Co.....	325,873	15,717
American International Group, Inc.....	661,083	43,817
AmSouth Bancorp.....	88,819	2,176
AON Corp.....	81,323	1,947
Apartment Investment & Management Co. Class A.....	25,000	862
Bank of America Corp.....	376,578	30,288
Bank of New York Co., Inc.....	195,779	6,484
Bank One Corp.....	283,162	12,909
BB&T Corp.....	138,618	5,356
Bear Stearns Cos., Inc.....	25,399	2,031
Capital One Financial Corp.....	58,315	3,574
Charles Schwab Corp.....	342,893	4,060
Charter One Financial, Inc....	56,017	1,935
Chubb Corp.....	48,039	3,271
Cincinnati Financial Corp.....	40,667	1,703
Citigroup, Inc.....	1,307,771	63,479
Comerica, Inc.....	45,132	2,530
Countrywide Credit Industries, Inc.....	46,363	3,517
Equity Office Properties Trust.....	102,541	2,938
Equity Residential.....	69,607	2,054
Fannie Mae.....	246,229	18,482
Federal Home Loan Mortgage Corp.....	176,146	10,273
Federated Investors, Inc. Class B.....	27,400	804
Fifth Third Bancorp.....	144,100	8,516
First Tennessee National Corp.....	31,917	1,408
FleetBoston Financial Corp.....	267,085	11,658
Franklin Resources, Inc.....	64,244	3,345
Golden West Financial Corp.....	38,411	3,964
Goldman Sachs Group, Inc.....	119,900	11,838
Hartford Financial Services Group, Inc.....	71,488	4,220
Huntington Bancshares, Inc....	59,354	1,335
J.P. Morgan Chase & Co.....	517,014	18,990
Janus Capital Group, Inc.....	60,619	995
Jefferson-Pilot Corp.....	35,760	1,811
John Hancock Financial Services, Inc.....	72,978	2,737
KeyCorp.....	105,809	3,102



Lehman Brothers Holdings, Inc.....	68,718	5,306
Lincoln National Corp.....	45,731	1,846
Loews Corp.....	47,514	2,350

See notes to financial statements.

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STATE STREET EQUITY 500 INDEX PORTFOLIO

PORTFOLIO OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>

<Caption>

	SHARES	VALUE
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Marsh & McLennan Cos., Inc.....	134,136	\$ 6,424
Marshall & Ilsley Corp.....	57,992	2,218
MBIA, Inc.....	36,758	2,177
MBNA Corp.....	323,402	8,037
Mellon Financial Corp.....	108,723	3,491
Merrill Lynch & Co., Inc.....	239,427	14,042
MetLife, Inc.....	192,407	6,478
MGIC Investment Corp.....	24,962	1,421
Moody's Corp.....	37,865	2,293
Morgan Stanley.....	274,443	15,882
National City Corp.....	153,791	5,220
North Fork Bancorp, Inc.....	38,090	1,541
Northern Trust Corp.....	55,540	2,578
Plum Creek Timber Co., Inc.....	46,180	1,406
PNC Financial Services Group, Inc.....	70,047	3,834
Principal Financial Group, Inc.....	81,550	2,697
Progressive Corp.....	54,647	4,568
ProLogis.....	45,200	1,450
Providian Financial Corp. (a).....	73,473	855
Prudential Financial, Inc.....	136,700	5,710
Regions Financial Corp.....	56,389	2,098
SAFECO Corp.....	36,364	1,416
Simon Property Group, Inc.....	48,263	2,237
SLM Corp.....	113,942	4,293
SouthTrust Corp.....	83,779	2,742
St. Paul Cos., Inc.....	58,828	2,333
State Street Corp. (Note 4)....	84,525	4,402
SunTrust Banks, Inc.....	71,172	5,089
Synovus Financial Corp.....	77,604	2,244
T. Rowe Price Group, Inc.....	31,490	1,493
Torchmark Corp.....	28,776	1,310
Travelers Property Casualty Corp. Class B.....	253,956	4,310
U.S. Bancorp.....	488,661	14,552
Union Planters Corp.....	49,344	1,554
UnumProvident Corp.....	74,435	1,174
Wachovia Corp.....	335,326	15,623
Washington Mutual, Inc.....	227,713	9,136
Wells Fargo Co.....	428,811	25,253
XL Capital, Ltd. Class A.....	34,632	2,686
Zions Bancorp.....	23,219	1,424

538,469

HEALTH CARE - 12.8%

Abbott Laboratories.....	396,167	18,461
Aetna, Inc.....	38,532	2,604
Allergan, Inc.....	33,191	2,549
AmerisourceBergen Corp.....	28,216	1,584
Amgen, Inc. (a).....	326,875	20,201
Anthem, Inc. (a).....	35,700	2,677
Applera Corp. - Applied Biosystems Group.....	52,567	1,089
Bausch & Lomb, Inc.....	13,825	718

</Table>

<Table>

<Caption>

SHARES VALUE

	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Baxter International, Inc.....	155,626	\$ 4,750
Becton, Dickinson & Co.....	64,929	2,671
Biogen Idec, Inc. (a).....	82,673	3,041
Biomet, Inc.....	64,441	2,346
Boston Scientific Corp. (a)....	207,396	7,624
Bristol-Myers Squibb Co.....	491,317	14,052
C.R. Bard, Inc.....	13,097	1,064
Cardinal Health, Inc.....	109,566	6,701
Chiron Corp. (a).....	47,844	2,727
CIGNA Corp.....	36,289	2,087
Eli Lilly & Co.....	284,497	20,009
Express Scripts, Inc (a).....	19,900	1,322
Forest Laboratories, Inc.		
(a).....	92,506	5,717
Genzyme Corp. (a).....	57,105	2,818
Guidant Corp.....	77,964	4,693
HCA, Inc.....	125,359	5,385
Health Management Associates, Inc. Class A.....	62,198	1,493
Humana, Inc. (a).....	40,925	935
IMS Health, Inc.....	60,181	1,496
Johnson & Johnson.....	752,346	38,866
King Pharmaceuticals, Inc.		
(a).....	63,532	969
Manor Care, Inc.....	23,151	800
McKesson Corp.....	73,831	2,374
Medco Health Solutions, Inc.		
(a).....	68,172	2,317
MedImmune, Inc. (a).....	62,265	1,582
Medtronic, Inc.....	307,102	14,928
Merck & Co., Inc.....	563,903	26,052
Millipore Corp. (a).....	11,728	505
Pfizer, Inc.....	1,934,674	68,352
Quest Diagnostics, Inc. (a)....	27,000	1,974
Schering-Plough Corp.....	371,824	6,466
St. Jude Medical, Inc. (a)....	43,597	2,675
Stryker Corp.....	50,404	4,285
Tenet Healthcare Corp. (a)....	119,909	1,925
UnitedHealth Group, Inc.....	148,484	8,639
Watson Pharmaceuticals, Inc.		
(a).....	27,003	1,242
WellPoint Health Networks, Inc.		
(a).....	38,389	3,723
Wyeth.....	337,431	14,324
Zimmer Holdings, Inc. (a).....	61,120	4,303
		-----
		347,115
		-----

INDUSTRIALS - 10.5%		
3M Co.....	198,884	16,911
Allied Waste Industries, Inc.		
(a).....	82,667	1,147
American Power Conversion Corp.		
(a).....	50,067	1,224
American Standard Cos., Inc.		
(a).....	18,307	1,844
Apollo Group, Inc. (a).....	44,875	3,051
Avery Dennison Corp.....	28,670	1,606

See notes to financial statements.

STATE STREET EQUITY 500 INDEX PORTFOLIO

PORTFOLIO OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>		
<Caption>	SHARES	VALUE
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Boeing Co.....	213,045	\$ 8,978
Burlington Northern Santa Fe Corp.....	94,750	3,065
Caterpillar, Inc.....	87,885	7,296

Cendant Corp. (a).....	256,322	5,708
Cintas Corp.....	43,082	2,160
Cooper Industries, Ltd.....	23,421	1,357
Crane Co.....	15,002	461
CSX Corp.....	54,724	1,967
Cummins, Inc.....	11,273	552
Danaher Corp.....	38,813	3,561
Deere & Co.....	60,641	3,945
Delta Air Lines, Inc.....	31,293	370
Deluxe Corp.....	12,720	526
Dover Corp.....	51,413	2,044
Eaton Corp.....	19,039	2,056
Emerson Electric Co.....	106,535	6,898
Equifax, Inc.....	35,969	881
FedEx Corp.....	75,446	5,093
Fluor Corp.....	20,406	809
General Dynamics Corp.....	50,006	4,520
General Electric Co. (e).....	2,545,623	78,863
Goodrich Co.....	30,855	916
H&R Block, Inc.....	45,910	2,542
Honeywell International, Inc.....	218,242	7,296
Illinois Tool Works, Inc.....	77,964	6,542
Ingersoll-Rand Co. Class A.....	44,550	3,024
ITT Industries, Inc.....	23,902	1,774
Lockheed Martin Corp.....	114,071	5,863
Masco Corp.....	116,974	3,206
Monster Worldwide, Inc. (a)....	28,492	626
Navistar International Corp. (a).....	17,880	856
Norfolk Southern Corp.....	99,661	2,357
Northrop Grumman Corp.....	46,339	4,430
PACCAR, Inc.....	29,647	2,524
Pall Corp.....	31,474	844
Parker-Hannifin Corp.....	30,023	1,786
Pitney Bowes, Inc.....	59,839	2,431
Power-One, Inc. (a).....	21,100	229
R.R. Donnelley & Sons Co.....	28,360	855
Raytheon Co.....	106,314	3,194
Robert Half International, Inc. (a).....	43,214	1,009
Rockwell Automation, Inc.....	47,820	1,702
Rockwell Collins, Inc.....	44,819	1,346
Ryder Systems, Inc.....	15,680	535
Southwest Airlines Co.....	202,140	3,263
Textron, Inc.....	34,275	1,956
Thomas & Betts Corp. (a).....	16,142	369
Tyco International, Ltd.....	506,448	13,421
Union Pacific Corp.....	64,540	4,484
United Parcel Service, Inc. Class B.....	284,900	21,239
United Technologies Corp.....	119,157	11,292

</Table>

<Table>  
<Caption>

	SHARES	VALUE
	-----	-----
	(DOLLARS IN	THOUSANDS)
<S>	<C>	<C>
W.W. Grainger, Inc.....	22,809	\$ 1,081
Waste Management, Inc.....	147,279	4,359
		-----
		284,244
		-----

INFORMATION TECHNOLOGY - 17.0%

ADC Telecommunications, Inc. (a).....	211,127	627
Adobe Systems, Inc.....	59,571	2,341
Advanced Micro Devices, Inc. (a).....	87,384	1,302
Agilent Technologies, Inc. (a).....	120,127	3,513
Altera Corp. (a).....	96,878	2,199
Analog Devices, Inc.....	93,561	4,271
Andrew Corp. (a).....	41,127	473
Apple Computer, Inc. (a).....	91,346	1,952
Applied Materials, Inc. (a)....	421,161	9,455
Applied Micro Circuits Corp. (a).....	77,142	461
Autodesk, Inc.....	30,015	738
Automatic Data Processing, Inc.....	150,438	5,959

Avaya, Inc. (a).....	105,615	1,367
BMC Software, Inc. (a).....	57,336	1,069
Broadcom Corp. (a).....	75,746	2,582
CIENACorp. (a).....	119,488	793
Cisco Systems, Inc. (a).....	1,749,859	42,504
Citrix Systems, Inc. (a).....	41,653	884
Computer Associates International, Inc.....	148,144	4,050
Computer Sciences Corp. (a)....	47,982	2,122
Compuware Corp. (a).....	95,257	575
Comverse Technology, Inc. (a)..	47,738	840
Concord EFS, Inc. (a).....	120,040	1,781
Convergys Corp. (a).....	36,005	629
Corning, Inc. (a).....	340,285	3,549
Dell, Inc. (a).....	648,891	22,036
Electronic Arts, Inc. (a).....	76,400	3,650
Electronic Data Systems Corp.....	121,786	2,989
EMC Corp. (a).....	608,341	7,860
First Data Corp.....	184,502	7,581
Fiserv, Inc. (a).....	49,147	1,942
Gateway, Inc. (a).....	82,065	378
Hewlett-Packard Co.....	772,619	17,747
Intel Corp.....	1,655,903	53,320
International Business Machines Corp.....	436,118	40,419
Intuit, Inc. (a).....	50,051	2,648
Jabil Circuit, Inc. (a).....	49,813	1,410
JDS Uniphase Corp. (a).....	362,319	1,323
KLA Tencor Corp. (a).....	49,464	2,902
Lexmark International Group, Inc. Class A (a).....	32,602	2,564
Linear Technology Corp.....	78,875	3,318
LSI Logic Corp. (a).....	96,135	853
Lucent Technologies, Inc. (a).....	1,060,672	3,012

</Table>

See notes to financial statements.

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STATE STREET EQUITY 500 INDEX PORTFOLIO

PORTFOLIO OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>

<Caption>

	SHARES	VALUE
	-----	-----
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Maxim Integrated Products, Inc.....	84,056	\$ 4,186
Mercury Interactive Corp. (a).....	21,548	1,048
Micron Technology, Inc. (a)....	155,632	2,096
Microsoft Corp. (e).....	2,741,204	75,493
Molex, Inc.....	48,110	1,679
Motorola, Inc.....	589,298	8,292
National Semiconductor Corp. (a).....	46,609	1,837
NCR Corp. (a).....	23,992	931
Network Appliance, Inc. (a)....	87,867	1,804
Novell, Inc. (a).....	93,442	983
Novellus Systems, Inc. (a)....	39,469	1,660
NVIDIA Corp. (a).....	40,351	938
Oracle Corp. (a).....	1,324,338	17,481
Parametric Technology Corp. (a).....	59,341	234
Paychex, Inc.....	95,227	3,543
PeopleSoft, Inc. (a).....	92,323	2,105
PerkinElmer, Inc.....	32,157	549
PMC-Sierra, Inc. (a).....	44,724	901
QLogic Corp. (a).....	23,845	1,230
QUALCOMM, Inc.....	202,639	10,928
Sabre Holdings Corp. Class A... (a).....	38,324	827
Sanmina-SCI Corp. (a).....	128,958	1,626
Scientific-Atlanta, Inc.....	39,868	1,088
Siebel Systems, Inc. (a).....	128,558	1,783
Sollectron Corp. (a).....	210,214	1,242
Sun Microsystems, Inc. (a).....	825,388	3,706

SunGard Data Systems, Inc.		
(a).....	72,350	2,005
Symantec Corp. (a).....	77,700	2,692
Symbol Technologies, Inc.....	58,485	988
Tektronix, Inc. (a).....	21,029	665
Tellabs, Inc. (a).....	104,775	883
Teradyne, Inc. (a).....	50,292	1,280
Texas Instruments, Inc.....	438,403	12,880
Thermo Electron Corp. (a).....	41,129	1,037
Unisys Corp. (a).....	85,779	1,274
VERITAS Software Corp. (a).....	109,083	4,054
Waters Corp. (a).....	31,157	1,033
Xerox Corp. (a).....	199,842	2,758
Xilinx, Inc. (a).....	86,704	3,359
Yahoo!, Inc. (a).....	166,390	7,516
		-----
		462,602
		-----

MATERIALS - 3.0%

Air Products & Chemicals, Inc.....	58,189	3,074
Alcoa, Inc.....	219,046	8,324
Allegheny Technologies, Inc....	17,729	234
Ball Corp.....	14,285	851
Bemis Co., Inc.....	13,464	673
Boise Cascade Corp.....	21,519	707
Dow Chemical Co.....	233,099	9,690
E.I. Du Pont de Nemours & Co...	252,439	11,584
Eastman Chemical Co.....	20,062	793

<Table>  
<Caption>

	SHARES	VALUE
	-----	-----
	(DOLLARS IN	THOUSANDS)
<S>	<C>	<C>
Ecolab, Inc.....	65,426	\$ 1,791
Engelhard Corp.....	33,330	998
Freeport-McMoRan Copper & Gold, Inc. Class B.....	43,114	1,816
Georgia-Pacific Group.....	64,340	1,973
Great Lakes Chemical Corp.....	12,803	348
Hercules, Inc. (a).....	28,098	343
International Flavors & Fragrances, Inc.....	24,704	863
International Paper Co.....	122,756	5,292
Louisiana Pacific Corp. (a)....	26,459	473
MeadWestvaco Corp.....	52,488	1,562
Monsanto Co.....	65,946	1,898
Newmont Mining Corp.....	109,342	5,315
Nucor Corp.....	20,202	1,131
Pactiv Corp. (a).....	40,964	979
Phelps Dodge Corp. (a).....	23,005	1,750
PPG Industries, Inc.....	43,290	2,771
Praxair, Inc.....	82,120	3,137
Rohm & Haas Co.....	56,696	2,422
Sealed Air Corp. (a).....	21,136	1,144
Sigma Aldrich Corp.....	17,993	1,029
Temple-Inland, Inc.....	14,314	897
United States Steel Corp.....	26,002	911
Vulcan Materials Co.....	25,496	1,213
Weyerhaeuser Co.....	55,524	3,554
Worthington Industries, Inc....	21,829	394
		-----
		79,934
		-----

TELECOMMUNICATION SERVICES - 3.3%

Alltel Corp.....	78,798	3,670
AT&T Corp.....	199,647	4,053
AT&T Wireless Services, Inc. (a).....	694,238	5,547
BellSouth Corp.....	468,128	13,248
CenturyTel, Inc.....	36,608	1,194
Citizens Communications Co. (a).....	72,077	895
Nextel Communications, Inc. Class A (a).....	278,336	7,810
Qwest Communications International, Inc. (a).....	434,922	1,879
SBC Communications, Inc.....	839,004	21,873
Sprint Corp. (Fon Group).....	228,384	3,750

Sprint Corp. (PCS Group) (a)...	267,678	1,504
Verizon Communications, Inc....	699,898	24,553
		-----
		89,976
		-----

UTILITIES - 2.7%

AES Corp. (a).....	155,914	1,472
Allegheny Energy, Inc. (a)....	31,899	407
Ameren Corp.....	41,442	1,906
American Electric Power Co., Inc.....	100,554	3,068
Calpine Corp. (a).....	114,452	550

See notes to financial statements.

STATE STREET EQUITY 500 INDEX PORTFOLIO

PORTFOLIO OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>  
<Caption>

	SHARES	VALUE
	(DOLLARS IN THOUSANDS)	(DOLLARS IN THOUSANDS)
<S>	<C>	<C>
CenterPoint Energy, Inc.....	77,193	\$ 748
Cinergy Corp.....	45,958	1,784
CMS Energy Corp.....	36,505	311
Consolidated Edison, Inc.....	57,022	2,452
Constellation Energy Group, Inc.....	42,303	1,657
Dominion Resources, Inc.....	82,987	5,297
DTE Energy Co.....	43,746	1,724
Duke Energy Corp.....	229,477	4,693
Dynegy, Inc. Class A.....	94,930	406
Edison International (a).....	82,662	1,813
El Paso Corp.....	153,494	1,257
Entergy Corp.....	58,843	3,362
Exelon Corp.....	82,689	5,487
FirstEnergy Corp.....	83,512	2,940
FPL Group, Inc.....	46,489	3,041
KeySpan Corp.....	40,206	1,480
Kinder Morgan, Inc.....	31,038	1,834
NICOR, Inc.....	11,213	382
NiSource, Inc.....	65,967	1,447
Peoples Energy Corp.....	9,331	392
PG&E Corp. (a).....	106,123	2,947
Pinnacle West Capital Corp.....	23,081	924
PPL Corp.....	45,768	2,002
Progress Energy, Inc.....	61,808	2,797
Public Service Enterprise Group, Inc.....	60,722	2,660
Sempra Energy.....	56,689	1,704
Southern Co.....	185,258	5,604
TECO Energy, Inc.....	50,776	732
TXU Corp.....	81,548	1,934
Williams Cos., Inc.....	135,837	1,334
Xcel Energy, Inc.....	100,397	1,705
		-----
		74,253
		-----
TOTAL COMMON STOCKS (COST \$2,242,328,348).....		2,608,229
		-----

<Caption>

	PAR AMOUNT	VALUE
	(DOLLARS IN THOUSANDS)	(DOLLARS IN THOUSANDS)
<S>	<C>	<C>
GOVERNMENT AND AGENCY SECURITIES - 0.2%		
United States Treasury Bill 0.87% due 03/11/04 (b)(c)....	\$ 5,910	\$ 5,900
		-----
TOTAL GOVERNMENT AND AGENCY SECURITIES (COST \$5,900,002).....		5,900
		-----

</Table>

<Table>  
<Caption>

	SHARES	
	(IN THOUSANDS)	
<S>	<C>	<C>
SHORT TERM INVESTMENTS - 4.6%		
AIM Short Term Investment Prime Portfolio.....	53,762	53,762
Federated Money Market Obligations Trust.....	482	482
State Street Navigator Securities Lending Prime Portfolio (d).....	71,147	71,147
TOTAL SHORT TERM INVESTMENTS (COST \$134,458,153).....		125,391
TOTAL INVESTMENTS - 100.9% (IDENTIFIED COST \$2,382,686,503).....		2,739,520
OTHER ASSETS AND LIABILITIES NET - (0.9)%.....		(24,848)
NET ASSETS - 100%.....		\$2,714,672

</Table>

SCHEDULE OF FUTURES CONTRACTS

<Table>  
<Caption>

	NUMBER OF CONTRACTS	UNREALIZED APPRECIATION
	(DOLLARS)	IN THOUSANDS)
<S>	<C>	<C>
S&P 500 Financial Futures Contracts (long) Expiration date 03/2004.....	387	\$2,016
Total unrealized appreciation on open futures contracts purchased.....		\$2,016

</Table>

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- (a) Non-income producing security.
- (b) Security held as collateral in relation to initial margin requirements on futures contracts.
- (c) Rate represents annualized yield at date of purchase.
- (d) Security represents investment made with cash collateral received from securities loaned.
- (e) All or a portion of these securities have been pledged to cover collateral requirements for open futures contracts.

See notes to financial statements.

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STATE STREET EQUITY 500 INDEX PORTFOLIO

STATEMENT OF ASSETS AND LIABILITIES  
December 31, 2003

(amounts in thousands)

<Table>	<S>	<C>
ASSETS:		
Unaffiliated investments at market (identified cost \$2,299,614) - including \$78,107 of securities loaned (Note 2).....		\$2,663,971
Affiliated investments at market (identified cost \$74,005) (Note 4).....		75,549

Receivables:	
Investment securities sold.....	42,495
Dividends and interest.....	3,624
Daily variation margin on futures contracts.....	281
	-----
TOTAL ASSETS.....	2,785,920
	-----
LIABILITIES:	
Payables:	
Due upon return of securities loaned.....	71,147
Management fees (Note 4).....	101
	-----
TOTAL LIABILITIES.....	71,248
	-----
NET ASSETS.....	\$2,714,672
	=====
COMPOSITION OF NET ASSETS	
Paid-in capital.....	\$2,346,755
Net unrealized appreciation on investments and futures contracts.....	367,917
	-----
NET ASSETS.....	\$2,714,672
	=====

</Table>

See notes to financial statements.

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STATE STREET EQUITY 500 INDEX PORTFOLIO

STATEMENT OF OPERATIONS  
For the Year Ended December 31, 2003

(amounts in thousands)

<Table>		
<S>		
	<C>	<C>
INVESTMENT INCOME:		
Dividend income - unaffiliated issuers.....		\$ 39,328
Dividend income - non-controlled affiliated issuers.....		44
Interest.....		827
Security lending income (Notes 2 and 4).....		82
		-----
TOTAL INVESTMENT INCOME.....		40,281
EXPENSES:		
Management fees (Note 4).....	\$ 1,017	
	-----	
TOTAL EXPENSES.....		1,017
		-----
NET INVESTMENT INCOME.....		39,264
		-----
REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss) on:		
Investments.....	(107,517)	
Futures contracts.....	16,773	
	-----	
		(90,744)
		-----
Net change in unrealized appreciation (depreciation) on:		
Investments.....	638,263*	
Futures contracts.....	2,832	
	-----	
		641,095
		-----
Net realized and unrealized gain.....		550,351
		-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....		\$589,615
		=====

</Table>

-----  
\* Excludes unrealized depreciation of \$1,680 on contributed securities.

See notes to financial statements.

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STATE STREET EQUITY 500 INDEX PORTFOLIO  
STATEMENT OF CHANGES IN NET ASSETS



<Table>  
<Caption>

	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2002
	(AMOUNTS IN THOUSANDS)	
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS FROM:		
OPERATIONS:		
Net investment income.....	\$ 39,264	\$ 34,956
Net realized loss on investments, futures contracts, and withdrawals in-kind.....	(90,744)	(70,428)
Net change in unrealized appreciation (depreciation).....	641,095	(532,213)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....	589,615	(567,685)
CAPITAL TRANSACTIONS:		
Proceeds from contributions.....	547,305	557,561
Contributions in-kind.....	19,659	41,343
Fair value of withdrawals.....	(434,455)	(520,988)
Withdrawals in-kind.....	--	(209,981)
NET INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL TRANSACTIONS.....	132,509	(132,065)
TOTAL NET INCREASE (DECREASE) IN NET ASSETS.....	722,124	(699,750)
NET ASSETS		
Beginning of year.....	1,992,548	2,692,298
END OF YEAR.....	\$2,714,672	\$1,992,548

</Table>

See notes to financial statements.

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STATE STREET EQUITY 500 INDEX PORTFOLIO

FINANCIAL HIGHLIGHTS

The following table includes selected supplemental data and ratios to average net assets:

<Table>  
<Caption>

	YEAR ENDED DECEMBER 31, 2003	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	PERIOD ENDED DECEMBER 31, 2000*
<S>	<C>	<C>	<C>	<C>
SUPPLEMENTAL DATA AND RATIOS:				
Net assets, end of year (in thousands).....	\$2,714,672	\$1,992,548	\$2,692,298	\$2,957,271
Ratios to average net assets:				
Operating expenses.....	0.045%	0.045%	0.045%	0.045%+
Net investment income.....	1.74%	1.57%	1.34%	1.14%+
Portfolio turnover rate**.....	12%	13%	14%	18%++
Total return (a).....	28.62%	(22.16%)	(11.94%)	(2.41%)++

</Table>

\* The Portfolio commenced operations on March 1, 2000.

\*\* The Portfolio turnover rate excludes in-kind security transactions.

+ Annualized.

++ Not Annualized.

(a) Results represent past performance and are not indicative of future results.

See notes to financial statements.

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

## 1. ORGANIZATION:

The State Street Master Funds (the "Trust") is a registered and diversified open-end investment company, as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), that was organized as a business trust under the laws of the Commonwealth of Massachusetts on July 27, 1999. The Trust comprises seven investment portfolios: the State Street Equity 500 Index Portfolio, the State Street Equity 400 Index Portfolio, the State Street Equity 2000 Index Portfolio, the State Street MSCI(R) EAFE(R) Index Portfolio, the State Street Aggregate Bond Index Portfolio, the State Street Money Market Portfolio, and the State Street U.S. Government Money Market Portfolio. Information presented in these financial statements pertains only to the State Street Equity 500 Index Portfolio (the "Portfolio"). At December 31, 2003, only the Portfolio and State Street MSCI(R) EAFE(R) Index Portfolio had commenced operations. Pursuant to the Trust's Declaration of Trust, the Board of Trustees may issue an unlimited number of non-transferable beneficial interests.

The Portfolio's investment objective is to replicate, as closely as possible, before expenses, the performance of the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index"). The Portfolio uses a passive management strategy designed to track the performance of the S&P 500 Index. The S&P 500 Index is a well-known, unmanaged, stock index that includes common stocks of 500 companies from several industrial sectors representing a significant portion of the market value of all stocks publicly traded in the United States.

## 2. SIGNIFICANT ACCOUNTING POLICIES:

The Portfolio's financial statements are prepared in accordance with generally accepted accounting principles that require the use of management estimates. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements.

## Security Valuation

The Portfolio's investments are valued each business day by independent pricing services. Equity securities for which market quotations are available are valued at the last sale price or official closing price (closing bid price if no sale has occurred) on the primary market or exchange on which they trade. Investments in other mutual funds are valued at the net asset value per share. Fixed-income securities and options are valued on the basis of the closing bid price. Futures contracts are valued on the basis of the last sale price. Money market instruments maturing within 60 days of the valuation date are valued at amortized cost, a method by which each money market instrument is initially valued at cost, and thereafter a constant accretion or amortization of any discount or premium is recorded until maturity of the security. The Portfolio may value securities for which market quotations are not readily available at "fair value," as determined in good faith pursuant to procedures established by the Board of Trustees.

## Securities Transactions, Investment Income and Expenses

Securities transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded daily on the accrual basis and includes amortization of premium and accretion of discount on investments. Realized gains and losses from securities transactions are recorded on the basis of identified cost. Expenses are accrued daily based on average daily net assets.

## NOTES TO FINANCIAL STATEMENTS -- CONTINUED

December 31, 2003

All of the net investment income and realized and unrealized gains and losses from the security transactions of the Portfolio are allocated pro rata among the partners in the Portfolio based on each partner's daily ownership percentage.

## Federal Income Taxes

The Portfolio is not required to pay federal income taxes on its net investment income and net capital gains because it is treated as a partnership

for federal income tax purposes. All interest, dividends, gains and losses of the Portfolio are deemed to have been "passed through" to the Portfolio's partners in proportion to their holdings in the Portfolio, regardless of whether such items have been distributed by the Portfolio. Each partner is responsible for tax liability based on its distributive share; therefore, no provision has been made for federal income taxes.

#### Futures

The Portfolio may enter into financial futures contracts as part of its strategy to track the performance of the S&P 500 Index. Upon entering into a futures contract, the Portfolio is required to deposit with the broker cash or securities in an amount equal to a certain percentage of the contract amount. Variation margin payments are made or received by the Portfolio each day, depending on the daily fluctuations in the value of the underlying security or index, and are recorded for financial statement purposes as unrealized gains or losses by the Portfolio. The Portfolio recognizes a realized gain or loss when the contract is closed. The Portfolio voluntarily segregates securities in an amount equal to the outstanding value of the open futures contracts in accordance with Securities and Exchange Commission (the "SEC") requirements.

The primary risks associated with the use of futures contracts are an imperfect correlation between the change in market value of the securities held by the Portfolio and the prices of futures contracts and the possibility of an illiquid market.

#### Securities Lending

The Trust, on behalf of the Portfolio, entered into a Securities Lending Agreement (the "Agreement") with State Street Bank and Trust Company ("State Street"). Under the terms of the Agreement, the Portfolio may lend portfolio securities to qualified borrowers in order to earn additional income. The Agreement requires that loans are secured at all times by cash, U.S. Government securities or irrevocable lines of credit in an amount at least equal to 102% of the market value of domestic securities loaned (105% in the case of foreign securities), plus accrued interest and dividends, determined on a daily basis. Proceeds collected by State Street on investment of cash collateral or any fee income is allocated as follows: 75% to the Portfolio and 25% to State Street. For the year ended December 31, 2003, the earned income for the Portfolio and State Street was \$81,642 and \$27,214, respectively.

The primary risk associated with securities lending is that if the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, the Portfolio could experience delays and costs in recovering the securities loaned or in gaining access to the collateral. At December 31, 2003, the value of the securities loaned amounted to \$78,107,395. The loans were collateralized with cash of \$71,146,646, which the Portfolio then invested in the State Street Navigator Securities Lending Prime Portfolio (the "Prime Portfolio"), an affiliated investment company, and letters of credit from JPMorgan Chase Bank and BNP Paribas in the amounts of \$3,321,220 and \$5,646,074, respectively.

STATE STREET EQUITY 500 INDEX PORTFOLIO

NOTES TO FINANCIAL STATEMENTS -- CONTINUED  
December 31, 2003  
-----

#### 3. SECURITIES TRANSACTIONS:

For the year ended December 31, 2003, purchases and sales of investment securities, excluding short-term investments, futures contracts, and in-kind contributions and withdrawals, aggregated to \$406,389,749 and \$259,097,959, respectively. The aggregate value of in-kind contributions and withdrawals were \$19,659,189 and \$0, respectively.

At December 31, 2003, the cost of investments computed on a federal income tax basis was \$2,575,543,868. The aggregate gross unrealized appreciation and gross unrealized depreciation was \$587,116,576 and \$423,141,026, respectively, resulting in net appreciation of \$163,975,550. The differences between book and tax cost amounts are primarily due to wash sales loss deferrals.

#### 4. RELATED PARTY FEES AND TRANSACTIONS:

The Portfolio has entered into an investment advisory agreement with SSgAFunds Management, Inc. ("SSgA"), a subsidiary of State Street Corp. and an affiliate of State Street, under which SSgA directs the investments of the Portfolio in accordance with its investment objective, policies, and limitations. The Trust has contracted with State Street to provide custody, administration and transfer agent services to the Portfolio. In compensation for

SSgA's services as investment adviser and for State Street's services as administrator, custodian and transfer agent (and for assuming ordinary operating expenses of the Portfolio, including ordinary legal, audit and trustees fees expenses), State Street receives a unitary fee, calculated daily, at the annual rate of 0.045% of the Portfolio's average daily net assets.

Certain investments made by the Portfolio represent securities affiliated with State Street and SSgA. Investments made with cash collateral received from securities loaned were used to purchase shares of the Prime Portfolio, which is offered by State Street and advised by SSgA. Investments in State Street Corp., the holding company of State Street, were made according to its representative portion of the S&P 500 Index. The market value of each of these investments at December 31, 2003 is listed in the Portfolio of Investments.

During the year, the Portfolio had investment transactions executed through State Street Global Markets LLC, a wholly owned subsidiary of State Street Corp., and an affiliated broker-dealer of SSgA. For the year ended December 31, 2003, the Portfolio paid brokerage commissions to State Street Global Markets LLC of \$366,175.

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STATE STREET EQUITY 500 INDEX PORTFOLIO  
REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS  
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To the Board of Trustees of State Street Master Funds and  
Owners of Beneficial Interest of State Street Equity 500 Index Portfolio:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of the State Street Equity 500 Index Portfolio (one of the portfolios constituting State Street Master Funds) (the "Portfolio") as of December 31, 2003, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2003, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the State Street Equity 500 Index Portfolio of State Street Master Funds at December 31, 2003, 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 the financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States.

-s-

ERNST & YOUNG LLP

Boston, Massachusetts  
February 6, 2004

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STATE STREET EQUITY 500 INDEX PORTFOLIO  
OFFICERS AND TRUSTEES (unaudited)  
-----

STATE STREET MASTER FUNDS

<Table>  
<Caption>

NAME, ADDRESS, AND	POSITION(S) HELD WITH	TERM OF OFFICE AND LENGTH OF	PRINCIPAL OCCUPATION	NUMBER OF	OTHER
				FUNDS IN FUND COMPLEX OVERSEEN BY	DIRECTORSHIPS HELD BY

AGE	TRUST	TIME SERVED	DURING PAST FIVE YEARS	TRUSTEE	TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>
INDEPENDENT TRUSTEES					
Michael F. Holland Holland & Company, LLC 375 Park Avenue New York, NY 10152 Age: 59	Trustee and Chairman of the Board	Term: Indefinite Elected: 7/99	Chairman, Holland & Company L.L.C. (investment adviser) (1995-present).	14	Trustee, State Street Institutional Investment Trust; Director of the Holland Series Fund, Inc.; and Director, The China Fund, Inc.
William L. Boyan State Street Master Funds P.O. Box 5049 Boston, MA 02206 Age: 67	Trustee	Term: Indefinite Elected: 7/99	Trustee of Old Mutual South Africa Master Trust (investments) (1995- present); Chairman emeritus, Children's Hospital (1984-present);	14	Trustee, State Street Institutional Investment Trust; and
Rina K. Spence 7 Acacia Street Cambridge, MA 02138 Age: 55	Trustee	Term: Indefinite Elected: 7/99	Director, Boston Plan For Excellence (non-profit) (1994-present); President and Chief Operations Officer, John Hancock Mutual Life Insurance Company (1959-1999). Mr. Boyan retired in 1999. President of SpenceCare International LLC (1998- present); Member of the Advisory Board, Ingenium Corp., (technology company) (2001-present); Chief Executive Officer, IEmily.com, (internet company (2000-2001); Chief Executive Officer of Consensus Pharmaceutical, Inc., (1998-1999); Founder, President, and Chief Executive Officer of Spence Center for Woman's Health (1994-1998); Trustee, Eastern Enterprise, (utilities) (1988-2000).	14	Trustee, Old Mutual South Africa Master Trust Trustee, State Street Institutional Investment Trust; Director of Berkshire Life Insurance Company of America; and Director, IEmily.com

</Table>

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STATE STREET EQUITY 500 INDEX PORTFOLIO  
OFFICERS AND TRUSTEES (unaudited) -- CONTINUED

<Table>  
<Caption>

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH TRUST	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION DURING PAST FIVE YEARS	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>
Douglas T. Williams State Street Master Funds P.O. Box 5049 Boston, MA 02206 Age: 63	Trustee	Term: Indefinite Elected: 7/99	Executive Vice President of Chase Manhattan Bank, (1987-1999). Mr. Williams retired in 1999.	14	Trustee, State Street Institutional Investment Trust
OFFICERS					
Donald A. Gignac State Street Bank and Trust Company	President	Term: Indefinite Elected: 8/03	Senior Vice President of State Street Bank and Trust Company	--	--

2 Avenue de Lafayette  
 Boston, MA 02111  
 Age: 38

(2002-present); Vice  
 President of State Street  
 Bank and Trust Company  
 (1993 to 2002).

Karen Gillogly State Street Bank and Trust Company One Federal Street Boston, MA 02110 Age: 37	Treasurer	Term: Indefinite Elected: 9/03	Vice President of State Street Bank and Trust Company (1999-present); Audit Senior Manager, Ernst & Young LLP (1998 - 1999).	--	--
Julie A. Tedesco State Street Bank and Trust Company One Federal Street Boston, MA 02110 Age: 46	Secretary	Term: Indefinite Elected: 5/00	Vice President and Counsel of State Street Bank & Trust Company (2000-present); Counsel of First Data Investor Services Group, Inc., (1994-2000).	--	--

</Table>

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS  
 December 31, 2003

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
COMMON STOCKS		
Advertising Agencies - 0.45%		
+ADVO Systems, Inc. ....	9,135	\$ 290,128
+Quantive, Inc. ....	12,800	131,200
+Catalina Marketing Corporation.....	11,200	225,792
+Grey Global Group Inc. ..	328	224,040
+R.H. Donnelley Corporation.....	6,133	244,339
+ValueClick, Inc. ....	23,200	210,656
		-----
		1,326,155
		-----
Aerospace - 0.3%		
+Curiss-Wright Corporation.....	5,934	267,089
+Ducommun Incorporated....	2,100	46,935
+HEICO Corporation (Class A).....	2,826	51,433
+MTC Technologies, Inc. ..	1,600	51,552
+Moog Inc. (Class A).....	4,706	232,476
+Orbital Sciences Corporation.....	15,335	184,327
+Teledyne Technologies Incorporated.....	11,434	215,531
+United Industrial Corporation.....	5,100	92,055
		-----
		1,141,398
		-----
Agriculture, Fishing & Ranching - 0.1%		
+Alico, Inc. ....	900	31,284
+Delta and Pine Land Company.....	11,778	299,161
+Virbac Corporation.....	2,700	13,500
		-----
		343,945
		-----
Air Transport - 1.0%		
+AAR Corp. ....	11,568	172,942
+AMR Corporation.....	54,800	709,660
+AirTran Holdings, Inc. ....	23,420	278,698

+Alaska Air Group, Inc. ....	6,699	182,816
+America West Holdings Corporation (Class B)...	12,000	148,800
+Atlantic Coast Airlines Holdings, Inc. ....	11,523	114,078
+Aviall, Inc. ....	8,700	134,937
+Continental Airlines, Inc. (Class B).....	22,500	366,075
+EGL, Inc. ....	11,095	194,828
+ExpressJet Holdings, Inc. ....	7,700	115,500
+Frontier Airlines, Inc. ....	10,255	146,236
+MAIR Holdings, Inc. ....	2,944	21,432
+Mesa Air Group, Inc. ....	9,656	120,893
+Northwest Airlines Corporation.....	21,200	267,544
+Offshore Logistics, Inc. ....	8,785	215,408

</Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Petroleum Helicopters, Inc. (Voting Shares)....	1,100	\$ 26,070
SkyWest, Inc. ....	16,700	302,604
		-----
		3,518,521
		-----

Aluminum - 0.0%		
+Century Aluminum Company.....	3,802	72,276
		-----

Auto Parts - After Market - 0.2%		
+Aftermarket Technology Corp. ....	4,100	56,252
+Keystone Automotive Industries, Inc. ....	3,000	76,080
+Raytech Corporation.....	5,900	19,588
+Sports Resorts International, Inc. ....	3,500	16,100
Standard Motor Products, Inc. ....	3,100	37,665
Superior Industries International, Inc. ...	7,899	343,764
+TBC Corporation.....	5,300	136,793
		-----
		686,242
		-----

Auto Parts - Original Equipment - 0.3%		
+Collins & Aikman Corporation.....	9,678	41,906
+Dura Automotive Systems, Inc. ....	6,053	77,297
Sauer-Danfoss, Inc. ....	2,273	36,823
+Stoneridge, Inc. ....	3,687	55,489
+Strattec Security Corporation.....	800	48,728
+Tenneco Automotive Inc. ....	11,300	75,597
+Tower Automotive, Inc. ..	16,771	114,546
Visteon Corporation.....	45,400	472,614
		-----
		923,000
		-----

Auto Trucks & Parts - 0.3%		
+A.S.V., Inc. ....	3,000	112,080
Modine Manufacturing Co. ....	7,794	210,282
Oshkosh Truck Corporation.....	9,526	486,112
+Wabash National Corporation.....	9,045	265,019
		-----
		1,073,493

Banks - Outside New York City - 6.9%		
1st Source Corporation...	3,840	82,598
ABC Bancorp.....	2,900	46,313
AMCORE Financial, Inc. ..	9,118	246,368
Alabama National BanCorporation.....	2,421	127,224
Allegiant Bancorp, Inc. ....	5,300	148,665

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
American National Bankshares Inc. ....	1,300	\$ 34,424
+AmericanWest Bancorporation.....	1,500	34,200
Arrow Financial Corporation.....	2,447	67,953
BancFirst Corporation...	1,045	61,344
BancTrust Financial Group, Inc. ....	500	8,005
Bank of Granite Corp. ...	3,986	86,815
Bank of the Ozarks, Inc. ....	1,600	36,016
Banner Corporation.....	4,013	100,927
Boston Private Financial Holdings, Inc. ....	7,593	188,610
Bryn Mawr Bank Corporation.....	2,200	53,878
C&F Financial Corporation.....	1,500	59,550
CB Bancshares, Inc. ....	1,550	97,030
CCBT Financial Companies Inc. ....	2,500	87,375
CNB Financial Corporation.....	600	25,248
CVB Financial Corp. ....	9,829	189,592
Camden National Corporation.....	1,500	45,540
Capital City Bank Group, Inc. ....	2,477	113,917
+Capital Corp of the West.....	2,300	91,172
Capitol Bancorp Ltd. ....	1,700	48,280
Cascade Bancorp.....	5,700	109,725
Cathay Bancorp, Inc. ....	7,022	390,985
Cavalry Bancorp, Inc. ...	300	5,271
Center Bancorp, Inc. ....	3,800	74,708
Center Financial Corporation.....	600	16,350
+Central Coast Bancorp....	2,533	45,949
Central Pacific Financial Corp. ....	4,338	130,314
Century Bancorp, Inc. (Class A).....	1,700	60,282
Chemical Financial Corporation.....	6,851	249,308
Chittenden Corporation...	11,626	391,099
Citizens Banking Corporation.....	15,800	516,976
City Holding Company.....	6,193	216,755
CityBank.....	2,199	71,467
CoBiz Inc. ....	2,184	40,229
Columbia Bancorp.....	4,000	127,800
Columbia Bancorp (Oregon).....	4,300	74,175
Columbia Banking System, Inc. ....	5,735	124,220



</Table>

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Commercial Bankshares, Inc. ....	300	\$ 10,068
Community Bank System, Inc. ....	3,600	176,400
Community Banks, Inc. ...	2,200	86,482
Community First Bankshares, Inc. ....	12,740	368,696
Community Trust Bancorp, Inc. ....	3,267	98,663
Corus Bankshares, Inc. ....	4,752	149,973
East West Bancorp, Inc. ....	7,898	423,965
Eastern Virginia Bankshares, Inc. ....	500	14,010
Exchange National Bancshares, Inc. ....	600	21,690
FLAG Financial Corporation.....	400	5,160
FNB Corporation (North Carolina).....	2,300	48,714
FNB Corporation (Virginia).....	1,800	53,460
Farmers Capital Bank Corporation.....	1,785	60,690
Financial Institutions, Inc. ....	1,600	45,168
First Bancorp.....	1,924	60,433
First Busey Corporation.....	2,576	69,552
First Charter Corporation.....	8,023	156,850
First Citizens Banc Corp.....	2,100	59,325
First Citizens BancShares, Inc. (Class A).....	1,747	212,313
First Commonwealth Financial Corporation.....	16,534	235,775
First Community Bancorp..	4,800	173,472
First Community Bancshares, Inc. ....	2,794	92,649
First Essex Bancorp, Inc. ....	2,416	140,466
First Financial Bancorp.....	9,587	152,913
First Financial Bankshares, Inc. ....	3,965	165,340
First Financial Corporation.....	4,244	127,362
The First of Long Island Corporation.....	600	25,794
First M&F Corporation....	400	15,160
First Merchants Corporation.....	4,546	116,014
First National Corporation.....	2,230	66,922
First Oak Brook Bancshares, Inc. ....	1,050	31,510
First South Bancorp, Inc. ....	1,000	36,500
First State Bancorporation.....	3,300	114,675
First United Corporation.....	900	21,933
Firstbank Corporation....	2,835	88,339
Foothill Independent Bancorp.....	200	4,732

</Table>

See notes to financial statements.

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Franklin Financial Corporation.....	300	\$ 9,216
Frontier Financial Corporation.....	4,041	134,000
GB&T Bancshares, Inc. ...	400	9,452
German American Bancorp.....	1,935	33,862
Glacier Bancorp, Inc. ...	4,760	154,224
Gold Banc Corporation....	13,622	191,525
Greater Bay Bancorp.....	18,000	512,640
Greater Community Bancorp.....	205	3,479
Greene County Bancshares, Inc. ....	1,100	25,608
Hancock Holding Company.....	3,927	214,296
Hanmi Financial Corporation.....	1,500	29,655
Harleysville National Corporation.....	7,448	224,185
Heartland Financial USA, Inc. ....	3,300	61,380
+Heritage Commerce Corp. ....	5,200	63,700
Humboldt Bancorp.....	5,180	90,754
IBT Bancorp, Inc. ....	300	17,769
Independent Bank Corporation (Massachusetts).....	3,745	107,931
Independent Bank Corporation (Michigan).....	6,281	178,129
Integra Bank Corporation.....	4,874	107,115
Interchange Financial Services Corporation...	3,300	83,490
International Bancshares Corporation.....	1	47
Irwin Financial Corporation.....	6,048	189,907
LNB Bancorp, Inc. ....	400	8,120
LSB Bancshares, Inc. ....	2,700	46,980
Lakeland Bancorp, Inc. ....	3,598	57,784
Lakeland Financial Corporation.....	1,600	56,512
MASSBANK Corp. ....	1,700	72,420
MB Financial, Inc. ....	8,250	300,300
MBT Financial Corp. ....	3,377	55,754
Macatawa Bank Corporation.....	2,450	69,360
Main Street Banks, Inc. ....	3,100	82,150
MainSource Financial Group, Inc. ....	1,911	58,610
Mercantile Bank Corporation.....	2,900	105,850
Mercantile Bankshares Corporation.....	1	46

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Merchants Bancshares, Inc. ....	2,000	\$ 61,100
Mid-State Bancshares....	7,450	189,528
Midwest Banc Holdings, Inc. ....	4,280	95,230

NBC Capital Corporation..	2,029	54,113
NBT Bancorp Inc. ....	8,613	184,663
Nara Bancorp, Inc. ....	3,800	103,740
National Bankshares, Inc. ....	500	25,120
National Penn Bancshares, Inc. ....	6,130	196,896
Northern States Financial Corporation.....	100	2,890
Oak Hill Financial, Inc. ....	1,800	55,458
Old Second Bancorp, Inc. ....	1,988	98,406
Omega Financial Corporation.....	2,541	97,803
Oriental Financial Group Inc. ....	3,653	93,885
PAB Bankshares, Inc. ....	400	6,216
Pacific Capital Bancorp.....	12,733	468,829
Pacific Union Bank.....	2,100	53,613
Patriot Bank Corp. ....	4,500	128,745
Peapack-Gladstone Financial Corporation.....	2,080	64,480
PennRock Financial Services Corp. ....	1,661	51,624
Penns Woods Bancorp, Inc. ....	1,540	71,918
Peoples Bancorp Inc. ....	2,310	68,168
The Peoples Holding Company.....	2,332	76,956
PrivateBancorp, Inc. ....	2,850	129,732
Prosperity Bancshares, Inc. ....	5,600	126,112
Provident Bancshares Corporation.....	8,414	247,708
R & G Financial Corporation (Class B)..	6,741	268,292
Republic Bancorp, Inc. ....	20,390	275,061
Republic Bancorp, Inc. (Class A).....	3,409	66,612
Republic Bancshares, Inc. ....	3,034	95,480
Resource Bankshares Corporation.....	2,250	70,943
Riggs National Corporation.....	6,801	112,421
Royal Bankshares of Pennsylvania, Inc. ....	1,389	35,420
S&T Bancorp, Inc. ....	8,163	244,074
S.Y. Bancorp, Inc. ....	2,700	55,512
Sandy Spring Bancorp, Inc. ....	7,114	266,064
Santander BanCorp.....	1,458	35,502

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

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<Table>		
<Caption>		
INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Seacoast Banking Corporation of Florida.....	3,555	\$ 61,715
Second Bancorp, Incorporated.....	2,317	61,169
Security Bank Corporation.....	700	22,050
Shore Bancshares, Inc. ....	900	33,579
Sierra Bancorp.....	100	1,568

+Silicon Valley Bancshares.....	10,400	375,128
Simmons First National Corporation (Class A)..	4,200	117,180
The South Financial Group, Inc. ....	22,338	622,337
Southern Financial Bancorp, Inc. ....	2,730	117,581
Southside Bancshares, Inc. ....	3,885	71,873
Southwest Bancorp, Inc. ....	3,400	60,792
Southwest Bancorporation of Texas, Inc. ....	10,024	389,432
State Bancorp, Inc. ....	1,965	47,671
State Financial Services Corporation.....	500	13,280
Sterling Bancshares, Inc. ....	15,276	203,629
Sterling Financial Corporation.....	5,250	145,688
Suffolk Bancorp.....	3,400	117,402
Summit Bancshares, Inc. ....	2,500	69,650
Sun Bancorp, Inc. ....	1,600	30,336
+Sun Bancorp, Inc. (New Jersey).....	3,070	81,048
Susquehanna Bancshares, Inc. ....	13,904	347,739
Taylor Capital Group, Inc. ....	100	2,663
Texas Regional Bancshares, Inc. (Class A).....	8,384	310,208
Tompkins Trustco, Inc. ....	2,520	116,046
TriCo Bancshares.....	1,700	53,652
Troy Financial Corporation.....	2,845	99,575
The Trust Company of New Jersey.....	5,880	233,318
TrustCo Bank Corp. NY....	26,116	343,425
UCBH Holdings, Inc. ....	14,398	561,090
UMB Financial Corporation.....	4,976	236,559
U.S.B. Holding Co., Inc. ....	3,448	66,857
Umpqua Holdings Corporation.....	10,470	217,671
Union Bankshares Corporation.....	2,300	70,150
United Community Banks, Inc. ....	5,000	164,500
United National Bancorp..	7,691	274,799

</Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
United Security Bancshares, Inc. ....	1,000	\$ 27,090
United Security Bancshares, Inc. (California).....	100	2,728
Unizan Financial Corp. ....	6,519	132,010
+Virginia Commerce Bancorp, Inc. ....	4,400	140,932
Virginia Financial Group, Inc. ....	2,200	78,144
Washington Trust Bancorp, Inc. ....	3,800	99,560
Wayne Bancorp, Inc. ....	2,205	56,779
WesBanco, Inc. ....	6,063	167,884
West Bancorporation.....	3,500	60,550
West Coast Bancorp.....	3,400	72,556
+Western Sierra Bancorp...	1,980	93,060
Wintrust Financial Corporation.....	7,600	342,760
Yadkin Valley Bank & Trust Company.....	1,000	17,100

Yardville National Bancorp.....	3,600	92,664
		-----
		23,217,566
		-----
Beverage - Brewers (Wineries) - 0.1%		
+The Boston Beer Company, Inc. (Class A).....	2,200	39,908
+The Robert Mondavi Corporation (Class A)...	3,542	137,571
		-----
		177,479
		-----
Beverage - Soft Drinks - 0.1%		
Coca-Cola Bottling Co. Consolidated.....	687	36,748
Farmer Brothers Co. ....	171	53,224
+Green Mountain Coffee, Inc. ....	1,011	23,273
+National Beverage Corp. ....	1,895	30,889
+Peets Coffee & Tea Inc. ....	4,600	80,086
		-----
		224,220
		-----
Biotechnology - Research & Production - 2.4%		
+ARIAD Pharmaceuticals, Inc. ....	17,419	129,772
+AVANT Immunotherapeutics, Inc. ....	27,900	76,446
+AVI BioPharma, Inc. ....	8,000	32,560
+Abgenix, Inc. ....	29,000	361,340
+Aclara Biosciences Inc. ....	4,200	15,330
+Aksys, Ltd. ....	9,500	83,885
+Albany Molecular Research, Inc. ....	6,687	100,439

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Alexion Pharmaceuticals, Inc. ....	5,580	\$ 94,972
+Alteon Inc. ....	10,600	16,642
+Antigenics Inc. ....	7,113	80,519
+Aplera Corporation - Celera Genomics Group...	22,000	306,020
+Arena Pharmaceuticals, Inc. ....	5,800	35,960
+ArthroCare Corporation...	7,420	181,790
+BioReliance Corporation..	2,100	100,422
+Cell Genesys, Inc. ....	10,624	137,475
+Cell Therapeutics, Inc. ....	9,831	85,530
+CIPHERGEN Biosystems, Inc. ....	6,100	68,564
+Corixa Corporation.....	17,557	106,044
+Cubist Pharmaceuticals, Inc. ....	11,367	138,223
+CuraGen Corporation.....	12,900	94,557
+DOV Pharmaceutical, Inc. ....	4,100	55,227
+deCODE GENETICS, Inc. ...	16,800	137,592
+Digene Corporation.....	3,924	157,352
+Discovery Laboratories, Inc. ....	13,900	145,811

+Diversa Corporation.....	10,478	96,921
+Encysive Pharmaceuticals Inc. ....	19,696	176,279
+Enzon, Inc. ....	13,500	162,000
+Exact Sciences Corporation.....	6,500	65,780
+Exelixis, Inc. ....	13,418	94,999
+GTC Biotherapeutics, Inc. ....	2,500	7,975
+Gene Logic Inc. ....	9,539	49,507
+Genencor International Inc. ....	1,800	28,350
+Genta Incorporated.....	13,597	141,545
+Geron Corporation.....	16,129	160,806
+Immunomedics, Inc. ....	13,109	59,777
+Incyte Genomics, Inc. ...	22,224	152,012
+Integra LifeSciences Holdings.....	6,600	188,958
+InterMune Inc. ....	10,214	236,556
+Interpore International, Inc. ....	7,100	92,300
+Kensley Nash Corporation..	3,100	72,075
+Kosan Biosciences, Inc. ....	3,500	34,510
+Lexicon Genetics Incorporated.....	7,605	44,793
+Martek Biosciences Corporation.....	7,712	501,049
+Maxygen Inc. ....	7,001	74,421
+Myriad Genetics, Inc. ...	8,300	106,738

</Table>  
<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+NPS Pharmaceuticals, Inc. ....	10,123	\$ 311,181
+Nabi Biopharmaceuticals..	12,854	163,374
+Nuvelo, Inc. ....	17,400	60,378
+OSI Pharmaceuticals, Inc. ....	13,000	418,730
+Palatin Technologies, Inc. ....	8,500	21,250
+Peregrine Pharmaceuticals, Inc. ....	39,055	86,312
+Pharmacopeia, Inc. ....	7,885	112,046
+Progenics Pharmaceuticals, Inc. ....	6,200	116,932
+Regeneration Technologies, Inc. ....	8,200	89,872
+Repligen Corporation.....	13,300	58,121
+Savient Pharmaceuticals Inc. ....	17,667	81,445
+Seattle Genetics, Inc. ....	3,900	33,462
+Serologicals Corporation.....	8,372	155,719
+Sirna Therapeutics, Inc. ....	966	5,023
+Tanox, Inc. ....	7,845	116,498
+Telik, Inc. ....	15,532	357,391
+Third Wave Technologies..	4,600	20,930
+Transkaryotic Therapies, Inc. ....	9,740	152,041
+Trimeris, Inc. ....	3,738	78,423
+Vicuron Pharmaceuticals Inc. ....	13,806	257,482
+Zymogenetics, Inc. ....	2,600	40,300
		----- 8,026,733 -----

Building Materials - 0.5%

Ameron International Corporation.....	2,000	69,380
Building Materials Holding Corporation....	6,000	93,180
Hughes Supply, Inc. ....	9,690	480,818
LSI Industries Inc. ....	5,312	71,712

+Mestek, Inc. ....	1,000	19,260
+NCI Building Systems, Inc. ....	5,868	140,245
Noland Company.....	100	3,900
+Simpson Manufacturing Co., Inc. ....	4,166	211,883
Texas Industries, Inc. ....	6,645	245,865
+Trex Company, Inc. ....	1,709	64,908
Watsco, Inc. ....	5,265	119,673
		-----
		1,520,824
		-----

Building - Air Conditioning - 0.2%		
Lennox International Inc. ....	12,335	205,995

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
York International Corporation.....	12,038	\$ 442,998
		-----
		648,993
		-----
Building - Cement - 0.0%		
Centex Construction Products, Inc. ....	1,577	95,046
		-----
Building - Heating & Plumbing - 0.0%		
+Aaon, Inc. ....	1,700	32,997
		-----
Building - Miscellaneous - 0.1%		
+Drew Industries Incorporated.....	3,000	83,400
+Griffon Corporation.....	8,047	163,032
		-----
		246,432
		-----
Building - Roofing & Wallboard - 0.1%		
ElkCorp.....	6,351	169,572
+USG Corporation.....	11,700	193,869
		-----
		363,441
		-----
Cable Television Services - 0.2%		
+Charter Communications, Inc. (Class A).....	85,900	345,318
+Crown Media Holdings, Inc. (Class A).....	6,698	55,392
+Insight Communications Company, Inc. ....	16,500	170,115
+TiVo Inc. ....	12,894	95,416
		-----
		666,241
		-----
Casinos & Gambling - 0.6%		
+Ameristar Casinos, Inc. ....	4,100	100,327
+Argosy Gaming Company....	7,425	192,976
+Azstar Corporation.....	10,491	236,047
Boyd Gaming Corporation.....	12,315	198,764

Churchill Downs Incorporated.....	1,432	51,840
Dover Downs Gaming & Entertainment, Inc. ...	2,378	22,496
+Isle of Capri Casinos, Inc. ....	4,775	102,519
+MTR Gaming Group, Inc. ..	8,400	86,520
+Magna Entertainment Corp. (Class A).....	14,800	75,036
+Multimedia Games, Inc. ..	3,900	160,290
+Pinnacle Entertainment, Inc. ....	6,964	64,904
+Scientific Games Corporation.....	17,200	292,572
+Shuffle Master, Inc. ....	4,500	155,790
+WMS Industries Inc. ....	6,312	165,374
		-----
		1,905,455
		-----

</Table>

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Chemicals - 1.3%		
A. Schulman, Inc. ....	11,006	\$ 234,648
Aceto Corporation.....	4,300	109,822
Albemarle Corp. ....	11,400	341,658
Arch Chemicals, Inc. ....	5,556	142,567
+Cabot Microelectronics Corporation.....	6,400	313,600
Calgon Carbon Corporation.....	10,701	66,453
Cambrex Corporation.....	6,085	153,707
Crompton Corporation....	35,360	253,531
+Energy Conversion Devices, Inc. ....	4,264	38,504
+Ethyl Corporation.....	3,400	74,358
Georgia Gulf Corporation.....	7,937	229,221
Great Lakes Chemical Corporation.....	13,200	358,908
+Hercules Incorporated....	29,100	355,020
MacDermid, Inc. ....	9,267	317,302
+Medis Technologies Ltd. ....	3,541	37,889
Millennium Chemicals Inc. ....	22,840	289,611
NL Industries, Inc. ....	2,434	28,478
+OM Group, Inc. ....	10,100	264,519
Octel Corp. ....	2,000	39,380
+Omnova Solutions Inc. ...	10,195	48,936
+PolyOne Corporation.....	25,167	160,817
Quaker Chemical Corporation.....	1,800	55,350
Stepan Company.....	1,655	42,451
+Valence Technology, Inc. ....	10,700	40,125
+W.R. Grace & Co. ....	23,000	59,110
+Wilson Greatbatch Technologies, Inc. ....	5,700	240,939
		-----
		4,296,904
		-----
Coal - 0.3%		
Arch Coal, Inc. ....	17,000	529,890
Massey Energy Company....	19,300	401,440
+Westmoreland Coal Company.....	1,000	17,500
		-----
		948,830
		-----
Commercial Information Services - 0.4%		
+Arbitron Inc. ....	10,958	457,168
+Ask Jeeves, Inc. ....	12,200	221,064
+CMGI Inc. ....	152,400	271,272
+infoUSA Inc. ....	6,561	48,683
+LookSmart, Ltd. ....	35,400	54,870



+MarketWatch.com, Inc. ...	400	3,444
+Neoforma, Inc. ....	1,200	12,768
+ProQuest Company.....	6,674	196,549

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+SOURCECORP, Incorporated.....	5,853	\$ 150,012
		1,415,830

Communications Technology - 2.0%

+Aether Systems, Inc. ....	11,300	53,675
+Anaren Microwave, Inc. ....	7,022	99,151
+Anixter International Inc. ....	9,272	239,959
+Aspect Communications Corporation.....	9,500	149,720
+Avanex Corporation.....	18,178	90,708
Bel Fuse Inc. (Class B).....	2,359	76,973
Black Box Corporation....	4,588	211,369
+CSG Systems International, Inc. ....	15,400	192,346
+Catapult Communications Corporation.....	1,572	22,793
+Centillium Communications, Inc. ...	12,509	70,426
+CommScope, Inc. ....	15,288	249,653
+Comtech Telecommunications Corp. ....	5,050	145,794
+Corvis Corporation.....	118,600	201,620
+CycleLogic, Inc. ....	8	1
+Ditech Communications Corporation.....	9,400	179,540
+Echelon Corporation.....	8,713	97,063
+Enterasys Networks, Inc. ....	60,000	225,000
+Entrust Technologies Inc. ....	12,300	50,184
+Extreme Networks, Inc. ....	36,600	263,886
+Finisar Corporation.....	42,300	132,399
+Harmonic Inc. ....	23,396	169,621
+Ixia.....	6,329	74,049
+Inet Technologies, Inc. ....	2,600	31,200
+Infonet Services Corporation (Class B)...	12,600	21,420
Inter-Tel Inc. ....	6,877	171,787
+InterVoice-Brite, Inc. ....	9,500	112,765
+j2 Global Communications, Inc. ....	6,000	148,620
+KVH Industries, Inc. ....	3,700	101,639
+LTC Storage Networks, Inc. ....	1,600	0
+Net2Phone, Inc. ....	15,680	106,624
+Network Equipment Technologies, Inc. ....	5,100	56,100
+New Focus, Inc. ....	14,768	74,135
+Nuance Communications Inc. ....	4,234	32,348
+Oplink Communications, Inc. ....	30,719	73,418
+Optical Communication		

Products, Inc. .... 16,183 59,877  
 </Table>

<Table>  
 <Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Packeteer, Inc. ....	7,107	\$ 120,677
+REMEC, Inc. ....	18,040	151,716
+SeaChange International, Inc. ....	8,908	137,183
+Secure Computing Corporation.....	9,988	178,885
+Sonus Networks, Inc. ....	76,000	574,560
+Standard Microsystems Corporation.....	3,560	90,068
+Stratex Networks, Inc. ....	25,671	109,102
+Sycamore Networks, Inc. ....	66,300	347,412
TALX Corporation.....	4,620	106,399
+TIBCO Software Inc. ....	23,000	155,710
+Tekelec.....	15,700	244,135
Turnstone Systems, Inc. ....	17,886	2,057
+USinternetworking, Inc. ....	4,300	0
+Ulticom, Inc. ....	2,540	24,511
+Verso Technologies, Inc. ....	33,600	104,160
+ViaSat, Inc. ....	7,601	145,483
+WebEx Communications, Inc. ....	7,631	153,383
+Westell Technologies, Inc. ....	14,300	90,233
+Zhone Technologies, Inc. ....	19,575	96,309
		----- 6,817,846 -----

Computer Services - Software & Systems - 4.7%

+@Road, Inc. ....	7,900	105,070
+ANSYS, Inc. ....	4,916	195,165
+ActivCard Corp. ....	13,400	105,592
+Agile Software Corporation.....	13,402	132,680
+Akamai Technologies, Inc. ....	34,300	368,725
+Altiris, Inc. ....	3,200	116,736
+American Management Systems, Incorporated...	13,095	197,342
+Ansoft Corporation.....	600	7,698
+Anteon International Corporation.....	5,300	191,065
+Ariba, Inc. ....	79,500	238,500
+Ascential Software Corporation.....	20,795	539,214
+AsianInfo Holdings, Inc. ....	10,697	71,456
+Aspen Technology, Inc. ..	12,808	131,410
+Borland Software Corporation.....	21,967	213,739
+BroadVision, Inc. ....	5,700	24,282
+CACI International Inc. (Class A).....	8,716	423,772
+CIBER, Inc. ....	15,902	137,711
+Computer Horizons Corp. ....	15,300	60,129

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
 December 31, 2003

<Table>

<Caption>	SHARES	VALUE
INDUSTRY++	HELD	(IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Concord Communications, Inc. ....	6,100	\$ 121,817
+Concur Technologies, Inc. ....	7,900	76,472
+Convera Corporation.....	700	2,387
+Datastream Systems, Inc. ....	4,711	36,981
+Dendrite International, Inc. ....	13,164	206,280
+Digimarc Corporation.....	2,937	39,062
+Digital River, Inc. ....	8,300	183,430
+Digitas Inc. ....	3,407	31,753
+eCollege.com.....	6,100	112,606
+EPIQ Systems, Inc. ....	4,645	79,569
+E.piphany, Inc. ....	18,980	136,846
+Electronics for Imaging, Inc. ....	15,339	399,121
+Embarcadero Technologies, Inc. ....	5,630	89,798
+Epicor Software Corporation.....	16,300	207,988
+F5 Networks, Inc. ....	9,219	231,397
+Gartner Group, Inc. (Class A).....	24,659	278,893
+Group 1 Software, Inc. ....	1,900	33,478
+Hyperion Solutions Corporation.....	13,706	413,099
+iGATE Capital Corporation.....	4,100	32,185
+Informatica Corporation.....	19,200	197,760
+Integral Systems, Inc. ....	2,100	45,192
+Interland, Inc. ....	6,800	44,404
+Internet Security Systems, Inc. ....	11,500	216,545
+Interwoven, Inc. ....	6,925	87,532
+JDA Software Group, Inc. ....	11,708	193,299
+Kana Software, Inc. ....	4,100	13,817
+Keane, Inc. ....	15,658	229,233
+Keynote Systems, Inc. ...	4,238	50,432
+Lawson Software, Inc. ...	14,400	118,512
+Lionbridge Technologies, Inc. ....	14,400	138,384
+MAPICS, Inc. ....	3,100	40,579
+MRO Software, Inc. ....	5,030	67,704
+MSC Software Corp. ....	7,300	68,985
+Macrovision Corporation..	12,400	280,116
+Magma Design Automation, Inc. ....	8,900	207,726
+Manhattan Associates, Inc. ....	7,739	213,906
+ManTech International Corporation (Class A)...	5,800	144,710
+Manugistics Group, Inc. ....	18,800	117,500
+MatrixOne, Inc. ....	13,597	83,758
+Mentor Graphics Corporation.....	22,900	332,966

<Table>	SHARES	VALUE
<Caption>	HELD	(IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Mercury Computer Systems, Inc. ....	8,956	\$ 223,004
+Micros Systems, Inc. ....	5,899	255,781
+Micromuse, Inc. ....	17,500	120,750
+MicroStrategy Incorporated (Class A)..	3,800	199,424
+Mobius Management Systems, Inc. ....	3,600	45,540
+NYFIX, Inc. ....	8,453	67,201
+Nassda Corporation.....	2,600	18,850

+Netegrity, Inc. ....	7,855	80,985
+NetIQ Corporation.....	15,874	210,331
+NetScout Systems, Inc. ....	3,685	28,006
+OPNET Technologies, Inc. ....	4,500	74,070
+Openwave Systems Inc. ...	17,933	197,263
+Opsware, Inc. ....	13,300	98,420
+PC-Tel, Inc. ....	8,226	87,278
+PDF Solutions, Inc. ....	3,200	47,680
+PEC Solutions, Inc. ....	1,877	31,815
+PalmSource, Inc. ....	5,257	114,550
+Parametric Technology Corporation.....	67,500	265,950
+Pegasystems Inc. ....	1,400	12,068
+Pinnacle Systems, Inc. ....	20,491	174,788
Pomeroy Computer Resources, Inc. ....	4,300	63,382
+Progress Software Corporation.....	8,608	176,120
+Puma Technology, Inc. ...	9,800	39,004
+QAD Inc. ....	1,700	20,842
+Quest Software, Inc. ....	12,000	170,400
+Rainbow Technologies, Inc. ....	11,223	126,371
+Retek Inc. ....	15,800	146,624
+Roxio, Inc. ....	15,796	75,663
+SAFLINK Corporation.....	9,400	25,286
+SERENA Software, Inc. ...	7,197	132,065
+SPSS Inc. ....	2,689	48,079
+SRA International, Inc. (Class A).....	2,000	86,200
SS&C Technologies, Inc. ....	3,200	89,440
+SafeNet, Inc. ....	4,000	123,080
+Sanchez Computer Associates, Inc. ....	2,099	8,711
+Sapient Corporation.....	26,692	149,475
+ScanSoft, Inc. ....	21,995	117,013
+SeeBeyond Technology Corporation.....	14,927	64,037
+Sigma Designs, Inc. ....	10,900	82,077
+SonicWALL, Inc. ....	16,041	125,120
+Stellent, Inc. ....	2,900	28,536
+Support.com, Inc. ....	12,400	163,060
+Sybase, Inc. ....	28,400	584,472

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Sykes Enterprises, Incorporated.....	7,561	\$ 64,722
+Synplicity, Inc. ....	3,700	28,971
+Syntel, Inc. ....	883	21,819
+Systems & Computer Technology Corporation..	11,692	191,164
+Tier Technologies, Inc. (Class B).....	6,900	56,373
+Transaction Systems Architects, Inc. (Class A).....	10,585	239,539
+The TriZetto Group, Inc. ....	7,208	46,492
+Tyler Technologies, Inc. ....	10,500	101,115
+Vastera, Inc. ....	8,100	32,400
+Verint Systems Inc. ....	2,100	47,376
+Verity, Inc. ....	7,767	129,631
+Vignette Corporation.....	65,100	147,777

+Vitria Technology, Inc. ....	5,500	39,050
+WatchGuard Technologies, Inc. ....	12,162	70,783
+webMethods, Inc. ....	14,420	131,943
+Websense, Inc. ....	6,551	191,551
+Wind River Systems, Inc. ....	21,700	190,092
+Zoran Corporation.....	14,108	245,338
		-----
		15,841,455
		-----

Computer Technology - 1.6%		
+Adaptec, Inc. ....	34,500	304,635
+Advanced Digital Information Corporation.....	19,534	273,476
Analogic Corporation.....	3,272	134,152
+CompuCom Systems, Inc. ..	4,700	24,628
+Computer Network Technology Corporation..	8,554	81,605
+Concurrent Computer Corporation.....	19,579	85,560
+Constellation 3D, Inc. ....	2,000	0
+Cray, Inc. ....	20,700	205,551
+CyberGuard Corporation...	1,400	12,208
+Dot Hill Systems Corp. ....	10,600	160,590
+FalconStor Software, Inc. ....	10,209	89,227
+Fargo Electronics.....	5,000	63,600
+FileNET Corporation.....	11,882	321,765
+Gateway Inc. ....	71,600	329,360
+Hutchinson Technology Incorporated.....	8,017	246,443
+InFocus Corporation.....	14,166	137,127
+Innovex, Inc. ....	7,600	64,068
+Intergraph Corp. ....	14,596	349,136
Iomega Corporation.....	15,003	89,718
+Komag, Incorporated.....	5,800	84,854
+Lexar Media, Inc. ....	18,674	325,488
+Neoware Systems, Inc. ...	4,900	67,130
+Overland Storage, Inc. ....	3,900	73,320
+PalmOne, Inc. ....	13,094	153,855

</Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Perot Systems Corporation (Class A).....	31,000	\$ 417,880
+Quantum Corporation - DLT & Storage Systems.....	40,000	124,800
+RSA Security Inc. ....	15,600	221,520
+Radiant Systems, Inc. ...	4,457	37,483
+RadiSys Corporation.....	6,442	108,612
+Safeguard Scientifics, Inc. ....	31,347	126,642
+Silicon Graphics, Inc. ....	55,207	75,634
+SimpleTech, Inc. ....	100	601
+Stratasys, Inc. ....	3,300	89,958
+Synaptics Incorporated...	3,700	55,426
+UNOVA, Inc. ....	15,609	358,227
		-----
		5,294,279
		-----

Construction - 0.3%		
+EMCOR Group, Inc. ....	4,318	189,560
Granite Construction Incorporated.....	13,571	318,783
+Modtech Holdings, Inc. ..	1,400	11,774
+Perini Corporation.....	3,000	27,450
+Washington Group International, Inc. ....	9,100	309,127
		-----
		856,694

Consumer Electronics - 0.9%		
+Activision, Inc. ....	29,900	544,180
+Alloy, Inc. ....	14,567	75,894
+Atari, Inc. ....	4,453	18,703
+CNET Networks, Inc. ....	32,200	219,604
+eUniverse, Inc. ....	5,500	8,800
+EarthLink, Inc. ....	39,900	399,000
+FindWhat.com.....	4,900	91,875
+InfoSpace, Inc. ....	7,500	172,875
+Lifeline Systems, Inc. ....	2,200	41,800
+Midway Games Inc. ....	17,074	66,247
+NIC Inc. ....	16,100	129,283
+NetFlix Inc. ....	3,800	207,822
+Register.com, Inc. ....	5,382	28,256
+Sohu.com Inc. ....	5,900	177,059
+THQ Inc. ....	13,625	230,399
+Take-Two Interactive Software, Inc. ....	14,014	403,743
+United Online, Inc. ....	14,650	245,974
+Universal Electronics Inc. ....	4,086	52,056
		3,113,570

Consumer Products - 0.8%		
+American Greetings Corporation (Class A)...	18,400	402,408
+The Boyds Collection, Ltd. ....	5,329	22,648
+CSS Industries, Inc. ....	1,612	49,988

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Jarden Corp. ....	7,500	\$ 205,050
Matthews International Corporation (Class A) ..	8,173	241,839
The Nautilus Group, Inc. ....	8,963	125,930
Oakley, Inc. ....	13,600	188,224
+Playtex Products, Inc. ....	6,376	49,286
+RC2 Corporation.....	4,000	83,000
The Topps Company, Inc. ....	10,391	106,612
The Toro Company.....	7,598	352,547
Tupperware Corporation...	17,474	302,999
+USANA Health Sciences, Inc. ....	3,400	104,040
+The Yankee Candle Company, Inc. ....	10,983	300,165
		2,534,736

Containers & Packaging - Metal & Glass - 0.3%		
+Crown Holdings, Inc. ....	53,869	488,053
Greif Bros. Corporation (Class A).....	3,775	134,050
+Mobile Mini, Inc. ....	4,871	96,056
+Silgan Holdings Inc. ....	3,400	144,806
		862,965

Containers & Packaging - Paper & Plastic - 0.0%

Myers Industries, Inc. ....	6,020	72,962
-----		
Copper - 0.1%		
+Mueller Industries, Inc. ....	10,082	346,418
-----		
Cosmetics - 0.1%		
+Del Laboratories, Inc. ....	772	19,294
+Elizabeth Arden, Inc. ...	5,993	119,381
Inter Parfums, Inc. ....	2,000	45,180
Nu Skin Enterprises, Inc. (Class A).....	11,826	202,106
+Revlon, Inc. (Class A)...	6,560	14,694
-----		
		400,655
-----		
Diversified Financial Services - 0.1%		
+Euronet Worldwide, Inc. ....	6,300	113,400
+Rewards Network Inc. ....	8,800	93,808
+U.S.I. Holdings Corporation.....	5,000	65,250
-----		
		272,458
-----		
Diversified Materials & Processing - 0.5%		
Acuity Brands, Inc. ....	12,060	311,148
+Armor Holdings, Inc. ....	6,516	171,436
Barnes Group Inc. ....	4,657	150,468
CLARCOR Inc. ....	7,755	341,995
+Hexcel Corporation.....	6,662	49,365
Olin Corporation.....	19,014	381,421
Tredegar Corporation.....	7,745	120,280

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INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Valhi, Inc. ....	8,520	\$ 127,459
-----		
		1,653,572
-----		

Diversified Production - 0.1%		
Thomas & Betts Corporation.....	15,152	346,829
-----		

Drug & Grocery Store Chains - 0.5%		
+7-Eleven, Inc. ....	7,179	115,223
Arden Group, Inc. (Class A).....	432	33,480
Casey's General Stores, Inc. ....	14,007	247,364
+Duane Read Inc. ....	6,528	110,454
+The Great Atlantic & Pacific Tea Company, Inc. ....	5,931	49,820
Ingles Markets, Incorporated (Class A).....	4,664	47,899
Longs Drug Stores Corporation.....	10,783	266,771
Nash-Finch Company.....	4,177	93,314
+Pathmark Stores, Inc. ...	13,942	105,959
Ruddick Corporation.....	12,069	216,035
+Smart & Final Inc. ....	2,629	26,500
Weis Markets, Inc. ....	3,400	123,420
+Wild Oats Markets, Inc. ....	10,029	129,675
-----		
		1,565,914
-----		

Drugs & Pharmaceuticals - 2.7%		
+aaiPharma Inc. ....	4,400	110,528

+Able Laboratories, Inc. ....	4,400	79,508
+Adolor Corporation.....	15,300	306,306
+Alkermes, Inc. ....	19,600	264,600
Alpharma, Inc. (Class A).....	11,225	225,622
+Aphton Corporation.....	13,424	80,544
+AtheroGenics, Inc. ....	13,000	194,350
+Atrix Laboratories, Inc. ....	7,400	177,896
+Bentley Pharmaceuticals, Inc. ....	2,600	34,580
+BioMarin Pharmaceutical Inc. ....	19,648	152,645
+Biopure Corporation.....	16,372	38,965
+Bone Care International, Inc. ....	1,910	24,333
+Bradley Pharmaceuticals, Inc. ....	3,400	86,462
+CIMA Labs Inc. ....	5,272	171,973
+CV Therapeutics, Inc. ...	10,200	149,532
+Chattem, Inc. ....	5,700	102,030
+CollaGenex Pharmaceuticals, Inc. ....	3,700	41,477
+Columbia Laboratories, Inc. ....	9,104	57,355
+Connetics Corporation....	11,802	214,324

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
D & K Healthcare Resources, Inc. ....	4,100	\$ 55,596
+Dendreon Corporation.....	1,100	8,866
+Durect Corporation.....	25,900	66,822
+Enzo Biochem, Inc. ....	6,315	113,102
+Esperion Therapeutics, Inc. ....	11,517	398,603
+First Horizon Pharmaceutical Corporation.....	6,400	71,680
+Guilford Pharmaceuticals Inc. ....	10,036	68,044
+Hi-Tech Pharmacal Co., Inc. ....	2,500	58,750
+Hollis-Eden Pharmaceuticals, Inc. ....	3,000	33,030
+ILEX Oncology, Inc. ....	11,524	244,885
+ImmunoGen, Inc. ....	13,027	65,786
+Impax Laboratories, Inc. ....	9,500	136,705
+Indevus Pharmaceuticals, Inc. ....	11,888	70,020
+Inspire Pharmaceuticals, Inc. ....	8,100	114,696
+Isis Pharmaceuticals, Inc. ....	14,289	92,878
+K-V Pharmaceutical Company (Class A).....	9,600	244,800
+Kos Pharmaceuticals, Inc. ....	5,866	252,473
+La Jolla Pharmaceutical Company.....	11,900	51,051
+Lannett Company, Inc. ...	1,800	30,258
+Ligand Pharmaceuticals Incorporated (Class B)..	18,016	264,655
+MGI Pharma, Inc. ....	10,702	440,387
+Medarex, Inc. ....	23,200	144,536



+The Medicines Company....	14,227	419,127
+Nektar Therapeutics.....	13,900	189,179
+NeoPharm, Inc. ....	4,045	74,104
+Neose Technologies, Inc. ....	6,463	59,460
+Noven Pharmaceuticals, Inc. ....	7,831	119,110
+Onyx Pharmaceuticals, Inc. ....	10,000	282,300
+POZEN Inc. ....	7,800	79,560
+PRAECIS Pharmaceuticals Incorporated.....	20,017	128,909
+Pain Therapeutics, Inc. ....	4,800	33,360
+Penwest Pharmaceuticals Co. ....	6,400	110,592
Perrigo Company.....	23,015	361,796
+Priority Healthcare Corporation (Class B)...	12,200	294,142
+Quidel Corporation.....	5,600	60,592
+Regeneron Pharmaceuticals, Inc. ....	10,419	153,263

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<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Rigel Pharmaceuticals, Inc. ....	78	\$ 1,490
+SFBC International, Inc. ....	3,700	98,272
+Salix Pharmaceuticals, Ltd. ....	5,100	115,617
+SciClone Pharmaceuticals, Inc. ....	11,900	80,682
+SuperGen, Inc. ....	10,682	117,502
+Tularik Inc. ....	18,995	306,769
+United Therapeutics Corporation.....	6,746	154,821
+VIVUS, Inc. ....	7,500	28,425
+Vertex Pharmaceuticals Incorporated.....	26,800	274,164
		-----
		9,083,889
		-----

Education Services - 0.3%

+Bright Horizons Family Solutions, Inc. ....	4,602	193,284
+DigitalThink, Inc. ....	19,700	55,357
+Learning Tree International, Inc. ....	2,830	49,214
+The Princeton Review, Inc. ....	2,500	24,375
+Renaissance Learning, Inc. ....	2,349	56,564
Strayer Education, Inc. ....	3,692	401,800
+Sylvan Learning System, Inc. ....	12,028	346,286
		-----
		1,126,880
		-----

Electrical & Electronics - 0.4%

+Benchmark Electronics, Inc. ....	11,286	392,866
+InVision Technologies, Inc. ....	6,400	214,848
+OSI Systems, Inc. ....	3,200	61,472
+Pemstar Inc. ....	6,700	22,043
+Plexus Corporation.....	12,261	210,521
+Power Integrations, Inc. ....	8,032	268,751
+TTM Technologies, Inc. ..	5,300	89,464
+Universal Display Corporation.....	4,607	62,978
		-----
		1,322,943
		-----

Electrical Equipment & Components - 0.7%		
A.O. Smith Corporation...	6,981	244,684
Baldor Electric Company..	8,371	191,277
CTS Corporation.....	10,508	120,842
+Cable Design Technology..	12,884	115,827
Cohu, Inc. ....	7,818	149,715
Franklin Electric Co., Inc. ....	1,830	110,697
+General Cable Corporation.....	16,390	133,578

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+The Genlyte Group Incorporated.....	3,673	\$ 214,430
+Littelfuse Inc. ....	8,960	258,227
+MKS Instruments, Inc. ...	7,800	226,200
+Powell Industries, Inc. ....	2,031	38,894
+Power-One, Inc. ....	19,400	210,102
+Sonic Solutions.....	4,900	74,970
+Technitrol, Inc. ....	11,761	243,923
+Triumph Group, Inc. ....	4,079	148,476
		-----
		2,481,842
		-----
Electrical - Household Appliance - 0.0%		
Applica Incorporated.....	5,996	45,570
+Emerson Radio Corp. ....	2,900	10,904
National Presto Industries, Inc. ....	1,350	48,803
+REX Stores Corporation...	1,500	21,240
		-----
		126,517
		-----
Electronics - 0.8%		
+II-VI Incorporated.....	3,986	102,839
+Aeroflex Incorporated....	23,812	278,362
Agilysys, Inc. ....	9,863	109,972
+Avid Technology, Inc. ...	10,094	484,512
BEI Technologies, Inc. ....	2,532	50,640
+Daktronics, Inc. ....	5,299	133,323
+Drexler Technology Corporation.....	3,600	49,212
+EMS Technologies, Inc. ..	4,100	84,214
+FLIR Systems, Inc. ....	11,266	411,209
+Kopin Corporation.....	21,500	144,265
+MRV Communications, Inc. ....	30,279	113,849
+Manufacturers' Services Limited.....	2,400	14,592
Method Electronics.....	10,380	126,947
Park Electrochemical Corp. ....	5,349	141,695
+Read-Rite Corporation....	7,058	35
+Research Frontiers Incorporated.....	3,304	30,694
Richardson Electronics, Ltd. ....	4,400	54,076
+Semtech Corporation.....	18,000	409,140
+Supertex, Inc. ....	1,967	37,570
		-----
		2,777,146
		-----

Electronics - Instruments Gauges & Meters - 0.1%		
+Itron, Inc. ....	7,682	141,042
Keithley Instruments, Inc. ....	2,701	49,428
+Metrologic Instruments, Inc. ....	2,700	72,900

<Table>		
<Caption>		
INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Zygo Corporation.....	6,095	\$ 100,507
		-----
		363,877
		-----

Electronics - Medical Systems - 0.6%		
+Aspect Medical Systems, Inc. ....	1,100	12,551
+Bruker BioSciences Corporation.....	5,387	24,511
+CTI Molecular Imaging, Inc. ....	9,300	157,263
+Candela Corporation.....	3,600	65,448
+CardioDynamics International Corporation.....	9,632	57,503
Datascope Corp. ....	3,470	124,399
+EPIX Medical, Inc. ....	5,200	84,656
+eResearch Technology, Inc. ....	9,300	236,406
+Haemonetics Corporation..	5,472	130,726
+Hologic, Inc. ....	9,000	155,970
+I-STAT Corporation.....	3,100	47,430
+Intuitive Surgical, Inc. ....	11,681	199,628
+Luminex Corporation.....	4,451	41,750
+Possis Medical, Inc. ....	6,088	120,238
+Quality Systems, Inc. ...	1,500	66,885
+TriPath Imaging, Inc. ...	6,832	53,290
+VISX, Incorporated.....	11,486	265,901
+Zoll Medical Corporation.....	3,061	108,604
		-----
		1,953,159
		-----

Electronics - Semiconductors/Components - 2.2%		
+Actel Corp. ....	6,916	166,676
+Alliance Semiconductor Corporation.....	9,241	65,704
+Artisan Components, Inc. ....	6,600	135,300
+CEVA, Inc. ....	10,300	107,120
+ChipPAC, Inc. ....	14,151	107,406
+Cirrus Logic, Inc. ....	21,100	161,837
+Conexant Systems, Inc. ....	89,000	442,330
+DSP Group, Inc. ....	9,683	241,204
+Diodes Incorporated.....	3,150	59,850
+ESS Technology, Inc. ....	11,029	187,603
+Exar Corporation.....	14,327	244,705
+Excel Technology, Inc. ....	1,973	64,833
+Genesis Microchip Incorporated.....	11,000	198,440
+GlobespanVirata, Inc. ...	47,916	281,746
+Integrated Silicon Solution, Inc. ....	8,738	136,924
+IXYS Corporation.....	3,593	33,595
+Lattice Semiconductor Corporation.....	35,200	340,736
+Micrel, Inc. ....	16,700	260,186
+Microsemi Corporation....	9,245	227,242

See notes to financial statements.

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Mindspeed Technologies Inc. ....	27,300	\$ 187,005
+Monolithic System Technology, Inc. ....	5,300	45,315
+ON Semiconductor Corporation.....	12,100	78,045
+OmniVision Technologies, Inc. ....	7,400	408,850
+Pericom Semiconductor Corporation.....	4,993	53,225
+Pixelworks, Inc. ....	10,864	119,939
+Planar Systems Inc. ....	5,329	129,601
+RF Micro Devices, Inc. ....	60,300	606,015
+SBS Technologies, Inc. ....	4,088	60,134
+SIPEX Corporation.....	7,561	58,295
+Silicon Image, Inc. ....	21,476	155,271
+Silicon Storage Technology, Inc. ....	24,458	269,038
+Siliconix Incorporated...	1,800	82,260
+Skyworks Solutions, Inc. ....	49,833	433,547
+Superconductor Technologies Inc. ....	24,600	137,268
+Three-Five Systems, Inc. ....	5,356	28,065
+Transmeta Corporation...	32,100	109,140
+TriQuint Semiconductor, Inc. ....	41,236	291,539
+Virage Logic Corporation.....	2,700	27,459
+Vitesse Semiconductor Corporation.....	63,800	374,506
+White Electronic Designs Corporation.....	8,700	76,560
+Xicor, Inc. ....	6,634	75,230
		7,269,744

Electronics - Technology - 0.9%

+Checkpoint Systems, Inc. ....	13,923	263,284
+Coherent, Inc. ....	9,180	218,484
+Cubic Corporation.....	4,652	106,996
+DRS Technologies, Inc. ..	8,774	243,742
+EDO Corporation.....	5,626	138,681
+Gerber Scientific, Inc. ....	4,700	37,412
+Herley Industries, Inc. ....	5,100	105,570
+Identix Incorporated....	26,930	119,838
+Intermagnetics General Corporation.....	5,656	125,337
+Kemet Corp. ....	28,100	384,689
+ScanSource, Inc. ....	3,400	155,108
+Sypris Solutions, Inc. ....	600	10,086
+The Titan Corporation....	26,300	573,603
+Trimble Navigation Limited.....	10,804	402,341
		2,885,171

</Table>

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
------------	-------------	-------------------------

<S>	<C>	<C>
Energy - 0.0%		
Pacific Gulf Resources...	4,517	\$ 226
		-----
Energy Equipment - 0.0%		
+Global Power Equipment		
Group Inc. ....	8,500	56,780
+Plug Power Inc. ....	10,900	79,025
		-----
		135,805
		-----
Energy - Miscellaneous - 0.3%		
+FuelCell Energy, Inc. ...	9,726	126,438
Holly Corporation.....	2,800	77,000
+KFx Inc. ....	11,100	83,805
+Matrix Service Company...	6,600	119,790
Penn Virginia		
Corporation.....	2,279	126,826
+TETRA Technologies,		
Inc. ....	6,991	169,462
+Tesoro Petroleum		
Corporation.....	18,665	271,949
+Veritas DGC Inc. ....	7,297	76,473
		-----
		1,051,743
		-----
Engineering & Contracting Services - 0.2%		
+Dycom Industries,		
Inc. ....	14,602	391,626
+Integrated Electrical		
Services, Inc. ....	7,297	67,497
+Quanta Services, Inc. ...	20,700	151,110
+URS Corporation.....	4,877	121,974
		-----
		732,207
		-----
Entertainment - 0.4%		
+AMC Entertainment Inc. ...	9,600	146,016
+Alliance Gaming		
Corporation.....	15,600	384,540
+Boca Resorts, Inc. (Class		
A).....	6,957	104,077
+Carmike Cinemas, Inc. ...	300	10,455
Dover Motorsports,		
Inc. ....	4,340	15,190
+Gaylord Entertainment		
Company.....	4,755	141,937
+Hollywood Entertainment		
Corporation.....	18,707	257,221
+LodgeNet Entertainment		
Corporation.....	3,272	59,812
Movie Gallery, Inc. ....	7,415	138,512
Speedway Motorsports,		
Inc. ....	3,355	97,027
		-----
		1,354,787
		-----
Fertilizers - 0.1%		
IMC Global Inc. ....	38,300	380,319
		-----
Finance Companies - 0.1%		
+Accredited Home Lenders		
Holding Company.....	3,700	113,220

</Table>

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>

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INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Credit Acceptance Corporation.....	2,849	\$ 43,590
+Saxon Capital, Inc. ....	8,200	171,790
+United PanAm Financial Corp. ....	2,500	41,775
+World Acceptance Corporation.....	5,700	113,487
		-----
		483,862
		-----

Financial Data Processing Services & Systems - 0.7%		
+Advent Software, Inc. ...	10,300	179,529
+CCC Information Services Group Inc. ....	3,906	66,011
+CompuCredit Corporation..	6,189	131,702
+Digital Insight Corporation.....	10,330	257,217
+E-LOAN, Inc. ....	20,100	59,898
+eFunds Corporation.....	16,388	284,332
+eSPEED, Inc. (Class A)...	7,423	173,772
+Hypercom Corporation.....	8,000	38,080
+InteliData Technologies Corporation.....	10,400	17,160
+The InterCept Group, Inc. ....	6,743	76,128
+iPayment Holdings, Inc. ....	2,200	74,800
John H. Harland Company.....	8,582	234,289
+Kronos, Inc. ....	9,249	366,353
NDCHealth Corporation....	10,264	262,964
+National Processing, Inc. ....	1,100	25,905
+PRG-Schultz International, Inc. ....	15,013	73,564
+Portal Software, Inc. ...	6,240	41,995
+Tradestation Group Inc. ....	6,300	55,818
		-----
		2,419,517
		-----

Financial Information Services - 0.1%		
+Bankrate, Inc. ....	1,100	13,618
+HomeStore.com, Inc. ....	32,400	153,252
+S1 Corporation.....	30,022	241,677
+TheStreet.com, Inc. ....	5,700	23,484
Value Line, Inc. ....	400	19,960
		-----
		451,991
		-----

Financial Miscellaneous - 0.7%		
Advanta Corp. (Class B)..	6,400	81,408
BARRA, Inc. ....	4,559	161,799
Cash America International, Inc. ...	10,319	218,556
+DVI, Inc. ....	6,207	248
+The Enstar Group, Inc. ....	300	14,115
+Federal Agricultural Mortgage Corporation....	2,400	76,704
+Financial Federal Corporation.....	3,867	118,137

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
LandAmerica Financial Group, Inc. ....	6,599	\$ 344,864
Medallion Financial Corp. ....	1,700	16,133
+Metris Companies Inc. ...	10,300	45,732
New Century Financial Corporation.....	9,750	386,783

+Portfolio Recovery Associates, Inc. ....	4,800	127,440
Sanders Morris Harris Group Inc. ....	1,000	12,400
+Sotheby's Holdings, Inc. (Class A).....	14,336	195,830
Sterling Bancorp.....	3,010	85,785
Stewart Information Services Corporation...	6,222	252,302
+Triad Guaranty Inc. ....	2,376	119,632
+WFS Financial Inc. ....	3,347	142,114
WSFS Financial Corporation.....	2,291	102,751
		-----
		2,502,733
		-----

Foods - 0.9%

+American Italian Pasta Company (Class A).....	5,634	236,065
+Aurora Food Inc. ....	300	2
+Chiquita Brands International, Inc. ....	14,800	333,444
Flowers Foods, Inc. ....	9,956	256,865
+Hain Celestial Group, Inc. ....	8,157	189,324
+Horizon Organic Holding Corporation.....	2,800	67,060
+International Multifoods.....	8,344	150,192
Interstate Bakeries Corporation.....	13,228	188,234
+J & J Snack Foods Corp. ....	1,900	71,744
+John B. Sanfilippo & Son, Inc. ....	2,500	127,600
Lance, Inc. ....	9,900	148,797
+M&F Worldwide Corp. ....	5,300	70,808
+Maui Land & Pineapple Company, Inc. ....	1,063	36,759
+NBTY Inc. ....	16,714	448,938
Natures Sunshine Products, Inc. ....	2,700	22,815
+The Penn Traffic Company.....	300	9
Pilgrim's Pride Corporation.....	3,069	50,117
+Ralcorp Holdings, Inc. ....	8,895	278,947
Riviana Foods Inc. ....	1,787	48,946
Sanderson Farms, Inc. ...	1,600	64,480
Seaboard Corporation.....	12	3,384

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Sensient Technologies Corporation.....	14,557	\$ 287,792
		-----
		3,082,322
		-----

Forest Products - 0.5%

Deltic Timber Corporation.....	3,109	94,514
Longview Fibre Company...	15,821	195,389
+Louisiana-Pacific Corporation.....	37,109	663,509
Pope & Talbot, Inc. ....	6,844	120,523
Potlatch Corporation.....	9,497	330,211

Universal Forest Products, Inc. ....	7,734	248,880
		-----
		1,653,026
		-----

Forms & Bulk Printing Services - 0.1%		
Ennis Business Forms, Inc. ....	3,500	53,550
New England Business Services, Inc. ....	2,707	79,857
The Standard Register Company.....	3,945	66,394
		-----
		199,801
		-----

Funeral Parlors & Cemeteries - 0.1%		
+Alderwoods Group, Inc. ..	9,900	93,258
+Stewart Enterprises, Inc. (Class A).....	27,024	153,496
		-----
		246,754
		-----

Glass - 0.0%		
Apogee Enterprises, Inc. ....	8,700	98,745
		-----

Gold - 0.2%		
+Coeur d'Alene Mines Corporation.....	71,100	410,958
Royal Gold, Inc. ....	6,600	138,138
		-----
		549,096
		-----

Health Care Facilities - 0.5%		
+American Healthways, Inc. ....	9,300	221,991
+Beverly Enterprises, Inc. ....	30,826	264,795
+Genesis HealthCare Corporation.....	4,400	100,232
+Kindred Healthcare, Inc. ....	4,200	218,316
+LifePoint Hospitals, Inc. ....	12,900	379,905
+National Healthcare Corporation.....	2,000	39,800
+Specialty Laboratories, Inc. ....	1,824	30,625
+Sunrise Assisted Living, Inc. ....	6,237	241,621

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+United Surgical Partners International, Inc. ....	6,400	\$ 214,272
		-----
		1,711,557
		-----

Health Care Management Services - 1.0%		
+AMERIGROUP Corporation...	8,400	358,260
+Allscripts Healthcare Solutions, Inc. ....	7,641	40,650
+American Medical Security Group, Inc. ....	2,600	58,292
+AmSurg Corp. ....	6,400	242,496
+Centene Corporation.....	7,700	215,677
+Cerner Corporation.....	9,600	363,360
Computer Programs and Systems, Inc. ....	3,100	62,372
+CorVel Corporation.....	1,257	47,263
+Eclipsys Corporation.....	12,831	149,353
Hooper Holmes, Inc. ....	14,497	89,591
+IMPAC Medical Systems,		



Inc. ....	2,500	63,900
+MIM Corporation.....	8,500	59,755
+MedQuist Inc. ....	2,196	35,268
+Omniceil, Inc. ....	3,000	48,600
+Orthodontic Centers of America, Inc. ....	13,200	106,260
+Pediatrix Medical Group, Inc. ....	7,100	391,139
+Per-Se Technologies, Inc. ....	9,998	152,569
Select Medical Corporation.....	18,200	296,296
+Sierra Health Services, Inc. ....	6,726	184,629
+US Oncology, Inc. ....	22,623	243,423
+Vital Images, Inc. ....	3,400	60,656
+VitalWorks Inc. ....	11,800	52,156
		-----
		3,321,965
		-----

Health Care Services - 0.6%

+Accredo Health, Incorporated....	15,900	502,599
+Alliance Imaging, Inc. ....	2,400	8,880
+CHRONIMED Inc. ....	5,100	43,248
+Dynacq Healthcare, Inc. ....	1,752	13,455
+Gentiva Health Services, Inc. ....	9,590	121,218
Healthcare Services Group, Inc. ....	4,600	88,734
+IDX Systems Corporation..	5,127	137,506
+Inveresk Research Group, Inc. ....	10,700	264,611
+LabOne, Inc. ....	4,100	133,127
+Matria Healthcare, Inc. ....	3,600	76,068
+Odyssey Healthcare, Inc. ....	10,900	318,934

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
v+Province Healthcare Company.....	13,636	\$ 218,176
+VistaCare, Inc. (Class A).....	4,100	144,115
		-----
		2,070,671
		-----
Homebuilding - 0.5%		
+Beazer Homes USA, Inc. ..	4,517	441,130
+Dominion Homes, Inc. ....	1,900	57,627
M/I Schottenstein Homes, Inc. ....	4,100	160,105
+Meritage Corporation.....	2,300	152,513
+Orleans Homebuilders, Inc. ....	1,300	36,829
Standard Pacific Corp. ....	11,030	535,507
+Technical Olympic USA, Inc. ....	3,100	85,343
+William Lyon Homes, Inc. ....	1,800	112,986
		-----
		1,582,040
		-----

Hotel/Motel - 0.2%		
Choice Hotels		
International, Inc. ...	5,979	210,760
Extended Stay America,		
Inc. ....	23,200	335,936
Marcus Corporation.....	5,179	84,936
+Prime Hospitality		
Corp. ....	13,090	133,518
		-----
		765,150
		-----

Household Furnishings - 0.3%		
American Woodmark		
Corporation.....	1,600	88,080
Bassett Furniture		
Industries, Incorporated..	2,400	39,600
+The Bombay Company,		
Inc. ....	10,300	83,842
+Department 56, Inc. ....	2,300	30,130
Haverty Furniture		
Companies, Inc. ....	4,736	94,057
Hooker Furniture		
Corporation.....	300	12,240
+Kirkland's, Inc. ....	2,300	40,618
Libbey, Inc. ....	4,588	130,666
Oneida Ltd. ....	8,300	48,887
+Select Comfort		
Corporation.....	7,500	185,700
Stanley Furniture		
Company, Inc. ....	3,200	100,800
		-----
		854,620
		-----

Identification Control & Filter Devices - 0.9%		
+Advanced Energy		
Industries, Inc. ....	6,112	159,218
+Artesyn Technologies,		
Inc. ....	11,367	96,847

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Asyst Technologies,		
Inc. ....	16,141	\$ 280,046
C&D Technologies, Inc. ..	6,394	122,573
+CUNO Incorporated.....	4,631	208,534
+ESCO Technologies Inc. ..	4,566	199,306
+Flowserve Corporation....	15,100	315,288
The Gorman-Rupp		
Company.....	1,400	36,960
IDEX Corporation.....	9,681	402,633
Mine Safety Appliances		
Company.....	1,842	146,457
+Paxar Corporation.....	11,182	149,839
Robbins & Myers, Inc. ...	3,212	60,996
Roper Industries,		
Inc. ....	8,621	424,670
+Veeco Instruments		
Inc. ....	8,127	229,181
+Vicor Corporation.....	5,796	66,132
Watts Industries, Inc.		
(Class A).....	4,336	96,259
X-Rite, Incorporated.....	6,117	69,244
		-----
		3,064,183
		-----

Insurance - Life - 0.5%		
AmerUs Group Co. ....	13,500	472,095
+Citizens, Inc. ....	6,586	62,105
Delphi Financial Group,		
Inc. (Class A).....	7,170	258,120
Financial Industries		
Corporation.....	3,800	53,580
Great American Financial		
Resources, Inc. ....	4,480	72,666
Kansas City Life		
Insurance Company.....	1,142	54,234

+National Western Life Insurance Company (Class A).....	662	102,511
The Phoenix Companies, Inc. ....	32,400	390,096
Presidential Life Corporation.....	7,293	95,976
+Universal American Financial Corp. ....	10,100	100,091
		-----
		1,661,474
		-----

Insurance - Multiline - 0.5%		
Alfa Corporation.....	10,240	131,686
+Allmerica Financial Corporation.....	16,000	492,320
+CNA Surety Corporation... Crawford & Company (Class B).....	3,086	29,348
EMC Insurance Group, Inc. ....	6,309	44,542
FBL Financial Group, Inc. (Class A).....	100	2,114
+HealthExtras, Inc. ....	2,425	62,565
	4,400	58,960

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Hilb, Rogal and Hamilton Company.....	9,206	\$ 295,236
Horace Mann Educators Corporation.....	17,868	249,616
Independence Holding Company.....	1,000	23,750
+PICO Holdings, Inc. ....	3,297	51,664
Penn-America Group, Inc. ....	4,700	62,369
+UICI.....	11,339	150,582
Zenith National Insurance Corp. ....	4,437	144,424
		-----
		1,799,176
		-----

Insurance - Property Casualty - 0.9%		
21st Century Insurance Group.....	7,200	99,000
+American Physicians Capital, Inc. ....	4,471	82,266
+Argonaut Group, Inc. ....	11,666	181,290
Baldwin & Lyons, Inc. (Class B).....	2,432	68,242
The Commerce Group, Inc. ....	6,845	270,377
Donegal Group Inc. (Class A).....	4,500	99,090
Fremont General Corporation.....	20,961	354,451
Harleysville Group Inc. ....	9,462	188,199
Infinity Property & Casualty Corporation...	4,900	161,945
The Midland Company.....	1,858	43,886
NYMAGIC, Inc. ....	1,400	38,388
+The Navigators Group, Inc. ....	1,100	33,957
+Ohio Casualty Corporation.....	19,815	343,988
PMA Capital Corporation		

(Class A).....	13,606	69,663
+Philadelphia Consolidated Holding Corp. ....	4,956	242,001
+ProAssurance Corporation.....	7,123	229,004
RLI Corp. ....	4,954	185,577
Safety Insurance Group, Inc. ....	1,300	22,243
Selective Insurance Group, Inc. ....	9,711	314,248
State Auto Financial Corporation.....	2,812	65,773
United Fire & Casualty Company.....	1,500	60,540
		-----
		3,154,128
		-----

</Table>

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Investment Management Companies - 0.3%		
+Affiliated Managers Group, Inc. ....	7,700	\$ 535,843
Gabelli Asset Management Inc. (Class A).....	2,796	111,281
Gladstone Capital Corporation.....	5,100	113,985
MCG Capital Corporation..	7,300	142,350
		-----
		903,459
		-----
Jewelry - Watches & Gemstones - 0.1%		
+Fossil, Inc. ....	7,655	214,417
Friedman's Inc. (Class A).....	9,800	65,758
Movado Group, Inc. ....	1,800	50,814
		-----
		330,989
		-----
Leisure Time - 0.5%		
Action Performance Companies, Inc. ....	6,000	117,600
+Bally Total Fitness Holding Corporation....	9,341	65,387
Callaway Golf Company....	19,400	326,890
+K2 Inc. ....	8,300	126,243
+Penn National Gaming, Inc. ....	12,278	283,376
+SCP Pool Corporation....	10,409	340,166
+Six Flags, Inc. ....	28,500	214,320
+Steinway Musical Instruments, Inc. ....	2,600	64,220
Sturm, Ruger & Company, Inc. ....	6,578	74,792
+Vail Resorts, Inc. ....	7,656	130,152
+West Marine, Inc. ....	2,900	80,649
		-----
		1,823,795
		-----
Machine Tools - 0.1%		
Lincoln Electric Holdings, Inc. ....	9,392	232,358
		-----
Machinery & Engineering - 0.0%		
Applied Industrial Technologies, Inc. ....	6,707	160,029
		-----
Machinery - Agricultural - 0.0%		
Alamo Group Inc. ....	500	7,630
Lindsay Manufacturing Co. ....	3,613	91,228
		-----
		98,858

Machinery - Construction & Handling - 0.3%		
+Astec Industries, Inc. ....	4,717	57,878
The Manitowoc Co., Inc. ....	9,511	296,743
NACCO Industries, Inc. (Class A).....	1,387	124,109

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Stewart & Stevenson Services, Inc. ....	9,424	\$ 132,407
+Terex Corporation.....	13,343	380,009
		-----
		991,146
		-----
Machinery - Engines - 0.1%		
Briggs & Stratton Corporation.....	7,459	502,737
		-----
Machinery - Industrial/Specialty - 0.8%		
+Actuant Corporation (Class A).....	7,800	282,360
+EnPro Industries, Inc. ....	4,300	59,985
+Gardner Denver Inc. ....	8,957	213,804
Joy Global Inc. ....	16,900	441,935
+Kadant Inc. ....	2,770	59,970
Kennametal Inc. ....	11,503	457,244
Milacron Inc. ....	10,672	44,502
Nordson Corporation.....	9,210	318,021
Tecumseh Products Company (Class A).....	5,928	287,093
Tennant Company.....	2,637	114,182
Thomas Industries Inc. ....	2,999	103,945
Woodward Governor Company.....	2,793	158,726
		-----
		2,541,767
		-----
Machinery - Oil Well Equipment & Service - 0.7%		
CARBO Ceramics Inc. ....	4,068	208,485
+Cal Dive International, Inc. ....	12,837	309,500
+Dril-Quip, Inc. ....	1,688	27,514
+Global Industries, Ltd. ....	24,300	125,145
+Gulf Island Fabrication, Inc. ....	4,217	71,816
+Hanover Compressor Company.....	14,300	159,445
+Horizon Offshore, Inc. ....	10,685	47,014
+Hydril Company.....	4,300	102,899
+Input/Output, Inc. ....	13,646	61,543
Lufkin Industries, Inc. ....	2,600	74,854
+Newpark Resources, Inc. ....	22,420	107,392
+Oceaneering International, Inc. ....	7,004	196,112
+Oil States International, Inc. ....	5,700	79,458
+Parker Drilling Company..	29,181	74,412

RPC, Inc. ....	3,200	35,168
+SEACOR SMIT Inc. ....	5,208	218,892
+Superior Energy Services, Inc. ....	12,305	115,667

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Universal Compression Holdings, Inc. ....	4,726	\$ 123,632
+W-H Energy Services, Inc. ....	10,457	169,403
		-----
		2,308,351
		-----

Machinery - Specialty - 0.3%

+Applied Films Corporation.....	4,200	138,684
Cascade Corporation.....	1,900	42,370
Engineered Support Systems, Inc. ....	6,225	342,748
Helix Technology Corporation.....	9,461	194,707
JLG Industries, Inc. ....	12,498	190,345
+Semitool, Inc. ....	3,441	36,891
		-----
		945,745
		-----

Manufactured Housing - 0.1%

+Champion Enterprises, Inc. ....	16,227	113,589
+Palm Harbor Homes, Inc. ....	4,105	73,356
Skyline Corporation.....	1,501	52,340
		-----
		239,285
		-----

Manufacturing - 0.2%

Federal Signal Corporation.....	17,359	304,130
+Rayovac Corporation.....	12,064	252,741
Standex International Corporation.....	3,331	93,268
		-----
		650,139
		-----

Medical & Dental Instruments & Supplies - 3.3%

+ALARIS Medical, Inc. ....	4,000	60,840
+Advanced Medical Optics, Inc. ....	8,200	161,130
+Advanced Neuromodulation Systems, Inc. ....	7,550	347,149
+Align Technology, Inc. ....	13,300	219,716
+American Medical Systems Holdings, Inc. ....	6,500	141,700
Arrow International, Inc. ....	6,008	150,080
+BioLase Technology, Inc. ....	6,600	109,560
+Biosite Diagnostics Incorporated.....	4,049	117,219
+CONMED Corporation.....	12,028	286,266
+Cantel Medical Corp. ....	900	14,571
+Cardiac Science, Inc. ...	16,200	64,638
+Cepheid, Inc. ....	10,900	104,422
+Cerus Corporation.....	5,825	26,445
+Cholestech Corporation...	2,900	22,127
+Closure Medical Corporation.....	2,713	92,052

</Table>

See notes to financial statements.

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Conceptus, Inc. ....	6,800	\$ 72,216
+Cooper Companies, Inc. ..	9,384	442,268
+CryoLife, Inc. ....	6,028	34,842
+Cyberonics, Inc. ....	7,069	226,279
+Cytoc Corporation.....	37,600	517,376
+DJ Orthopedics Incorporated.....	1,500	40,200
+Dade Behring Holdings Inc. ....	14,700	525,378
Diagnostic Products Corporation.....	6,400	293,824
+Exactech, Inc. ....	1,500	22,125
+Gen-Probe Incorporated...	16,900	616,343
+ICU Medical, Inc. ....	4,150	142,262
+IGEN International, Inc. ....	6,176	363,828
+INAMED Corporation.....	9,040	434,462
+Immucor, Inc. ....	6,750	137,632
Invacare Corp. ....	8,122	327,885
+Inverness Medical Innovations, Inc. ....	3,740	81,457
+Kyphon Inc. ....	5,500	136,565
Landauer, Inc. ....	1,978	80,663
+Laserscope.....	5,000	77,950
+Medical Action Industries Inc. ....	3,600	67,356
Mentor Corporation.....	14,144	340,305
Meridian Bioscience, Inc. ....	4,600	47,978
+Merit Medical Systems, Inc. ....	8,310	184,981
+Molecular Devices Corporation.....	4,437	84,259
+Novoste Corporation.....	3,000	14,370
+Ocular Sciences, Inc. ...	5,914	169,791
+OraSure Technologies, Inc. ....	9,459	75,294
+OrthoLogic Corp. ....	13,600	83,368
+Osteotech, Inc. ....	7,000	61,600
Owens & Minor, Inc. ....	11,998	262,876
+PSS World Medical, Inc. ....	25,973	313,494
PolyMedica Corporation...	5,114	134,549
+Retractable Technologies, Inc. ....	500	3,010
+STAAR Surgical Company...	7,500	84,450
+Sola International Inc. ....	12,700	238,760
+SonoSite, Inc. ....	4,915	105,378
+SurModics, Inc. ....	5,363	128,176
+Sybron Dental Specialties, Inc. ....	15,500	435,550
+Synovis Life Technologies, Inc. ....	4,000	81,360
+Techne Corporation.....	12,829	484,680
+Theragenics Corporation..	6,932	37,918
+Therasense, Inc. ....	7,200	146,160
+Thoratec Laboratories Corporation.....	14,847	193,159

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INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Ventana Medical Systems, Inc. ....	3,080	\$ 121,352
+Viasys Healthcare Inc. ....	8,500	175,100
Vital Signs, Inc. ....	2,424	79,265

West Pharmaceutical Services, Inc. ....	3,638	123,328
+Wright Medical Group, Inc. ....	5,000	152,200
Young Innovations, Inc. ....	600	21,600
		-----
		10,943,137
		-----

Medical Services - 0.4%		
+Covance Inc. ....	19,291	516,999
+Curative Health Services, Inc. ....	5,100	70,380
+Deltagen, Inc. ....	100	2
+Hanger Orthopedic Group, Inc. ....	4,800	74,736
+Option Care, Inc. ....	5,181	55,333
+PAREXEL International Corporation.....	8,097	131,657
+RehabCare Group, Inc. ...	5,795	123,202
+U.S. Physical Therapy, Inc. ....	3,750	58,988
+VCA Antech, Inc. ....	8,800	272,624
		-----
		1,303,921
		-----

Metal Fabricating - 0.6%		
CIRCOR International, Inc. ....	2,400	57,840
Commercial Metals Company.....	7,778	236,451
+Encore Wire Corporation..	2,600	46,046
Kaydon Corp. ....	9,226	238,400
+Lone Star Technology.....	7,958	127,169
Material Sciences Corporation.....	4,000	40,440
+Maverick Tube Corporation.....	12,363	237,988
NN, Inc. ....	5,065	63,768
+NS Group, Inc. ....	4,055	39,334
Penn Engineering & Manufacturing Corp. ...	2,456	46,738
Precision Castparts Corp. ....	15	681
Quanex Corporation.....	5,005	230,731
+RTI International Metals, Inc. ....	4,813	81,195
Reliance Steel & Aluminum Co. ....	7,047	234,031
Ryerson Tull, Inc. ....	5,093	58,315
+The Shaw Group Inc. ....	17,500	238,350
Valmont Industries, Inc. ....	3,658	84,683
		-----
		2,062,160
		-----

</Table>

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Metals & Minerals - Miscellaneous - 0.5%		
AMCOL International Corporation.....	7,673	\$ 155,762
+Brush Engineered Materials Inc. ....	5,711	87,435
+Cleveland-Cliffs Inc. ...	3,659	186,426
+GrafTech International Ltd. ....	25,644	346,194



+Hecla Mining Company.....	37,300	309,217
+Liquidmetal Technologies.....	13,600	38,624
Minerals Technologies, Inc. ....	6,853	406,040
+Stillwater Mining Company.....	9,864	94,398
+SureBeam Corporation (Class A).....	19,886	4,773
		-----
		1,628,869
		-----

Milling - Fruit & Grain Processing - 0.1% Corn Products International, Inc. ...	11,289	388,906
		-----

Miscellaneous Health Care - 0.1% +NeighborCare, Inc. ....	8,800	173,800
		-----

Miscellaneous Materials & Commodities - 0.2% +Ceradyne, Inc. ....	2,900	98,774
+Lydall, Inc. ....	3,000	30,570
+Symyx Technologies.....	7,279	149,583
USEC Inc. ....	37,759	317,176
WD-40 Company.....	5,689	201,163
		-----
		797,266
		-----

Miscellaneous Materials & Processing - 0.1% +Insituform Technologies, Inc. (Class A).....	8,738	144,177
+Rogers Corporation.....	4,555	200,967
		-----
		345,144
		-----

Multi-Sector Companies - 0.4% +FMC Corporation.....	10,300	351,539
GenCorp Inc. ....	9,771	105,234
+Jacuzzi Brands, Inc. ....	24,450	173,351
Kaman Corp. (Class A).....	6,794	86,488
Raven Industries, Inc. ....	2,900	85,550
+Sequa Corporation (Class A).....	1,165	57,085
Trinity Industries, Inc. ....	11,050	340,782
United Capital Corp. ....	1,800	37,296
Walter Industries, Inc. ....	7,402	98,817
		-----
		1,336,142
		-----

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INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>

Office Furniture & Business Equipment - 0.1% +General Binding Corporation.....	900	\$ 16,200
+Imagistics International Inc. ....	4,924	184,650
Kimball International (Class B).....	7,974	123,996
+Presstek, Inc. ....	11,340	82,442
		-----
		407,288
		-----

Offshore Drilling - 0.0% +Atwood Oceanics, Inc. ...	3,827	122,234
		-----

Oil - Crude Producers - 2.0%  
Berry Petroleum Company

(Class A).....	3,701	74,945
Cabot Oil & Gas Corporation (Class A) ..	7,974	234,037
+Cimarex Energy Co. ....	13,100	349,639
+Clayton Williams Energy, Inc. ....	1,900	55,233
+Comstock Resources, Inc. ....	10,057	194,100
+Denbury Resources Inc. ..	13,470	187,368
+Encore Acquisition Company.....	4,400	108,460
+Energy Partners, Ltd. ...	9,300	129,270
+Evergreen Resources, Inc. ....	11,392	370,354
+Forest Oil Corporation... Frontier Oil Corporation.....	13,200	377,124
	8,715	150,072
+Grey Wolf, Inc. ....	62,943	235,407
+Harvest Natural Resources, Inc. ....	15,000	149,250
+The Houston Exploration Company.....	3,383	123,547
+Magnum Hunter Resources, Inc. ....	20,772	197,542
+McMoRan Exploration Co. ....	5,000	93,750
+The Meridian Resource Corporation.....	13,311	79,067
+Nuevo Energy Company.... Patina Oil & Gas Corporation.....	6,411	154,954
	10,357	507,389
+Petroleum Development Corporation.....	7,000	165,900
+Plains Exploration & Production Company.....	10,687	164,473
+Plains Resources Inc. ...	8,450	135,623
+Prima Energy Corporation.....	2,843	99,960
+Quicksilver Resources Inc. ....	6,010	194,123
Range Resources Corporation.....	20,637	195,020

</Table>

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Remington Oil & Gas Corporation.....	6,920	\$ 136,255
Resource America, Inc. (Class A).....	4,349	65,235
St. Mary Land & Exploration Company....	8,926	254,391
+Spinnaker Exploration Company.....	11,387	367,458
+Stone Energy Corporation.....	8,178	347,156
+Swift Energy Company....	8,117	136,771
+Tom Brown, Inc. ....	12,915	416,509
+Unit Corporation.....	11,408	268,658
Vintage Petroleum, Inc. ....	15,183	182,651
		6,901,691
Oil - Integrated Domestic - 0.0%		
+KCS Energy, Inc. ....	9,200	97,060
Oil - Integrated International - 0.0%		
+PetroCorp Incorporated...	500	6,730

Paints & Coatings - 0.2%		
Ferro Corporation.....	12,776	347,635
H.B. Fuller Company.....	8,940	265,876
+Kronos Worldwide, Inc. ..	1,217	27,017
		640,528
Paper - 0.3%		
Albany International Corp. (Class A).....	7,326	248,351
+Buckeye Technologies Inc. ....	6,998	70,330
+Caraustar Industries, Inc. ....	10,974	151,441
Chesapeake Corporation...	4,192	111,004
P.H. Glatfelter Company..	7,801	97,122
Rock-Tenn Company (Class A).....	5,880	101,489
Wausau-Mosinee Paper Corporation.....	11,442	154,696
		934,433
Photography - 0.0%		
CPI Corp. ....	3,698	74,737
+Concord Camera Corp. ....	9,274	85,785
		160,521
Plastics - 0.1%		
Brady Corporation.....	5,247	213,815
Spartech Corporation.....	5,854	144,243
		358,058
Pollution Control & Environmental Services - 0.2%		
BHA Group Holdings, Inc. ....	2,100	52,815
+Darling International Inc. ....	13,600	37,536
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INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Duratek, Inc. ....	300	\$ 3,912
+Gundle/SLT Environmental, Inc. ....	1,000	20,760
+Headwaters Incorporated..	9,546	187,293
+Ionics, Inc. ....	6,567	209,159
+TRC Companies, Inc. ....	2,500	52,650
		564,125
Power Transmission Equipment - 0.1%		
Regal-Beloit Corporation.....	7,251	159,522
Woodhead Industries, Inc. ....	2,611	44,126
		203,648
Printing & Copying Services - 0.1%		
Bowne & Co., Inc. ....	10,482	142,136
+Mail-Well, Inc. ....	8,960	41,306
Schawk, Inc. ....	2,300	31,349
		214,791
Production Technology Equipment - 1.6%		
+ATMI, Inc. ....	11,357	262,801
+Axcelis Technologies,		

Inc. ....	37,900	387,338
+Brooks Automation, Inc. ....	11,188	270,414
Cognex Corporation.....	10,656	300,925
+Credence Systems Corporation.....	19,168	252,251
+Cymer, Inc. ....	11,700	540,423
+Dionex Corporation.....	5,531	254,537
+DuPont Photomasks, Inc. ....	4,808	116,065
+Electro Scientific Industries, Inc. ....	8,761	208,512
+Entegris Inc. ....	14,900	191,465
+Esterline Technologies Corporation.....	5,290	141,084
+FEI Company.....	8,655	194,737
+Kulicke and Soffa Industries.....	17,156	246,703
+LTX Corporation.....	17,203	258,561
MTS Systems Corporation..	7,500	144,225
+Mattson Technology, Inc. ....	7,899	96,526
+Mykrolis Corporation.....	11,000	176,880
+Photon Dynamics, Inc. ...	5,062	203,695
+Photronics, Inc. ....	8,979	178,862
+Rofin-Sinar Technologies, Inc. ....	4,300	148,608
+Rudolph Technologies, Inc. ....	4,173	102,405
+Ultratech Stepper, Inc. ....	7,290	214,107
+Varian Semiconductor Equipment Associates, Inc. ....	8,942	390,676
		-----
		5,281,800
		-----

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See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

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INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Publishing - Miscellaneous - 0.3%		
Advanced Marketing Services, Inc. ....	4,381	\$ 49,943
Banta Corporation.....	8,394	339,957
+Cross Media Marketing Corporation.....	1,000	1
+Consolidated Graphics, Inc. ....	2,600	82,108
Courier Corporation.....	1,200	46,165
+Information Holdings Inc. ....	4,818	106,478
+Martha Stewart Living Omnimedia, Inc. (Class A).....	5,182	51,043
Thomas Nelson, Inc. ....	4,300	83,119
+PRIMEDIA Inc. ....	40,200	113,766
+Playboy Enterprises, Inc. ....	3,707	59,905
		-----
		932,485
		-----
Publishing - Newspapers - 0.2%		
Hollinger International Inc. ....	19,729	308,167
+Journal Register Co. ....	9,233	191,123
Pulitzer Inc. ....	1,855	100,170
		-----
		599,460

Radio & TV Broadcasters - 0.6%		
+Acme Communications, Inc. ....	1,200	10,548
+Beasley Broadcast Group, Inc. (Class A).....	2,733	44,903
+Cumulus Media Inc. (Class A).....	15,300	336,600
+Digital Generation Systems, Inc. ....	3,600	8,064
+Emmis Communications Corporation (Class A)...	14,000	378,700
+Fisher Communications, Inc. ....	1,100	56,100
Gray Television, Inc. ...	10,300	155,736
The Liberty Corporation.....	4,554	205,795
+Lin TV Corp. (Class A)....	7,200	185,832
+Paxson Communications Corporation.....	9,368	36,067
+Pegasus Communications Corporation.....	1,300	36,504
+Regent Communications, Inc. ....	7,771	49,346
+Saga Communications, Inc. (Class A).....	8,033	148,851
+Salem Communications Corporation (Class A)...	2,683	72,763
+Sinclair Broadcast Group, Inc. (Class A).....	12,464	185,963
+Spanish Broadcasting System, Inc. (Class A).....	11,184	117,432

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INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Shop At Home, Inc. ....	6,300	\$ 24,696
World Wrestling Federation Entertainment, Inc. ...	2,568	33,641
+Young Broadcasting Inc. (Class A).....	4,408	88,336
		-----
		2,175,877
		-----

Railroad Equipment - 0.1%		
+The Greenbrier Companies, Inc. ....	500	8,375
Wabtec Corporation.....	12,139	206,849
		-----
		215,224
		-----

Railroads - 0.2%		
Florida East Coast Industries, Inc. ....	5,181	171,491
+Genesee & Wyoming Inc. (Class A).....	2,600	81,900
+Kansas City Southern Industries, Inc. ....	19,476	278,896
+RailAmerica, Inc. ....	7,802	92,064
		-----
		624,351
		-----

Real Estate - 0.2%		
Brookfield Homes Corporation.....	2,800	72,156
Consolidated-Tomoka Land Co. ....	2,100	68,670
+Jones Lang Lasalle Inc. ....	9,608	199,174
+Reading International, Inc. (Class A).....	900	5,328
+Tarragon Realty Investors Inc. ....	200	3,302
+Tejon Ranch Co. ....	1,315	53,928

+Trammell Crow Company....	7,178	95,109
+WCI Communities, Inc. ...	5,800	119,538
		-----
		617,205
		-----

Real Estate Investment Trusts - 5.1%		
Acadia Realty Trust.....	6,601	82,512
+Alexander's, Inc. ....	367	45,750
Alexandria Real Estate Equities, Inc. ....	6,656	385,382
American Home Mortgage Investment Corp. ....	7,597	171,008
American Land Lease, Inc. ....	2,800	55,860
American Mortgage Acceptance Company....	3,600	58,680
Amlri Residential Properties Trust.....	6,440	172,592
Anthracite Capital, Inc. ....	14,600	161,622
Anworth Mortgage Asset Corporation.....	14,200	197,806

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Associated Estates Realty Corporation.....	9,800	\$ 71,638
+Avatar Holdings Inc. ....	1,300	48,022
Bedford Property Investors, Inc. ....	6,599	188,929
Boykin Lodging Company...	7,832	71,663
Brandywine Realty Trust..	11,247	301,082
+CRIIMI MAE, Inc. ....	4,900	51,107
+Capital Automotive.....	8,950	286,400
Capstead Mortgage Corporation.....	5,400	90,612
Colonial Properties Trust.....	5,406	214,078
Commercial Net Lease Realty.....	11,575	206,035
Cornerstone Realty Income Trust, Inc. ....	16,903	148,070
Corporate Office Properties Trust.....	8,600	180,600
Correctional Properties Trust.....	3,300	95,040
EastGroup Properties, Inc. ....	8,327	269,628
Entertainment Properties Trust.....	5,580	193,682
Equity Inns Inc. ....	12,740	115,297
Equity One, Inc. ....	7,400	124,912
Essex Property Trust, Inc. ....	6,395	410,687
FelCor Lodging Trust Inc. ....	16,970	188,028
First Industrial Realty Trust, Inc. ....	13,700	462,375
Gables Residential Trust.....	9,282	322,457
Getty Realty Corporation.....	5,400	141,210
Glenborough Realty Trust Incorporated.....	7,239	144,418
Glimcher Realty Trust....	9,856	220,577
Great Lakes REIT, Inc. ....	8,427	132,304
Health Care REIT,		

Inc. ....	16,869	607,284
Heritage Property Investment Trust.....	4,600	130,870
Highwoods Properties, Inc. ....	16,000	406,400
Home Properties of New York, Inc. ....	12,120	489,527
Impac Mortgage Holdings, Inc. ....	15,500	282,255
Innkeepers USA Trust.....	7,692	64,382
Investors Real Estate Trust.....	8,400	83,160
Keystone Property Trust.....	10,004	220,988
Kilroy Realty Corporation.....	7,278	238,355
Koger Equity, Inc. ....	5,948	124,492
Kramont Realty Trust.....	5,300	95,930
LTC Properties.....	3,700	54,538
+La Quinta Corporation....	38,800	248,708

</Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
LaSalle Hotel Properties.....	9,820	\$ 182,161
Lexington Corporate Properties Trust.....	15,342	309,755
MFA Mortgage Investments, Inc. ....	16,000	156,000
Manufactured Home Communities, Inc. ....	5,294	199,319
+Meristar Hospitality Corp. ....	15,258	99,330
Mid-America Apartment Communities, Inc. ....	4,229	142,010
Mission West Properties Inc. ....	4,200	54,390
National Health Investors, Inc. ....	8,429	209,714
National Health Realty, Inc. ....	1,800	35,460
Nationwide Health Properties, Inc. ....	20,659	403,883
Newcastle Investment Corporation.....	7,300	197,830
Novastar Financial, Inc. ....	8,600	369,456
OMEGA Healthcare Investors, Inc. ....	2,200	20,526
PS Business Parks, Inc. ....	3,208	132,362
Parkway Properties, Inc. ....	5,304	220,646
Pennsylvania Real Estate Investment Trust.....	10,232	371,422
Post Properties, Inc. ...	11,186	312,313
Prentiss Properties Trust.....	9,950	328,251
+Price Legacy Corporation.....	6,100	23,241
RAIT Investment Trust....	9,300	238,080
Ramco-Gershenson Properties Trust.....	4,700	133,010
Reckson Associates Realty Corporation.....	17,600	427,680
Redwood Trust, Inc. ....	4,595	233,656
SL Green Realty Corp. ...	13,632	559,594
Saul Centers, Inc. ....	2,422	69,439
Senior Housing Properties Trust.....	12,814	220,785
Sizeler Property Investors, Inc. ....	5,600	59,976
Sovran Self Storage, Inc. ....	3,904	145,034
Summit Properties Inc. ....	7,719	185,410
Sun Communities, Inc. ...	5,243	202,904
Tanger Factory Outlet Centers, Inc. ....	1,861	75,743

Taubman Centers, Inc. ...	12,708	261,785
Town & Country Trust.....	4,063	102,997
U.S. Restaurant Properties, Inc. ....	9,200	156,768
United Mobile Homes, Inc. ....	300	5,103
Universal Health Realty Income Trust.....	2,427	73,053

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Urstadt Biddle Properties (Class A).....	5,500	\$ 77,825
Ventas, Inc. ....	23,405	514,910
Washington Real Estate Investment Trust.....	11,565	337,698
Winston Hotels, Inc. ....	5,455	55,641
		-----
		16,962,112
		-----
Recreational Vehicles & Boats - 0.3%		
Arctic Cat Inc. ....	5,643	139,382
Coachmen Industries, Inc. ....	3,107	56,268
+Fleetwood Enterprises, Inc. ....	11,699	120,032
Marine Products Corp. ...	500	9,400
+Monaco Coach Corporation.....	7,924	188,591
Thor Industries, Inc. ...	5,442	305,949
Winnebago Industries, Inc. ....	3,595	247,156
		-----
		1,066,778
		-----
Rental & Leasing Services - Commercial - 0.3%		
+Electro Rent Corporation.....	3,353	44,729
GATX Corporation.....	16,600	464,468
McGrath Rentcorp.....	2,105	57,361
+United Rentals, Inc. ....	20,300	390,978
		-----
		957,536
		-----
Rental & Leasing Services - Consumer - 0.1%		
Aaron Rents, Inc. ....	7,462	150,210
+Dollar Thrifty Automotive Group, Inc. ....	7,195	186,638
+Rent-Way, Inc. ....	12,478	102,195
+WESCO International, Inc. ....	4,258	37,683
		-----
		476,726
		-----
Restaurants - 1.2%		
Bob Evans Farms, Inc. ...	11,080	359,657
+CEC Entertainment Inc. ..	6,900	326,991
+CKE Restaurants, Inc. ...	12,900	82,431
+California Pizza Kitchen, Inc. ....	7,000	140,910
+Chicago Pizza & Brewery, Inc. ....	4,200	62,664
+Dave & Buster's, Inc. ...	2,000	25,360
IHOP Corp. ....	5,348	205,791
+Jack in the Box Inc. ....	9,518	203,304



Landry's Restaurants, Inc. ....	6,696	172,221
Lone Star Steakhouse & Saloon, Inc. ....	7,154	165,830
+O'Charley's Inc. ....	8,084	145,108
+P.F. Chang's China Bistro, Inc. ....	9,208	468,503

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Panera Bread Company (Class A).....	9,700	\$ 383,441
+Papa John's International, Inc. ....	4,748	158,488
+RARE Hospitality International, Inc. ....	10,877	265,834
+Red Robin Gourmet Burgers.....	3,600	109,584
+Ryan's Family Steak Houses, Inc. ....	13,300	201,362
+Sonic Corp. ....	14,576	446,317
+The Steak 'n Shake Company.....	5,428	96,890
Triarc Companies, Inc.(Class B).....	10,450	112,651
		-----
		4,133,337
		-----

Retail - 4.2%		
+1-800 CONTACTS, INC.....	1,600	33,600
+1-800-FLOWERS.COM, Inc. ....	7,824	86,533
+A.C. Moore Arts & Crafts, Inc. ....	4,000	77,040
+Aeropostale, Inc. ....	7,900	216,618
+American Eagle Outfitters, Inc. ....	17,900	293,560
+America's Car-Mart, Inc. ....	2,100	56,532
+AnnTaylor Stores Corporation.....	14,541	567,099
+Asbury Automotive Group Inc. ....	2,300	41,193
+BJ's Wholesale Club, Inc. ....	22,700	521,192
+bebe stores, inc.....	2,240	58,218
+Big 5 Sporting Goods Corporation.....	5,300	111,035
Blair Corporation.....	1,700	41,378
+Blue Rhino Corporation...	5,300	73,617
+Brookstone, Inc. ....	5,100	108,681
Brown Shoe Company, Inc. ....	5,579	211,611
The Buckle, Inc. ....	1,249	27,665
Burlington Coat Factory Warehouse Corporation..	5,592	118,327
+CSK Auto Corporation.....	10,434	195,846
+Casual Male Retail Group, Inc. ....	12,200	84,668
The Cato Corporation (Class A).....	5,197	106,538
+Central Garden & Pet Company.....	4,800	134,544
+Charlotte Russe Holding Inc. ....	5,000	69,300
+Charming Shoppes, Inc. ..	33,040	178,416
+The Children's Place Retail Stores, Inc. ....	4,485	119,884

See notes to financial statements.

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Christopher & Banks Corporation.....	10,928	\$ 213,424
+Coldwater Creek Inc. ....	2,020	22,220
+Cole National Corporation (Class A).....	3,100	62,000
+Cost Plus, Inc. ....	7,476	306,516
Deb Shops, Inc. ....	500	10,750
+Dick's Sporting Goods, Inc. ....	4,500	218,970
Dillard's, Inc. (Class A).....	21,700	357,182
+The Dress Barn, Inc. ....	5,945	89,116
+Drugstore.com, Inc. ....	9,700	53,447
+Electronics Boutique Holdings Corp. ....	5,131	117,449
+Finlay Enterprises, Inc. ....	800	11,304
Fred's, Inc. ....	14,235	441,000
+FreeMarkets, Inc. ....	11,769	78,735
+GSI Commerce, Inc. ....	4,800	46,853
+Galyan's Trading Company.....	3,600	43,344
+GameStop Corporation.....	8,000	123,280
+Genesco Inc. ....	8,338	126,154
+GenesisIntermedia, Inc. ....	3,300	0
+Global Imaging Systems, Inc. ....	5,300	168,275
Goody's Family Clothing, Inc. ....	7,100	66,456
+Group 1 Automotive, Inc. ....	5,032	182,108
+Guitar Center, Inc. ....	5,139	167,429
+The Gymboree Corporation.....	8,858	152,623
Hancock Fabrics, Inc. ...	6,500	94,120
Handleman Company.....	7,561	155,227
+Hibbett Sporting Goods, Inc. ....	4,200	125,160
+Hot Topic, Inc. ....	14,381	423,664
+Insight Enterprises, Inc. ....	13,898	261,282
+InterTAN, Inc. ....	6,779	68,603
+J. Jill Group Inc. ....	5,662	71,964
+Jo-Ann Stores, Inc. ....	5,405	110,262
+Jos. A. Bank Clothiers, Inc. ....	2,100	72,849
Lawson Products, Inc. ...	1,547	51,329
+Linens 'n Things, Inc. ....	16,518	496,861
Lithia Motors, Inc. ....	3,200	80,672
+MarineMax, Inc. ....	1,000	19,430
+The Men's Wearhouse, Inc. ....	10,361	259,129
+Mothers Work, Inc. ....	2,100	51,240
+Overstock.com, Inc. ....	4,000	79,440
+PC Connection, Inc. ....	1,059	8,864
+PETCO Animal Supplies, Inc. ....	10,800	328,860
+Pacific Sunwear of California, Inc. ....	23,928	505,359

</Table>

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+The Pantry, Inc. ....	2,500	\$ 56,750
+Party City Corporation...	2,900	36,801
+Payless ShoeSource, Inc. ....	20,000	268,000
+Priceline.com Incorporated.....	7,516	134,536
+Restoration Hardware,		

Inc. ....	6,000	28,500
Russ Berrie and Company, Inc. ....	2,847	96,513
+School Specialty, Inc. ....	6,054	205,897
+Sharper Image Corporation.....	3,600	117,540
+ShopKo Stores, Inc. ....	8,898	135,695
Sonic Automotive, Inc. ....	7,900	181,068
+The Sports Authority, Inc. ....	5,926	227,558
+Stage Stores, Inc. ....	5,700	159,030
+Stamps.com Inc. ....	11,407	70,723
+Stein Mart, Inc. ....	5,824	47,990
+Too Inc. ....	14,666	247,562
+Tractor Supply Company... Corporation.....	10,000	388,900
+Trans World Entertainment Corporation.....	5,030	35,814
+Tuesday Morning Corporation.....	5,190	156,998
+Tweeter Home Entertainment Group, Inc. ....	10,530	99,509
+Ultimate Electronics, Inc. ....	4,219	32,191
United Auto Group, Inc. ....	4,131	129,300
+United Natural Foods, Inc. ....	6,890	247,420
+Urban Outfitters, Inc. ....	9,200	340,860
+ValueVision International, Inc. (Class A).....	5,856	97,795
+The Wet Seal, Inc. (Class A).....	7,075	69,972
+Whitehall Jewelers, Inc. ....	3,400	33,558
+Wilson's The Leather Experts Inc. ....	5,199	18,145
+Zale Corporation.....	8,300	441,560
		-----
		13,962,230
		-----

Savings & Loan - 2.9%		
Anchor Bancorp, Inc. ....	6,537	162,771
BSB Bancorp, Inc. ....	3,241	128,019
Bank Mutual Corporation..	14,738	167,866
BankAtlantic Bancorp, Inc.(Class A).....	17,442	331,398
+BankUnited Financial Corporation (Class A)...	9,573	246,888
Bay View Capital Corporation.....	19,714	42,188

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Berkshire Hills Bancorp, Inc. ....	2,400	\$ 86,880
Brookline Bancorp, Inc. ....	20,787	318,873
CFS Bancorp, Inc. ....	3,000	44,520
Camco Financial Corporation.....	2,600	45,058
Charter Financial Corporation.....	500	18,635
Citizens First Bancorp,		

Inc. ....	1,800	41,040
Citizens South Banking Corporation.....	4,300	59,985
Coastal Bancorp, Inc. ...	1,232	50,648
Coastal Financial Corporation.....	3,213	56,677
+Commercial Capital Bancorp, Inc. ....	4,000	85,640
Commercial Federal Corporation.....	13,127	350,622
Connecticut Bancshares, Inc. ....	4,100	211,314
Dime Community Bancshares.....	5,266	161,982
ESB Financial Corporation.....	600	9,834
EverTrust Financial Group Inc. ....	2,400	76,416
FPLC Bancorp, Inc. ....	400	11,500
FMS Financial Corporation.....	400	7,200
Fidelity Bankshares, Inc. ....	4,148	130,247
First Defiance Financial Corp. ....	1,600	42,640
First Federal Capital Corp. ....	5,212	117,374
First Federal Financial Corporation of Kentucky.....	300	7,545
First Financial Holdings, Inc. ....	4,026	125,853
First Indiana Corporation.....	3,388	63,525
First Niagara Financial Group, Inc. ....	25,118	374,509
First Place Financial Corp. ....	2,900	56,637
First Republic Bank.....	4,200	150,360
First Sentinel Bancorp Inc. ....	5,967	125,665
FirstFed America Bancorp, Inc. ....	6,000	156,180
+FirstFed Financial Corp. ....	4,800	208,800
Flagstar Bancorp, Inc. ....	9,550	204,561
FloridaFirst Bancorp, Inc. ....	1,400	46,340
Flushing Financial Corporation.....	5,775	105,567
GA Financial, Inc. ....	2,100	72,933

</Table>

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Great Southern Bancorp, Inc. ....	1,539	\$ 71,363
Harbor Florida Bancshares, Inc. ....	6,817	202,533
+Hawthorne Financial Corporation.....	2,400	67,152
Heritage Financial Corporation.....	600	13,128
Horizon Financial Corp. ....	4,600	80,546
Hudson River Bancorp, Inc. ....	4,000	156,120
IBERIABANK Corporation...	2,700	159,300
+ITLA Capital Corporation.....	1,400	70,140
Klamath First Bancorp, Inc. ....	3,100	82,274
+Local Financial Corp. ...	6,630	138,169
MAF Bancorp, Inc. ....	11,060	463,414
MutualFirst Financial Inc. ....	2,300	58,282
NASB Financial Inc. ....	300	12,393
Net.B@nk, Inc. ....	15,411	205,737
Northwest Bancorp,		

Inc. ....	3,467	74,055
OceanFirst Financial Corp. ....	2,796	75,939
+Owens Financial Corporation.....	7,965	70,570
PFF Bancorp, Inc. ....	4,541	164,747
Parkvale Financial Corporation.....	1,300	34,905
Partners Trust Financial Group, Inc. ....	900	30,600
PennFed Financial Services, Inc. ....	1,900	63,650
Provident Bancorp, Inc. ....	900	42,300
Provident Financial Holdings, Inc. ....	700	25,389
Provident Financial Services, Inc. ....	16,700	315,630
Quaker City Bancorp, Inc. ....	1,600	74,480
Seacoast Financial Services Corporation...	9,602	263,191
Sound Federal Bancorp, Inc. ....	2,300	35,857
Staten Island Bancorp, Inc. ....	20,184	454,140
+Sterling Financial Corporation.....	4,640	158,827
+TierOne Corporation.....	8,500	195,160
United Community Financial Corp. ....	9,273	105,805
W Holding Company, Inc. ....	26,809	498,912
Warwick Community Bancorp, Inc. ....	1,600	55,040
Waypoint Financial Corp. ....	11,230	243,579

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Westcorp.....	7,836	\$ 286,406
Westfield Financial, Inc. ....	400	9,504
Willow Grove Bankcorp, Inc. ....	4,600	81,696
		9,845,623

Scientific Equipment & Suppliers - 0.2%

+Newport Corporation.....	14,035	231,999
+Varian Inc. ....	10,135	422,934
		654,933

Securities Brokerage & Services - 0.4%

Charter Municipal Mortgage Acceptance Company.....	14,845	313,675
First Albany Companies Inc. ....	3,600	50,544
+Investment Technology Group, Inc. ....	14,900	240,635
+Knight Trading Group, Inc. ....	24,700	361,608
+NCO Group, Inc. ....	8,361	190,380
SWS Group, Inc. ....	4,304	76,611
+SoundView Technology		

Group, Inc. ....	6,328	98,021
		-----
		1,331,474
		-----
Services - Commercial - 2.9%		
+4Kids Entertainment,		
Inc. ....	4,863	126,535
ABM Industries, Inc. ....	11,670	203,175
+AMN Healthcare Services,		
Inc. ....	3,805	65,294
+APAC Customer Services		
Inc. ....	7,738	20,119
+Administaff, Inc. ....	6,661	115,768
+The Advisory Board		
Company.....	3,700	129,167
Ambassadors Group,		
Inc. ....	600	14,094
Ambassadors		
International, Inc. ...	200	2,500
Angelica Corporation.....	4,400	96,800
+autobytel.com inc. ....	10,400	94,432
The Brink's Company.....	16,200	366,282
CDI Corp. ....	6,201	203,083
+Casella Waste Systems,		
Inc. ....	3,978	54,459
Central Parking		
Corporation.....	5,285	78,905
+Century Business		
Services, Inc. ....	19,533	87,313
+Charles River Associates		
Incorporated.....	2,800	89,572
+Clark, Inc. ....	5,600	107,744
+Clean Harbors, Inc. ....	3,600	32,076
+Coinstar, Inc. ....	8,092	146,142

</Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Copart, Inc. ....	19,900	\$ 328,350
+Cornell Companies,		
Inc. ....	5,800	79,170
+Corrections Corporation		
of America.....	12,094	348,670
+CoStar Group Inc. ....	5,950	247,996
+Cross Country Healthcare,		
Inc. ....	8,000	119,360
+Exult Inc. ....	10,500	74,760
+FTD, Inc. (Class A).....	100	2,464
+FTI Consulting, Inc. ....	12,341	288,409
+First Consulting Group,		
Inc. ....	4,874	27,441
+Forrester Research,		
Inc. ....	4,181	74,714
G & K Services, Inc.		
(Class A).....	5,577	204,955
Gevity HR, Inc. ....	4,900	108,976
+Harris Interactive		
Inc. ....	16,100	133,630
+Heidrick & Struggles		
International, Inc. ....	6,058	132,064
+Hudson Highland Group,		
Inc. ....	3,600	85,860
+ICT Group, Inc. ....	1,600	18,800
+Insurance Auto Auctions,		
Inc. ....	2,665	34,778
Kelly Services, Inc.		
(Class A).....	5,268	150,349
+Korn/Ferry		
International.....	9,868	131,639
+Kroll Inc. ....	12,600	327,600
+Labor Ready, Inc. ....	14,822	194,168
+Lightbridge, Inc. ....	9,691	88,188
+MAXIMUS, Inc. ....	4,904	191,894
+MPS Group, Inc. ....	28,305	264,652
+Medical Staffing Network		
Holdings, Inc. ....	5,200	56,940
+MemberWorks		
Incorporated.....	3,054	82,977
+Metro One		

Telecommunications, Inc. ....	14,892	38,719
+Midas Group, Inc. ....	5,342	76,391
+Monro Muffler Brake, Inc. ....	3,900	78,039
+Navigant Consulting, Inc. ....	13,623	256,930
+Navigant International, Inc. ....	5,111	70,787
+NetRatings, Inc. ....	1,417	16,196
+PDI, Inc. ....	2,421	64,907
+Pegasus Systems, Inc. ...	9,439	98,826
The Pep Boys - Manny, Moe & Jack.....	14,410	329,557
+Pre-Paid Legal Services, Inc. ....	4,948	129,242
+Raindance Communications, Inc. ....	21,700	59,675

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+Resources Connection, Inc. ....	6,516	\$ 177,952
+Right Management Consultants, Inc. ....	3,915	73,054
Rollins, Inc. ....	6,168	139,088
Roto-Rooter, Inc. ....	2,986	137,655
+SM&A.....	4,700	54,990
+The Source Information Management Company.....	5,500	58,410
+Spherion Corporation....	18,329	179,441
StarTek, Inc. ....	2,640	107,686
+TeleTech Holdings, Inc. ....	13,089	147,906
+Tetra Tech, Inc. ....	15,831	393,559
UniFirst Corporation....	1,600	37,936
+Volt Information Sciences, Inc. ....	1,559	35,233
+Wackenhut Corrections Corporation.....	2,700	61,560
+Waste Connections, Inc. ....	10,012	378,153
+Watson Wyatt & Company Holdings.....	9,025	217,954
+Wireless Facilities, Inc. ....	13,413	199,317
World Fuel Services Corporation.....	4,800	162,960
		-----
		9,614,387
		-----
Shipping - 0.3%		
Alexander & Baldwin, Inc. ....	13,092	441,069
+GulfMark Offshore, Inc. ....	4,100	57,400
+Kirby Corporation.....	5,730	199,862
Maritrans Inc. ....	600	10,026
Overseas Shipholding Group, Inc. ....	5,598	190,612
+Seabulk International, Inc. ....	1,700	13,804
		-----
		912,773
		-----
Shoes - 0.3%		
Kenneth Cole Productions,		

Inc. (Class A).....	1,792	52,685
+The Finish Line, Inc. ...	4,833	144,845
K-Swiss Inc. (Class A)...	8,896	214,038
+Maxwell Shoe Company Inc. (Class A).....	5,000	84,850
+Shoe Carnival, Inc. ....	1,200	21,360
+Skechers U.S.A., Inc. (Class A).....	5,855	47,718
+Steve Madden,Ltd. ....	4,412	90,005
The Stride Rite Corporation.....	11,635	132,406
+Vans, Inc. ....	7,183	81,958
Weyco Group, Inc. ....	150	5,047

</Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
------------	----------------	----------------------------

<S>	<C>	<C>
Wolverine World Wide, Inc. ....	12,572	\$ 256,217
		-----
		1,131,129
		-----

Steel - 0.4%		
+AK Steel Holding Corporation.....	37,727	192,408
Allegheny Technologies Incorporated.....	26,300	347,686
Carpenter Technology Corporation.....	6,326	187,060
Gibraltar Steel Corporation.....	2,623	65,968
Schnitzer Steel Industries, Inc. (Class A).....	3,400	205,700
+Steel Dynamics, Inc. ....	13,697	321,743
		-----
		1,320,565
		-----

Synthetic Fibers - 0.0%		
Wellman, Inc. ....	13,218	134,956
		-----

Telecommunications Equipment - 0.7%		
+Andrew Corporation.....	50,004	575,546
Applied Signal Technology, Inc. ....	3,500	80,535
+Arris Group Inc. ....	18,000	130,320
+Audiovox Corporation (Class A).....	4,085	52,451
Belden Inc. ....	7,069	149,085
+C-COR.net Corp. ....	11,634	129,486
+MasTec, Inc. ....	5,400	79,974
+OmniSky Corporation.....	300	0
+Plantronics, Inc. ....	11,910	388,862
+Powerwave Technologies, Inc. ....	23,777	181,894
+Proxim Corporation (Class A).....	43,534	72,702
+SBA Communications Corporation.....	8,700	32,886
SpectraLink Corporation..	6,080	116,554
+SymmetriCom, Inc. ....	8,300	60,424
+Terayon Communication Systems, Inc. ....	20,576	92,592
+Tollgrade Communications, Inc. ....	4,241	74,345
+WilTel Communications Group, Inc. ....	7,900	0
		-----
		2,217,656
		-----

Textile Products - 0.1%		
+DHB Capital Group Inc. ..	8,900	62,300
+Interface, Inc. ....	13,421	74,218
+Unifi, Inc. ....	13,672	88,184
		-----
		224,702



</Table>

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>

<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
v		
Textiles Apparel Manufacturers - 0.5%		
Cherokee Inc. ....	2,900	\$ 65,946
+Perry Ellis International, Inc. ....	1,600	41,248
+Guess?, Inc. ....	1,185	14,303
+Hampshire Group, Limited.....	1,700	53,329
Kellwood Co. ....	9,282	380,562
OshKosh B'Gosh, Inc. (Class A).....	3,502	75,153
Oxford Industries, Inc. ....	5,042	170,823
Phillips-Van Heusen Corporation.....	7,754	137,556
+Quiksilver, Inc. ....	15,950	282,794
Russell Corporation.....	7,017	123,219
+Warnaco Group, Inc. ....	13,100	208,945
		-----
		1,553,878
		-----
Tires & Rubber - 0.3%		
Bandag, Incorporated.....	6,074	250,249
Cooper Tire & Rubber Company.....	23,800	508,844
+The Goodyear Tire & Rubber Company.....	45,700	359,202
		-----
		1,118,295
		-----
Tobacco - 0.2%		
DIMON Incorporated.....	13,055	88,121
Schweitzer-Manduit International, Inc. ...	4,620	137,584
Standard Commercial Corporation.....	3,000	60,210
+Star Scientific, Inc. ...	10,300	18,952
Universal Corporation....	8,756	386,753
Vector Group Ltd. ....	7,809	127,443
		-----
		819,063
		-----
Toys - 0.0%		
+JAKKS Pacific, Inc. ....	8,561	112,663
		-----
Transportation - Miscellaneous - 0.1%		
+Pacer International, Inc. ....	6,500	131,430
Quixote Corporation.....	2,300	56,143
+SCS Transportation, Inc. ....	5,581	98,114
+U.S. Xpress Enterprises, Inc. (Class A).....	1,800	22,050
		-----
		307,737
		-----
Truckers - 0.7%		
Arkansas Best Corporation.....	6,941	217,878
+Covenant Transport, Inc. (Class A).....	3,800	72,238

+Forward Air Corporation..	4,588	126,170
Heartland Express,		
Inc. ....	9,528	230,482

<Table>  
<Caption>

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
+Knight Transportation,		
Inc. ....	6,850	\$ 175,703
+Landstar System, Inc. ...	10,408	395,920
+Old Dominion Freight		
Line, Inc. ....	3,700	126,096
+P.A.M. Transportation		
Services, Inc. ....	1,000	21,330
USF Corporation.....	9,602	328,292
+Yellow Roadway		
Corporation.....	14,977	541,718
		-----
		2,235,827
		-----

Utilities - Cable Television & Radio - 0.0%

+Mediacom Communications		
Corporation.....	15,800	136,986
		-----

Utilities - Electrical - 1.5%

+Allegheny Energy,		
Inc. ....	43,600	556,336
Avista Corporation.....	15,175	274,971
Black Hills		
Corporation.....	9,300	277,419
CH Energy Group, Inc. ...	4,689	219,914
+CMS Energy Corporation...	52,900	450,708
Central Vermont Public		
Service Corporation....	3,603	84,670
Cleco Corporation.....	14,267	256,521
+El Paso Electric		
Company.....	18,208	243,077
Empire District Electric		
Company.....	7,668	168,159
IDAcorp Inc. ....	13,500	403,920
MGE Energy, Inc. ....	4,545	143,213
Otter Tail Company.....	6,986	186,736
PNM Resources Inc. ....	13,819	388,314
+Sierra Pacific		
Resources.....	44,977	330,131
UIL Holdings		
Corporation.....	4,600	207,460
UniSource Energy		
Corporation.....	10,383	256,045
Westar Energy, Inc. ....	23,200	469,800
		-----
		4,917,394
		-----

Utilities - Gas Distributors - 0.9%

Atmos Energy		
Corporation.....	17,338	421,313
Cascade Natural Gas		
Corporation.....	3,522	74,279
Chesapeake Utilities		
Corporation.....	2,600	67,730
Energen Corporation.....	12,792	524,856
EnergySouth, Inc. ....	2,000	70,000
The Laclede Group,		
Inc. ....	4,948	141,265
NUI Corporation.....	7,283	117,402
New Jersey Resources		
Corporation.....	8,574	330,185
Northwest Natural Gas		
Company.....	9,299	285,944

</Table>

See notes to financial statements.

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
vSEMCO Energy, Inc. ....	8,387	\$ 41,096
South Jersey Industries, Inc. ....	4,766	193,023
+Southern Union Company... Southwest Gas Corporation.....	17,802	327,557
+Southwestern Energy Company.....	8,490	190,601
	9,924	237,184
		3,022,435
Utilities - Gas Pipelines - 0.0%		
+TransMontaigne Inc. ....	5,431	35,030
Utilities - Miscellaneous - 0.1%		
+Aquila, Inc. ....	54,900	186,111
Utilities - Telecommunications - 0.9%		
+Boston Communications Group, Inc. ....	6,921	64,296
CT Communications, Inc. ....	3,955	53,392
+Centennial Communications Corp. ....	1,526	8,027
+Cincinnati Bell Inc. ....	65,200	329,260
+Commonwealth Telephone Enterprises, Inc. ....	7,933	299,471
D&E Communications, Inc. ....	5,200	75,452
+Dobson Communications Corporation (Class A)...	6,800	44,676
+General Communication, Inc. (Class A).....	11,339	98,649
+Golden Telecom, Inc. ....	3,992	110,778
Hickory Tech Corporation.....	3,599	41,209
+Hungarian Telephone and Cable Corp. ....	400	3,944
+Intrado Inc. ....	6,600	144,870
+McLeod USA Incorporated (Class A).....	26,100	38,628
+NII Holdings Inc. (Class B).....	4,600	343,298
North Pittsburgh Systems, Inc. ....	4,321	81,710
+PTEK Holdings, Inc. ....	16,100	141,841
+Price Communications Corporation.....	13,104	179,918
+Primus Telecommunications Group, Incorporated.....	17,500	178,150
+RCN Corporation.....	22,100	17,680
Shenandoah Telecommunications Company.....	600	30,756
SureWest Communications.....	3,800	153,596

INDUSTRY++	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
+TALK America Holdings, Inc. ....	10,033	\$ 115,580
+Time Warner Telecom Inc. (Class A).....	13,700	138,781
+Triton PCS Holdings, Inc. (Class A).....	4,400	24,552
Warwick Valley Telephone Company.....	900	26,631

+Western Wireless Corporation (Class A)...	23,100	424,116
		-----
		3,169,261
		-----
Utilities - Water - 0.2%		
American States Water Company.....	3,785	94,625
California Water Service Group.....	8,096	221,830
Connecticut Water Service, Inc. ....	2,489	68,821
Middlesex Water Company.....	3,182	64,595
SJW Corp. ....	658	58,727
Southwest Water Company.....	5,495	88,195
		-----
		596,793
		-----
Wholesale & International Trade - 0.0%		
+Central European Distribution Corporation.....	2,800	88,480
		-----
Wholesalers - 0.1%		
+United Stationers, Inc. ....	9,649	394,837
		-----
TOTAL COMMON STOCKS (COST - \$250,557,213) - 87.3%		292,978,660
		-----
WARRANTS (C)		
Telephone - 0.0%		
Focal Communications Corporation.....	221	0
		-----
TOTAL WARRANTS (COST - \$0) - 0.0%		0
		-----

<Caption>

INDUSTRY++	BENEFICIAL INTEREST/ SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
V		
SHORT-TERM SECURITIES		
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I (a).....	\$40,191,529	40,191,529
Merrill Lynch Liquidity Series, LLC Money Market Series (a) (b).....	6,838,126	6,838,126

</Table>

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>

<Caption>

INDUSTRY++	BENEFICIAL INTEREST/ SHARES HELD	VALUE (IN U.S. DOLLARS)
-----	-----	-----
<S>	<C>	<C>
Merrill Lynch Premier Institutional Fund (a) (b).....	2,279,374	\$ 2,279,374
		-----
TOTAL SHORT-TERM SECURITIES (COST - \$49,309,029) - 14.7%..		49,309,029

TOTAL INVESTMENTS	342,287,689
(COST - \$299,866,242) - 102.0%..	
VARIATION MARGIN ON FINANCIAL FUTURES	
CONTRACTS - (0.2%) (D)..	(518,714)
LIABILITIES IN EXCESS OF OTHER ASSETS - (1.8%)...	(6,109,510)
NET ASSETS - 100.0%.....	\$335,659,465

</Table>

-----

(a) Investments in companies considered to be an affiliate of the Series (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) are as follows:

<Table>  
<Caption>

AFFILIATE	NET ACTIVITY	INTEREST/ DIVIDEND INCOME
<S>	<C>	<C>
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I....	\$37,274,469	\$170,348
Merrill Lynch Liquidity Series, LLC Money Market Series....	\$ 4,053,691	\$ 34,641
Merrill Lynch Premier Institutional Fund.....	(189,841)	\$ 19,286

</Table>

(b) Security was purchased with the cash proceeds from securities loans.

(c) Warrants entitle the Series to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.

(d) Financial futures contracts purchased as of December 31,2003 were as follows:

<Table>  
<Caption>

NUMBER OF CONTRACTS	ISSUE	EXPIRATION DATE	FACE VALUE	UNREALIZED GAINS
<S>	<C>	<C>	<C>	<C>
153	Russell 2000.....	March 2004	\$40,821,244	\$1,804,556
Total Unrealized Gains - Net				\$1,804,556

</Table>

+ Non-income producing security.

++ For Series compliance purposes, "Industry" means any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Series management. This definition may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease. These industry classifications are unaudited.

See notes to financial statements.

MASTER SMALL CAP INDEX SERIES

STATEMENT OF ASSETS AND LIABILITIES  
As of December 31, 2003

<Table>

<S>	<C>	<C>
ASSETS:		
Investments, at value (including securities loaned of \$8,501,179) (identified cost - \$299,866,242).....		\$342,287,689
Cash on deposit for financial futures contracts.....		2,086,000
Receivables:		
Contributions.....	\$2,346,439	
Securities sold.....	452,437	
Dividends.....	317,639	

Interest.....	31,778	
Securities lending - net.....	5,377	3,153,670
	-----	
Prepaid expenses and other assets.....		1,228
		-----
TOTAL ASSETS.....		347,528,587
		-----
LIABILITIES:		
Collateral on securities loaned, at value.....		9,117,500
Payables:		
Withdrawals.....	1,797,393	
Variation margin.....	518,714	
Custodian bank.....	418,315	
Securities purchased.....	6,183	
Other affiliates.....	2,573	2,743,178
	-----	
Accrued expenses.....		8,444
		-----
TOTAL LIABILITIES.....		11,869,122
		-----
NET ASSETS.....		\$335,659,465
		=====
NET ASSETS CONSIST OF:		
Investors' capital.....		\$291,433,462
Unrealized appreciation on investments - net.....		44,226,003
		-----
NET ASSETS.....		\$335,659,465
		=====

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES

STATEMENT OF OPERATIONS  
For the Year Ended December 31, 2003

<Table>		
<S>	<C>	<C>
INVESTMENT INCOME:		
Dividends (net of \$1,168 foreign withholding tax).....		\$ 2,538,493
Interest.....		170,468
Securities lending - net.....		53,927
		-----
TOTAL INCOME.....		2,762,888
		-----
EXPENSES:		
Professional fees.....	\$116,519	
Accounting services.....	38,444	
Custodian fees.....	34,720	
Investment advisory fees.....	22,670	
Trustees' fees and expenses.....	3,016	
Printing and shareholder reports.....	2,381	
Other.....	6,007	
	-----	
Total expenses before waiver and reimbursement.....	223,757	
Waiver and reimbursement of expenses.....	(26,092)	
	-----	
TOTAL EXPENSES AFTER WAIVER AND REIMBURSEMENT.....		197,665
		-----
INVESTMENT INCOME - NET.....		2,565,223
		-----
REALIZED & UNREALIZED GAIN ON INVESTMENTS - NET		
Realized gain on investments - net.....		459,569
Change in unrealized appreciation/depreciation on investments - net.....		85,865,588
		-----
TOTAL REALIZED AND UNREALIZED GAIN ON INVESTMENTS - NET.....		86,325,157
		-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....		\$88,890,380
		=====

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES  
STATEMENT OF CHANGES IN NET ASSETS

<Table>  
<Caption>

	FOR THE YEAR ENDED DECEMBER 31,	
	2003	2002
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS:		
Investment income - net.....	\$ 2,565,223	\$ 2,405,288
Realized gain (loss) on investments - net.....	459,569	(12,560,901)
Change in unrealized appreciation/depreciation on investments - net.....	85,865,588	(35,615,150)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....	88,890,380	(45,770,763)
CAPITAL TRANSACTIONS:		
Proceeds from contributions.....	87,919,756	105,968,467
Fair value of withdrawals.....	(23,066,142)	(61,250,024)
NET INCREASE IN NET ASSETS DERIVED FROM CAPITAL TRANSACTIONS.....	64,853,614	44,718,443
NET ASSETS:		
Total increase (decrease) in net assets.....	153,743,994	(1,052,320)
Beginning of year.....	181,915,471	182,967,791
END OF YEAR.....	\$335,659,465	\$181,915,471

</Table>

See notes to financial statements.

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MASTER SMALL CAP INDEX SERIES  
FINANCIAL HIGHLIGHTS

The following ratios have been derived from information provided in the financial statements.

<Table>  
<Caption>

	FOR THE YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000+	1999+
<S>	<C>	<C>	<C>	<C>	<C>
TOTAL INVESTMENT RETURN.....	47.11%	(20.19%)	2.37%	--	--
RATIOS TO AVERAGE NET ASSETS:					
Expenses, net of waiver and reimbursement.....	.09%	.08%	.08%	.09%	.14%
Expenses.....	.10%	.14%	.13%	.13%	.17%
Investment income - net...	1.13%	1.26%	1.45%	1.90%	1.83%
SUPPLEMENTAL DATA:					
Net assets, end of year (in thousands).....	\$335,659	\$181,915	\$182,968	\$169,244	\$114,799
Portfolio turnover.....	28.57%	39.00%	48.50%	50.51%	51.20%

</Table>

+ Total return is required to be disclosed for fiscal years beginning after December 15, 2000.

See notes to financial statements.

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1. SIGNIFICANT ACCOUNTING POLICIES:

Master Small Cap Index Series (the "Series") is part of Quantitative Master Series Trust (the "Trust"). The Trust is registered under the Investment Company Act of 1940, as amended, and is organized as a Delaware statutory trust. The Declaration of Trust permits the Trustees to issue nontransferable interests in the Trust, subject to certain limitations. The Series' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management accruals and estimates. The following is a summary of significant accounting policies followed by the Series.

A. Valuation of investments

Equity securities that are held by the Series that are traded on stock exchanges or the Nasdaq National Market are valued at the last sale price or official close price on the exchange, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price for long positions, and at the last available ask price for short positions. In cases where equity securities are traded on more than one exchange, the securities are valued on the exchange designated as the primary market by or under the authority of the Board of Trustees of the Trust. Long positions traded in the over-the-counter ("OTC") market, Nasdaq Small Cap or Bulletin Board are valued at the last available bid price or yield equivalent obtained from one or more dealers or pricing services approved by the Board of Trustees of the Trust. Short positions traded in the OTC market are valued at the last available ask price. Portfolio securities that are traded both in the OTC market and on a stock exchange are valued according to the broadest and most representative market.

Options written are valued at the last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last ask price. Options purchased are valued at their last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last bid price. Swap agreements are valued daily based upon quotations from market makers. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges. Obligations with remaining maturities of 60 days or less are valued at amortized cost unless the Investment Adviser believes that this method no longer produces fair valuations.

Repurchase agreements are valued at cost plus accrued interest. The Series employs pricing services to provide certain securities prices for the Series. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Trustees of the Trust, including valuations furnished by the pricing services retained by the Series, which may use a matrix system for valuations. The procedures of a pricing service and its valuations are reviewed by the officers of the Series under the general supervision by the Board of Trustees of the Trust. Such valuations and procedures will be reviewed periodically by the Board of Trustees of the Trust.

Generally, trading in foreign securities, as well as U.S. government securities and money market instruments, is substantially completed each day at various times prior to the close of business on the New York Stock Exchange ("NYSE"). The values of such securities used in computing the net assets of the Series are determined as of such times. Foreign currency exchange rates also are generally determined prior to the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of

the Series' net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities may be valued at their fair value as determined in good faith by the Board of Trustees of the Trust or by the Investment Adviser using a pricing service and/or procedures



approved by the Board of Trustees of the Trust.

#### B. Derivative financial instruments

The Series may engage in various portfolio investment strategies both to increase the return of the Series and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

- Financial futures contracts - The Series may purchase or sell financial futures contracts and options on such futures contracts. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Series deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Series agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Series as unrealized gains or losses. When the contract is closed, the Series records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.
- Options - The Series may purchase and write call and put options. When the Series writes an option, an amount equal to the premium received by the Series is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Series enters into a closing transaction), the Series realizes a gain or loss on the option to the extent of the premiums received or paid (or a gain or loss to the extent that the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

#### C. Income taxes

The Series is classified as a partnership for Federal income tax purposes. As such, each investor in the Series is treated as owner of its proportionate share of the net assets, income, expenses and realized and unrealized gains and losses of the Series. Therefore, no Federal income tax provision is required. Under the applicable foreign tax law, a withholding tax may be imposed on interest, dividends and capital gains at various rates. It is intended that the Series' assets will be managed so an investor in the Series can satisfy the requirements of subchapter M of the Internal Revenue Code.

#### D. Security transactions and investment income

Security transactions are accounted for on the date the securities are purchased or sold (the trade dates). Realized gains and losses on security transactions are determined on the identified cost

MASTER SMALL CAP INDEX SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2003  
-----

basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis.

#### E. Securities lending

The Series may lend securities to financial institutions that provide cash or securities issued or guaranteed by the U.S. government as collateral, which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Series and any additional required collateral is delivered to the Series on the next business day. Where the Series receives securities as collateral for the loaned securities, it collects a fee from the borrower. The Series typically receives the income on the loaned securities but does not receive the income on the collateral. Where the Series receives cash collateral, it may invest such collateral and retain the amount earned on such investment, net of any amount rebated to the borrower. Loans of securities are terminable at any time and the

borrower, after notice, is required to return borrowed securities within five business days. The Series may pay reasonable finder's, lending agent, administrative and custodial fees in connection with its loans. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or for any other reason, the Series could experience delays and costs in gaining access to the collateral. The Series also could suffer a loss where the value of the collateral falls below the market value of the borrowed securities, in the event of borrower default or in the event of losses on investments made with cash collateral.

F. Custodian bank

The Series recorded an amount payable to the custodian bank reflecting an overnight overdraft, which resulted from management estimates of available cash.

2. INVESTMENT ADVISORY AGREEMENT AND TRANSACTIONS WITH AFFILIATES:

The Trust has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect, wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

FAM is responsible for the management of the Series' portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Series. For such services, the Series pays a monthly fee at an annual rate of .01% of the average daily value of the Series' net assets. FAM has entered into a contractual arrangement with the Series under which the expenses incurred by the Series will not exceed .09%. Effective January 1, 2003, the limit increased from .08% to .09%. This arrangement expires December 31, 2004 and is renewable. FAM earned fees of \$22,670, all of which were waived. In addition, FAM reimbursed the Series for additional expenses of \$3,422.

Merrill Lynch Trust Company, an indirect, wholly-owned Subsidiary of ML & Co., is the Series' Custodian.

The Trust has received an exemptive order from the Securities and Exchange Commission permitting it to lend portfolio securities to Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") or its affiliates. As of December 31, 2003, the Series lent securities with a value of \$397,133 to MLPF&S or its affiliates. Pursuant to that order, the Trust also has retained Merrill Lynch Investment Managers, LLC ("MLIM, LLC"), an affiliate of FAM, as the securities lending agent for a

MASTER SMALL CAP INDEX SERIES

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

fee based on a share of the returns on investment of cash collateral. MLIM, LLC may, on behalf of the Trust and the Series, invest cash collateral received by the Series for such loans, among other things, in a private investment company managed by MLIM, LLC or in registered money market Series advised by FAM or its affiliates. For the year ended December 31, 2003, MLIM, LLC received \$20,831 in securities lending agent fees from the Series.

For the year ended December 31, 2003, the Series reimbursed FAM \$4,577 for certain accounting services.

Certain officers and/or trustees of the Trust are officers and/or directors of FAM, PSI, and/or ML & Co.

3. INVESTMENTS:

Purchases and sales of investments, excluding short-term securities, for the year ended December 31, 2003 were \$100,145,506 and \$60,224,191, respectively.

Net realized gains (losses) for the year ended December 31, 2003 and net unrealized gains as of December 31, 2003 were as follows:

<Table>  
<Caption>

	REALIZED GAINS (LOSSES)	UNREALIZED GAINS
	-----	-----
<S>	<C>	<C>
Long-term investments.....	\$ (3,404,071)	\$42,421,447
Financial futures contracts.....	3,863,640	1,804,556

Total.....	\$ 459,569	\$44,226,003
------------	------------	--------------

</Table>

As of December 31, 2003, net unrealized appreciation for Federal income tax purposes aggregated \$39,217,195, of which \$62,897,826 related to appreciated securities and \$23,680,631 related to depreciated securities. At December 31, 2003, the aggregate cost of investments for Federal income tax purposes was \$303,070,494.

4. SHORT-TERM BORROWINGS:

The Series, along with certain other Series managed by FAM and its affiliates, is a party to a \$500,000,000 credit agreement with Bank One, N.A. and certain other lenders. The Series may borrow under the credit agreement to Series shareholder redemptions and for other lawful purposes other than for leverage. The Series may borrow up to the maximum amount allowable under the Fund's current prospectus and statement of additional information, subject to various other legal, regulatory or contractual limits. The Series pays a commitment fee of .09% per annum based on the Series' pro rata share of the unused portion of the credit agreement. Amounts borrowed under the credit agreement bear interest at a rate equal to, at each fund's election, the Federal Funds rate plus .50% or a base rate as determined by Bank One, N.A. On November 28, 2003, the credit agreement was renewed for one year under the same terms. The Series did not borrow under the credit agreement during the year ended December 31, 2003.

MASTER SMALL CAP INDEX SERIES

INDEPENDENT AUDITORS' REPORT  
December 31, 2003

To the Investors and Board of Trustees of Quantitative Master Series Trust:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Master Small Cap Index Series one of the portfolios constituting the Quantitative Master Series Trust (the "Trust") as of December 31, 2003, 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, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2003, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Master Small Cap Index Series of the Quantitative Master Series Trust as of December 31, 2003, 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 five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
Princeton, New Jersey  
February 13, 2004

MASTER SMALL CAP INDEX SERIES  
OFFICERS AND TRUSTEES (unaudited)

<Table>  
<Caption>

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER PUBLIC DIRECTORSHIPS HELD BY TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>
INTERESTED TRUSTEE					
Terry K. Glenn* P.O. Box 9011 Princeton, NJ 08543-9011 Age: 63	President and Trustee	2000 to present and 1997 to present	President and Chairman of the Merrill Lynch Investment Managers, L.P. ("MLIM")/Fund Asset Management, L.P. ("FAM") - Advised Funds since 1999; Chairman (Americas Region) of MLIM from 2000 to 2002; Executive Vice President of FAM and MLIM (which terms as used herein include their corporate predecessors) from 1983 to 2002; President of FAM Distributors, Inc. ("FAMD") from 1986 to 2002 and Director thereof from 1991 to 2002; Executive Vice President and Director of Princeton Services, Inc. ("Princeton Services") from 1993 to 2002; President of Princeton Administrators, L.P. from 1989 to 2002; Director of Financial Data Services, Inc. since 1985.	123 Funds 160 Portfolios	None

</Table>

\* Mr. Glenn is a director, trustee or member of an advisory board of certain other investment companies for which FAM or MLIM acts as investment adviser. Mr. Glenn is an "interested person" as described in the Investment Company Act, of the Trust based on his former positions with FAM, MLIM, FAMD, Princeton Services and Princeton Administrators, L.P. The Trustee's term is unlimited. Trustees serve until their resignation, removal, or death, or until December 31 of the year in which they turn 72. As Trust President, Mr. Glenn serves at the pleasure of the Board of Trustees.

<Table>  
<Caption>

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER PUBLIC DIRECTORSHIPS HELD BY TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>
INDEPENDENT TRUSTEES*					
Donald W. Burton P.O. Box 9095 Princeton, NJ 08543-9095 Age: 59	Trustee	2002 to present	Manager of The Burton Partnership, Limited Partnership since 1979; Managing General Partner of the South Atlantic Venture Funds, Limited Partnerships and Chairman of South Atlantic Private Equity Fund IV, Limited Partnership since 1983; Member of the Investment Advisory Council of the Florida State Board of Administration since 2001.	23 Funds 36 Portfolios	ITC Delta-Com, Inc., ITC Financial Services, Knology, Inc., PriCare, Inc., Symbion, Inc.

</Table>

MASTER SMALL CAP INDEX SERIES  
OFFICERS AND TRUSTEES (unaudited) -- CONTINUED

<Table>  
<Caption>

NUMBER OF PORTFOLIOS IN OTHER PUBLIC

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	FUND COMPLEX OVERSEEN BY TRUSTEE	DIRECTORSHIPS HELD BY TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>
M. Colyer Crum P.O. Box 9095 Princeton, NJ 08543-9095 Age: 71	Trustee	2000 to present	James R. Williston Professor of Investment Management Emeritus, Harvard Business School since 1996; Chairman and Director of Phaeton International, Ltd. from 1985 to present; Director of Cambridge Bancorp since 1969.	24 Funds 37 Portfolios	Cambridge Bancorp
Laurie Simon Hodrick P.O. Box 9095 Princeton, NJ 08543-9095 Age: 41	Trustee	2000 to present	Professor of Finance and Economics, Graduate School of Business, Columbia University since 1998; Associate Professor of Finance and Economics, Graduate School of Business, Columbia University from 1996 to 1998.	23 Funds 36 Portfolios	None
David H. Walsh P.O. Box 9095 Princeton, NJ 08543-9095 Age: 62	Trustee	2003 to present	Consultant with Putnam Investments since 1993 and employed in various capacities therewith from 1971 to 1992; Director of the National Audubon Society since 2000; Director of the American Museum of Fly Fishing since 1998.	23 Funds 36 Portfolios	None
Fred G. Weiss P.O. Box 9095 Princeton, NJ 08543-9095 Age: 62	Trustee	2000 to present	Managing Director of FGW Associates since 1997; Vice President, Planning, Investment and Development of Warner Lambert Co. from 1979 to 1997; Director of BTG International PLC since 2001; Director of KIMC Investments, Inc. since 2003; Director of Osmotica Holding Corp. AVV since 2003.	23 Funds 36 Portfolios	Watson Pharmaceuticals, Inc.

</Table>

\* The Trustee's term is unlimited. Trustees serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.

<Table>

<Caption>

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
<S>	<C>	<C>	<C>
TRUST OFFICERS			
Donald C. Burke P.O. Box 9011 Princeton, NJ 08543-9011 Age: 43	Vice President and Treasurer	1997 to present and 1999 to present	First Vice President of FAM and MLIM since 1997 and Treasurer thereof since 1999; Senior Vice President and Treasurer of Princeton Services since 1999; Vice President of FAMD since 1999; Director of MLIM Taxation since 1990.
Robert C. Doll, Jr. P.O. Box 9011 Princeton, NJ 08543-9011 Age: 49	Senior Vice President	1999 to present	President of MLIM and member of the Executive Management Committee of ML & Co., Inc. since 2001; Global Chief Investment Officer and Senior Portfolio Manager of MLIM since 1999; Chief Investment Officer of Equities at Oppenheimer Funds, Inc. from 1990 to 1999 and Chief Investment Officer thereof from 1998 to 1999; Executive Vice President of Oppenheimer Funds, Inc. from 1991 to 1999.

</Table>

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MASTER SMALL CAP INDEX SERIES  
OFFICERS AND TRUSTEES (unaudited) -- CONTINUED

<Table>

<Caption>

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
-----	-----	-----	-----

<S>	<C>	<C>	<C>
Richard J. Vella P.O. Box 9011 Princeton, NJ 08543-9011 Age: 46	Vice President	1999 to present	Managing Director and Head of Global Index and Enhanced Index products for Merrill Lynch Quantitative Advisors since 1999; Managing Director and Head of the Global Index and Enhanced Index business at Bankers Trust from 1984 to 1999.
Brian D. Stewart P.O. Box 9011 Princeton, NJ 08543-9011 Age:34	Secretary	2003 to present	Vice President (Legal Advisory) of MLIM since 2002; Attorney with Reed Smith from 2001 to 2002; Attorney with Saul Ewing from 1999 to 2001.

\* Officers of the Trust serve at the pleasure of the Board of Trustees.

<S>	<C>
CUSTODIAN J.P. Morgan Chase Bank 4 Chase MetroTech Center, 18th Floor Brooklyn, NY 11245	TRANSFER AGENT Financial Data Services, Inc. 4800 Deer Lake Drive East Jacksonville, FL 32246-6484 800-637-3863

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS  
December 31, 2003

<S>	SHARES HELD	VALUE (IN U.S. DOLLARS)
<C>	<C>	<C>
COMMON STOCKS		
AUSTRALIA		
Beverages - 0.2%		
Coca-Cola Amatil Limited....	53,424	\$ 250,772
Foster's Brewing Group Limited.....	187,558	635,920
Southcorp Limited.....	8,843	17,989
		-----
		904,681
		-----
Biotechnology - 0.0%		
CSL Limited.....	12,578	169,163
		-----
Capital Markets - 0.1%		
Macquarie Bank Limited.....	19,088	511,419
		-----
Chemicals - 0.1%		
Orica Limited.....	19,981	210,163
		-----
Commercial Banks - 1.4%		
Australia and New Zealand Banking Group Ltd. ....	138,812	1,849,117
Commonwealth Bank of Australia.....	85,936	1,906,843
National Australia Bank Limited.....	105,512	2,380,966
Westpac Banking Corporation Limited.....	137,398	1,655,325
		-----
		7,792,251
		-----
Commercial Services & Supplies - 0.1%		
Brambles Industries Limited.....	95,823	381,205
		-----
Construction & Engineering - 0.0%		
Leighton Holdings Ltd. ....	9,752	86,776
		-----

Construction Materials - 0.2%		
Boral Limited.....	19,286	73,818
CSR Limited.....	36,728	51,195
James Hardie Industries NV.....	50,663	262,624
Rinker Group Limited.....	74,568	68,000
		-----
		755,637
		-----

Containers & Packaging - 0.1%		
Amcor Limited.....	76,674	477,180
		-----

Diversified Financial Services - 0.1%		
Australian Stock Exchange Limited.....		
	1,250	16,086
Suncorp - Metway Limited....	28,223	263,469
		-----
		279,555
		-----

Diversified Telecommunication Services - 0.1%		
Telstra Corporation Limited.....		
	148,136	537,975
		-----

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
Food & Staples Retailing - 0.2%		
Coles Myer Limited.....	61,835	\$ 352,217
Woolworths Limited.....	85,069	756,324
		-----
		1,108,541
		-----

Gas Utilities - 0.0%		
Australian Gas Light Company Limited.....		
	20,590	174,217
		-----

Health Care Equipment & Supplies - 0.0%		
Cochlear Limited.....	8,175	132,182
Pacific Dunlop Limited.....	7,344	35,690
		-----
		167,872
		-----

Health Care Providers & Services - 0.0%		
Mayne Nickless Limited.....	86,923	213,504
		-----

Hotels, Restaurants & Leisure - 0.1%		
Aristocrat Leisure Limited.....		
	77,973	101,048
TAB Limited.....	63,104	219,661
TABCORP Holdings Limited....	41,236	348,908
		-----
		669,617
		-----

IT Services - 0.0%		
Computershare Limited.....	11,639	29,027
		-----

Industrial Conglomerates - 0.1%		
Wesfarmers Limited.....	24,616	491,308
		-----

Insurance - 0.2%		
AMP Limited.....		
	125,623	474,200
Insurance Australia Group Limited.....		
	91,298	292,351
QBE Insurance Group Limited.....	50,043	399,672
		-----
		1,166,223
		-----

Media - 0.2%

John Fairfax Holdings Limited.....	99,578	264,095
The News Corporation Limited.....	96,116	868,299
Publishing & Broadcasting Limited.....	6,114	57,675
		-----
		1,190,069
		-----
Metals & Mining - 0.8%		
Alumina Limited.....	60,157	297,787
BHP Billiton Limited.....	271,919	2,497,455
BHP Steel Limited.....	80,506	339,681
Newcrest Mining Limited.....	28,549	278,558
OneSteel Limited.....	23,360	35,553
Rio Tinto Limited.....	26,086	731,147
WMC Resources Limited (a)...	107,289	455,112
		-----
		4,635,293
		-----

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

-----

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Oil & Gas - 0.1%		
Origin Energy Limited.....	20,509	\$ 73,399
Santos Limited.....	57,885	299,624
Woodside Petroleum Limited..	42,915	478,548
		-----
		851,571
		-----
Paper & Forest Products - 0.0%		
Paperlinx Limited.....	377	1,415
		-----
Real Estate - 0.4%		
Centro Properties Group.....	13,119	39,340
Gandel Retail Trust.....	186,267	188,059
General Property Trust.....	164,540	370,678
Investa Property Group.....	31,118	45,954
Lend Lease Corporation Limited.....	39,556	299,525
Macquarie Goodman Industrial Trust.....	22,601	28,779
Mirvac Group.....	77,774	253,147
Stockland Trust Group.....	111,052	436,769
Westfield Holdings Limited.....	21,901	230,523
Westfield Trust.....	118,758	318,542
Westfield Trust (New).....	3,441	9,100
		-----
		2,220,416
		-----
Road & Rail - 0.0%		
Toll Holdings Limited.....	30,522	189,724
		-----
Transportation Infrastructure - 0.1%		
Macquarie Infrastructure Group.....	177,670	455,143
Patrick Corporation Limited.....	5,500	60,626
Transurban Group.....	3,659	12,296
		-----
		528,065
		-----
TOTAL COMMON STOCKS IN AUSTRALIA.....		25,742,867
		-----



AUSTRIA		
Building Products - 0.1%		
Wienerberger		
Baustoffindustrie AG.....	5,247	140,176
		-----
Commercial Banks - 0.1%		
Bank Austria Creditanstalt		
(a).....	719	36,730
Erste Bank der		
Oesterreichischen		
Sparkassen AG.....	3,028	374,184
		-----
		410,914
		-----
Construction Materials - 0.0%		
RHI AG (a).....	53	1,009
		-----
Containers & Packaging - 0.0%		
Mayr - Melnhof Karton AG....		
	911	109,508
		-----

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
Diversified Telecommunication Services - 0.0%		
Telekom Austria AG (a).....	8,012	\$ 99,038
		-----
Electric Utilities - 0.0%		
Oesterreichische		
Elektrizitaetswirtschafts - AG		
"Verbund" 'A'.....	47	5,490
		-----
Machinery - 0.0%		
VA Technologie AG (a).....		
	458	14,795
		-----
Metals & Mining - 0.0%		
Boehler - Uddeholm AG.....		
	1,992	134,525
		-----
Oil & Gas - 0.0%		
OMV AG.....		
	329	49,001
		-----
Real Estate - 0.0%		
Immofinanz Immobilien		
Anlagen AG (a).....	2,066	16,417
		-----
Transportation Infrastructure - 0.0%		
Flughafen Wien AG.....		
	1,446	67,850
		-----
TOTAL COMMON STOCKS IN		
AUSTRIA.....		1,048,723
		-----
BELGIUM		
Beverages - 0.0%		
Interbrew.....		
	7,496	200,070
		-----
Chemicals - 0.1%		
Solvay SA.....		
	3,522	305,420
		-----
Commercial Banks - 0.2%		
Dexia.....		
	53,179	916,277
KBC Bancassurance Holding...		
	4,631	216,245
		-----
		1,132,522
		-----
Construction & Engineering - 0.0%		
Suez Lyonnaise des Eaux SA..		
	4,785	60

-----		
Distributors - 0.0%		
D'leteren SA.....	222	45,531
-----		
Diversified Financial Services - 0.3%		
Fortis.....	81,269	1,633,989
Groupe Bruxelles Lambert		
SA.....	3,292	185,486
-----		
		1,819,475
-----		
Electric Utilities - 0.1%		
Electrabel SA.....	1,917	602,568
-----		
Electrical Equipment - 0.0%		
Bekaert NV.....	1,022	65,100
-----		
Electronic Equipment & Instruments - 0.0%		
Barco NV (New Shares).....	520	45,585
-----		

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
-----		
Food & Staples Retailing - 0.1%		
Colruyt NV.....	2,214	\$ 213,357
Delhaize Group.....	6,033	310,325
Delhaize Group (ADR) (b)....	950	48,488
-----		
		572,170
-----		
Leisure Equipment & Products - 0.0%		
Agfa Gevaert NV.....	5,023	143,188
-----		
Marine - 0.0%		
Compagnie Maritime Belge SA (CMB).....	628	50,696
-----		
Metals & Mining - 0.1%		
Umicore (a).....	52	12
Union Miniere SA.....	2,965	208,126
-----		
		208,138
-----		
Oil & Gas - 0.0%		
Exmar NV (a).....	628	26,687
-----		
Pharmaceuticals - 0.1%		
UCB SA.....	9,333	351,871
-----		
Wireless Telecommunication Services - 0.0%		
Mobistar SA (a).....	457	25,651
-----		
TOTAL COMMON STOCKS IN BELGIUM.....		5,594,732
-----		
BERMUDA		
Textiles, Apparel & Luxury Goods - 0.0%		
Yue Yuen Industrial (Holdings) Limited.....	21,785	59,909
-----		

TOTAL COMMON STOCKS IN		
BERMUDA.....		59,909
-----		
DENMARK		
Beverages - 0.0%		
Carlsberg A/S 'B'.....	285	13,132
-----		
Chemicals - 0.0%		
Novozymes A/S 'B'.....	2,267	82,759
-----		
Commercial Banks - 0.2%		
Danske Bank.....	41,200	966,636
-----		
Commercial Services & Supplies - 0.1%		
Group 4 Falck A/S.....	10,216	209,403
ISS A/S.....	2,439	120,232
-----		
		329,635
-----		
Construction & Engineering - 0.0%		
FLS Industries A/S 'B'		
(a).....	1,417	16,323
-----		
Diversified Telecommunication Services - 0.1%		
TDC A/S.....	12,104	436,742
-----		

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
-----		
Electrical Equipment - 0.0%		
NKT Holding A/S.....	820	\$ 14,898
Vestas Wind Systems A/S.....	9,621	156,462
-----		
		171,360
-----		
Food Products - 0.0%		
A/S Det Ostasiatiske		
Kompagni.....	555	24,257
Danisco A/S.....	2,482	110,369
-----		
		134,626
-----		
Health Care Equipment & Supplies - 0.0%		
Coloplast A/S 'B'.....	93	7,956
GN Store Nord A/S (a).....	25,856	167,755
William Demant A/S (a).....	1,530	51,707
-----		
		227,418
-----		
Household Durables - 0.0%		
Bang & Olufsen Holding A/ S		
'B'.....	464	19,415
-----		
Insurance - 0.0%		
Topdanmark A/S (a).....	907	48,552
-----		
Marine - 0.1%		
A/S Dampskibsselskabet		
Svendborg 'B'.....	69	497,938
-----		
Pharmaceuticals - 0.2%		
H. Lundbeck A/S.....	1,278	21,216
Novo Nordisk A/S 'B'.....	21,291	867,416
-----		
		888,632
-----		
Road & Rail - 0.0%		

DSV, De Sammensluttede Vognmaend af 13-7-1976 A/S.....	3,291	145,507
		-----
TOTAL COMMON STOCKS IN DENMARK.....		3,978,675
		-----
FINLAND		
Auto Components - 0.0%		
Nokian Renkaat Oyj.....	671	50,697
		-----
Communications Equipment - 1.1%		
Nokia Oyj 'A'.....	342,747	5,927,164
Nokia Oyj 'A' (ADR) (b).....	1,270	21,590
		-----
		5,948,754
		-----
Diversified Telecommunication Services - 0.0%		
HPY Holding - HTF Holding		
Oyj Abp (a).....	5,791	77,427
TeliaSonera AB.....	36,201	189,041
		-----
		266,468
		-----

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<S>	SHARES HELD	VALUE (IN U.S. DOLLARS)
<C>	<C>	<C>
Electric Utilities - 0.0%		
Fortum Corporation, the IVO - Neste Group.....		
	25,064	\$ 258,607
		-----
IT Services - 0.0%		
Tietoerator Oyj.....	8,327	227,921
		-----
Insurance - 0.1%		
Pohjola Group PLC 'D'.....	2,198	58,776
Sampo Insurance Company Ltd. 'A'.....	29,012	300,073
		-----
		358,849
		-----
Leisure Equipment & Products - 0.0%		
Amer Group Ltd. ....	1,968	85,268
		-----
Machinery - 0.1%		
Kone Corporation 'B'.....	4,290	246,209
Metso Oyj.....	4,366	53,308
Wartsila Oyj 'B'.....	154	2,953
		-----
		302,470
		-----
Metals & Mining - 0.0%		
Outokumpu Oyj.....	447	6,072
Rautaruukki Oyj (a).....	3,289	24,228
		-----
		30,300
		-----
Paper & Forest Products - 0.3%		
Stora Enso Oyj 'R'.....	50,521	680,580
UPM - Kymmene Oyj.....	43,379	827,308
		-----
		1,507,888
		-----
TOTAL COMMON STOCKS IN FINLAND.....		9,037,222

FRANCE		
Aerospace & Defense - 0.2%		
European Aeronautic Defence and Space Company.....	20,878	496,405
Thomson CSF.....	8,645	290,602
		787,007
Airlines - 0.0%		
Groupe Air France.....	1,033	15,831
Auto Components - 0.1%		
Compagnie Generale des Etablissements Michelin		
'B'.....	8,751	401,565
Valeo SA.....	7,245	290,147
		691,712

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Automobiles - 0.3%		
PSA Peugeot Citroen.....	15,373	\$ 783,386
Renault SA.....	11,657	804,285
		1,587,671
Beverages - 0.1%		
Pernod Ricard.....	4,774	530,812
Building Products - 0.2%		
Compagnie de Saint-Gobain...	24,042	1,176,928
Chemicals - 0.2%		
Air Liquide.....	7,106	1,254,842
Commercial Banks - 1.2%		
BNP Paribas SA.....	56,094	3,532,050
Credit Agricole SA.....	26,773	639,269
Societe Generale 'A'.....	24,167	2,133,814
		6,305,133
Commercial Services & Supplies - 0.0%		
Societe BIC SA.....	1,954	90,306
Communications Equipment - 0.2%		
Alcatel (a).....	90,146	1,160,935
Sagem SA (New Shares).....	946	101,383
		1,262,318
Construction & Engineering - 0.1%		
Societe Generale d'Entreprises SA.....		
	6,092	504,464
Construction Materials - 0.2%		
Imetal SA.....	298	62,735
Lafarge SA (Ordinary).....	13,032	1,160,517
		1,223,252
Diversified Telecommunication Services - 0.4%		
France Telecom SA (a).....	75,017	2,144,151
Electrical Equipment - 0.2%		

Alstom (a).....	13,495	21,277
Schneider SA.....	16,430	1,075,575
		-----
		1,096,852
		-----
Energy Equipment & Service - 0.0%		
Compagnie Francaise d'Etudes et de Construction de Construction (Technip SA).....	1,407	152,271
		-----
Food & Staples Retailing - 0.5%		
Carrefour SA.....	39,066	2,144,488
Casino Guichard - Perrachon SA.....	2,737	266,174
		-----
		2,410,662
		-----

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table> <Caption>	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Food Products - 0.3%		
Groupe Danone.....	9,323	\$ 1,521,689
		-----
Health Care Equipment & Supplies - 0.1%		
Essilor International SA....	7,188	371,730
		-----
Hotels, Restaurants & Leisure - 0.2%		
Accor SA.....	16,195	733,350
Sodexo Alliance SA.....	9,880	297,970
		-----
		1,031,320
		-----
Household Durables - 0.1%		
Thomson Multimedia.....	20,538	437,028
		-----
IT Services - 0.1%		
Atos Origin SA (a).....	845	54,038
Cap Gemini SA (a).....	9,515	422,582
		-----
		476,620
		-----
Insurance - 0.4%		
Axa.....	104,135	2,229,022
CNP Assurances.....	582	30,304
		-----
		2,259,326
		-----
Internet Software & Services - 0.0%		
Wanadoo (a).....	19,771	162,098
		-----
Media - 0.5%		
Lagardere SCA.....	9,300	536,908
Publicis SA.....	4,855	157,383
Societe Television Francaise 1.....	11,154	389,433
Vivendi Universal SA (a)....	54,852	1,333,245
Vivendi Universal SA (ADR) (a) (b).....	6,053	146,967
		-----
		2,563,936
		-----
Metals & Mining - 0.1%		

Arcelor.....	30,042	523,688	-----
Multi-Utilities & Unregulated Power - 0.3%			
Suez SA (a).....	61,721	1,240,179	
Veolia Environment.....	21,582	579,839	-----
		1,820,018	-----
Multiline Retail - 0.1%			
Pinault-Printemps-Redoute			
SA.....	5,916	571,974	-----
Oil & Gas - 1.5%			
TotalFinaElf SA.....	43,865	8,155,516	
TotalFinaElf SA 'B'.....	939	174,582	
TotalFinaElf SA 'STRIP'.....	4,140	52	-----
		8,330,150	-----
Personal Products - 0.3%			
L'Oreal SA.....	22,889	1,876,618	-----

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)	
	-----	-----	
<S>	<C>	<C>	
Pharmaceuticals - 0.9%			
Aventis SA.....	49,882	\$ 3,296,939	
Sanofi-Synthelabo SA.....	24,706	1,860,427	-----
		5,157,366	-----
Real Estate - 0.1%			
Gecina (a).....	440	64,712	
Klepierre.....	2,142	128,876	
Unibail (Union du Credit - Bail Immobilier).....	3,754	352,055	-----
		545,643	-----
Semiconductors & Semiconductor Equipment - 0.2%			
STMicroelectronics NV.....	40,849	1,107,786	-----
Software - 0.1%			
Business Objects SA (a).....	6,540	228,091	
Dassault Systemes SA.....	3,179	144,996	-----
		373,087	-----
Textiles, Apparel & Luxury Goods - 0.2%			
Hermes International.....	189	36,570	
LVMH (Louis Vuitton Moet Hennessy).....	17,690	1,287,477	-----
		1,324,047	-----
Transportation Infrastructure - 0.0%			
Autoroutes du Sud de la France.....	2,314	77,639	-----
Wireless Telecommunication Services - 0.1%			
Bouygues SA.....	17,461	610,518	-----
TOTAL COMMON STOCKS IN FRANCE.....		52,376,493	-----

GERMANY

Air Freight & Logistics - 0.1%			
Deutsche Post AG (Registered Shares).....	24,004	495,036	

-----		
Airlines - 0.1%		
Deutsche Lufthansa AG (Registered Shares).....	19,873	332,135
-----		
Auto Components - 0.1%		
Continental AG.....	11,586	439,443
-----		
Automobiles - 0.7%		
DaimlerChrysler AG.....	58,964	2,751,848
Volkswagen AG.....	17,729	987,304
-----		
		3,739,152
-----		
Biotechnology - 0.0%		
QIAGEN NV (a).....	4,938	60,604
-----		

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>		
<Caption>		
	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
-----		
Capital Markets - 0.5%		
Deutsche Bank AG (Registered Shares).....	35,994	\$ 2,982,849
Marschollek, Lautenschlaeger und Partner AG (a).....	3,609	70,559
-----		
		3,053,408
-----		
Chemicals - 0.6%		
BASF AG.....	38,454	2,162,307
Bayer AG.....	50,053	1,465,980
Linde AG.....	4,297	231,435
-----		
		3,859,722
-----		
Commercial Banks - 0.2%		
Bayerische Hypo- und Vereinsbank AG (a).....	29,865	690,872
Commerzbank AG.....	36,482	715,558
-----		
		1,406,430
-----		
Construction Materials - 0.0%		
HeidelbergCement AG (a)....	1,777	68,789
HeidelbergCement AG VVPR (a).....	1,901	24
HeidelbergCement AG (Xetra) (a).....	51	2,156
-----		
		70,969
-----		
Diversified Financial Services - 0.1%		
Deutsche Boerse AG.....	9,680	529,298
-----		
Diversified Telecommunication Services - 0.6%		
Deutsche Telekom AG (Registered Shares) (a)...	178,959	3,275,343
-----		
Electric Utilities - 0.6%		
E.ON AG.....	46,826	3,055,971
-----		
Electronic Equipment & Instruments - 0.0%		
Epcos AG (a).....	2,386	53,872



-----		
Food & Staples Retailing - 0.1%		
Metro AG.....	8,744	385,472
-----		
Health Care Providers & Services - 0.1%		
Fresenius Medical Care AG...	3,542	251,978
Gehe AG.....	1,654	80,217
-----		
		332,195
-----		
Hotels, Restaurants & Leisure - 0.1%		
Preussag AG.....	13,366	278,683
-----		
Industrial Conglomerates - 0.8%		
Siemens AG.....	54,809	4,389,969
Siemens AG (ADR) (b).....	860	68,748
-----		
		4,458,717
-----		

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
	-----	-----
Insurance - 0.7%		
Allianz AG (Registered Shares).....	19,585	\$ 2,472,331
Muenchener Rueckversicherungs- Gesellschaft AG (Registered Shares).....	11,211	1,359,233
-----		
		3,831,564
-----		
Machinery - 0.1%		
MAN AG.....	10,959	332,447
-----		
Metals & Mining - 0.1%		
Thyssen Krupp AG.....	25,036	494,846
-----		
Multi-Utilities & Unregulated Power - 0.2%		
RWE AG.....	34,181	1,352,493
-----		
Multiline Retail - 0.0%		
Karstadt AG.....	1,640	40,545
-----		
Personal Products - 0.0%		
Beiersdorf AG.....	1,419	172,184
-----		
Pharmaceuticals - 0.2%		
Altana AG.....	6,471	388,929
Merck KGaA.....	2,378	99,073
Schering AG.....	14,186	718,425
-----		
		1,206,427
-----		
Semiconductors & Semiconductor Equipment - 0.1%		
Infineon Technologies AG (a).....	38,848	539,990
-----		
Software - 0.5%		
SAP AG (Systeme, Anwendungen, Produkte in der Datenverarbeitung)....	14,756	2,478,253
-----		
Specialty Retail - 0.0%		
Douglas Holding AG.....	1,160	32,248
-----		

Textiles,Apparel & Luxury Goods - 0.1%		
Adidas - Salomon AG.....	4,075	464,142
Puma AG Rudolf Dassler		
Sport.....	1,610	284,308
		-----
		748,450
		-----
Thrifts & Mortgage Finance - 0.1%		
Hypo Real Estate Holding AG		
(a).....	12,658	315,971
		-----
TOTAL COMMON STOCKS IN		
GERMANY.....		37,371,868
		-----
GREECE		
Beverages - 0.0%		
Hellenic Bottling Co. ....	9,437	196,882
		-----

</Table>

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>		
<Caption>		
	SHARES	VALUE
	HELD	(IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
Commercial Banks - 0.3%		
Alpha Credit Bank.....	11,114	\$ 335,887
Bank of Piraeus.....	1,959	23,573
Commercial Bank of Greece...	1,938	48,597
EFG Eurobank Ergasias.....	19,429	376,424
National Bank of Greece SA..	18,240	476,246
		-----
		1,260,727
		-----
Communications Equipment - 0.0%		
Intracom SA.....	8,070	54,764
		-----
Construction Materials - 0.0%		
Titan Cement Company.....	1,341	54,973
		-----
Diversified Telecommunication Services - 0.0%		
Hellenic Telecommunications		
Organization SA (OTE)....	14,796	195,961
		-----
Electric Utilities - 0.1%		
Public Power Corporation....	11,496	284,210
		-----
Hotels,Restaurants & Leisure - 0.0%		
Greek Organization of		
Football Prognostics.....	4,693	67,956
		-----
Metals & Mining - 0.0%		
Viohalco, Hellenic Copper		
and Aluminum Industry SA..	4,057	26,405
		-----
Wireless Telecommunication Services - 0.0%		
Panafon Hellenic Telecom		
Co. ....	24,465	190,708
		-----
TOTAL COMMON STOCKS IN		
GREECE.....		2,332,586
		-----
HONG KONG		
Airlines - 0.0%		
Cathay Pacific Airways.....	51,263	97,394

Commercial Banks - 0.3%		
BOC Hong Kong (Holdings) Limited.....	224,500	422,188
Bank of East Asia, Ltd. ....	129,939	399,176
Hang Seng Bank Limited.....	47,953	630,018
		-----
		1,451,382
		-----
Distributors - 0.1%		
Li & Fung Limited.....	158,719	271,905
		-----
Diversified Financial Services - 0.2%		
Hong Kong Exchanges & Clearing Ltd. ....	114,000	247,424
Swire Pacific Limited 'A'...	52,577	324,391
Wharf (Holdings) Ltd. ....	56,107	155,379
		-----
		727,194
		-----

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Diversified Telecommunication Services - 0.0%		
PCCW Limited (a).....	324,195	\$ 210,880
		-----
Electric Utilities - 0.2%		
CLP Holdings Limited.....	131,687	627,598
Hongkong Electric Holdings Limited.....	124,000	490,340
		-----
		1,117,938
		-----
Electrical Equipment - 0.0%		
Johnson Electric Holdings Limited.....	122,328	155,990
		-----
Gas Utilities - 0.1%		
Hong Kong and China Gas Company Ltd. ....	206,240	314,795
		-----
Hotels, Restaurants & Leisure - 0.0%		
Shangri-La Asia Limited.....	24,734	23,257
		-----
Household Durables - 0.0%		
Techtronic Industries Company Limited.....	8,280	22,983
		-----
Industrial Conglomerates - 0.2%		
Hutchison Whampoa Limited...	153,989	1,135,539
		-----
Media - 0.0%		
i-CABLE Communications Limited.....	3,610	925
South China Morning Post Holdings Ltd. ....	34,025	15,011
Television Broadcasts Ltd. ....	5,646	28,508
		-----
		44,444
		-----
Real Estate - 0.4%		
Amy Properties Limited.....	12,000	15,379
Cheung Kong (Holdings) Ltd. ....	120,735	960,300
Henderson Land Development Company Limited.....	43,491	192,146
New World Development Company Ltd. ....	225,636	181,646

Sino Land Company Limited...	48,421	27,598
Sun Hung Kai Properties Ltd. ....	107,324	888,192
		-----
		2,265,261
		-----
Road & Rail - 0.0%		
MTR Corporation Limited.....	24,500	32,346
		-----
Semiconductors & Semiconductor Equipment - 0.0%		
ASM Pacific Technology Limited.....	5,004	21,915
		-----

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Specialty Retail - 0.0%		
Esprit Holdings Limited.....	24,000	\$ 79,911
Giordano International Limited.....	243,575	112,946
		-----
		192,857
		-----
Textiles, Apparel & Luxury Goods - 0.0%		
Texwinca Holdings Limited...	85,353	62,116
		-----
Transportation Infrastructure - 0.0%		
Hopewell Holdings Limited...	18,465	28,422
		-----
TOTAL COMMON STOCKS IN HONG KONG.....		8,176,618
		-----
IRELAND		
Airlines - 0.0%		
Ryanair Holdings PLC (a)....	27,680	230,084
		-----
Commercial Banks - 0.4%		
Allied Irish Banks PLC.....	68,954	1,104,585
Bank of Ireland (Dublin)....	53,626	731,878
Bank of Ireland (London)....	26,151	356,244
		-----
		2,192,707
		-----
Construction Materials - 0.2%		
CRH PLC (Dublin).....	42,944	881,846
CRH PLC (London).....	936	19,185
		-----
		901,031
		-----
Food Products - 0.1%		
Greencore Group PLC.....	35,829	160,435
Kerry Group PLC 'A'.....	4,710	88,520
		-----
		248,955
		-----
Household Durables - 0.0%		
Waterford Wedgwood PLC.....	25,516	7,081
Waterford Wedgwood PLC (Fully Paid Rights).....	6,958	1,931
		-----
		9,012

-----		
Industrial Conglomerates - 0.0%		
DCC PLC.....	3,189	43,523
-----		
Insurance - 0.0%		
Irish Life & Permanent PLC.....	13,484	217,703
-----		
Media - 0.0%		
Independent News & Media PLC.....	21,817	51,735
-----		

</Table>

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
	-----	-----
Pharmaceuticals - 0.0%		
Elan Corporation PLC (a)....	11,519	\$ 79,331
Elan Corporation PLC (ADR) (a) (b).....	5,755	39,652
		-----
		118,983
		-----
TOTAL COMMON STOCKS IN IRELAND.....		4,013,733
		-----
ITALY		
Aerospace & Defense - 0.0%		
Finmeccanica SpA.....	312,371	244,680
-----		
Automobiles - 0.1%		
Fiat SpA (a).....	43,688	335,154
-----		
Capital Markets - 0.1%		
Banca Fideuram SpA.....	32,610	193,735
Mediobanca SpA.....	25,358	275,234
Mediolanum SpA.....	27,974	220,673
		-----
		689,642
		-----
Commercial Banks - 1.0%		
Banca Intesa SpA.....	36,404	104,234
Banca Monte dei Paschi di Siena SpA.....	52,096	164,607
Banca Nazionale del Lavoro (Ordinary) (a).....	150,302	359,261
Banca Popolare di Milano (BPM).....	16,065	105,411
Banche Popolari Unite Scrl (a).....	17,934	324,838
Banco Popolare di Verona e Novara Scrl.....	32,677	553,258
Capitalia SpA (a).....	111,199	327,229
Intesa BCI SpA.....	234,445	916,724
San Paolo - IMI SpA.....	77,657	1,012,831
Unicredito Italiano SpA.....	279,196	1,507,262
		-----
		5,375,655
		-----
Construction Materials - 0.0%		
Italcementi SpA.....	5,565	69,422
-----		
Diversified Financial Services - 0.0%		
Fineco Group SpA (a).....	48,440	34,124
-----		
Diversified Telecommunication Services - 0.5%		
Telecom Italia SpA (a).....	683,210	2,025,153
Telecom Italia SpA - RNC (a).....	381,540	777,228

-----  
2,802,381  
-----

Electric Utilities - 0.2%		
Enel SpA.....	173,905	1,182,324
		-----
Food Products - 0.0%		
Parmalat Finanziaria SpA....	58,944	1
		-----

</Table>

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See notes to financial statements.  
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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Gas Utilities - 0.1%		
Snam Rete Gas SpA.....	86,966	\$ 368,574
		-----
Health Care Equipment & Supplies - 0.0%		
Snia SpA.....	62,868	156,298
		-----
Hotels, Restaurants & Leisure - 0.0%		
Autogrill SpA (a).....	4,473	64,065
		-----
Industrial Conglomerates - 0.0%		
Pirelli & C. SpA.....	218,669	222,475
		-----
Insurance - 0.4%		
Alleanza Assicurazioni.....	25,108	274,896
Assicurazioni Generali.....	63,087	1,671,071
Riunione Adriatica di Sicurta SpA.....	17,689	301,212
		-----
		2,247,179
		-----
Internet Software & Services - 0.1%		
Tiscali SpA (a).....	21,154	147,902
Seat Pagine Gialle SpA (a).....	171,874	163,679
		-----
		311,581
		-----
Media - 0.1%		
Gruppo Editoriale L'Espresso SpA.....	15,754	98,105
Mediaset SpA.....	44,545	529,280
Mondadori (Arnoldo) Editore SpA.....	5,198	46,590
Telecom Italia Media SpA (a).....	225,866	112,306
		-----
		786,281
		-----
Multiline Retail - 0.0%		
La Rinascente SpA (a).....	5,245	20,034
		-----
Oil & Gas - 0.6%		
ENI SpA.....	172,908	3,262,740
ENI SpA (ADR) (b).....	1,875	178,087
		-----
		3,440,827
		-----
Textiles, Apparel & Luxury Goods - 0.1%		
Benetton Group SpA.....	5,296	60,856
Bulgari SpA.....	17,735	164,398

Luxottica Group SpA.....	4,858	83,949
		-----
		309,203
		-----
Transportation Infrastructure - 0.1%		
Autotrade Spa (a).....	20,029	351,998
		-----
Wireless Telecommunication Services - 0.3%		
Telecom Italia Mobile (TIM)		
SpA.....	257,136	1,399,846
		-----
TOTAL COMMON STOCKS IN		
ITALY.....		20,411,744
		-----

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
JAPAN		
Air Freight & Logistics - 0.1%		
Yamato Transport Co., Ltd. ....	37,000	\$ 435,700
		-----
Airlines - 0.0%		
Japan Airlines System Corporation.....	28,000	73,939
		-----
Auto Components - 0.3%		
Bridgestone Corp. ....	51,000	685,742
Denso Corporation.....	29,600	582,775
NGK Spark Plug Co., Ltd. ...	9,000	72,978
Sanden Corporation.....	20,000	123,169
Stanley Electric Co., Ltd. ....	7,000	135,532
TOYOTA INDUSTRIES CORPORATION.....	6,000	127,368
Toyoda Gosei Co., Ltd. ....	1,000	28,833
		-----
		1,756,397
		-----
Automobiles - 2.0%		
Honda Motor Co., Ltd. ....	55,400	2,460,614
Nissan Motor Co., Ltd. ....	171,400	1,957,578
Toyota Motor Corporation....	192,000	6,485,397
Yamaha Motor Co., Ltd. ....	9,000	98,171
		-----
		11,001,760
		-----
Beverages - 0.2%		
Asahi Breweries Limited.....	31,000	282,607
Kirin Brewery Company, Ltd. ....	38,000	324,083
Sapporo Breweries Limited...	43,000	118,363
Takara Shuzo Co., Ltd. ....	20,000	187,366
		-----
		912,419
		-----
Building Products - 0.3%		
Asahi Glass Company, Limited.....	47,000	385,929
Central Glass Co., Ltd. ....	2,000	12,615
Daikin Industries, Ltd. ....	9,000	207,847
Nippon Sheet Glass Company, Ltd. ....	47,000	137,268
Tostem Corporation.....	13,000	251,096
Toto Limited.....	33,000	279,593
		-----
		1,274,348
		-----
Capital Markets - 0.6%		
Daiwa Securities Group Inc. ....	101,000	687,030

Jafco Co., Ltd. ....	1,100	86,423
The Nikko Securities Co., Ltd. ....	108,000	601,624
The Nomura Securities Co., Ltd. ....	125,000	2,128,627
		-----
		3,503,704
		-----

</Table>

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Chemicals - 1.0%		
Asahi Chemical Industry Co., Ltd. ....	70,000	\$ 380,144
Daicel Chemical Industries, Ltd. ....	3,000	12,373
Dainippon Ink and Chemicals, Inc. ....	30,000	57,106
Denki Kagaku Kogyo Kabushiki Kaisha.....	3,000	9,658
Hitachi Chemical Company, Ltd. ....	2,500	41,989
Ishihara Sangyo Kaisha, Ltd. ....	11,000	21,965
JSR Corporation.....	16,000	357,563
Kaneka Corporation.....	13,000	97,042
Kuraray Co., Ltd. ....	38,000	320,537
Mitsubishi Chemical Corporation.....	82,000	213,474
Mitsubishi Gas Chemical Company, Inc. ....	18,000	61,304
Mitsubishi Rayon Company, Ltd. ....	61,000	228,814
Mitsui Chemicals Inc. ....	24,000	139,965
Nissan Chemical Industries, Ltd. ....	18,000	160,399
Nitto Denko Corporation....	12,810	681,319
Shin-Etsu Chemical Co., Ltd. ....	27,200	1,111,654
Showa Denko K.K.....	102,000	229,374
Sumitomo Bakelite Company Limited.....	24,000	156,536
Sumitomo Chemical Co., Ltd. ....	62,000	255,706
Teijin Limited.....	86,000	252,776
Toray Industries, Inc. ....	107,000	447,289
Tosoh Corporation.....	3,000	10,021
Ube Industries, Ltd. ....	78,000	156,480
		-----
		5,403,488
		-----
Commercial Banks - 1.6%		
The 77 Bank, Ltd. ....	12,000	67,631
Ashikaga Financial Group, Inc. (a).....	168,000	4,703
The Bank of Fukuoka, Ltd. ....	61,000	256,135
The Bank of Yokohama, Ltd. ....	87,000	404,274
The Chiba Bank, Ltd. ....	24,000	98,311
Daiwa Bank Holdings, Inc. (a).....	279,000	351,451
The Gunma Bank Ltd. ....	13,000	58,104
Hokugin Financial Group, Inc. ....	5,000	6,765
The Joyo Bank, Ltd. ....	23,000	75,114
Mitsubishi Tokyo Financial Group, Inc. ....	278	2,168,592



Mitsui Trust Holdings, Inc. ....	26,000	145,321
Mizuho Financial Group, Inc. ....	457	1,385,882

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
The Shizuoka Bank, Ltd. ....	30,000	\$ 221,704
Sumitomo Mitsui Financial Group, Inc. ....	283	1,507,819
The Sumitomo Trust and Banking Co., Ltd. ....	80,000	470,281
The Suruga Bank, Ltd. ....	4,000	25,716
UFJ Holdings, Inc. ....	268	1,287,860
		-----
		8,535,663
		-----

Commercial Services & Supplies - 0.4%		
Benesse Corporation.....	2,000	48,801
Dai Nippon Printing Co., Ltd. ....	50,000	702,155
Kokuyo Co., Ltd. ....	5,000	54,353
Meitec Corp. ....	500	19,222
Secom Co., Ltd. ....	17,000	634,506
Toppan Printing Co., Ltd. ....	50,000	520,202
		-----
		1,979,239
		-----

Computers & Peripherals - 0.5%		
Fujitsu Limited (a).....	117,000	689,969
Mitsumi Electric Company, Ltd. ....	12,000	132,127
NEC Corporation.....	113,000	831,921
Seiko Epson Corporation.....	5,700	265,933
Toshiba Corporation.....	220,000	833,442
		-----
		2,753,392
		-----

Construction & Engineering - 0.2%		
COMSYS Holdings Corporation.....	15,000	96,016
JGC Corporation.....	23,000	239,937
Kajima Corporation.....	88,000	285,752
Kinden Corporation.....	9,000	42,409
Nishimatsu Construction Co., Ltd. ....	14,000	46,375
Obayashi Corporation.....	25,000	111,738
Shimizu Corporation.....	16,000	60,913
Taisei Corporation.....	76,000	277,988
Toda Corporation.....	3,000	8,482
		-----
		1,169,610
		-----

Construction Materials - 0.1%		
Sumitomo Osaka Cement Co., Ltd. ....	67,000	131,287
Taiheiyo Cement Corporation.....	83,000	234,665
		-----
		365,952
		-----

Consumer Finance - 0.3%		
Acom Co., Ltd. ....	3,500	158,720
Aiful Corporation.....	2,000	146,310
Credit Saison Co., Ltd. ....	14,000	316,133
Orix Corporation.....	7,000	578,707
Promise Co., Ltd. ....	4,700	204,805

See notes to financial statements.

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

&lt;Table&gt;

&lt;Caption&gt;

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Takefuji Corporation.....	3,520	\$ 164,554
		-----
		1,569,229
		-----
Containers & Packaging - 0.0%		
Toyo Seikan Kaisha, Ltd. ...	10,000	139,778
		-----
Diversified Telecommunication Services - 0.3%		
Nippon Telegraph & Telephone Corporation (NTT).....	395	1,905,524
		-----
Electric Utilities - 0.8%		
Chubu Electric Power Company, Incorporated.....	40,700	848,787
Kansai Electric Power Company, Inc. ....	43,000	753,513
Kyushu Electric Power Company, Incorporated.....	23,600	405,849
Tohoku Electric Power Co., Inc. ....	25,100	416,186
Tokyo Electric Power.....	87,500	1,918,681
		-----
		4,343,016
		-----
Electrical Equipment - 0.3%		
The Furukawa Electric Co., Ltd. ....	59,000	195,988
Fujikura Ltd. ....	35,000	206,401
Matsushita Electric Works, Ltd. ....	16,000	143,772
Mitsubishi Electric Corporation.....	103,000	427,685
Sumitomo Electric Industries.....	51,000	455,893
Ushio Inc. ....	3,000	49,799
		-----
		1,479,538
		-----
Electronic Equipment & Instruments - 1.2%		
Alps Electric Co., Ltd. ....	15,000	219,464
Anritsu Corp. (a).....	15,000	100,075
Citizen Watch Co. ....	29,000	266,539
Dainippon Screen Mfg. Co., Ltd. ....	8,000	54,717
Hirose Electric Co., Ltd. ....	1,500	172,156
Hitachi Ltd. ....	191,000	1,151,311
Hoya Corporation.....	9,000	826,351
Keyence Corporation.....	1,900	400,495
Kyocera Corporation.....	10,700	712,867
Mabuchi Motor Co., Ltd. ....	1,200	92,377
Murata Manufacturing Co., Ltd. ....	14,800	799,589
Nidec Corporation.....	1,800	171,820
Oki Electric Industry Company, Limited (a).....	56,000	218,942
Omron Corporation.....	11,000	223,243
TDK Corporation.....	9,200	662,723
Taiyo Yuden Co., Ltd. ....	13,000	169,945

&lt;/Table&gt;

&lt;Table&gt;

&lt;Caption&gt;

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Yokogawa Electric		

Corporation.....	22,000	\$ 317,775
		-----
		6,560,389
		-----
Food & Staples Retailing - 0.5%		
FamilyMart Co., Ltd. ....	5,400	122,945
Ito-Yokado Co., Ltd. ....	24,000	754,689
JUSCO Co., Ltd. ....	19,000	636,465
Lawson Inc. ....	2,400	81,963
Matsumotokiyoshi Co., Ltd. ....	5,600	125,669
Seven-Eleven Japan Co., Ltd. ....	27,000	818,793
Uny Co., Ltd. ....	4,000	41,056
		-----
		2,581,580
		-----
Food Products - 0.2%		
Ajinomoto Co., Inc. ....	48,000	552,244
Kikkoman Corporation.....	24,000	170,645
Nichirei Corporation.....	1,000	3,238
Nippon Meat Packers, Inc. ....	10,000	97,789
Nisshin Seifun Group Inc. ....	13,000	115,723
Nissin Food Products Co., Ltd. ....	9,800	244,154
Snow Brand Milk Products Co., Ltd. (a).....	500	1,442
Yakult Honsha Co., Ltd. ....	3,000	46,888
Yamazaki Baking Co., Ltd. ....	7,000	58,067
		-----
		1,290,190
		-----
Gas Utilities - 0.2%		
Osaka Gas Co. ....	177,000	478,959
Tokyo Gas Co. ....	210,000	748,530
		-----
		1,227,489
		-----
Health Care Equipment & Supplies - 0.1%		
Olympus Optical Co., Ltd. ....	19,000	412,196
Terumo Corporation.....	14,400	273,435
		-----
		685,631
		-----
Health Care Providers & Services - 0.0%		
Nichii Gakkan Company.....	200	11,346
Suzuken Co., Ltd. ....	500	16,236
		-----
		27,582
		-----
Hotels, Restaurants & Leisure - 0.0%		
Oriental Land Co., Ltd.....	1,900	117,188
Skylark Co., Ltd. ....	2,000	33,032
		-----
		150,220
		-----
Household Durables - 1.3%		
Casio Computer Co., Ltd. ...	22,000	232,789
Daito Trust Construction Co., Ltd. ....	3,700	109,788
Daiwa House Industry Co., Ltd. ....	41,000	436,130

</Table>

See notes to financial statements.

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Matsushita Electric Industrial Company, Ltd. ....	144,000	\$ 1,991,304
Pioneer Corporation.....	13,800	381,151
Sanyo Electric Co., Ltd. ...	122,000	637,492
Sekisui Chemical Co., Ltd. ....	25,000	127,368
Sekisui House, Ltd. ....	26,000	268,564
Sharp Corporation.....	69,000	1,088,728
Sony Corporation.....	61,500	2,129,001
		-----
		7,402,315
		-----
Household Products - 0.2%		
Kao Corporation.....	44,000	895,027
Uni-Charm Corporation.....	4,600	226,201
		-----
		1,121,228
		-----
IT Services - 0.2%		
CSK Corporation.....	6,500	234,721
NTT Data Corporation.....	73	275,870
Net One Systems Co., Ltd. ....	20	153,961
Nomura Research Institute, Ltd. ....	2,600	253,522
OBIC Co., Ltd. ....	100	20,118
Toyo Information Systems Co., Ltd. ....	400	13,511
		-----
		951,703
		-----
Insurance - 0.5%		
Daido Life Insurance Company.....	54	160,735
Millea Holdings, Inc. ....	113	1,476,159
Mitsui Sumitomo Insurance Company, Limited.....	103,000	845,759
The Yasuda Fire & Marine Insurance Co. Ltd. ....	42,000	345,265
		-----
		2,827,918
		-----
Internet Software & Services - 0.1%		
Softbank Corp. ....	16,100	492,750
		-----
Leisure Equipment & Products - 0.3%		
BANDAI CO., LTD. ....	2,100	52,907
Fuji Photo Film.....	37,000	1,194,551
SANKYO CO., LTD. ....	1,400	44,415
Shimano Inc. ....	3,500	72,502
Yamaha Corporation.....	14,600	286,769
		-----
		1,651,144
		-----
Machinery - 0.7%		
Amada Co., Ltd. ....	35,000	182,234
Ebara Corporation.....	13,000	56,527
Fanuc Ltd. ....	10,000	599,048
Hino Motors, Ltd. ....	5,000	35,644
Ishikawajima - Harima Heavy Industries Co., Ltd. ....	27,000	38,546

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Kawasaki Heavy Industries Ltd. ....	146,000	\$ 179,826
Komatsu Ltd. ....	82,000	520,295

Koyo Seiko Co. ....	12,000	123,281
Kubota Corporation.....	47,000	193,842
Kurita Water Industries Ltd. ....	3,000	36,195
Minebea Company Ltd. ....	41,000	208,118
Mitsubishi Heavy Industries, Ltd. (a).....	236,000	656,228
Mitsui Engineering & Shipbuilding Co., Ltd. ...	96,000	158,552
NGK Insulators, Ltd. ....	13,000	97,042
NSK Limited.....	14,000	51,078
NTN Corporation.....	15,000	71,522
SMC Corporation.....	3,100	385,873
Sumitomo Heavy Industries, Ltd. ....	68,000	154,185
THK Co., Ltd. ....	3,700	75,264
Takuma Co., Ltd. ....	8,000	43,669
		-----
		3,866,969
		-----

Marine - 0.2%		
Kawasaki Kisen Kaisha, Ltd. ....	52,000	258,617
Mitsui O.S.K. Lines, Ltd. ....	38,000	185,444
Nippon Yusen Kabushiki Kaisha.....	87,000	393,720
		-----
		837,781
		-----

Media - 0.0%		
Asatsu-Dk Inc. ....	600	15,452
Dentsu Inc. ....	9	45,349
Fuji Television Network, Incorporated.....	13	70,356
Toho Co., Ltd. ....	5,000	63,637
Tokyo Broadcasting System, Inc. ....	4,000	63,712
		-----
		258,506
		-----

Metals & Mining - 0.5%		
Dowa Mining Co., Ltd. ....	7,000	37,622
JFE Holdings, Inc. ....	29,900	816,063
Mitsubishi Materials Corporation.....	35,000	53,886
Mitsui Mining & Smelting Co., Ltd. ....	61,000	253,289
Nippon Steel Corporation....	440,000	944,294
Sumitomo Metal Industries, Ltd. ....	296,000	292,768
Sumitomo Metal Mining Co. ..	47,000	348,652
		-----
		2,746,574
		-----

Multiline Retail - 0.2%		
The Daimaru, Inc. ....	9,000	49,967
Hankyu Department Stores, Inc. ....	6,000	40,198

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Isetan Company Ltd. ....	20,000	\$ 220,211
Marui Co., Ltd. ....	31,000	390,501
Mitsukoshi, Ltd. (a).....	16,000	65,093

Takashimaya Co., Ltd. ....	30,000	214,146
		-----
		980,116
		-----
Office Electronics - 0.8%		
Canon, Inc. ....	59,000	2,747,131
Konica Corporation.....	35,000	470,607
Ricoh Co., Ltd. ....	51,000	1,006,485
		-----
		4,224,223
		-----
Oil & Gas - 0.2%		
Nippon Mining		
Holdings, Inc. ....	33,500	116,908
Nippon Mitsubishi Oil		
Corp. ....	99,000	504,376
Showa Shell Sekiyu K.K.....	6,000	48,764
Teikoku Oil Co., Ltd. ....	35,000	176,029
TonenGeneral Sekiyu K.K.....	10,000	82,766
		-----
		928,843
		-----
Paper & Forest Products - 0.1%		
Nippon Unipac Holding.....	49	252,841
Oji Paper Co., Ltd. ....	72,000	464,906
		-----
		717,747
		-----
Personal Products - 0.1%		
ADERANS Company Limited.....	1,700	27,427
Kanebo, Ltd. (a).....	96,000	96,743
Shiseido Company, Limited...	33,000	401,222
		-----
		525,392
		-----
Pharmaceuticals - 1.1%		
Chugai Pharmaceutical Co.,		
Ltd. ....	13,000	186,927
Daiichi Pharmaceutical Co.,		
Ltd. ....	23,000	414,416
Eisai Company, Ltd. ....	19,000	512,364
Fujisawa Pharmaceutical Co.,		
Ltd. ....	23,000	490,389
Kaken Pharmaceutical Co.,		
Ltd. ....	8,000	40,160
Kyowa Hakko Kogyo Co.,		
Ltd. ....	11,000	70,001
Sankyo Company, Ltd. ....	30,800	579,099
Shionogi & Co., Ltd. ....	26,000	484,240
Taisho Pharmaceutical		
Company, Ltd. ....	7,000	125,147
Takeda Chemical Industries,		
Ltd. ....	64,000	2,538,024
Yamanouchi Pharmaceutical		
Co., Ltd. ....	25,000	776,803
		-----
		6,217,570
		-----

</Table>

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Real Estate - 0.3%		
Japan Real Estate Investment Corporation.....	31	\$ 196,118
Mitsubishi Estate Company,		
Limited.....	80,000	758,421
Mitsui Fudosan Co., Ltd. ...	60,000	541,943
Office Building Fund of		
Japan Incorporated.....	22	141,234
Sumitomo Realty &		
Development Co., Ltd. ....	32,000	281,870
		-----
		1,919,586

Road & Rail - 0.6%		
Central Japan Railway		
Company.....	51	440,664
East Japan Railway Company..	266	1,253,429
Keihin Electric Express		
Railway Co., Ltd. ....	15,000	88,038
Keio Electric Railway Co.,		
Ltd. ....	19,000	98,750
Kinki Nippon Railway Co.,		
Ltd. ....	72,000	216,329
Nippon Express Co., Ltd. ...	78,000	368,275
Seino Transportation Co.,		
Ltd. ....	13,000	107,474
Tobu Railway Co., Ltd. ....	26,000	92,918
Tokyu Corporation.....	86,000	441,355
West Japan Railway Company..	55	216,059
		-----
		3,323,291
		-----

Semiconductors & Semiconductor Equipment - 0.4%		
Advantest Corporation.....	5,500	436,223
Nikon Corporation.....	14,000	211,104
Rohm Company Ltd. ....	7,000	820,379
Tokyo Electron Limited.....	9,900	751,946
		-----
		2,219,652
		-----

Software - 0.2%		
Konami Co., Ltd. ....	3,600	104,805
Namco Ltd. ....	5,200	144,107
Nintendo Company Ltd. ....	8,000	746,478
Oracle Corporation Japan....	900	46,608
Sega Enterprises Ltd. (a)...	14,800	140,860
Trend Micro Incorporated		
(a).....	4,000	107,306
		-----
		1,290,164
		-----

Specialty Retail - 0.1%		
Aoyama Trading Co., Ltd. ..	2,800	55,389
Autobacs Seven Co., Ltd. ...	1,300	29,901
Fast Retailing Co., Ltd. ...	2,700	164,010
Shimamura Co., Ltd. ....	600	40,758
USS Co., Ltd. ....	500	35,364

See notes to financial statements.

MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>		
<Caption>		
	SHARES	VALUE
	HELD	(IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
Yamada Denki Co., Ltd. ....	8,000	\$ 268,732
		-----
		594,154
		-----
Textiles, Apparel & Luxury Goods - 0.0%		
Nisshinbo Industries		
Inc. ....	1,000	5,571
Onward Kashiyama Co.,		
Ltd. ....	13,000	157,693
Toyobo Co., Ltd. ....	2,000	4,367
Wacoal Corp. ....	5,000	41,196
World Co., Ltd. ....	1,600	50,910
		-----
		259,737
		-----

Tobacco - 0.1%		
Japan Tobacco, Inc. ....	64	468,788
		-----
Trading Companies & Distributors - 0.4%		
ITOCHU Corporation.....	76,000	251,040
Marubeni Corporation.....	132,000	252,496
Mitsubishi Corporation.....	83,000	879,798
Mitsui & Co., Ltd. ....	82,000	660,315
Sumitomo Corporation.....	35,000	260,941
		-----
		2,304,590
		-----
Transportation Infrastructure - 0.0%		
Mitsubishi Logistics		
Corp. ....	8,000	66,511
		-----
Wireless Telecommunication Services - 0.5%		
NTT DoCoMo, Inc. ....	1,191	2,700,504
		-----
TOTAL COMMON STOCKS IN		
JAPAN.....		112,023,533
		-----
NETHERLANDS		
Air Freight & Logistics - 0.1%		
TNT Post Group NV.....	29,130	682,320
		-----
Beverages - 0.1%		
Heineken NV.....	14,233	541,995
		-----
Chemicals - 0.2%		
Akzo Nobel NV.....	17,506	675,685
DSM NV.....	7,963	392,023
		-----
		1,067,708
		-----
Commercial Banks - 0.5%		
ABN AMRO Holding NV.....	109,324	2,557,969
		-----
Commercial Services & Supplies - 0.0%		
Vedior NV 'A'.....	7,896	123,499
		-----
Diversified Financial Services - 0.6%		
Euronext NV.....	6,783	171,714
ING Groep NV.....	125,433	2,925,395
		-----
		3,097,109
		-----
Diversified Telecommunication Services - 0.2%		
KPN NV (a).....	149,083	1,150,841
		-----

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Energy Equipment & Service - 0.0%		
IHC Caland NV.....	2,943	\$ 159,623
		-----
Food & Staples Retailing - 0.1%		
Koninklijke Ahold NV (a)....	86,704	660,559
		-----
Food Products - 0.5%		
Koninklijke Numico NV (a)...	8,682	239,937
Unilever NV 'A'.....	42,182	2,758,746
		-----
		2,998,683
		-----
Household Durables - 0.5%		
Koninklijke (Royal) Philips		
Electronics NV.....	93,743	2,737,321
		-----
Insurance - 0.3%		
Aegon NV.....	96,204	1,423,400



Media - 0.3%		
Reed Elsevier NV.....	54,034	671,335
VNU NV.....	13,773	435,183
Wolters Kluwer NV 'A'.....	24,904	389,517
		1,496,035
Office Electronics - 0.0%		
Oce NV.....	194	2,973
Oil & Gas - 1.5%		
Royal Dutch Petroleum Company.....	150,203	7,919,371
Real Estate - 0.0%		
Corio NV.....	1,655	64,087
Rodamco Europe NV.....	1,648	95,974
Wereldhave NV.....	169	12,652
		172,713
Semiconductors & Semiconductor Equipment - 0.1%		
ASM Lithography Holding NV (a).....	37,151	736,646
Specialty Retail - 0.0%		
Vendex KBB NV.....	1,228	17,116
Trading Companies & Distributors - 0.0%		
Hagemeyer NV.....	30,280	68,367
TOTAL COMMON STOCKS IN THE NETHERLANDS.....		
		27,614,248
NEW ZEALAND		
Construction Materials - 0.0%		
Fletcher Building Limited...	20,926	58,253
Diversified Telecommunication Services - 0.1%		
Telecom Corporation of New Zealand Limited.....	149,502	527,095

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Electric Utilities - 0.0%		
Contact Energy Limited.....	31,055	\$ 109,694
Health Care Equipment & Supplies - 0.0%		
Fisher & Paykel Industries Limited.....	1,054	8,754
Household Durables - 0.1%		
Fisher & Paykel Appliances Holdings Limited.....	48,724	122,841
Insurance - 0.0%		
Tower Limited (a).....	93,688	76,889

-----		
Multiline Retail - 0.0%		
The Warehouse Group		
Limited.....	16,257	54,648
-----		
Paper & Forest Products - 0.0%		
Carter Holt Harvey		
Limited.....	7,526	9,289
Fletcher Challenge Forests		
(a).....	9,927	8,864
-----		
		18,153
-----		
Transportation Infrastructure - 0.0%		
Auckland International		
Airport Limited.....	16,200	74,559
-----		
TOTAL COMMON STOCKS IN NEW		
ZEALAND.....		1,050,886
-----		

NORWAY		
Airlines - 0.0%		
SAS AB (a).....	2,392	22,831
-----		

Beverages - 0.1%		
Orkla ASA 'A'.....	10,156	227,460
-----		

Commercial Banks - 0.1%		
DNB Holding ASA.....	56,656	378,115
-----		

Communications Equipment - 0.0%		
Tandberg ASA (a).....	17,657	130,049
-----		

Diversified Telecommunication Services - 0.1%		
Telenor A/S.....	41,889	273,895
Telenor A/S (ADR) (b).....	8,900	164,650
-----		
		438,545
-----		

Energy Equipment & Service - 0.0%		
Aker Kvaerner ASA (a).....	5,494	93,937
Smedvig ASA 'A'.....	3,691	28,018
-----		
		121,955
-----		

Insurance - 0.0%		
Storebrand ASA (a).....	18,604	121,085
-----		

</Table>

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
	-----	-----
Machinery - 0.0%		
Tomra Systems ASA.....	2,598	\$ 15,660
-----		
Media - 0.0%		
Schibsted ASA.....	3,568	61,408
-----		
Oil & Gas - 0.2%		
Frontline Limited.....	5,880	152,462
Norsk Hydro ASA.....	11,455	706,812
Statoil ASA.....	23,291	261,695
-----		
		1,120,969
-----		
Paper & Forest Products - 0.0%		
Norske Skogindustrier ASA...	3,089	58,968

TOTAL COMMON STOCKS IN		
NORWAY.....		2,697,045
-----		
PORTUGAL		
Commercial Banks - 0.1%		
BPI-SGPS, SA (Registered Shares).....	41,741	153,738
Banco Comercial Portugues, SA (BCP) (Registered Shares).....	100,250	223,817
Banco Espirito Santo, SA (Registered Shares).....	8,484	139,117
		-----
		516,672
		-----
Construction Materials - 0.0%		
CIMPOR - Cimentos de Portugal, SGPS, SA.....		
	15,305	79,150
		-----
Diversified Telecommunication Services - 0.1%		
Portugal Telecom SA (Registered Shares).....		
	67,126	675,662
		-----
Electric Utilities - 0.1%		
Eletricidade de Portugal, SA (EDP).....		
	96,727	254,994
		-----
Food & Staples Retailing - 0.0%		
Jeronimo Martins SGPS, SA (a).....		
	3,120	41,164
		-----
Industrial Conglomerates - 0.0%		
Sonae, S.G.P.S., SA (a).....		
	167,439	139,392
		-----
Media - 0.0%		
PT Multimedia - Servicos de Telecomunicacoes e Multimedia,.....		
	2,349	
SGPS, SA (a).....		45,629
		-----

</Table>

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>		
<Caption>		
	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
Transportation Infrastructure - 0.0%		
Brisa-Auto Estradas de Portugal, SA.....		
	11,704	\$ 78,243
		-----
TOTAL COMMON STOCKS IN PORTUGAL.....		
		1,830,906
		-----
SINGAPORE		
Aerospace & Defense - 0.0%		
Singapore Technologies Engineering Ltd. ....		
	56,213	67,523
		-----
Air Freight & Logistics - 0.0%		
Singapore Post Limited.....		
	258,308	105,708
		-----

Airlines - 0.0%		
Singapore Airlines Limited.....	27,582	181,899
		-----
Beverages - 0.0%		
Fraser & Neave Limited.....	3,836	28,460
		-----
Commercial Banks - 0.3%		
DBS Group Holdings Limited..	70,751	612,400
Oversea - Chinese Banking Corporation Ltd. ....	58,598	417,497
United Overseas Bank Ltd. ....	99,204	771,061
		-----
		1,800,958
		-----
Computers & Peripherals - 0.0%		
Creative Technology Limited.....	5,907	62,259
		-----
Distributors - 0.0%		
Cycle & Carriage Ltd. ....	3,281	11,205
		-----
Diversified Financial Services - 0.0%		
Singapore Exchange Limited..	147,000	146,282
		-----
Diversified Telecommunication Services - 0.1%		
Singapore		
Telecommunications, Ltd. ....	373,718	431,306
		-----
Electronic Equipment & Instruments - 0.1%		
Venture Manufacturing (Singapore) Ltd. ....	17,000	200,200
		-----
Hotels, Restaurants & Leisure - 0.0%		
Overseas Union Enterprise Ltd. ....	2,631	10,767
		-----
Industrial Conglomerates - 0.0%		
Haw Par Corporation Ltd. ...	1,766	4,638
Keppel Corporation Ltd. ....	33,914	121,813
Sembcorp Industries Limited.....	24,154	17,920
		-----
		144,371
		-----
Marine - 0.0%		
Neptune Orient Lines Limited (a).....	128,873	163,908
		-----

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>

Media - 0.1%

Singapore Press Holdings Ltd. ....	32,792	\$ 364,935
		-----

Real Estate - 0.1%

Capitaland Limited.....	33,833	30,879
City Developments Limited...	59,535	212,087
		-----
		242,966
		-----

Road & Rail - 0.0%

ComfortDelGro Corporation Limited.....	104,816	50,300
--	---------	--------

-----		
Semiconductors & Semiconductor Equipment - 0.1%		
Chartered Semiconductor Manufacturing Limited		
(a).....	127,000	129,371
Chartered Semiconductor Manufacturing Limited		
(ADR) (a) (b).....	1,120	11,278
ST Assembly Test Services Limited (a).....		
	74,000	92,375
		-----
		233,024
		-----
TOTAL COMMON STOCKS IN SINGAPORE.....		
		4,246,071
		-----
SOUTH AFRICA		
Beverages - 0.1%		
SABMiller PLC.....		
	66,696	691,302
		-----
TOTAL COMMON STOCKS IN SOUTH AFRICA.....		
		691,302
		-----
SPAIN		
Airlines - 0.0%		
Iberia Lineas Aereas de Espana SA.....		
	61,946	178,149
		-----
Biotechnology - 0.0%		
Zeltia, SA.....		
	6,228	43,992
		-----
Commercial Banks - 1.3%		
Banco Bilbao Vizcaya, SA....		
	217,285	3,001,095
Banco Popular Espanol SA....		
	13,467	803,467
Banco Santander Central Hispano SA.....		
	293,793	3,479,708
		-----
		7,284,270
		-----
Construction & Engineering - 0.1%		
ACS, Actividades de Construccion y Servicios, SA.....		
	4,896	239,000
Acciona SA.....		
	662	40,289
Fomento de Construcciones y Contratas SA.....		
	2,428	89,549
Grupo Ferrovial, SA.....		
	7,548	264,484
		-----
		633,322
		-----

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>		
<Caption>		
	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>		
<C>		
<C>		
Diversified Telecommunication Services - 0.9%		
Telefonica SA.....	323,337	\$ 4,747,273
Telefonica SA (ADR) (b).....	1,081	47,769
		-----
		4,795,042
		-----
Electric Utilities - 0.5%		
Endesa SA.....	69,128	1,329,718
Iberdrola SA.....	59,526	1,176,553

Union Electrica Fenosa, SA.....	9,594	180,190
		-----
		2,686,461
		-----
Gas Utilities - 0.1%		
Gas Natural SDG, SA 'E'.....	10,404	243,433
		-----
Hotels, Restaurants & Leisure - 0.0%		
NH Hoteles, SA (a).....	14,152	162,619
		-----
IT Services - 0.0%		
Amadeus Global Travel		
Distribution SA 'A'.....	16,892	109,730
Indra Sistemas, SA.....	15,720	201,655
		-----
		311,385
		-----
Insurance - 0.1%		
Corporacion Mapfre SA.....	12,979	183,847
		-----
Media - 0.0%		
Antena 3 Television, SA		
(a).....	3,173	139,839
		-----
Metals & Mining - 0.0%		
Acerinox SA.....	2,745	129,425
		-----
Oil & Gas - 0.2%		
Repsol - YPF, SA.....	69,964	1,364,332
		-----
Real Estate - 0.0%		
Vallehermoso SA.....	4,963	75,121
		-----
Specialty Retail - 0.1%		
Industria de Disenso Textil, SA.....	11,949	242,657
		-----
Tobacco - 0.1%		
Altadis (a).....	23,779	674,857
		-----
Transportation Infrastructure - 0.1%		
Autopistas, Concesionaria		
Espanola SA.....	16,075	243,112
		-----
Water Utilities - 0.0%		
Sociedad General de Aguas de Barcelona, SA.....	34	496
Sociedad General de Aguas de Barcelona, SA (a).....	3,496	52,167
		-----
		52,663
		-----
TOTAL COMMON STOCKS IN SPAIN.....		19,444,526
		-----

</Table>

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
SWEDEN		
Airlines - 0.0%		
SAS AB (a).....	1,680	\$ 15,937
		-----
Auto Components - 0.0%		
Trelleborg AB 'B'.....	11,597	188,574
		-----
Building Products - 0.1%		
Assa Abloy AB 'B'.....	29,631	352,098
		-----

Commercial Banks - 0.5%		
Nordbanken Holding AB.....	158,820	1,191,928
Skandinaviska Enskilda		
Banken (SEB) 'A'.....	41,519	611,651
Svenska Handelsbanken AB....	45,462	928,789
		-----
		2,732,368
		-----
Commercial Services & Supplies - 0.1%		
Securitas AB 'B'.....	28,878	389,305
		-----
Communications Equipment - 0.4%		
Telefonaktiebolaget LM		
Ericsson AB 'B' (a).....	1,082,901	1,941,465
Telefonaktiebolaget LM		
Ericsson (Sponsored ADR)		
(a) (b).....	1,407	24,904
		-----
		1,966,369
		-----
Construction & Engineering - 0.0%		
Skanska AB 'B'.....	28,123	248,191
		-----
Diversified Financial Services - 0.0%		
OM Gruppen AB.....	1,010	12,563
		-----
Diversified Telecommunication Services - 0.1%		
Tele2 AB 'B' (a).....	5,553	296,353
Telia AB.....	65,817	343,936
		-----
		640,289
		-----
Health Care Equipment & Supplies - 0.0%		
Getinge AB 'B'.....	2,151	20,627
Nobel Biocare Holding AG....	850	82,929
		-----
		103,556
		-----
Health Care Providers & Services - 0.0%		
Gambro AB 'A'.....	4,167	34,458
Gambro AB 'B'.....	3,981	32,920
		-----
		67,378
		-----
Household Durables - 0.1%		
Electrolux AB 'B'.....	25,494	559,817
		-----
IT Services - 0.0%		
WM - Data AB 'B' (a).....	4,275	9,209
		-----
Insurance - 0.1%		
Skandia Forsakrings AB.....	80,836	294,345
		-----

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
Machinery - 0.4%		
Alfa Laval AB.....	11,276	\$ 171,601

Atlas Copco AB 'A'.....	10,541	377,233
Atlas Copco AB 'B'.....	2,672	87,082
SKF AB 'B'.....	8,620	333,045
Sandvik AB.....	18,995	654,700
Volvo AB 'A'.....	3,880	113,780
Volvo AB 'B'.....	19,796	605,273

-----  
2,342,714  
-----

Media - 0.0%

Eniro AB.....	5,819	55,802
Modern Times Group MTG AB 'B' (a).....	2,810	59,166

-----  
114,968  
-----

Paper & Forest Products - 0.1%

Billerud.....	277	4,177
Holmen AB 'B'.....	945	33,556
Svenska Cellulosa AB (SCA) 'B'.....	16,415	670,717

-----  
708,450  
-----

Real Estate - 0.0%

Drott AB 'B'.....	11,038	209,399
-------------------	--------	---------

Specialty Retail - 0.2%

Hennes & Mauritz AB 'B'.....	38,616	917,729
------------------------------	--------	---------

Tobacco - 0.1%

Swedish Match AB.....	34,658	354,032
-----------------------	--------	---------

TOTAL COMMON STOCKS IN

SWEDEN.....		12,227,291
-------------	--	------------

SWITZERLAND

Biotechnology - 0.1%

Serono SA 'B'.....	415	295,961
--------------------	-----	---------

Building Products - 0.0%

Geberit AG (Registered Shares).....	53	26,055
--	----	--------

Capital Markets - 1.7%

Credit Suisse Group.....	89,468	3,273,440
UBS AG (Registered Shares).....	88,833	6,083,812

-----  
9,357,252  
-----

Chemicals - 0.4%

Ciba Specialty Chemicals AG (Registered Shares).....	6,377	493,454
Clariant AG (Registered Shares) (a).....	5,516	81,396
Givaudan (Registered Shares).....	632	328,073
Lonza Group AG (Registered Shares).....	5,078	291,931

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Syngenta AG.....	9,410	\$ 633,801
		----- 1,828,655 -----

Commercial Services & Supplies - 0.1%

Adecco SA (Registered Shares).....	9,197	591,196
SGS Societe Generale de Surveillance Holding SA 'R'.....	211	132,392



		723,588
-----		
Computers & Peripherals - 0.0%		
Logitech International SA		
(Registered Shares) (a)...	4,597	198,860
-----		
Construction Materials - 0.1%		
Holcim Ltd. (Registered		
Shares).....	13,268	617,940
-----		
Diversified Telecommunication Services - 0.1%		
Swisscom AG (Registered		
Shares).....	1,961	646,928
-----		
Electrical Equipment - 0.1%		
ABB Ltd. (a).....		
	140,822	713,931
-----		
Electronic Equipment & Instruments - 0.0%		
Kudelski SA (Bearer) (a)....		
	1,763	58,232
-----		
Food Products - 1.4%		
Nestle SA (Registered		
Shares).....	30,278	7,564,910
-----		
Health Care Equipment & Supplies - 0.0%		
Synthes - Stratec Inc. ....		
	225	222,680
-----		
Hotels, Restaurants & Leisure - 0.0%		
Kuoni Reisen Holding AG.....		
	35	11,716
-----		
Insurance - 0.6%		
Swiss Re (Registered		
Shares).....	25,321	1,709,564
Zurich Financial Services		
AG.....	9,957	1,433,067
-----		
		3,142,631
-----		
Machinery - 0.0%		
Sulzer AG (Registered		
Shares).....	133	35,811
-----		
Pharmaceuticals - 2.5%		
Novartis AG (Registered		
Shares).....	178,523	8,105,168
Roche Holding AG.....		
	53,046	5,350,708
Roche Holding AG (Bearer)...		
	1,683	233,381
-----		
		13,689,257
-----		
Semiconductors & Semiconductor Equipment - 0.0%		
Unaxis Holding AG 'R'.....		
	444	62,916
-----		

</Table>

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED

December 31, 2003

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>

Textiles, Apparel & Luxury Goods - 0.2%		
Compagnie Financiere		
Richemont AG 'A'.....	38,662	\$ 928,451
Swatch Group AG 'B'.....	2,838	340,767
Swatch Group AG (Registered Shares).....	2,276	54,289
		-----
		1,323,507
		-----
TOTAL COMMON STOCKS IN SWITZERLAND.....		
		40,520,830
		-----

UNITED KINGDOM		
Aerospace & Defense - 0.2%		
BAE Systems PLC.....	247,638	745,868
Cobham PLC.....	3,528	73,704
Rolls-Royce Group PLC.....	130,020	412,559
		-----
		1,232,131
		-----

Air Freight & Logistics - 0.1%		
Ocean Group PLC.....	28,554	377,491
		-----

Airlines - 0.0%		
British Airways PLC (a).....	56,417	234,813
		-----

Auto Components - 0.0%		
GKN PLC.....	53,109	253,845
		-----

Automobiles - 0.0%		
TI Automotive Limited 'A' (a).....	1,025	0
		-----

Beverages - 0.6%		
Diageo PLC.....	217,167	2,857,399
Scottish & Newcastle PLC....	53,098	359,540
		-----
		3,216,939
		-----

Biotechnology - 0.0%		
Celltech Group PLC (a).....	22,849	154,614
		-----

Building Products - 0.0%		
Pilkington PLC.....	53,235	91,249
		-----

Capital Markets - 0.3%		
3i Group PLC.....	42,212	466,619
Amvescap PLC.....	59,627	433,103
Close Brothers Group PLC....	2,797	36,752
Man Group PLC.....	23,228	607,508
Schroders PLC.....	4,105	46,443
		-----
		1,590,425
		-----

Chemicals - 0.2%		
BOC Group PLC.....	42,591	650,745
Imperial Chemical Industries PLC.....	77,044	274,462
		-----
		925,207
		-----

</Table>

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Commercial Banks - 5.2%		
Barclays PLC.....	464,282	\$ 4,141,130
HBOS PLC.....	270,818	3,507,566
HSBC Holdings PLC.....	757,122	11,900,087
HSBC Holdings PLC (ADR) (b).....	4,900	386,218
Lloyds TSB Group PLC.....	381,951	3,063,200
Lloyds TSB Group PLC (ADR) (b).....	2,530	82,351

Royal Bank of Scotland Group PLC.....	198,926	5,861,532
		-----
		28,942,084
		-----
Commercial Services & Supplies - 0.3%		
Brambles Industries PLC.....	31,990	116,538
Bunzl PLC.....	45,055	344,196
Capita Group PLC.....	64,682	281,371
Hays PLC.....	153,608	329,978
Rentokil Initial PLC.....	112,491	382,614
Serco Group PLC.....	2,405	7,405
		-----
		1,462,102
		-----
Construction & Engineering - 0.0%		
AMEC PLC.....	18,532	86,255
BICC PLC.....	30,308	118,549
		-----
		204,804
		-----
Construction Materials - 0.2%		
BPB PLC.....	24,591	152,755
Hanson PLC.....	65,536	481,303
RMC Group PLC.....	27,241	340,139
		-----
		974,197
		-----
Consumer Finance - 0.1%		
Cattles PLC.....	7,713	46,151
Provident Financial PLC.....	27,106	315,648
		-----
		361,799
		-----
Containers & Packaging - 0.1%		
Rexam PLC.....	51,551	394,745
		-----
Distributors - 0.0%		
Grafton Group PLC (Units)...	2,786	19,152
		-----
Diversified Telecommunication Services - 0.5%		
BT Group PLC.....	619,292	2,086,989
BT Group PLC (ADR) (b).....	900	30,798
Cable & Wireless PLC.....	199,338	476,388
		-----
		2,594,175
		-----
Electric Utilities - 0.3%		
Scottish and Southern Energy PLC.....	70,358	847,653
ScottishPower PLC.....	145,245	967,889

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
ScottishPower PLC (ADR)		
(b).....	993	\$ 26,990
		-----
		1,842,532
		-----

Electrical Equipment - 0.0%

Kidde PLC.....	21,146	40,315
-----		
Electronic Equipment & Instruments - 0.0%		
Electrocomponents PLC.....	18,858	109,716
-----		
Food & Staples Retailing - 0.8%		
Boots Group PLC.....	64,828	801,919
J Sainsbury PLC.....	121,991	682,991
Safeway PLC.....	61,840	314,396
Tesco PLC.....	508,579	2,346,642
-----		
		4,145,948
-----		
Food Products - 0.6%		
Cadbury Schweppes PLC.....	163,625	1,201,678
Tate & Lyle PLC.....	16,627	92,718
Unilever PLC.....	206,940	1,929,139
-----		
		3,223,535
-----		
Gas Utilities - 0.2%		
Centrica PLC.....	280,287	1,058,705
-----		
Health Care Equipment & Supplies - 0.2%		
Nycomed Amersham PLC.....	57,488	787,793
Seton Scholl Healthcare Group PLC.....	3,902	23,051
Smith & Nephew PLC.....	76,015	638,548
-----		
		1,449,392
-----		
Health Care Providers & Services - 0.0%		
Alliance Unichem PLC.....	6,950	64,572
-----		
Hotels, Restaurants & Leisure - 0.7%		
Carnival PLC.....	10,260	413,440
Compass Group PLC.....	143,144	973,748
Enterprise Inns PLC.....	6,905	125,340
Hilton Group PLC.....	139,555	561,481
InterContinental Hotels Group PLC.....	54,538	516,469
Mitchells & Butlers PLC.....	59,088	237,997
Rank Group PLC.....	61,262	306,249
Whitbread PLC.....	14,274	183,723
William Hill PLC.....	41,924	320,465
-----		
		3,638,912
-----		
Household Durables - 0.3%		
Barratt Developments PLC....	25,956	252,306
The Berkeley Group PLC.....	1,852	29,175
George Wimpey PLC.....	41,012	274,032
MFI Furniture Group PLC.....	70,475	190,503
Persimmon PLC.....	30,369	291,941
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	SHARES	VALUE
	HELD	(IN U.S. DOLLARS)
-----		
<S>	<C>	<C>
Taylor Woodrow PLC.....	64,362	\$ 307,631
-----		
		1,345,588
-----		
Household Products - 0.2%		
Reckitt Benckiser PLC.....	39,375	890,958
-----		
IT Services - 0.1%		
Logica PLC.....	68,362	313,594
-----		
Industrial Conglomerates - 0.1%		
FKI PLC.....	9,108	17,446
Smiths Industries PLC.....	48,442	573,209

Tomkins PLC.....	49,452	236,809
		827,464
-----		
Insurance - 0.7%		
AVIVA PLC.....	166,073	1,457,493
Friends Provident PLC.....	77,344	182,764
Legal & General Group PLC...	417,796	749,788
Prudential Corporation PLC.....	157,248	1,329,373
Royal & Sun Alliance Insurance Group PLC.....	250,361	395,522
		4,114,940
-----		
Internet & Catalog Retail - 0.2%		
The Great Universal Stores PLC.....	79,508	1,100,933
-----		
Machinery - 0.0%		
IMI PLC.....	11,268	68,028
Invensys PLC (a).....	127,264	41,577
		109,605
-----		
Media - 1.1%		
Aegis Group PLC.....	75,089	132,740
British Sky Broadcasting Group PLC ("BSkyB") (a)...	84,368	1,061,751
Carlton Communications PLC..	38,415	158,168
Daily Mail and General Trust 'A'.....	13,386	157,916
EMAP PLC.....	23,009	352,995
EMI Group PLC.....	79,366	225,547
Granada PLC.....	231,571	505,747
Pearson PLC.....	61,367	683,306
Reed Elsevier NV.....	102,968	861,274
Reuters Group PLC.....	118,189	497,204
United Business Media PLC...	32,987	289,353
WPP Group PLC.....	92,877	911,957
Yell Group PLC.....	44,342	242,106
		6,080,064
-----		
Metals & Mining - 0.7%		
Billiton PLC.....	189,602	1,656,351
Johnson Matthey PLC.....	10,644	186,923

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
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<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Rio Tinto PLC (Registered Shares).....	73,401	\$ 2,027,485
		3,870,759
-----		
Multi-Utilities & Unregulated Power - 0.4%		
International Power PLC		
(a).....	120,985	267,478
National Grid Group PLC.....	223,473	1,601,202
United Utilities PLC.....	51,067	452,975
United Utilities PLC 'A' (a).....	8,249	44,965
-----		

		2,366,620	
		-----	
Multiline Retail - 0.3%			
Marks & Spence Group PLC....	183,509	949,391	
Next PLC.....	24,093	484,351	
		-----	
		1,433,742	
		-----	
Oil & Gas - 3.5%			
BG Group PLC.....	258,589	1,327,404	
BP Amoco PLC.....	1,564,903	12,690,402	
BP Amoco PLC (ADR) (b).....	3,849	189,948	
Shell Transport & Trading Company.....	685,809	5,101,101	
		-----	
		19,308,855	
		-----	
Pharmaceuticals - 2.8%			
AstraZeneca Group PLC.....	121,778	5,842,428	
Glaxo Wellcome PLC (ADR) (b).....	800	37,296	
GlaxoSmithKline PLC (a).....	426,044	9,762,345	
		-----	
		15,642,069	
		-----	
Real Estate - 0.3%			
The British Land Company PLC.....	44,958	470,013	
Canary Wharf Group PLC (a)..	50,795	243,467	
Hammerson PLC.....	11,899	137,924	
Land Securities Group PLC...	39,255	697,102	
Liberty International PLC...	9,912	121,103	
Slough Estates PLC.....	18,432	144,935	
		-----	
		1,814,544	
		-----	
Road & Rail - 0.0%			
FirstGroup PLC.....	36,196	177,218	
Stagecoach Holdings PLC.....	34,620	48,650	
		-----	
		225,868	
		-----	
Semiconductors & Semiconductor Equipment - 0.0%			
ARM Holdings PLC (a).....	105,247	242,104	
		-----	
Software - 0.1%			
Misys PLC.....	27,041	102,503	
The Sage Group PLC.....	107,224	337,347	
		-----	
		439,850	
		-----	

</Table>

<Table>

<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
Specialty Retail - 0.3%		
Dixons Group PLC.....	169,820	\$ 422,565
Kingfisher PLC.....	185,732	925,980
Kesa Electricals PLC.....	24,040	110,708
Signet Group PLC.....	79,661	146,883
		-----
		1,606,136
		-----
Tobacco - 0.5%		
British American Tobacco PLC.....	107,342	1,479,620
Imperial Tobacco Group PLC..	57,489	1,132,054
		-----
		2,611,674
		-----
Trading Companies & Distributors - 0.1%		
Wolseley PLC.....	46,322	655,095
		-----

Transportation Infrastructure - 0.2%		
Associated British Ports		
Holdings PLC.....	11,911	95,738
BAA PLC.....	88,730	788,244
BBA Group PLC.....	12,221	54,584
The Peninsular and Oriental Steam Navigation Company..	35,201	144,935
		-----
		1,083,501
		-----
Water Utilities - 0.1%		
Kelda Group PLC.....	17,147	143,963
Severn Trent PLC.....	32,272	432,710
		-----
		576,673
		-----
Wireless Telecommunication Services - 2.2%		
Vodafone Group PLC.....	4,779,923	11,851,148
Vodafone Group PLC (ADR) (b).....	12,490	312,750
		-----
		12,163,898
		-----
TOTAL COMMON STOCKS IN THE UNITED KINGDOM.....		137,427,933
		-----
UNITED STATES		
Capital Markets - 0.1%		
I Shares MSCI EAFE Index Fund.....	2,000	273,020
		-----
Computers & Peripherals - 0.0%		
Datacraft Asia Limited.....	70,000	88,200
		-----
TOTAL COMMON STOCKS IN THE UNITED STATES.....		361,220
		-----
TOTAL INVESTMENTS IN COMMON STOCKS (COST - \$478,561,797) - 95.8%..		530,280,961
		-----

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

<Table>		
<Caption>		
	SHARES HELD	VALUE (IN U.S. DOLLARS)
	-----	-----
<S>	<C>	<C>
PREFERRED STOCKS		
AUSTRALIA		
Media - 0.2%		
The News Corporation Limited.....	128,437	\$ 967,709
The News Corporation Limited (Convertible) (ADR) (b)...	760	22,990
		-----
		990,699
		-----
TOTAL PREFERRED STOCKS IN AUSTRALIA.....		990,699
		-----
GERMANY		
Automobiles - 0.1%		
Porsche AG.....	760	451,053
Volkswagen AG.....	5,476	198,581
		-----
		649,634

Health Care Providers & Services - 0.0%		
Fresenius Medical Care AG...	542	27,312
Household Products - 0.1%		
Henkel KGaA.....	3,170	247,906
Media - 0.0%		
ProSieben Sat.1 Media AG....	4,900	81,893
Multi-Utilities & Unregulated Power - 0.0%		
RWE AG.....	2,033	71,673
TOTAL PREFERRED STOCKS IN GERMANY.....		1,078,418
NEW ZEALAND		
Paper & Forest Products - 0.0%		
Fletcher Challenge Forests Ltd. (a).....	18,827	16,811
TOTAL PREFERRED STOCKS IN NEW ZEALAND.....		16,811
TOTAL INVESTMENTS IN PREFERRED STOCKS (COST - \$1,816,921) - 0.4%..		2,085,928

</Table>

<Table>  
<Caption>

	SHARES HELD	VALUE (IN U.S. DOLLARS)
<S>	<C>	<C>
WARRANTS (C)		
FRANCE		
Electrical Equipment - 0.0%		
Alstom.....	13,495	\$ 511
Food & Staples Retailing - 0.0%		
Casino Guichard - Perrach SA.....	133	91
TOTAL WARRANTS IN FRANCE....		602
HONG KONG		
Electronic Equipment & Instruments - 0.0%		
QPL International Holdings Limited.....	600	1
TOTAL WARRANTS IN HONG KONG.....		1
TOTAL INVESTMENTS IN WARRANTS (COST - \$19,521) - 0.0%.....		603

</Table>

<Table>  
<Caption>

	BENEFICIAL INTEREST	
<S>	<C>	<C>
SHORT-TERM SECURITIES		
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I (d).....	US\$9,920,757	\$ 9,920,757
TOTAL INVESTMENTS IN SHORT-TERM SECURITIES (COST - \$9,920,757) - 1.8%.....		9,920,757
TOTAL INVESTMENTS (COST - \$490,318,996) - 98.0%.....		542,288,249
VARIATION MARGIN ON FINANCIAL FUTURES CONTRACTS*** - 0.2%.....		875,496



UNREALIZED APPRECIATION ON FORWARD	
FOREIGN EXCHANGE	
CONTRACTS** - 0.1%.....	532,884
OTHER ASSETS LESS	
LIABILITIES - 1.7%.....	9,432,341
	-----
NET ASSETS - 100%.....	\$553,128,970
	=====

</Table>

-----

- (a) Non-income producing security.
- (b) American Depository Receipts (ADR).
- (c) Warrants entitle the Series to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- (d) Investments in companies considered to be an affiliate of the Series (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) are as follows:

<Table>  
<Caption>

AFFILIATE	NET ACTIVITY	INTEREST INCOME
-----	-----	-----
<S>	<C>	<C>
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I.....	\$5,831,683	\$68,538

</Table>

\* For Series compliance purposes, "Industry" means any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Series' management. This

See notes to financial statements.

MASTER INTERNATIONAL INDEX SERIES

SCHEDULE OF INVESTMENTS -- CONTINUED  
December 31, 2003

-----

definition may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease. These industry classifications are unaudited.

\*\* Forward foreign exchange contracts as of December 31, 2003 were as follows:

<Table>  
<Caption>

FOREIGN CURRENCY PURCHASED	SETTLEMENT DATE	UNREALIZED APPRECIATION (DEPRECIATION)
-----	-----	-----
<C>	<S>	<C>
CHF 1,500,000	January 2004	\$ 54,669
E 4,290,000	January 2004	296,574
HK\$ 40,000	January 2004	(2)
L 1,940,000	January 2004	127,011
SEK 1,000,000	January 2004	3,370
Y 415,000,000	January 2004	51,262
		-----
TOTAL UNREALIZED APPRECIATION ON FORWARD FOREIGN EXCHANGE CONTRACTS - NET (US\$ COMMITMENT - \$13,578,596)		\$532,884
		=====

</Table>

\*\*\* Financial futures contracts purchased as of December 31, 2003 were as follows:

<Table>  
<Caption>

NUMBER OF CONTRACTS	ISSUE	EXCHANGE	EXPIRATION DATE	FACE VALUE	UNREALIZED GAINS (LOSSES)
-----	-----	-----	-----	-----	-----
<C>	<S>	<C>	<C>	<C>	<C>

221	EURO	DJ EURO STOXX 50	March 2004	\$7,530,992	\$159,954
67	FTSE	LIFFE	March 2004	\$5,233,890	123,236
10	HANG SENG	Hong Kong	January 2004	\$ 804,073	9,725
1	IBEX 35 PLUS	MEFF	January 2004	\$ 94,644	2,385
2	MIB 30	MSE	March 2004	\$ 345,807	(7,424)
34	OMX	Stockholm	January 2004	\$ 293,631	7,903
24	SPI 200	Sydney	March 2004	\$1,469,545	23,190
68	TOPIX	Tokyo	March 2004	\$6,322,991	307,596
					-----
TOTAL UNREALIZED GAINS - NET					\$626,565
					=====

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2003

<Table>			
<S>		<C>	<C>
ASSETS:			
Investments, at value (including securities loaned of \$38,710,300) (identified cost - \$490,318,996).....			\$542,288,249
Cash held as collateral for loaned securities.....			40,553,857
Cash on deposit for financial futures contracts.....			1,980,200
Foreign cash (cost - \$6,820,303).....			7,028,256
Unrealized appreciation on forward foreign exchange contracts.....			533,016
Receivables:			
Variation margin.....	\$ 875,496		
Contributions.....	868,854		
Dividends.....	495,009		
Securities sold.....	92,492		
Forward foreign exchange contracts.....	74,070		
Interest.....	17,791		2,423,712
		-----	
Prepaid expenses and other assets.....			940
			-----
TOTAL ASSETS.....			594,808,230
			-----
LIABILITIES:			
Collateral on securities loaned, at value.....			40,553,857
Unrealized depreciation on forward foreign exchange contracts.....			132
Payables:			
Withdrawals.....	1,095,007		
Other affiliates.....	2,054		
Investment adviser.....	745		
Forward foreign exchange contracts.....	301		1,098,107
		-----	
Accrued expenses and other liabilities.....			27,164
			-----
TOTAL LIABILITIES.....			41,679,260
			-----
NET ASSETS.....			\$553,128,970
			=====
NET ASSETS CONSIST OF:			
Investors' capital.....			\$499,731,665
Unrealized appreciation on investments and foreign currency transactions - net.....			53,397,305
			-----
NET ASSETS.....			\$553,128,970
			=====

</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2003



</Table>

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

FINANCIAL HIGHLIGHTS

The following ratios have been derived from information provided in the financial statements.

<Table>  
<Caption>

	FOR THE YEAR ENDED DECEMBER 31,				FOR THE PERIOD
	2003	2002	2001	2000	DECEMBER 30, 1999+ TO DECEMBER 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>
TOTAL INVESTMENT RETURN**	38.97%	(15.81%)	(21.77%)	--	--
RATIOS TO AVERAGE NET ASSETS:					
Expenses, net of waiver	.09%	.08%	.08%	.08%	.08%*
Expenses	.10%	.16%	.39%	1.34%	.63%*
Investment income - net	2.23%	2.21%	1.20%	1.55%	2.14%*
SUPPLEMENTAL DATA:					
Net assets, end of period (in thousands)	\$553,129	\$166,820	\$195,512	\$15,763	\$10,054
Portfolio turnover	8.55%	19.52%	30.19%	5.89%	.00%

</Table>

\* Annualized.

\*\* Total return is required to be disclosed for fiscal years beginning after December 15, 2000.

+ Commencement of operations.

See notes to financial statements.

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MASTER INTERNATIONAL INDEX SERIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES:

Master International Index Series (the "Series") is part of Quantitative Master Series Trust (the "Trust"). The Trust is registered under the Investment Company Act of 1940, as amended, and is organized as a Delaware statutory trust. The Declaration of Trust permits the Trustees to issue non-transferable interests in the Series, subject to certain limitations. The Series' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management accruals and estimates. The following is a summary of significant accounting policies followed by the Series.

A. Valuation of investments

Equity securities that are held by the Series that are traded on stock exchanges or the Nasdaq National Market are valued at the last sale price or official close price on the exchange, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price for long positions, and at the last available ask price for short positions. In cases where equity securities are traded on more than one exchange, the securities are valued on the exchange designated as the primary market by or under the authority of the Board of Trustees of the Trust. Long

positions traded in the over-the-counter ("OTC") market, Nasdaq Small Cap or Bulletin Board are valued at the last available bid price or yield equivalent obtained from one or more dealers or pricing services approved by the Board of Trustees of the Trust. Short positions traded in the OTC market are valued at the last available ask price. Portfolio securities that are traded both in the OTC market and on a stock exchange are valued according to the broadest and most representative market.

Options written are valued at the last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last ask price. Options purchased are valued at their last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last bid price. Swap agreements are valued daily based upon quotations from market makers. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges. Obligations with remaining maturities of 60 days or less are valued at amortized cost unless the Investment Adviser believes that this method no longer produces fair valuations.

Repurchase agreements are valued at cost plus accrued interest. The Series employs pricing services to provide certain securities prices for the Series. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Trustees of the Trust, including valuations furnished by the pricing services retained by the Series, which may use a matrix system for valuations. The procedures of a pricing service and its valuations are reviewed by the officers of the Series under the general supervision of the Trust's Board of Trustees. Such valuations and procedures will be reviewed periodically by the Board of Trustees of the Trust.

Generally, trading in foreign securities, as well as U.S. government securities and money market instruments, is substantially completed each day at various times prior to the close of business on the New York Stock Exchange ("NYSE"). The values of such securities used in computing the net assets of the Series are determined as of such times. Foreign currency exchange rates also are generally determined prior to the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of

MASTER INTERNATIONAL INDEX SERIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED  
December 31, 2003  
-----

the Series' net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities may be valued at their fair value as determined in good faith by the Trust's Board of Trustees or by the Investment Adviser using a pricing service and/or procedures approved by the Trust's Board of Trustees.

B. Derivative financial instruments

The Series may engage in various portfolio investment strategies to provide liquidity or as a proxy for a direct investment in securities underlying the Series' index. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

- Financial futures contracts - The Series may purchase or sell financial futures contracts and options on such futures contracts. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Series deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Series agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Series as unrealized gains or losses. When the contract is closed, the Series records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.
- Options - The Series may purchase and write call and put options. When the Series writes an option, an amount equal to the premium received by the Series is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or

received) is added to(or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Series enters into a closing transaction), the Series realizes a gain or loss on the option to the extent of the premiums received or paid (or a gain or loss to the extent that the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

- Forward foreign exchange contracts - The Series may enter into forward foreign exchange contracts as a hedge against either specific transactions or portfolio positions. The contract is marked-to-market daily and the change in market value is recorded by the Series as an unrealized gain or loss. When the contract is closed, the Series records a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed.
- Foreign currency options and futures - The Series may also purchase or sell listed or over-the-counter foreign currency options, foreign currency futures and related options on foreign currency futures as a short or long hedge against possible variations in foreign exchange rates. Such transactions may be effected with respect to hedges on non-U.S. dollar-denominated securities owned by the Series, sold by the Series but not yet delivered, or committed or anticipated to be purchased by the Series.

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MASTER INTERNATIONAL INDEX SERIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

December 31, 2003  
-----

C. Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing when recognized. Assets and liabilities denominated in foreign currencies are valued at the exchange rate at the end of the period. Foreign currency transactions are the result of settling (realized) or valuing (unrealized) assets or liabilities expressed in foreign currencies into U.S. dollars. Realized and unrealized gains or losses from investments include the effects of foreign exchange rates on investments.

D. Income taxes

The Series is classified as a partnership for Federal income tax purposes. As such, each investor in the Series is treated as owner of its proportionate share of the net assets, income, expenses and realized and unrealized gains and losses of the Series. Therefore, no Federal income tax provision is required. Under the applicable foreign tax law, a withholding tax may be imposed on interest, dividends and capital gains at various rates. It is intended that the Series' assets will be managed so an investor in the Series can satisfy the requirements of subchapter M of the Internal Revenue Code.

E. Security transactions and investment income

Security transactions are accounted for on the date the securities are purchased or sold (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Series has determined the ex-dividend date. Interest income is recognized on the accrual basis.

F. Securities lending

The Series may lend securities to financial institutions that provide cash or securities issued or guaranteed by the U.S. government as collateral, which will be maintained at all times in amount equal to at least 100% of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Series and any additional required collateral is delivered to the Series on the next business day. Where the Series receives securities as collateral for the loaned securities, it collects a fee from the borrower. The Series typically receives the income on the loaned securities but does not receive the income on the collateral. Where the Series receives cash collateral, it may invest such collateral and retain the amount earned on such investment, net of any amount rebated to the borrower. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within five business days. The Series may pay reasonable finder's, lending agent, administrative and custodial fees in

connection with its loans. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or for any other reason, the Series also could suffer a loss where the value of the collateral falls below the market value of the borrowed securities, in the event of borrower default or in the event of losses on investments made with cash collateral.

2. INVESTMENT ADVISORY AGREEMENT AND TRANSACTIONS WITH AFFILIATES:

The Trust has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect, wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

MASTER INTERNATIONAL INDEX SERIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED  
December 31, 2003

FAM is responsible for the management of the Series' portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Series. For such services, the Series pays a monthly fee at an annual rate of .01% of the average daily value of the Series' net assets. FAM has entered into a contractual arrangement with the Series under which the expenses incurred by the Series will not exceed .12%. Effective January 1, 2003, the limit was increased from .08% to .12%. This arrangement expires December 31, 2004 and is renewable. For the year ended December 31, 2003, FAM earned fees of \$21,203, of which \$17,696 was waived.

For the year ended December 31, 2003, the Series reimbursed FAM \$3,886 for certain accounting services.

Certain officers and/or trustees of the Trust are officers and/or directors of FAM, PSI, and/or ML & Co.

3. INVESTMENTS:

Purchases and sales of investments, excluding short-term securities, for the year ended December 31, 2003 were \$315,970,788 and \$16,650,300, respectively.

Net realized gains (losses) for the year ended December 31, 2003 and unrealized gains as of December 31, 2003 were as follows:

<Table>  
<Caption>

	REALIZED GAINS (LOSSES)	UNREALIZED GAINS
<S>	<C>	<C>
Investments:		
Long-term.....	\$ (2,680,681)	\$51,969,253
Financial futures contracts.....	442,797	626,565
Total investments.....	(2,237,884)	52,595,818
Currency transactions:		
Forward foreign exchange contracts.....	913,418	532,884
Foreign currency transactions.....	478,288	268,603
Total currency transactions.....	1,391,706	801,487
Total.....	\$ (846,178)	\$53,397,305

</Table>

As of December 31, 2003, net unrealized appreciation for Federal income tax purposes aggregated \$47,799,512, of which \$60,757,052 related to appreciated securities and \$12,957,540 related to depreciated securities. At December 31, 2003, the aggregate cost of investments for Federal income tax purposes was \$494,488,737.

4. SHORT-TERM BORROWINGS:

The Series, along with certain other funds managed by FAM and its affiliates, is a party to a \$500,000,000 credit agreement with Bank One, N.A. and certain other lenders. The Series may borrow under the credit agreement to fund shareholders redemptions and for other lawful purposes other than for leverage. The Series may borrow up to the maximum amount allowable under the

Series' current prospectus and statement of additional information, subject to various other legal, regulatory or contractual limits. The Series pays a commitment fee of .09% per annum based on the Series' pro rata share of the unused portion of the credit agreement. Amounts borrowed under the credit agreement bear interest at a rate equal to, at each fund's election, the Federal Funds rate plus .50% or a base rate as determined by Bank One, N.A. On November 28, 2003, the credit agreement was renewed for one year at the same terms. The Series did not borrow under the credit agreement during the year ended December 31, 2003.

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MASTER INTERNATIONAL INDEX SERIES

INDEPENDENT AUDITORS' REPORT  
December 31, 2003

-----  
To the Investors and Board of Trustees of Quantitative Master Series Trust:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Master International Index Series, one of the portfolios constituting the Quantitative Master Series Trust (the "Trust") as of December 31, 2003, 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, and the financial highlights for each of the respective periods then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2003, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Master International Index Series of the Quantitative Master Series Trust as of December 31, 2003, 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 respective periods then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
Princeton, New Jersey  
February 13, 2004

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MASTER INTERNATIONAL INDEX SERIES  
OFFICERS AND TRUSTEES (unaudited)

<Table>  
<Caption>

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER PUBLIC DIRECTORSHIPS HELD BY TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>
INTERESTED TRUSTEE					
Terry K. Glenn* P.O. Box 9011 Princeton, NJ 08543-9011 Age: 63	President and Trustee	2000 to present and	President and Chairman of the Merrill Lynch Investment Managers, L.P. ("MLIM")/Fund Asset Management, L.P. ("FAM") - Advised Funds since	123 Funds 160 Portfolios	None



1997 to present 1999; Chairman (Americas Region) of MLIM from 2000 to 2002; Executive Vice President of FAM and MLIM (which terms as used herein include their corporate predecessors) from 1983 to 2002; President of FAM Distributors, Inc. ("FAMD") from 1986 to 2002 and Director thereof from 1991 to 2002; Executive Vice President and Director of Princeton Services, Inc. ("Princeton Services") from 1993 to 2002; President of Princeton Administrators, L.P. from 1989 to 2002; Director of Financial Data Services, Inc. since 1985.

</Table>

\* Mr. Glenn is a director, trustee or member of an advisory board of certain other investment companies for which FAM or MLIM acts as investment adviser. Mr. Glenn is an "interested person" as described in the Investment Company Act, of the Trust based on his former positions with FAM, MLIM, FAMD, Princeton Services and Princeton Administrators, L.P. The Trustee's term is unlimited. Trustees serve until their resignation, removal, or death, or until December 31 of the year in which they turn 72. As Trust President, Mr. Glenn serves at the pleasure of the Board of Trustees.

<Table>  
<Caption>

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER PUBLIC DIRECTORSHIPS HELD BY TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>
INDEPENDENT TRUSTEES*					
Donald W. Burton P.O. Box 9095 Princeton, NJ 08543-9095 Age: 59	Trustee	2002 to present	Manager of The Burton Partnership, Limited Partnership since 1979; Managing General Partner of the South Atlantic Venture Funds, Limited Partnerships and Chairman of South Atlantic Private Equity Fund IV, Limited Partnership since 1983; Member of the Investment Advisory Council of the Florida State Board of Administration since 2001.	23 Funds 36 Portfolios	ITC Delta-Com, Inc., ITC Financial Services, Knology, Inc., PriCare, Inc., Symbion, Inc.

</Table>

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MASTER INTERNATIONAL INDEX SERIES  
OFFICERS AND TRUSTEES (unaudited) -- CONTINUED

<Table>  
<Caption>

NAME, ADDRESS AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER PUBLIC DIRECTORSHIPS HELD BY TRUSTEE
<S>	<C>	<C>	<C>	<C>	<C>
M. Colyer Crum P.O. Box 9095 Princeton, NJ 08543-9095 Age: 71	Trustee	2000 to present	James R. Williston Professor of Investment Management Emeritus, Harvard Business School since 1996; Chairman and Director of Phaeton International, Ltd. from 1985 to present; Director of Cambridge Bancorp since 1969.	24 Funds 37 Portfolios	Cambridge Bancorp
Laurie Simon Hodrick P.O. Box 9095	Trustee	2000 to	Professor of Finance and Economics, Graduate School of	23 Funds 36 Portfolios	None

Princeton, NJ 08543-9095  
Age: 41

present Business, Columbia University since 1998; Associate Professor of Finance and Economics, Graduate School of Business, Columbia University from 1996 to 1998.

David H. Walsh  
P.O. Box 9095  
Princeton, NJ 08543-9095  
Age: 62

Trustee 2003 to present Consultant with Putnam Investments since 1993 and employed in various capacities therewith from 1971 to 1992; Director of the National Audubon Society since 2000; Director of the American Museum of Fly Fishing since 1998.

23 Funds  
36 Portfolios  
None

Fred G. Weiss  
P.O. Box 9095  
Princeton, NJ 08543-9095  
Age: 62

Trustee 2000 to present Managing Director of FGW Associates since 1997; Vice President, Planning, Investment and Development of Warner Lambert Co. from 1979 to 1997; Director of BTG International PLC since 2001; Director of KIMC Investments, Inc. since 2003; Director of Osmotica Holding Corp. AVV since 2003.

23 Funds  
36 Portfolios  
Watson Pharmaceuticals, Inc.

</Table>

\* The Trustee's term is unlimited. Trustees serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.

<Table>  
<Caption>

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
<S>	<C>	<C>	<C>
TRUST OFFICERS			
Donald C. Burke P.O. Box 9011 Princeton, NJ 08543-9011 Age: 43	Vice President and Treasurer	1997 to present and 1999 to present	First Vice President of FAM and MLIM since 1997 and Treasurer thereof since 1999; Senior Vice President and Treasurer of Princeton Services since 1999; Vice President of FAMD since 1999; Director of MLIM Taxation since 1990.
Robert C. Doll, Jr. P.O. Box 9011 Princeton, NJ 08543-9011 Age: 49	Senior Vice President	1999 to present	President of MLIM and member of the Executive Management Committee of ML & Co., Inc. since 2001; Global Chief Investment Officer and Senior Portfolio Manager of MLIM since 1999; Chief Investment Officer of Equities at Oppenheimer Funds, Inc. from 1990 to 1999 and Chief Investment Officer thereof from 1998 to 1999; Executive Vice President of Oppenheimer Funds, Inc. from 1991 to 1999.

</Table>

MASTER INTERNATIONAL INDEX SERIES  
OFFICERS AND TRUSTEES (unaudited) -- CONTINUED

<Table>  
<Caption>

NAME, ADDRESS, AND AGE	POSITION(S) HELD WITH TRUST	LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
<S>	<C>	<C>	<C>
Richard J. Vella P.O. Box 9011 Princeton, NJ 08543-9011 Age: 46	Vice President	1999 to present	Managing Director and Head of Global Index and Enhanced Index products for Merrill Lynch Quantitative Advisors since 1999; Managing Director and Head of the Global Index and Enhanced Index business at Bankers Trust from 1984 to 1999.
Brian D. Stewart P.O. Box 9011 Princeton, NJ 08543-9011 Age: 34	Secretary	2003 to present	Vice President (Legal Advisory) of MLIM since 2002; Attorney with Reed Smith from 2001 to 2002; Attorney with Saul Ewing from 1999 to 2001.

</Table>

\* Officers of the Trust serve at the pleasure of the Board of Trustees.

<Table>

<Caption>	<C>
<S>	TRANSFER AGENT
CUSTODIAN	Financial Data Services, Inc.
J.P. Morgan Chase Bank	4800 Deer Lake Drive East
4 Chase MetroTech Center, 18th Floor	Jacksonville, FL 32246-6484
Brooklyn, NY 11245	800-637-3863

</Table>

AMERICAN AADVANTAGE FUNDS

PRIVACY POLICY (unaudited)

-----

The American AAdvantage Funds recognizes and respects 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 shareholders or former shareholders 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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(AMERICAN AADVANTAGE FUNDS LOGO)

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To reduce expenses, your financial institution may mail only one copy of the Prospectus, Annual Report, and Semi-Annual Report to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please contact your financial institution. They will begin sending you individual copies thirty days after receiving your request.

TO OBTAIN MORE INFORMATION ABOUT THE FUNDS:

<Table>	<C>
<S>	
(EMAIL GRAPHIC)	(INTERNET GRAPHIC)
BY E-MAIL:	ON THE INTERNET:
american_aadvantage.funds@aa.com	Visit our website at www.aafunds.com

</Table>

<Table>	<C>
<S>	
(TELEPHONE GRAPHIC)	(MAIL GRAPHIC)
BY TELEPHONE:	BY MAIL:
Institutional Class	American AAdvantage Funds
Call (800) 658-5811	4151 Amon Carter Blvd., MD 2450
PlanAhead Class(R)	Fort Worth, TX 76155
Call (800) 388-3344	

</Table>

FUND SERVICE PROVIDERS:

<Table>	<C>	<C>	<C>
<S>			
CUSTODIAN	TRANSFER AGENT	INDEPENDENT AUDITORS	DISTRIBUTOR
STATE STREET BANK AND TRUST	BOSTON FINANCIAL DATA SERVICES	ERNST & YOUNG LLP	SWS FINANCIAL SERVICES
Boston, Massachusetts	Kansas City, Missouri	Chicago, Illinois	Dallas, Texas

</Table>

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

-----  
American Airlines is not responsible for investments made in the American  
AAdvantage Funds. American AAdvantage Funds is a registered service mark of AMR  
Corporation. American AAdvantage Small Cap Index Fund and American AAdvantage  
International Equity Index Fund are service marks of AMR Investment Services,  
Inc.

[GRAPHIC]

530091

[LOGO OF AMERICAN AADVANTAGE FUNDS]  
AMERICAN AADVANTAGE FUNDS (R)

-----[GRAPHIC]-----

ANNUAL REPORT  
DECEMBER 31, 2003

[GRAPHIC]

MONEY MARKET FUNDS

MONEY MARKET FUND  
U.S. GOVERNMENT MONEY MARKET FUND  
MUNICIPAL MONEY MARKET FUND

MANAGED BY AMR INVESTMENTS

ABOUT AMR INVESTMENTS  
-----

AMR Investments is an experienced provider of investment advisory services to  
institutional and retail markets. We act as manager of the American AAdvantage  
Funds, a family of diversified mutual funds, and offer customized fixed income  
portfolio management services.

Our clients include defined benefit plans, defined contribution plans,  
foundations, endowments, corporations, and other institutional investors.

AMR Investments is a wholly owned subsidiary of AMR Corporation. Incorporated  
in 1986, we are directly responsible for the investment management and oversight  
of AMR Corporation's defined benefit and defined contribution plans, as well as  
its fixed income investments.

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Any opinions herein, including forecasts, reflect our judgement as of the end of the reporting period and are subject to change. Each adviser's strategies and each 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, AMR Investment Services, Inc. makes no representation as to the completeness or accuracy of the statements contained herein.  
-----

American AAdvantage Funds

December 31, 2003

[GRAPHIC OF AMR INVESTMENTS]

FELLOW SHAREHOLDERS:

I am pleased to present you with the Annual Report for the American AAdvantage Funds for the twelve months ended December 31, 2003. During this time, the money market series of the American AAdvantage Funds performed well versus their peers.

During the past year, investors experienced both upward and downward market trends while hoping to avoid a fourth consecutive annual decline in the stock market (something that has not occurred since 1932). Fortunately, the up markets outpaced downward periods by a larger margin. The reality seems to be that the economic recovery has arrived. The economy had to overcome the war with Iraq, the occupation of Afghanistan, and the SARS outbreak. However, the lowest Fed Funds rate in 45 years at 1.0% improved corporate earnings growth, and was reflected in the markets.

The Cash Management Class of the American AAdvantage Funds produced strong relative returns for the period. The Money Market Fund Cash Management Class returned 1.08% for the year, outperforming the Lipper Institutional Money Market Average return of 0.80%. The U.S. Government Money Market Fund Cash Management Class outpaced the Lipper Institutional U.S. Government Money Market Average with a return of 1.04% versus 0.80% for the Average.

As the Fed intends to remain accommodative and "patient" with monetary policy, thereby, keeping short-term interest rates at historical lows, the money market series of the American AAdvantage Funds continue to emphasize fundamental investing on behalf of our shareholders. We believe our disciplined investment process, credit analysis, and low costs will produce value-added results over the long term.

Please review the enclosed portfolio listings and detailed financial data. As always, we welcome the opportunity to serve your financial needs. Should you have any questions about the enclosed information, please do not hesitate to contact us at 800-967-9009. You may also access Fund and account information at [www.aafunds.com](http://www.aafunds.com). Thank you for your continued confidence in the American AAdvantage Funds.

Sincerely,

/s/ William F. Quinn

William F. Quinn  
President  
American AAdvantage Funds

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#### ECONOMIC OVERVIEW

=====

The year began with the uncertainty of a war with Iraq, unemployment on the rise and a bounce in the stock market's average indices. After a successful campaign in Iraq, the Bush Administration shifted its focus to stimulating economic growth through tax cuts. A great deal of uncertainty surrounded monetary policy, as the world and U.S. economic recovery appeared tentative. Excess capacity hindered pricing power and productivity increases hindered the labor market. Inflation posed no threat during the year; in fact, Federal Reserve Chairman Alan Greenspan expressed concern over deflation, indicating the Fed would be diligent in monitoring the potential threat of falling prices. Indeed, with the Fed's apparent conviction to utilize all means necessary to avoid deflation and stimulate the economy, the overnight Fed Funds rate was lowered by 25 basis points to 1% at the June FOMC meeting. This is the lowest overnight level in over forty years.

As the year progressed, the economy appeared to be heading down the path of an economic growth recovery. The third quarter GDP growth rate of 8.2% was the highest since 1983 and economists have been forecasting 4% GDP growth for the fourth quarter of 2003 and throughout 2004. The stock market's extraordinary

returns, the continued robust housing market, and the capture of Saddam Hussein all helped improve consumer confidence. The recent drop in the dollar should make U.S. exports more appealing. The only remaining area of concern from a recovery viewpoint is jobs creation. Although the jobless rate has edged its way down to 5.7% from a high of 6.3% in May, we have yet to see strong increases in the number of new non-farm payrolls that many economists have been anticipating. Productivity has enabled companies to produce more without having to hire additional workers. The third quarter productivity pace was the fastest in 20 years. With inflation still benign, productivity increasing, and lackluster jobs creation, there is little reason to doubt Fed Chairman Greenspan's repeated assertions that monetary policy could remain accommodative for a "considerable period", or at least through the first half of 2004.

PERFORMANCE OVERVIEW

AMERICAN AADVANTAGE MONEY MARKET FUND (R)

As evidence mounted that money market interest rates would head lower, the weighted-average maturity of the American AAdvantage Money Market Fund was extended close to the 60 day maximum for "AAA" rated funds. This strategy enabled the Fund to lock in higher rates. The extension became even more beneficial when the Fed lowered the Fed Funds rate 25 basis points from 1.25% to 1.00% at the June FOMC meeting. After thirteen consecutive easings by the Fed since January 2001, a positively sloped money market yield curve emerged in the second half of 2003. The market began to anticipate in July that the next move by the Fed would be to increase interest rates. That notion gained momentum after third quarter GDP growth came in at a surprising 8.2%. Since then, the economic growth recovery has remained on track, but with disappointing jobs creation. The encouraging news on productivity coupled with the disappointing news on jobs creation led us to concur with Chairman Greenspan's repeated assertions that monetary policy could remain accommodative and money market interest rates will remain at historically low levels for a "considerable period". The Fund's large position in variable rate securities will likely be maintained and the weighted-average maturity of the Fund will likely be in the 50 to 60 day range until evidence of a recovery in jobs creation emerges and the likelihood of a Fed rate hike increases.

For the twelve months ended December 31, 2003, the total return of the Cash Management Class of the American AAdvantage Money Market Fund was 1.08%. The Fund outperformed the Lipper Institutional Money Market Average return of 0.80% by 28 basis points. Lipper Analytical Services ranked the Institutional Class of the Fund 96th among 279, 42nd among 184, and 14th among 83 Institutional Money Market Funds for the one-year, five-years and ten-years ended December 31, 2003, respectively.

CASH MANAGEMENT CLASS TOTAL RETURNS AS OF DECEMBER 31, 2003

[CHART OF CASH MANAGEMENT CLASS]

<TABLE>

<CAPTION>

	American AAdvantage Money Market Fund	Lipper Institutional Money Market Fund Average
<S>	<C>	<C>
1 Year	1.08%	0.80%
3 Years	2.31%	2.07%
5 Years*	3.70%	3.46%
10 Years*	4.54%	4.35%

</TABLE>

[END CHART]

\*Annualized

<TABLE>

<CAPTION>

	ANNUALIZED TOTAL RETURNS		
	AS OF 12/31/03		
	1 YEAR	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>
Cash Management Class (1,3).....	1.08%	3.70%	4.54%
Institutional Class (1).....	0.97%	3.67%	4.52%
PlanAhead Class (1,2).....	0.70%	3.36%	4.22%
Platinum Class (1,2).....	0.25%	2.94%	3.93%

</TABLE>

(1) Past performance is not indicative of future performance. An investment in

the American AAdvantage Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in this Fund.

- (2) Fund performance for the ten-year period represents the total returns achieved by the Institutional Class from 1/1/94 up to 8/1/94, the inception date of the PlanAhead Class, and up to 11/8/95, the inception date of the Platinum Class, and the returns of the PlanAhead and Platinum Classes since inception of these Classes. Expenses of the PlanAhead and Platinum Classes are higher than those of the Institutional Class. Therefore, total returns shown are higher than they would have been had the PlanAhead and Platinum Classes been in place since 1/1/94.
- (3) Fund performance for the five and ten-year periods represents the total returns achieved by the Institutional Class from 1/1/94 up to 12/1/01, the inception date of the Cash Management Class and the returns of the Cash Management Class since its inception. Expenses of the Cash Management Class are lower than those of the Institutional Class. Therefore, total returns shown are lower than they would have been had the Cash Management Class been in place since 1/1/94.

PERFORMANCE OVERVIEW

AMERICAN AADVANTAGE MONEY MARKET FUND (R) -- Continued

PORTFOLIO STATISTICS AS OF DECEMBER 31, 2003

<TABLE>  
<CAPTION>

	CASH MANAGEMENT CLASS	INSTITUTIONAL CLASS	PLANAHEAD CLASS	PLATINUM CLASS
<S>	<C>	<C>	<C>	<C>
7-day Current Yield*	0.99%	0.90%	0.59%	0.15%
7-day Effective Yield*	0.99%	0.90%	0.60%	0.15%
30-day Yield*	0.99%	0.89%	0.59%	0.15%
Weighted Average Maturity	50 Days	50 Days	50 Days	50 Days
Moody's Rating	Aaa	Aaa	N/A	N/A
S&P Rating	AAAm	AAAm	N/A	N/A

\*Annualized. You may call 1-800-388-3344 to obtain the Fund's current seven day yield.

TOP TEN HOLDINGS AS OF DECEMBER 31, 2003

<TABLE>  
<CAPTION>

	% OF NET ASSETS
<S>	<C>
General Electric Capital Corporation	4.7%
Edison Asset Securitization	4.5%
Metropolitan Life Insurance Company	3.9%
Bank of America Corporation	3.8%
Bayerische Landesbank	3.5%
Federal Home Loan Mortgage Corporation	3.3%
Wells Fargo Financial, Incorporated	3.2%
Southtrust Bank, NA	3.2%
American Honda Finance Corporation	3.0%
First Tennessee Bank	3.0%

PERFORMANCE OVERVIEW

AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUND (SM)

The American AAdvantage U.S. Government Money Market Fund maintained a weighted-average maturity toward the longer end of the maximum maturity of 60 days allowed for "AAA" rated funds. This was accomplished primarily by purchasing fixed rate agencies with maturities of six months to one year. This strategy worked well during the first half of the year, especially in light of the Fed lowering the Fed Funds rate in June to 1% from 1.25%. After thirteen consecutive easings by the Fed since January 2001, a positively sloped money market yield curve emerged in the second half of 2003. The market began to

anticipate in July that the next move by the Fed would be to increase interest rates. That notion gained momentum after third quarter GDP growth came in at a surprising 8.2%. Since then, the economic growth recovery has remained on track but with disappointing jobs creation. The encouraging news on productivity coupled with the disappointing news on jobs creation led us to concur with Chairman Greenspan's repeated assertions that monetary policy could remain accommodative and money market interest rates would remain at historically low levels for a "considerable period". The weighted-average maturity of the Fund will likely remain in the 50 to 60 day range until evidence of a recovery in jobs creation emerges and the likelihood of a Fed rate hike increases.

For the twelve months ended December 31, 2003, the total return of the Cash Management Class of the American AAdvantage U.S. Government Money Market Fund was 1.04%. The Fund outperformed the Lipper Institutional U.S. Government Money Market Average return of 0.80% by 24 basis points. Lipper Analytical Services ranked the Cash Management Class of the Fund 15th among 139, 11th among 96, and 14th among 49 Institutional U.S. Government Money Market Funds for the one-year, five-years and ten-years ended December 31, 2003, respectively.

CASH MANAGEMENT CLASS TOTAL RETURNS AS OF DECEMBER 31, 2003

[CHART OF CASH MANAGEMENT CLASS]

<TABLE>

<CAPTION>

	American AAdvantage U.S. Government Money Market Fund	Lipper Institutional U.S. Government Money Market Fund Average
<S>	<C>	<C>
1 Year	1.04%	0.80%
3 Years*	2.26%	2.03%
5 Years*	3.61%	3.39%
10 Years*	4.39%	4.25%

</TABLE>

[END CHART]

\*Annualized

<TABLE>

<CAPTION>

	ANNUALIZED TOTAL RETURNS		
	AS OF 12/31/03		
	1 YEAR	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>
Cash Management Class (1,3).....	1.04%	3.61%	4.39%
PlanAhead Class (1,2).....	0.61%	3.24%	4.04%
Platinum Class (1,2).....	0.24%	2.83%	3.76%

</TABLE>

(1) Past performance is not indicative of future performance. An investment in the American AAdvantage U.S. Government Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in this Fund.

(2) Fund performance for the ten-year period represents the total returns achieved by the Cash Management Class from 1/1/94 up to 8/1/94, the inception date of the PlanAhead Class, and up to 11/8/95, the inception date of the Platinum Class, and the returns of the PlanAhead and Platinum Classes since inception of these Classes. Expenses of the PlanAhead and Platinum Classes are higher than those of the Cash Management Class. Therefore, total returns shown are higher than they would have been had the PlanAhead and Platinum Classes been in existence since 1/1/94.

(3) Prior to December 1, 2001, the Cash Management Class of the Fund was known as the Institutional Class.

PORTFOLIO STATISTICS AS OF DECEMBER 31, 2003

<TABLE>

<CAPTION>

	CASH MANAGEMENT CLASS	PLANAHEAD CLASS	PLATINUM CLASS
<S>	<C>	<C>	<C>
7-day Current Yield*	0.92%	0.46%	0.12%
7-day Effective Yield*	0.92%	0.46%	0.12%



30-day Yield*	0.92%	0.46%	0.12%
Weighted Average Maturity	48 Days	48 Days	48 Days
Moody's Rating	Aaa	N/A	N/A
S&P Rating	AAAm	N/A	N/A

\* Annualized. You may call 1-800-388-3344 to obtain the Fund's current seven day yield.

PERFORMANCE OVERVIEW

AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUND (SM)

The American AAdvantage Municipal Money Market Fund targeted a neutral weighted-average maturity in the first half of the year, focusing on variable rate demand notes backed by either bond insurance or a bank letter of credit. As it became apparent the Fed would lower interest rates at least 25 basis points at the June FOMC meeting, the Fund locked in higher yields by purchasing commercial paper. During the second half of the year, the focus returned to the variable rate demand note market, as that proved to be the most attractive investment alternative. If interest rates remain low, as anticipated, the Fund will look for opportunities in the fixed rate market.

For the twelve months ended December 31, 2003, the total return of the PlanAhead Class of the American AAdvantage Municipal Money Market Fund was 0.32% as compared to the Lipper Tax-Exempt Money Market Average return of 0.45%.

PLANAHEAD CLASS TOTAL RETURNS AS OF DECEMBER 31, 2003

[CHART OF PLANAHEAD CLASS]

	American AAdvantage Municipal Money Market Fund	Lipper Tax-Exempt Money Market Fund Average
1 Year	0.32%	0.45%
3 Years*	1.16%	1.17%
5 Years*	1.96%	1.95%
10 Years*	2.53%	2.47%

[END CHART]

\*Annualized

	ANNUALIZED TOTAL RETURNS		
	AS OF 12/31/03		
	1 YEAR	5 YEARS	10 YEARS
PlanAhead Class (1,2)	0.32%	1.96%	2.53%
Platinum Class (1,2)	0.20%	1.61%	2.26%

(1) Past performance is not indicative of future performance. An investment in the American AAdvantage Municipal Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in this Fund.

(2) Fund performance for the ten-year period represents the total returns achieved by the Institutional Class, a former Class of the Fund, from 11/10/93 up to 8/1/94, the inception date of the PlanAhead Class, and up to 11/8/95, the inception date of the Platinum Class, and the returns of the PlanAhead and Platinum Classes since inception of these Classes. Expenses of the PlanAhead and Platinum Classes are higher than those of the Institutional Class. Therefore, total returns shown are higher than they would have been had the PlanAhead and Platinum Classes been in place since 11/10/93.

PORTFOLIO STATISTICS AS OF DECEMBER 31, 2003

<TABLE>

<CAPTION>

	PLANAHEAD CLASS	PLATINUM CLASS
	-----	-----
<S>	<C>	<C>
7-day Current Yield*	0.05%	0.30%
7-day Effective Yield*	0.05%	0.30%
30 day Yield*	0.05%	0.17%
Weighted Average Maturity	12 Days	12 Days

\*Annualized. You may call 1-800-388-3344 to obtain the Fund's current seven day yield.

TOP TEN HOLDINGS AS OF DECEMBER 31, 2003

<TABLE>  
<CAPTION>

	% OF NET ASSETS
	-----
<S>	<C>
Moffat County, Colorado Pollution Control	8.3%
Gulf Coast Waste Disposal Authority (Texas)	7.2%
Pierce County, Washington Economic Development Corporation	6.5%
Brazos Harbor Industrial Development Corporation	6.3%
Claremore Industrial and Redevelopment Authority	6.0%
Michigan State Housing Development Authority	4.9%
Montgomery County, Maryland Variable Rate Housing Revenue Bonds	4.8%
Alachua County, Florida Housing Financial Authority	4.6%
Mesa Arizona Industrial Development Authority	4.4%
Ohio Water Development Authority	4.3%
South Carolina JOBS Economic Development Authority	4.3%

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Shareholders and Board of Trustees  
American AAdvantage Money Market Fund  
American AAdvantage U.S. Government Money Market Fund  
American AAdvantage Municipal Money Market Fund

We have audited the accompanying statements of assets and liabilities of the American AAdvantage Money Market Fund, the American AAdvantage U.S. Government Money Market Fund, and the American AAdvantage Municipal Money Market Fund, (collectively, "the Funds") (separate funds comprising the American AAdvantage Funds) as of December 31, 2003, and the related statements of operations, the statements of changes in net assets and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of investments owned as of December 31, 2003, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the respective American AAdvantage Funds at December 31, 2003, the results of their operations, the changes in their net assets, and the financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States.

Chicago, Illinois  
February 13, 2004

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AMERICAN AADVANTAGE FUNDS  
STATEMENTS OF ASSETS AND LIABILITIES  
December 31, 2003

	MONEY MARKET	U.S. GOVERNMENT MONEY MARKET	MUNICIPAL MONEY MARKET
		(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	
<S>	<C>	<C>	<C>
<b>ASSETS:</b>			
Investment in Portfolio, at value.....	\$ 448,641	\$ 55,656	\$ 6,332
Receivable for fund shares sold.....	4,049	-	-
Receivable from Manager for expense reimbursement (Note 2).....	12	8	9
Other assets.....	-	-	5
<b>TOTAL ASSETS.....</b>	<b>452,702</b>	<b>55,664</b>	<b>6,346</b>
<b>LIABILITIES:</b>			
Payable for fund shares redeemed.....	80	-	-
Dividends payable.....	17	26	-
Administrative services fees payable (Note 2).....	60	6	2
Distribution fees payable.....	12	-	1
Other liabilities.....	154	35	-
<b>TOTAL LIABILITIES.....</b>	<b>323</b>	<b>67</b>	<b>3</b>
<b>NET ASSETS.....</b>	<b>\$ 452,379</b>	<b>\$ 55,597</b>	<b>\$ 6,343</b>
<b>ANALYSIS OF NET ASSETS:</b>			
Paid-in-capital.....	452,379	55,597	6,343
<b>NET ASSETS.....</b>	<b>\$ 452,379</b>	<b>\$ 55,597</b>	<b>\$ 6,343</b>
<b>Shares outstanding (no par value):</b>			
Cash Management Class.....	117,395,420	22,060,011	N/A
Institutional Class.....	159,091,863	N/A	N/A
PlanAhead Class.....	126,972,434	26,784,887	3,072,239
Platinum Class.....	48,919,553	6,752,583	3,270,679
<b>Net asset value per share, offering and redemption price per share:</b>			
Cash Management Class.....	\$ 1.00	\$ 1.00	N/A
Institutional Class.....	\$ 1.00	N/A	N/A
PlanAhead Class.....	\$ 1.00	\$ 1.00	\$ 1.00
Platinum Class.....	\$ 1.00	\$ 1.00	\$ 1.00

</TABLE>

See accompanying notes

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AMERICAN AADVANTAGE FUNDS  
STATEMENTS OF OPERATIONS  
Year Ended December 31, 2003

	MONEY MARKET	U.S. GOVERNMENT MONEY MARKET	MUNICIPAL MONEY MARKET
--	--------------	---------------------------------	---------------------------

<TABLE>  
<CAPTION>

<S>	<C>	(IN THOUSANDS)	<C>
INVESTMENT INCOME ALLOCATED FROM PORTFOLIO:			
Interest income.....	\$ 7,223	\$ 1,674	\$ 164
Portfolio expenses.....	(650)	(161)	(17)
	-----	-----	-----
NET INVESTMENT INCOME ALLOCATED FROM PORTFOLIO.....	6,573	1,513	147
	-----	-----	-----
FUND EXPENSES:			
Administrative service fees (Note 2):			
Cash Management Class.....	46	15	-
Institutional Class.....	259	-	1
PlanAhead Class.....	146	94	5
Platinum Class.....	657	96	55
Transfer agent fees:			
Cash Management Class.....	14	17	-
Institutional Class.....	50	-	-
PlanAhead Class.....	58	91	5
Platinum Class.....	20	6	1
Professional fees.....	35	13	4
Registration fees and expenses.....	68	30	25
Distribution fees - Platinum Class (Note 2)....	253	37	21
Service Fees - PlanAhead Class (Note 2).....	364	235	11
Other expenses.....	109	43	13
	-----	-----	-----
TOTAL FUND EXPENSES.....	2,079	677	141
	-----	-----	-----
LESS WAIVER AND REIMBURSEMENT OF EXPENSES (NOTE 2)	190	110	34
	-----	-----	-----
NET FUND EXPENSES.....	1,889	567	107
	-----	-----	-----
NET INVESTMENT INCOME.....	4,684	946	40
	-----	-----	-----
REALIZED GAIN ALLOCATED FROM PORTFOLIO:			
Net realized gain on investments.....	5	3	-
	-----	-----	-----
NET GAIN ON INVESTMENTS.....	5	3	-
	-----	-----	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	\$ 4,689	\$ 949	\$ 40
	=====	=====	=====

</TABLE>

See accompanying notes

9

AMERICAN ADVANTAGE FUNDS  
STATEMENTS OF CHANGES IN NET ASSETS

<TABLE>  
<CAPTION>

<S>	MONEY MARKET	
	YEAR ENDED DECEMBER 31,	
	2003	2002
	(IN THOUSANDS)	
INCREASE (DECREASE) IN NET ASSETS:	<C>	<C>
OPERATIONS:		
Net investment income.....	\$ 4,684	\$ 22,479
Net realized gain on investments.....	5	11
	-----	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	4,689	22,490
	-----	-----
DISTRIBUTIONS TO SHAREHOLDERS:		
Net investment income:		
Cash Management Class.....	(672)	(847)
Institutional Class.....	(2,597)	(10,046)
PlanAhead Class.....	(1,034)	(2,284)
Platinum Class.....	(378)	(9,305)
Net realized gain on investments:		
Cash Management Class.....	-	(1)
Institutional Class.....	(3)	(1)
PlanAhead Class.....	(1)	-
Platinum Class.....	(1)	(9)

DISTRIBUTIONS TO SHAREHOLDERS:.....	(4,686)	(22,493)
CAPITAL SHARE TRANSACTIONS:		
Proceeds from sales of shares.....	3,048,924	6,690,114
Reinvestment of dividends and distributions.....	3,467	20,382
Cost of shares redeemed.....	(4,150,353)	(7,013,224)
NET INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS.....	(1,097,962)	(302,728)
NET INCREASE (DECREASE) IN NET ASSETS.....	(1,097,959)	(302,731)
NET ASSETS:		
Beginning of period.....	1,550,338	1,853,069
END OF PERIOD.....	\$ 452,379	\$1,550,338

</TABLE>

See accompanying notes

10

<TABLE>  
<CAPTION>

	U.S. GOVERNMENT MONEY MARKET		MUNICIPAL MONEY MARKET	
	YEAR ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2003	2002	2003	2002
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:				
OPERATIONS:				
Net investment income.....	\$ 946	\$ 3,655	\$ 40	\$ 486
Net realized gain on investments.....	3	26	-	-
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	949	3,681	40	486
DISTRIBUTIONS TO SHAREHOLDERS:				
Net investment income:				
Cash Management Class.....	(227)	(763)	-	-
Institutional Class.....	-	-	(6)	(9)
PlanAhead Class.....	(675)	(1,617)	(17)	(61)
Platinum Class.....	(44)	(1,275)	(17)	(416)
Net realized gain on investments:				
Cash Management Class.....	(1)	(4)	-	-
Institutional Class.....	-	-	-	-
PlanAhead Class.....	(2)	(10)	-	-
Platinum Class.....	-	(12)	-	-
DISTRIBUTIONS TO SHAREHOLDERS:.....	(949)	(3,681)	(40)	(486)
CAPITAL SHARE TRANSACTIONS:				
Proceeds from sales of shares.....	351,780	833,690	21,327	168,645
Reinvestment of dividends and distributions.....	57	1,710	32	484
Cost of shares redeemed.....	(629,499)	(760,047)	(94,625)	(153,415)
NET INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS.....	(277,662)	75,353	(73,266)	15,714
NET INCREASE (DECREASE) IN NET ASSETS.....	(277,662)	75,353	(73,266)	15,714
NET ASSETS:				
Beginning of period.....	333,259	257,906	79,609	63,895
END OF PERIOD.....	\$ 55,597	\$ 333,259	\$ 6,343	\$ 79,609

</TABLE>

See accompanying notes

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1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

American AAdvantage Funds (the "Trust") is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940 (the "Act"), as amended, as a no-load, open-end management investment company with separate series. The following series are included in this report: American AAdvantage Money Market, American AAdvantage U.S. Government Money Market and American AAdvantage Municipal Money Market Funds (each a "Fund" and collectively, the "Funds").

Each Fund has multiple classes of shares. Differences between the classes include the services offered to and the expenses borne by each class and certain voting rights. Investment income, net capital gains (losses) and all expenses incurred by the Funds are allocated based on relative net assets of each class, except for service fees and certain other fees and expenses related solely to one class of shares. Effective October 9, 2003, the Institutional Class of the Municipal Money Market Fund was no longer offered.

Each Fund invests all of its investable assets in the corresponding portfolio of the AMR Investment Services Trust, an open-end diversified management investment company, as follows:

<TABLE>		
<CAPTION>		
AMERICAN AADVANTAGE:	--> INVESTS ASSETS IN -->	AMR INVESTMENT SERVICES TRUST:
-----	-----	-----
<S>		<C>
Money Market Fund		Money Market Portfolio
U.S. Government Money Market Fund		U.S. Government Money Market Portfolio
Municipal Money Market Fund		Municipal Money Market Portfolio
</TABLE>		

Each AMR Investment Services Trust Portfolio has the same investment objectives as its corresponding Fund. The value of such investment reflects each Fund's proportionate interest in the net assets of the corresponding portfolio (9.06%, 23.68% and 15.91% at December 31, 2003 of the AMR Investment Services Trust Money Market, U.S. Government Money Market and Municipal Money Market Portfolios, respectively) (each a "Portfolio" and collectively the "Portfolios"). The financial statements of the Portfolios are included elsewhere in this report and should be read in conjunction with the Funds' financial statements.

AMR Investment Services, Inc. (the "Manager") is a wholly-owned subsidiary of AMR Corporation, the parent company of American Airlines, Inc. ("American"), and was organized in 1986 to provide business management, advisory, administrative and asset management consulting services to the Trust and other investors. The following is a summary of the significant accounting policies followed by the Funds.

Valuation of Investments

The Funds record their investment in the Portfolios at fair value. Valuation of securities by the Portfolios is discussed in Note 1 of the Portfolios' Notes to Financial Statements which are included elsewhere in this report.

Investment Income and Dividends to Shareholders

Each Fund records its share of net investment income (loss) and realized gain (loss) in the Portfolio each day. All net investment income (loss) and realized gain (loss) of each Portfolio are allocated pro rata among the corresponding Fund and other investors in each Portfolio at the time of such determination. The Funds generally declare dividends daily from net investment income and net short-term capital gain, if any, payable monthly.

Dividends are determined in accordance with income tax principles which may treat certain transactions differently than accounting principles generally accepted in the United States.

Federal Income and Excise Taxes

It is the policy of each of the Funds to comply with the requirements of subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all net investment income as well as

any net realized capital gains on the sale of investments. Therefore, no federal income or excise tax provision is required.

All dividends paid by the Municipal Money Market Fund were "exempt interest dividends" and therefore are 100% free of any regular federal income tax. Approximately 23% of interest earned was derived from investments in certain private activity bonds for purposes of the federal alternative minimum tax calculation.

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

Income, expenses (other than those attributable to a specific class), gains and losses are allocated daily to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

#### Valuation of Shares

The price per share is calculated separately for each class of each Fund on each day on which shares are offered for sale and orders accepted or upon receipt of a redemption request. With respect to a class of a Fund, price per share is computed by dividing the value of the class' pro rata allocation of the Fund's investments and other assets, less liabilities, by the number of class shares outstanding.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

## 2. TRANSACTIONS WITH AFFILIATES

#### Administrative Services Agreement

The Manager and the Trust entered into an Administrative Services Agreement which obligates the Manager to provide or oversee administrative and management services to the Funds. As compensation for performing the duties required under the Administrative Services Agreement, the Manager receives an annualized fee of 0.10% of the average daily net assets of each of the Institutional, PlanAhead and Platinum Classes of the Funds.

The Trust has adopted an Administrative Services Plan with respect to the Platinum Class of the Funds. As compensation for providing administrative services, the Manager receives an annualized fee of 0.55% of the average daily net assets of the Platinum Class of each Fund.

A separate Administrative Services Plan has been adopted for the Cash Management Class of the Funds. As compensation for providing administrative services, the Manager receives an annualized fee of 0.07% of the average daily net assets of the Cash Management Class of each Fund.

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AMERICAN AADVANTAGE FUNDS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2003  
=====

#### Distribution Plan

The Trust, except for the Platinum Class of the Funds, has adopted a "defensive" Distribution Plan (the "Plan") in accordance with Rule 12b-1 under the Act, pursuant to which no fees may be charged to the Funds for distribution purposes. However, the Plan authorizes the fees received by the Manager to be used for distribution purposes. Under this plan, the Trust does not intend to compensate the Manager or any other party, either directly or indirectly, for the distribution of Trust shares.

A separate Distribution Plan (the "Distribution Plan") has been adopted pursuant to Rule 12b-1 under the Act for the Platinum Class of the Funds. Under the Distribution Plan, as compensation for distribution assistance, the Manager receives an annualized fee of 0.25% of the average daily net assets of each class. The fee will be payable without regard to whether the amount of the fee is more or less than the actual expenses incurred in a particular month by the Manager for distribution assistance.

#### Service Agreement

The Manager and the Trust entered into a Service Agreement which obligates the Manager to oversee additional shareholder servicing of the PlanAhead Class. As compensation for performing the duties required under the Service Agreement, the Manager receives 0.25% based on the daily net assets of the Plan-Ahead Class.

Reimbursement and Waiver of Expenses

Effective March 1, 2003 the Manager contractually agreed to reimburse each Cash Management Class Fund for other expenses through December 31, 2003 to the extent that total annual fund operating expenses exceed 0.15% and 0.19% for the Money Market and U.S. Government Money Market Funds, respectively. Prior to March 1, 2003, the Manager contractually agreed to reimburse the Cash Management Class of the Money Market Fund for other expenses to the extent that total annual fund operating expenses exceeded 0.19%.

The Manager contractually agreed to reimburse the Platinum Class of each Fund for other expenses through December 31, 2003 to the extent that total annual fund operating expenses exceed 0.99%. In addition, effective June 25, 2003, the Manager agreed to voluntarily waive additional fees to the extent necessary to preserve a certain minimum level of returns for Platinum Class Fund shareholders. During the year ended December 31, 2003, the Manager waived or reimbursed expenses as follows:

FUND	AMOUNT
<S>	<C>
Money Market Fund	
Cash Management Class .....	\$ 54,801
Platinum Class .....	135,366
U.S. Government Money Market Fund	
Cash Management Class .....	37,812
PlanAhead Class .....	42,856
Platinum Class .....	28,982
Municipal Money Market Fund	
PlanAhead Class .....	5,799
Platinum Class .....	28,374

AMERICAN AADVANTAGE FUNDS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2003

Expense Reimbursement Plan

Effective July 10, 2003, the Funds adopted an Expense Reimbursement Plan whereby the Manager may seek repayment of fees waived or expenses reimbursed for a period of up to three years. However, reimbursement will occur only if the Class' average net assets have grown or expenses have declined sufficiently to allow reimbursement without causing its expense ratio to exceed the previously agreed upon contractual expense limit. The following waived fees or reimbursed expenses are subject to potential recovery:

FUND	AMOUNT	EXPIRING IN
<S>	<C>	<C>
Money Market Fund .....	\$83,552	2006
U.S. Government Money Market Fund .....	77,375	2006
Municipal Money Market Fund .....	18,920	2006

Other

Certain officers or trustees of the Trust are also current or former officers or employees of the Manager or American. The Trust makes no direct payments to its officers. Unaffiliated trustees and their spouses are provided free unlimited air transportation on American. In addition, the Trust compensates each trustee with payments in an amount equal to the trustee's income tax on the value of this free airline travel. Retired trustees and their spouses receive American Airlines flight benefits, plus reimbursement of any tax liability relating to such benefits, up to a maximum annual value of \$40,000. One trustee, as a retiree of American, already receives flight benefits. This trustee receives an annual retainer of \$40,000 plus \$1,250 for each Board meeting attended. For the year ended December 31, 2003, the cost of air



AMERICAN AADVANTAGE FUNDS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 December 31, 2003

3. CAPITAL SHARE TRANSACTIONS

The tables below summarize the activity in capital shares for each class of the Funds (in thousands). Each share is valued at \$1.00:

Year Ended December 31, 2003

<TABLE>  
<CAPTION>

MONEY MARKET FUND	CASH MANAGEMENT CLASS	INSTITUTIONAL CLASS	PLANAHEAD CLASS	PLATINUM CLASS
<S>	<C>	<C>	<C>	<C>
Shares sold.....	1,008,426	1,783,321	190,773	66,404
Reinvestment of dividends.....	641	1,880	801	145
Shares redeemed.....	(898,314)	(2,101,032)	(220,137)	(930,870)
Net increase (decrease) in shares outstanding.....	110,753	(315,831)	(28,563)	(864,321)

U.S. GOVERNMENT MONEY MARKET FUND	CASH MANAGEMENT CLASS	PLANAHEAD CLASS	PLATINUM CLASS
Shares sold.....	96,111	247,807	7,862
Reinvestment of dividends.....	18	17	22
Shares redeemed.....	(112,380)	(396,154)	(120,965)
Net decrease in shares outstanding...	(16,251)	(148,330)	(113,081)

MUNICIPAL MONEY MARKET FUND	INSTITUTIONAL CLASS	PLANAHEAD CLASS	PLATINUM CLASS
Shares sold.....	3,638	4,262	13,427
Reinvestment of dividends.....	5	17	10
Shares redeemed.....	(4,774)	(8,552)	(81,299)
Net decrease in shares outstanding...	(1,131)	(4,273)	(67,862)

</TABLE>

Year Ended December 31, 2002

<TABLE>  
<CAPTION>

MONEY MARKET FUND	CASH MANAGEMENT CLASS	INSTITUTIONAL CLASS	PLANAHEAD CLASS	PLATINUM CLASS
<S>	<C>	<C>	<C>	<C>
Shares sold.....	722,000	4,884,795	426,319	657,000
Reinvestment of dividends.....	811	8,095	2,161	9,315
Shares redeemed.....	(731,175)	(5,223,810)	(436,770)	(621,469)
Net increase (decrease) in shares outstanding.....	(8,364)	(330,920)	(8,290)	44,846

U.S. GOVERNMENT MONEY MARKET FUND	CASH MANAGEMENT CLASS	PLANAHEAD CLASS	PLATINUM CLASS
Shares sold.....	146,102	471,135	216,453
Reinvestment of dividends.....	372	51	1,287
Shares redeemed.....	(174,466)	(375,005)	(210,576)
Net increase (decrease) in shares outstanding.....	(27,992)	96,181	7,164

MUNICIPAL MONEY MARKET FUND	INSTITUTIONAL CLASS	PLANAHEAD CLASS	PLATINUM CLASS
-----------------------------	---------------------	-----------------	----------------

Shares sold.....	4,606	10,081	153,958
Reinvestment of dividends.....	7	61	416
Shares redeemed.....	(4,282)	(6,465)	(142,668)
	-----	-----	-----
Net increase in shares outstanding..	331	3,677	11,706
	=====	=====	=====

</TABLE>

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[GRAPHIC OF EAGLE]

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AMERICAN AADVANTAGE MONEY MARKET FUND  
FINANCIAL HIGHLIGHTS  
(For a share outstanding throughout the period)

<TABLE>  
<CAPTION>

	CASH MANAGEMENT CLASS		
	YEAR ENDED DECEMBER 31,		ONE MONTH
	2003	2002	ENDED
			DECEMBER 31,
			2001 (B)
	-----	-----	-----
<S>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00
	-----	-----	-----
Net investment income (A)..	0.01	0.02	-(D)
Less dividends from net investment income.....	(0.01)	(0.02)	-(D)
	-----	-----	-----
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00
	=====	=====	=====
Total return.....	1.08%	1.73%	0.19% (C)
	=====	=====	=====
Ratios and supplemental data:			
Net assets, end of period (in thousands).....	\$117,395	\$6,641	\$15,006
Ratios to average net assets (annualized) (A):			
Expenses.....	0.16%	0.19%	0.19%
Net investment income.....	1.03%	1.73%	1.96%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	0.08%	0.03%	-

<CAPTION>

	INSTITUTIONAL CLASS					
	YEAR ENDED DECEMBER 31,				TWO MONTHS	YEAR ENDED
	2003	2002	2001	2000	ENDED	ENDED
					DECEMBER 31,	OCTOBER 31,
					1999	1999
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
	-----	-----	-----	-----	-----	-----
Net investment income (A)...	0.01	0.02	0.04	0.06	0.01	0.05
Less dividends from net investment income.....	(0.01)	(0.02)	(0.04)	(0.06)	(0.01)	(0.05)
	-----	-----	-----	-----	-----	-----
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
	=====	=====	=====	=====	=====	=====
Total return.....	0.97%	1.67%	4.15%	6.45%	0.94% (C)	5.09%
	=====	=====	=====	=====	=====	=====
Ratios and supplemental data:						
Net assets, end of period						

(in thousands).....	\$159,092	\$474,922	\$805,843	\$886,608	\$1,978,123	\$1,652,323
Ratios to average net assets (annualized) (A):						
Expenses.....	0.27%	0.24%	0.25%	0.24%	0.23%	0.24%
Net investment income.....	1.00%	1.68%	4.13%	6.17%	5.65%	4.99%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	-	-	-	-	-	-

</TABLE>

-----

- (A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the AMR Investment Services Money Market Portfolio.
- (B) The Money Market Fund commenced sales of a fourth class of shares designated as "Cash Management Class" on December 1, 2001.
- (C) Not annualized.
- (D) Amount is less than \$0.01 per share.

-----

<TABLE>  
<CAPTION>

PLANAHEAD CLASS						
	YEAR ENDED DECEMBER 31,				TWO MONTHS ENDED	YEAR ENDED
	2003	2002	2001	2000	DECEMBER 31, 1999	OCTOBER 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (A)...	0.01	0.01	0.04	0.06	0.01	0.05
Less dividends from net investment income.....	(0.01)	(0.01)	(0.04)	(0.06)	(0.01)	(0.05)
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return.....	0.70%	1.37%	3.83%	6.14%	0.89% (C)	4.79%
Ratios and supplemental data:						
Net assets, end of period (in thousands).....	\$126,972	\$155,535	\$163,825	\$299,304	\$262,748	\$343,532
Ratios to average net assets (annualized) (A):						
Expenses.....	0.54%	0.54%	0.55%	0.54%	0.55%	0.53%
Net investment income.....	0.71%	1.36%	3.83%	5.95%	5.32%	4.69%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	-	-	-	-	-	-

<CAPTION>

PLATINUM CLASS						
	YEAR ENDED DECEMBER 31,				TWO MONTHS ENDED	YEAR ENDED
	2003	2002	2001	2000	DECEMBER 31, 1999	OCTOBER 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (A)...	-(D)	0.01	0.03	0.06	0.01	0.04
Less dividends from net investment income.....	-(D)	(0.01)	(0.03)	(0.06)	(0.01)	(0.04)

Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return.....	0.25%	0.98%	3.45%	5.69%	0.82% (C)	4.33%
Ratios and supplemental data:						
Net assets, end of period (in thousands).....	\$48,920	\$913,240	\$868,395	\$800,196	\$866,041	\$841,653
Ratios to average net assets (annualized) (A):						
Expenses.....	0.96%	0.93%	0.93%	0.97%	1.00%	0.97%
Net investment income.....	0.38%	0.97%	3.36%	5.54%	4.87%	4.24%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	0.13%	0.01%	-	-	-	-

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AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUND  
FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the period)

<TABLE>  
<CAPTION>

CASH MANAGEMENT CLASS

	YEAR ENDED DECEMBER 31,				TWO MONTHS	YEAR ENDED
	2003	2002	2001 (B)	2000	ENDED DECEMBER 31, 1999	OCTOBER 31, 1999
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (A).....	0.01	0.02	0.04	0.06	0.01	0.05
Less dividends from net investment income.....	(0.01)	(0.02)	(0.04)	(0.06)	(0.01)	(0.05)
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return.....	1.04%	1.67%	4.09%	6.31%	0.94% (C)	4.94%
Ratios and supplemental data:						
Net assets, end of period (in thousands).....	\$ 22,060	\$ 38,310	\$ 66,302	\$ 36,391	\$ 37,385	\$32,427
Ratios to average net assets (annualized) (A):						
Expenses.....	0.19%	0.19%	0.25%	0.26%	0.18%	0.19%
Net investment income.....	1.04%	1.69%	3.74%	6.16%	5.60%	4.83%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	0.18%	0.04%	-	-	-	-

(A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the AMR Investment Services U.S. Government Money Market Portfolio.

(B) Prior to December 1, 2001, the Cash Management Class of the American AAdvantage U.S. Government Money Market Fund was known as the Institutional Class of the American AAdvantage U.S. Government Money Market Fund. The Institutional Class had a higher expense structure than the Cash Management Class.

(C) Not annualized.

(D) Amount is less than \$0.01 per share.

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AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUND  
FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the period)

<TABLE>  
<CAPTION>

PLANAHEAD CLASS

	YEAR ENDED DECEMBER 31,				TWO MONTHS	YEAR ENDED
	2003	2002	2001	2000	ENDED DECEMBER 31, 1999	OCTOBER 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (A).....	0.01	0.01	0.04	0.06	0.01	0.05
Less dividends from net investment income.....	(0.01)	(0.01)	(0.04)	(0.06)	(0.01)	(0.05)
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return.....	0.61%	1.30%	3.79%	5.95%	0.86% (C)	4.56%
Ratios and supplemental data:						
Net assets, end of period (in thousands).....	\$ 26,785	\$175,115	\$ 78,934	\$ 65,795	\$ 59,560	\$59,960
Ratios to average net assets (annualized) (A):						
Expenses.....	0.58%	0.55%	0.55%	0.60%	0.64%	0.56%
Net investment income.....	0.72%	1.25%	3.59%	5.81%	5.15%	4.45%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	0.04%	-	-	-	-	-

<CAPTION>

PLATINUM CLASS

	YEAR ENDED DECEMBER 31,				TWO MONTHS	YEAR ENDED
	2003	2002	2001	2000	ENDED DECEMBER 31, 1999	OCTOBER 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (A).....	- (D)	0.01	0.03	0.05	0.01	0.04
Less dividends from net investment income.....	- (D)	(0.01)	(0.03)	(0.05)	(0.01)	(0.04)
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return.....	0.24%	0.90%	3.37%	5.53%	0.80% (C)	4.09%
Ratios and supplemental data:						
Net assets, end of period (in thousands).....	\$ 6,752	\$119,833	\$112,670	\$ 78,857	\$ 78,585	\$84,385
Ratios to average net assets (annualized) (A):						
Expenses.....	1.00%	0.95%	0.95%	1.00%	1.02%	1.01%
Net investment income.....	0.31%	0.88%	3.20%	5.40%	1.77%	4.01%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	0.20%	0.03%	-	-	-	-

</TABLE>

(A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the AMR Investment Services U.S. Government Money Market Portfolio.

(B) Prior to December 1, 2001, the Cash Management Class of the American AAdvantage U.S. Government Money Market Fund was known as the Institutional Class of the American AAdvantage U.S. Government Money Market Fund. The Institutional Class had a higher expense structure than the Cash Management Class.

(C) Not annualized.

(D) Amount is less than \$0.01 per share.

(For a share outstanding throughout the period)

<TABLE>  
<CAPTION>

PLANAHEAD CLASS

	YEAR ENDED DECEMBER 31,				TWO MONTHS	YEAR ENDED
	2003	2002	2001	2000	ENDED DECEMBER 31, 1999	OCTOBER 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income(A).....	- (C)	0.01	0.02	0.04	0.01	0.03
Less dividends from net investment income.....	- (C)	(0.01)	(0.02)	(0.04)	(0.01)	(0.03)
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return.....	0.32%	0.93%	2.25%	3.61%	0.52% (B)	2.68%
Ratios and supplemental data:						
Net assets, end of period (in thousands).....	\$ 3,072	\$ 7,346	\$ 3,669	\$ 5,175	\$ 7,479	\$ 9,795
Ratios to average net assets (annualized) (A):						
Expenses.....	0.81%	0.57%	0.58%	0.63%	0.73%	0.65%
Net investment income.....	0.36%	0.94%	2.30%	3.48%	3.09%	2.61%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	0.12%	-	-	-	-	-

</TABLE>

(A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the AMR Investment Services Municipal Money Market Portfolio.

(B) Not annualized.

(C) Amount is less than \$0.01 per share.

AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUND  
FINANCIAL HIGHLIGHTS

(For a share outstanding throughout the period)

PLATINUM CLASS

	YEAR ENDED DECEMBER 31,				TWO MONTHS	YEAR ENDED
	2003	2002	2001	2000	ENDED DECEMBER 31, 1999	OCTOBER 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income(A).....	- (C)	- (C)	0.02	0.03	0.01	0.02
Less dividends from net investment income.....	- (C)	- (C)	(0.02)	(0.03)	(0.01)	(0.02)
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return.....	0.20%	0.51%	1.82%	3.21%	0.47% (B)	2.27%
Ratios and supplemental data:						
Net assets, end of period (in thousands).....	\$ 3,271	\$ 71,132	\$ 59,427	\$ 89,602	\$ 76,076	\$ 81,118
Ratios to average net assets (annualized) (A):						
Expenses.....	1.01%	0.99%	1.00%	1.02%	1.05%	1.04%
Net investment income.....	0.21%	0.52%	1.87%	3.17%	2.77%	2.24%
Decrease reflected in above expense ratio due to absorption of expenses by the Manager.....	0.34%	0.02%	-	-	0.03%	0.01%

</TABLE>

(A) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the AMR Investment Services Municipal Money Market Portfolio.

(B) Not annualized.

(C) Amount is less than \$0.01 per share.

## REPORT OF ERNST &amp; YOUNG LLP, INDEPENDENT AUDITORS

Shareholders and Board of Trustees  
 AMR Investment Services Money Market Portfolio  
 AMR Investment Services U.S. Government Money Market Portfolio  
 AMR Investment Services Municipal Money Market Portfolio

We have audited the accompanying statements of assets and liabilities of the AMR Investment Services Money Market Portfolio, the AMR Investment Services U.S. Government Money Market Portfolio, and the AMR Investment Services Municipal Money Market Portfolio (collectively, "the Portfolios") (separate portfolios comprising the AMR Investment Services Trust), including the schedules of investments, as of December 31, 2003, and the related statements of operations, the statements of changes in net assets, and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Portfolios' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of investments owned as of December 31, 2003, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the Portfolios of the AMR Investment Services Trust at December 31, 2003, the results of their operations, the changes in their net assets, and the financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Chicago, Illinois  
 February 13, 2004

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AMR INVESTMENT SERVICES MONEY MARKET PORTFOLIO  
 SCHEDULE OF INVESTMENTS  
 December 31, 2003  
 =====

<TABLE>  
 <CAPTION>

	PAR AMOUNT	VALUE
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
REPURCHASE AGREEMENTS (NOTE B) - 5.05%		
Goldman Sachs, 1.00%, Due 1/2/2004.....	\$ 200,000	\$ 200,000
JP Morgan Chase Securities, 1.00%, Due 1/2/2004.....	50,000	50,000
		-----
TOTAL REPURCHASE AGREEMENTS.....		250,000
		-----
TIME DEPOSITS - 11.89%		
Deutsche Bank Cash Reserves, 0.938%, Due 1/2/2004.....	188,648	188,648
Societe Generale, 0.938%, Due 1/2/2004.....	200,000	200,000
UBS Securities, LLC, 0.938%, Due 1/2/2004.....	200,000	200,000
		-----
TOTAL TIME DEPOSITS.....		588,648
		-----
VARIABLE RATE CERTIFICATES OF DEPOSIT AND BANK NOTES (NOTE E) - 23.03%		
Bank One, NA, 1.181%, Due 1/27/2005.....	25,000	25,017
Bayerische Landesbank, 1.17%, Due 12/17/2004.....	171,140	171,210
Canadian Imperial Bank of Commerce, 1.11%, Due 3/12/2004.....	100,000	99,999

Credit Suisse First Boston Corporation, 1.12%, Due 7/7/2004.....	150,000	150,000
First Tennessee Bank, 1.20%, Due 7/21/2004.....	50,000	50,027
1.25%, Due 11/26/2004.....	100,000	100,102
First Union National Bank, 1.358%, Due 6/3/2004.....	96,500	96,590
1.338%, Due 6/16/2004.....	5,000	5,005
Marshall & Ilsley Bank, 1.20%, Due 12/20/2004.....	125,500	125,588
Southtrust Bank, NA, 1.27%, Due 3/19/2004.....	50,700	50,713
1.25%, Due 5/24/2004.....	85,382	85,417
1.25%, Due 6/21/2004.....	22,000	22,010
Suntrust Bank, NA, 1.24%, Due 4/12/2004.....	125,000	125,056
1.27%, Due 6/21/2004.....	25,000	25,015
Wachovia Bank, NA, 1.22%, Due 10/19/2004.....	8,000	8,006
TOTAL VARIABLE RATE CERTIFICATES OF DEPOSIT AND BANK NOTES.....		1,139,755
-----		
VARIABLE RATE FUNDING AGREEMENTS (NOTES A AND E) - 5.96%		
General Electric Capital Assurance Company, 1.253%, Due 12/15/2004.....	100,000	100,000
Metropolitan Life Insurance Company, 1.253%, Due 11/22/2004.....	195,000	195,000
TOTAL VARIABLE RATE FUNDING AGREEMENTS.....		295,000
-----		
ASSET-BACKED COMMERCIAL PAPER (NOTES C AND D) - 11.41%		
Atlantis One Funding Corporation, 144A, 1.12%, Due 3/15/2004.....	45,022	44,918
1.15%, Due 6/10/2004.....	73,682	73,303
Edison Asset Securitization, 144A, 1.12%, Due 3/25/2004.....	71,101	70,915
1.12%, Due 4/1/2004.....	150,000	149,575
Moat Funding LLC, 144A, 1.15%, Due 3/15/2004.....	70,000	69,835
1.15%, Due 4/6/2004.....	17,500	17,446
Sigma Financial, Incorporated, 144A, 1.13%, Due 3/15/2004.....	100,000	99,768
1.16%, Due 3/15/2004.....	5,000	4,988
1.145%, Due 4/13/2004.....	34,000	33,889
TOTAL ASSET-BACKED COMMERCIAL PAPER.....		564,637
-----		

</TABLE>

See accompanying notes

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AMR INVESTMENT SERVICES MONEY MARKET PORTFOLIO  
SCHEDULE OF INVESTMENTS - CONTINUED  
December 31, 2003

<TABLE>  
<CAPTION>

	PAR AMOUNT	VALUE
	-----	-----
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
VARIABLE RATE COMMERCIAL PAPER - 2.02%		
Goldman Sachs Group, LP, 1.14%, Due 1/18/2005.....	\$100,000	\$ 100,000
TOTAL VARIABLE RATE COMMERCIAL PAPER.....		100,000
-----		
VARIABLE RATE MEDIUM-TERM NOTES (NOTE E) - 36.60%		
American General Finance Corporation, 1.34%, Due 8/6/2004.....	49,270	49,324
American Honda Finance Corporation, 144A (Note C) 1.32%, Due 6/11/2004.....	15,000	15,013
1.30%, Due 10/7/2004.....	50,000	50,069
1.33%, Due 12/9/2004.....	60,000	60,108
1.28%, Due 1/13/2005.....	25,000	25,042
Bank of America Corporation, 1.41%, Due 5/3/2004.....	5,500	5,505
1.26%, Due 7/2/2004.....	52,000	52,030
1.45%, Due 10/22/2004.....	128,890	129,224
Citigroup, Incorporated, 1.26%, Due 7/26/2004.....	63,500	63,559
1.32%, Due 10/22/2004.....	77,700	77,822
General Electric Capital Corporation, 1.13%, Due 5/4/2004.....	55,000	54,786
1.23%, Due 1/19/2005.....	180,000	180,000



Goldman Sachs Group, LP, 1.40%, Due 11/16/2004.....	143,000	143,330
HSBC USA, Incorporated, 1.32%, Due 9/24/2004.....	60,000	60,072
Merrill Lynch & Company, Incorporated, 1.33%, Due 1/14/2004.....	50,000	50,003
1.47%, Due 1/13/2005.....	59,000	59,217
1.47%, Due 1/18/2005.....	20,000	20,073
Morgan Stanley & Company, Incorporated, 1.42%, Due 1/24/2005	70,000	70,220
Paccar Financial Corporation, 1.20%, Due 4/26/2004.....	15,000	15,004
1.21%, Due 9/20/2004.....	100,000	100,057
Salomon Smith Barney Holdings, 1.288%, Due 1/28/2004.....	10,000	10,001
1.50%, Due 5/21/2004.....	14,750	14,772
1.271%, Due 8/18/2004.....	50,000	50,046
1.34%, Due 9/20/2004.....	50,000	50,074
1.321%, Due 11/18/2004.....	22,400	22,438
SLM Corporation, 1.31%, Due 7/26/2004.....	40,670	40,712
Toyota Motor Credit Corporation, 1.15%, Due 1/14/2005.....	50,000	50,024
USA Education, Incorporated, 1.448%, Due 6/16/2004.....	24,000	24,032
1.49%, Due 10/25/2004.....	73,500	73,706
US Bank, NA, 1.30%, Due 4/13/2004.....	9,000	9,005
Wachovia Bank, NA, 1.57%, Due 8/19/2004.....	28,000	28,082
Wells Fargo Financial, Incorporated, 1.21%, Due 3/26/2004.....	61,000	61,013
1.23%, Due 10/1/2004.....	97,090	97,156
		-----
TOTAL VARIABLE RATE MEDIUM-TERM NOTES.....		1,811,519
		-----

</TABLE>

See accompanying notes

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AMR INVESTMENT SERVICES MONEY MARKET PORTFOLIO  
SCHEDULE OF INVESTMENTS - CONTINUED  
December 31, 2003

<TABLE>  
<CAPTION>

	PAR AMOUNT	VALUE
	-----	-----
	(DOLLARS IN THOUSANDS)	
	<C>	<C>
<S>		
U.S. GOVERNMENT AGENCY INSTRUMENTS (NOTE D) - 3.95%		
Federal Home Loan Mortgage Corporation, Discount Note, 1.14%, Due 5/10/2004.....	\$115,650	\$ 115,174
Discount Note, 1.14%, Due 5/12/2004.....	50,000	49,791
Federal National Mortgage Association, Discount Note, 1.13%, Due 5/5/2004.	30,850	30,729
		-----
TOTAL U.S. GOVERNMENT AGENCY INSTRUMENTS.....		195,694
		-----
TOTAL INVESTMENTS - 99.91% (COST \$4,945,253).....		4,945,253
		-----
OTHER ASSETS, NET OF LIABILITIES - 0.09%.....		4,364
		-----
TOTAL NET ASSETS - 100%.....		\$4,949,617
		=====

</TABLE>

-----  
Based on the cost of investments of \$4,945,253 for federal income tax purposes at December 31, 2003, there was no unrealized appreciation or depreciation of investments.

- (A) Obligation is subject to an unconditional put back to the issuer with ninety calendar days notice.
- (B) Collateral held at Bank of New York for Goldman Sachs, 4.50% - 5.00%, Due 10/1/2033 - 12/1/2033, Total Value - \$204,000,000; and at JP Morgan Chase Bank for JP Morgan Chase Securities, 5.00%, Due 11/1/2018 - 12/1/2018, Total Value - \$51,000,456.
- (C) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At the period end, the value of these securities amounted to \$714,869 or 14.44% of net assets.
- (D) Rates associated with money market securities represent discount rate at time of purchase.

(E) The coupon rate shown on floating or adjustable rate securities represents the rate at period end. The due date on these types of securities reflects the final maturity date.

See accompanying notes

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AMR INVESTMENT SERVICES U.S. GOVERNMENT MONEY MARKET PORTFOLIO  
 SCHEDULE OF INVESTMENTS  
 December 31, 2003

<TABLE>

<CAPTION>

	PAR AMOUNT	VALUE
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
REPURCHASE AGREEMENTS (NOTE A) - 40.13%		
Bank of America Securities, LLC, 1.00%, Due 1/2/2004.....	\$ 50,000	\$ 50,000
Goldman Sachs, 1.00%, Due 1/2/2004.....	44,343	44,343
		-----
TOTAL REPURCHASE AGREEMENTS.....		94,343
		-----
U.S. GOVERNMENT AGENCY INSTRUMENTS - 59.70%		
Federal Home Loan Bank,		
Discount Note, 1.065%, Due 1/21/2004 (Note B).....	1,600	1,599
Discount Note, 1.06%, Due 2/25/2004 (Note B).....	4,000	3,993
Discount Note, 1.11%, Due 3/10/2004 (Note B).....	1,000	998
Discount Note, 1.09%, Due 3/15/2004 (Note B).....	1,000	998
Agency Note, 3.75%, Due 4/15/2004.....	4,595	4,630
Agency Note, 4.875%, Due 4/16/2004.....	4,000	4,041
Floating Rate Note, 1.041%, Due 8/11/2004 (Note C).....	5,000	4,999
Federal Home Loan Mortgage Corporation,		
Discount Note, 1.08%, Due 1/15/2004 (Note B).....	4,842	4,840
Agency Note, 1.20%, Due 8/6/2004, Callable 1/16/2004.....	5,000	5,000
Discount Note, 1.08%, Due 2/2/2004 (Note B).....	1,100	1,099
Discount Note, 1.13%, Due 2/5/2004 (Note B).....	5,000	4,994
Discount Note, 1.09%, Due 2/19/2004 (Note B).....	2,900	2,896
Discount Note, 1.12%, Due 3/1/2004 (Note B).....	3,150	3,144
Discount Note, 1.06%, Due 3/4/2004 (Note B).....	4,400	4,392
Discount Note, 1.10%, Due 3/5/2004 (Note B).....	3,000	2,994
Agency Note, 3.75%, Due 4/15/2004.....	2,000	2,015
Discount Note, 1.18%, Due 4/22/2004 (Note B).....	749	746
Discount Note, 1.09%, Due 5/12/2004 (Note B).....	5,731	5,708
Discount Note, 1.11%, Due 5/12/2004 (Note B).....	2,131	2,122
Discount Note, 1.09%, Due 5/13/2004 (Note B).....	5,000	4,980
Discount Note, 1.10%, Due 5/13/2004 (Note B).....	2,000	1,992
Discount Note, 1.09%, Due 6/16/2004 (Note B).....	3,000	2,985
Federal National Mortgage Association,		
Discount Note, 1.08%, Due 1/20/2004 (Note B).....	2,000	1,999
Discount Note, 1.23%, Due 1/29/2004 (Note B).....	1,000	999
Discount Note, 1.25%, Due 1/29/2004 (Note B).....	2,650	2,647
Discount Note, 1.09%, Due 2/2/2004 (Note B).....	1,000	999
Discount Note, 1.10%, Due 2/4/2004 (Note B).....	1,200	1,199
Discount Note, 1.12%, Due 2/4/2004 (Note B).....	5,000	4,995
Discount Note, 1.13%, Due 2/11/2004 (Note B).....	1,353	1,351
Agency Note, 5.13%, Due 2/13/2004.....	15,000	15,067
Discount Note, 1.07%, Due 2/18/2004 (Note B).....	5,000	4,993
Discount Note, 1.09%, Due 2/18/2004 (Note B).....	2,800	2,796
Discount Note, 1.10%, Due 2/19/2004 (Note B).....	1,568	1,566
Discount Note, 1.12%, Due 3/3/2004 (Note B).....	2,403	2,398
Discount Note, 1.14%, Due 3/3/2004 (Note B).....	900	898
Discount Note, 1.10%, Due 3/5/2004 (Note B).....	1,150	1,148

</TABLE>

See accompanying notes

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AMR INVESTMENT SERVICES U.S. GOVERNMENT MONEY MARKET PORTFOLIO  
 SCHEDULE OF INVESTMENTS - CONTINUED  
 December 31, 2003

<TABLE>

<CAPTION>

PAR

	AMOUNT	VALUE
	-----	-----
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Discount Note, 1.11%, Due 3/10/2004 (Note B).....	\$ 2,700	\$ 2,694
Discount Note, 1.12%, Due 3/10/2004 (Note B).....	5,000	4,989
Discount Note, 1.13%, Due 3/31/2004 (Note B).....	2,500	2,493
Discount Note, 1.12%, Due 4/7/2004 (Note B).....	5,000	4,985
Discount Note, 1.12%, Due 5/4/2004 (Note B).....	5,000	4,981
Discount Note, 1.13%, Due 5/5/2004 (Note B).....	1,000	996
Discount Note, 1.10%, Due 5/26/2004 (Note B).....	5,000	4,978
TOTAL U.S. GOVERNMENT AGENCY INSTRUMENTS.....		140,336
		-----
TOTAL INVESTMENTS - 99.83% (COST \$234,679).....		234,679
		-----
OTHER ASSETS, NET OF LIABILITIES - 0.17%.....		391
		-----
TOTAL NET ASSETS - 100%.....		\$235,070
		=====

</TABLE>

-----  
Based on the cost of investments of \$234,679 for federal income tax purposes at December 31, 2003, there was no unrealized appreciation or depreciation of investments.

(A) Collateral held at Bank of New York for Bank of America Securities, LLC, 4.50 - 5.00%, Due 6/1/2033 - 11/1/2033, Total Value - \$51,000,001; and Goldman Sachs, 4.50 - 7.00%, Due 11/1/2010 - 12/1/2033, Total Value - \$45,230,092.

(B) Rates represent discount rate.

(C) The coupon rate shown on floating or adjustable rate securities represents the rate at period end. The due date on these types of securities reflects the final maturity date.

See accompanying notes

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AMR INVESTMENT SERVICES MUNICIPAL MONEY MARKET PORTFOLIO  
SCHEDULE OF INVESTMENTS  
December 31, 2003  
=====

<TABLE>  
<CAPTION>

	PAR AMOUNT	VALUE
	-----	-----
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
MUNICIPAL OBLIGATIONS - 96.33%		
COMMERCIAL PAPER (NOTE A) - 3.77%		
Sarasota County Public Hospital District, Variable Rate Demand Hospital Revenue Bonds, Series A (Sarasota Memorial Hospital Project), 1.01%, Due 2/13/2004, LOC SunTrust Bank.....	\$ 1,500	\$ 1,500
		-----
TOTAL COMMERCIAL PAPER.....		1,500
		-----
DEMAND OBLIGATIONS (NOTE A) - 92.56%		
ARIZONA - 4.42%		
Mesa Arizona Industrial Development Authority, Variable Rate Revenue Bonds, Series 1999B (Discovery Health Systems), 1.12%, Due 1/1/2029, LOC MBIA/JP Morgan Chase Bank.....	1,760	1,760
		-----
TOTAL ARIZONA.....		1,760
		-----
COLORADO - 8.29%		
Moffat County, Colorado Pollution Control Revenue Bonds, Series 1984 (Ute Electric Company Project), Bond Insurance - Ambac Assurance Corporation, 1.45%, Due 7/1/2010, SPA Societe Generale.....	3,300	3,300
		-----
TOTAL COLORADO.....		3,300
		-----
FLORIDA - 8.04%		

Alachua County, Florida Housing Financial Authority, Multifamily Housing Revenue Bonds, Series 2001 (University Cove Apartment Project), 1.13%, Due 6/15/2034, LOC SouthTrust Bank, NA.....	1,835	1,835
Florida Housing Finance Corporation, Multifamily Mortgage Revenue Bonds, Series 2002 L-1 (Bridgewater Club Apartments Project), 1.03%, Due 6/1/2034, LOC SunTrust Bank.....	1,365	1,365
TOTAL FLORIDA.....		3,200
ILLINOIS - 2.69%		
Solid Waste Disposal Facility Revenue Bonds for the County of Lake, Illinois, Series 1996 (Countryside Landfill Inc. Project), 1.40%, Due 4/1/2021, LOC JP Morgan Chase Bank.....	1,070	1,070
TOTAL ILLINOIS.....		1,070
INDIANA - 4.55%		
Fort Wayne, Indiana Industrial Economic Development Revenue Bonds, Series 1989 (ND-Tech Corporation Project), 1.25%, Due 7/1/2009, LOC Societe Generale.....	1,000	1,000
City of Garrett, Indiana, Variable Rate Economic Development Revenue Bonds, Series 1991 (Group Dekko Int'l Project), 1.05%, Due 12/1/2011, LOC Bank One.....	810	810
TOTAL INDIANA.....		1,810
KENTUCKY - 2.76%		
Carroll County, Kentucky Solid Waste Disposal Revenue Bonds, Series 2001 (North American Stainless, L.P.), 1.15%, Due 5/1/2031, LOC Fifth Third Bank.....	1,100	1,100
TOTAL KENTUCKY.....		1,100
LOUISIANA - 3.99%		
Calcasieu Parish Public Trust Authority, Waste Disposal Revenue Bonds, Series 1997 (WPT Corporation Project), 1.18%, Due 12/1/2027, LOC JP Morgan Chase Bank.....	1,589	1,589
TOTAL LOUISIANA.....		1,589

</TABLE>

See accompanying notes

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AMR INVESTMENT SERVICES MUNICIPAL MONEY MARKET PORTFOLIO  
SCHEDULE OF INVESTMENTS - CONTINUED  
December 31, 2003

<TABLE>  
<CAPTION>

	PAR AMOUNT	VALUE
	-----	-----
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
MARYLAND - 4.78%		
Montgomery County, Maryland Variable Rate Housing Revenue Bonds, Series 1997, Issue I (The Grand), 1.13%, Due 6/1/2030, LOC Federal National Mortgage Association.....	\$ 1,900	\$ 1,900
TOTAL MARYLAND.....		1,900

MICHIGAN - 7.39%

Michigan Higher Education Student Loan Authority, Student Loan Revenue Bonds, Series XII-X, Bond Insurance - Ambac Assurance Corporation, 1.15%, Due 9/1/2031, SPA Lloyds TSB.....	1,000	1,000
Michigan State Housing Development Authority Variable Rate Limited Obligation Multifamily Housing Revenue Refunding Bonds, 1.16%,		

Due 6/1/2028, LOC Bank of New York .....	1,940	1,940
TOTAL MICHIGAN.....		2,940
OHIO - 4.27%		
Ohio Water Development Authority, Environmental Improvement Revenue Bonds, Series 2000B (Waste Management, Incorporated, Project), 1.27%, Due 7/1/2020, LOC Fleet National Bank.....	1,700	1,700
TOTAL OHIO.....		1,700
OKLAHOMA - 6.03%		
Claremore Industrial and Redevelopment Authority, Development Revenue Bonds, Series 2001 (Whirlwind Steel Buildings, Inc. Project), 1.35%, Due 9/1/2019, LOC JP Morgan Chase Bank.....	2,400	2,400
TOTAL OKLAHOMA.....		2,400
PENNSYLVANIA - 5.69%		
Berks County Industrial Development Authority Manufacturing Facilities Revenue Bonds, Series 1995 (Grafika Commercial Printing Inc.), 1.30%, Due 9/1/2010, LOC First Union National Bank.....	1,265	1,265
Chartiers Valley, Pennsylvania Industrial and Commercial Development Authority Commercial Development Bonds (William Penn Plaza Project), 1.20%, Due 12/1/2016, LOC PNC Bank, NA.....	1,000	1,000
TOTAL PENNSYLVANIA.....		2,265
SOUTH CAROLINA - 4.27%		
South Carolina JOBS Economic Development Authority Revenue Bonds, Series 1998 (Klockner Namasco Corporation Project), 1.35%, Due 4/1/2008, LOC Bayerische Landesbank.....	1,700	1,700
TOTAL SOUTH CAROLINA.....		1,700
TEXAS - 16.00%		
Brazos Harbor Industrial Development Corporation Solid Waste Disposal Revenue Bonds, Series 2002 (Republic Waste Services of Texas, Ltd. Project), 1.35%, Due 12/1/2024, LOC Bank of America Corporation.....	2,500	2,500
Gulf Coast Waste Disposal Authority (Texas), Environmental Facilities Revenue Bonds, Series 2002 (Waste Corporation of Texas, L.P. Project), 1.30%, Due 9/1/2022, LOC - Wells Fargo Texas.....	2,860	2,860
State of Texas TRANS, 1.18%, Due 8/31/2004.....	1,000	1,005
TOTAL TEXAS.....		6,365
UTAH - 2.89%		
Morgan County UT Solid Waste Disposal Revenue Bonds, Series 1996 (Holman, Inc. Project), 1.15%, Due 8/1/2031, LOC Wachovia Bank, NA.....	1,150	1,150
TOTAL UTAH.....		1,150

</TABLE>

See accompanying notes

AMR INVESTMENT SERVICES MUNICIPAL MONEY MARKET PORTFOLIO  
SCHEDULE OF INVESTMENTS - CONTINUED  
December 31, 2003

<TABLE>  
<CAPTION>

PAR  
AMOUNT                      VALUE  
-----                      -----  
(DOLLARS IN THOUSANDS)

<S>	<C>	<C>
WASHINGTON - 6.50%		
Pierce County, Washington Economic Development Corporation Dock & Wharf Facilities Revenue Bonds, Series 1995 (SCS Industries Project), 1.25%, Due 7/1/2030, LOC Bank of Nova Scotia.....	\$ 2,585	\$ 2,585
		-----
TOTAL WASHINGTON.....		2,585
		-----
TOTAL DEMAND OBLIGATIONS.....		36,834
		-----
TOTAL MUNICIPAL OBLIGATIONS.....		38,334
		-----

<CAPTION>

	SHARES	
	-----	
<S>	<C>	<C>
OTHER INVESTMENTS - 3.53%		
Dreyfus Municipal Cash Management Plus.....	4,974	5
Federated Municipal Obligations Fund.....	1,295,949	1,296
BlackRock Provident MuniCash Fund.....	95,629	96
		-----
TOTAL OTHER INVESTMENTS.....		1,397
		-----
TOTAL INVESTMENTS - 99.86% (COST \$39,731).....		39,731
		-----
OTHER ASSETS, NET OF LIABILITIES - 0.14%.....		56
		-----
TOTAL NET ASSETS - 100%.....		\$39,787
		=====

</TABLE>

-----

Based on the cost of investments of \$39,731 for federal income tax purposes at December 31, 2003, there was no unrealized appreciation or depreciation of investments.

(A) Rates associated with money market securities represent yield to maturity or yield to next reset date.

See accompanying notes

AMR INVESTMENT SERVICES TRUST PORTFOLIOS  
STATEMENTS OF ASSETS AND LIABILITIES  
December 31, 2003

=====

<TABLE>  
<CAPTION>

	MONEY MARKET	U.S. GOVERNMENT	MUNICIPAL
	=====	MONEY MARKET	MONEY MARKET
		=====	=====
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
ASSETS:			
Investments in securities at value (cost - \$4,695,253; \$140,336; \$39,731, respectively).....	\$4,695,253	\$ 140,336	\$ 39,731
Repurchase agreements (cost - \$250,000; \$94,343; \$0, respectively).....	250,000	94,343	-
Dividends and interest receivable.....	4,976	422	64
	-----	-----	-----
TOTAL ASSETS.....	4,950,229	235,101	39,795
	-----	-----	-----
LIABILITIES:			
Management and investment advisory fees payable (Note 2).....	396	17	4
Other liabilities.....	216	14	4
	-----	-----	-----
TOTAL LIABILITIES.....	612	31	8
	-----	-----	-----
NET ASSETS APPLICABLE TO INVESTORS'			
BENEFICIAL INTERESTS.....	\$4,949,617	\$ 235,070	\$ 39,787
	=====	=====	=====

</TABLE>

See accompanying notes

-----

AMR INVESTMENT SERVICES TRUST PORTFOLIOS  
STATEMENTS OF OPERATIONS  
Year Ended December 31, 2003

	MONEY MARKET	U.S. GOVERNMENT MONEY MARKET	MUNICIPAL MONEY MARKET
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income.....	\$57,947	\$3,439	\$553
TOTAL INVESTMENT INCOME.....	57,947	3,439	553
EXPENSES:			
Management and investment advisory fees (Note 2)....	4,629	276	47
Custodian fees.....	295	26	6
Professional fees.....	104	9	3
Other expenses.....	248	29	1
TOTAL EXPENSES.....	5,276	340	57
NET INVESTMENT INCOME.....	52,671	3,099	496
REALIZED GAIN ON INVESTMENTS:			
Net realized gain on investments.....	42	9	-
NET GAIN ON INVESTMENTS.....	42	9	-
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS...	\$52,713	\$3,108	\$496

</TABLE>

See accompanying notes

AMR INVESTMENT SERVICES TRUST PORTFOLIOS  
STATEMENTS OF CHANGES IN NET ASSETS

	MONEY MARKET		U.S. GOVERNMENT MONEY MARKET		MUNICIPAL MONEY MARKET	
	YEAR ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2003	2002	2003	2002	2003	2002
	(IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:						
OPERATIONS:						
Net investment income.....	\$ 52,671	\$ 165,857	\$ 3,099	\$ 6,840	\$ 496	\$ 1,656
Net realized gain on investments.....	42	6	9	34	-	-
TOTAL INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	52,713	165,863	3,108	6,874	496	1,656
TRANSACTIONS IN INVESTORS' BENEFICIAL INTERESTS:						
Contributions.....	55,478,689	106,944,248	1,085,963	2,200,353	81,957	204,033
Withdrawals.....	(57,817,456)	(108,139,347)	(1,324,638)	(2,032,412)	(154,776)	(191,801)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM TRANSACTIONS IN INVESTORS' BENEFICIAL INTERESTS.....	(2,338,767)	(1,195,099)	(238,675)	167,941	(72,819)	12,232
NET INCREASE (DECREASE) IN NET ASSETS.	(2,286,054)	(1,029,236)	(235,567)	174,815	(72,323)	13,888

NET ASSETS:						
Beginning of period.....	7,235,671	8,264,907	470,637	295,822	112,110	98,222
END OF PERIOD.....	\$ 4,949,617	\$ 7,235,671	\$ 235,070	\$ 470,637	\$ 39,787	\$ 112,110

</TABLE>

See accompanying notes

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AMR INVESTMENT SERVICES TRUST PORTFOLIOS  
FINANCIAL HIGHLIGHTS

<TABLE>  
<CAPTION>

	MONEY MARKET					
	YEAR ENDED DECEMBER 31,				TWO MONTHS ENDED DECEMBER 31,	YEAR ENDED OCTOBER 31,
	2003	2002	2001	2000	1999	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Return.....	1.13%	1.81%	4.30%	N/A	N/A	N/A
Ratios to average net assets (annualized):						
Expenses.....	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
Net investment income.....	1.14%	1.81%	3.95%	6.40%	5.77%	5.11%

</TABLE>

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<TABLE>  
<CAPTION>

	U.S. GOVERNMENT MONEY MARKET					
	YEAR ENDED DECEMBER 31,				TWO MONTHS ENDED DECEMBER 31,	YEAR ENDED OCTOBER 31,
	2003	2002	2001	2000	1999	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Return.....	1.11%	1.74%	4.24%	N/A	N/A	N/A
Ratios to average net assets (annualized):						
Expenses.....	0.12%	0.12%	0.11%	0.13%	0.12%	0.12%
Net investment income.....	1.13%	1.71%	3.99%	6.27%	5.67%	4.89%

<CAPTION>

	MUNICIPAL MONEY MARKET					
	YEAR ENDED DECEMBER 31,				TWO MONTHS ENDED DECEMBER 31,	YEAR ENDED OCTOBER 31,
	2003	2002	2001	2000	1999	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Return.....	1.08%	1.39%	2.71%	N/A	N/A	N/A
Ratios to average net assets (annualized):						
Expenses.....	0.12%	0.12%	0.13%	0.13%	0.14%	0.15%
Net investment income.....	1.05%	1.39%	2.71%	4.05%	3.69%	3.13%

</TABLE>

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AMR INVESTMENT SERVICES TRUST  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

AMR Investment Services Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended, as a no load, open-end management investment company which was organized as a trust under the laws of the State of



New York pursuant to a Declaration of Trust dated as of June 27, 1995 and amended on August 11, 1995. Beneficial interests in the Trust are divided into separate series, each having distinct investment objectives and policies. These financial statements relate to the AMR Investment Services Money Market Portfolio, AMR Investment Services U.S. Government Money Market Portfolio and AMR Investment Services Municipal Money Market Portfolio (each a "Portfolio" and collectively the "Portfolios"). The assets of each Portfolio belong only to that Portfolio, and the liabilities of each Portfolio are borne solely by that Portfolio and no other.

AMR Investment Services, Inc. (the "Manager") is a wholly-owned subsidiary of AMR Corporation, the parent company of American Airlines, Inc. ("American"), and was organized in 1986 to provide business management, advisory, administrative and asset management consulting services.

The following is a summary of the significant accounting policies followed by the Portfolios.

#### Security Valuation

Securities of the Portfolios are valued at fair value, which approximates amortized cost. In the event that a deviation of 1/2 of 1% or more exists between the \$1.00 per share price of the Portfolios, calculated at amortized cost, and the price per share calculated by reference to market quotations, or if there is any other deviation which the Board believes would result in a material dilution to shareholders or purchasers, the Board will promptly consider the appropriate action which should be initiated.

#### Security Transactions and Investment Income

Security transactions are recorded on the trade date of the security purchase or sale. Interest income is earned from settlement date, recorded on the accrual basis, and adjusted, if necessary, for amortization of premiums or accretion of discounts on investment grade short-term securities and zero coupon instruments. For financial and tax reporting purposes, realized gains and losses are determined on the basis of specific lot identification.

#### Federal Income and Excise Taxes

The Portfolios will be treated as partnerships for federal income tax purposes. As such, each investor in a Portfolio will be taxed on its share of the Portfolio's ordinary income and capital gains. It is intended that each Portfolio's assets will be managed in such a way that an investor in the Portfolio will be able to satisfy the requirements of subchapter M of the Internal Revenue Code.

#### Repurchase Agreements

Under the terms of a repurchase agreement, securities are acquired by a Portfolio from a securities dealer or a bank which are subject to resale at a later date. Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities. All collateral is held at the Portfolio's custodian bank, State Street Bank and Trust Company, or at subcustodian banks. The collateral is monitored daily by each Portfolio so that the collateral's market value exceeds the carrying value of the repurchase agreement.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

## 2. TRANSACTIONS WITH AFFILIATES

#### Management Agreement

The Trust and the Manager are parties to a Management Agreement which obligates the Manager to provide or oversee the provision of all administrative, investment advisory and portfolio management services. The Manager serves as the sole investment adviser to each of the Portfolios. As compensation for performing the duties required under the Management Agreement, the Manager receives from the Portfolios 0.10% of the average daily

net assets of each of the Portfolios.

Other

Certain officers or trustees of the Trust are also current or former officers or employees of the Manager or American. The Trust makes no direct payments to its officers. Unaffiliated trustees and their spouses are provided free unlimited air transportation on American. In addition, the Trust compensates each trustee with payments in an amount equal to the trustee's income tax on the value of this free airline travel. Retired trustees and their spouses receive American Airlines flight benefits, plus reimbursement of any tax liability relating to such benefits, up to a maximum annual value of \$40,000. One trustee, as a retiree of American, already receives flight benefits. This trustee receives an annual retainer of \$40,000 plus \$1,250 for each Board meeting attended. For the year ended December 31, 2003, the cost of air transportation was not material to any of the Funds.

TRUSTEES AND OFFICERS OF THE TRUST  
AND THE AMR INVESTMENT SERVICES TRUST  
(Unaudited)

The Trustees and officers of the Trust and AMR Trust are listed below, together with their principal occupations during the past five years. Unless otherwise indicated, the address of each person listed below is 4151 Amon Carter Boulevard, MD 2450, Fort Worth, Texas 76155. Each Trustee oversees twenty-five funds in the fund complex that includes the AMR Trust, the American AAdvantage Funds, the American AAdvantage Mileage Funds, and the American AAdvantage Select Funds. The Trust's Statement of Additional Information contains additional information about the Trustees and is available without charge by calling 1-800-658-5811.

<TABLE>

<CAPTION>

NAME, AGE AND ADDRESS	POSITION, TERM OF OFFICE AND LENGTH OF TIME SERVED WITH EACH TRUST	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND CURRENT DIRECTORSHIPS
INTERESTED TRUSTEES		
<S>	<C>	<C>
	TERM ----	
	Lifetime of Trust until removal, resignation or retirement*	
William F. Quinn** (55)	Trustee and President of AAdvantage Trust since 1987 and AMR Trust since 1995	President, AMR Investment Services, Inc. (1986-Present); Chairman (1989-2003) and Director (2003-Present) American Airlines Federal Credit Union; Director, Crescent Real Estate Equities, Inc. (1994-Present); Director, Pritchard, Hubble & Herr, LLC (2001-Present); Director, Southern Methodist University Endowment Fund Investment Committee (1996-Present); Member, Southern Methodist University Cox School of Business Advisory Board (1999-2002); Member, New York Stock Exchange Pension Manager Committee (1997-1998, 2000-2002); Chairman, Committee for the Investment of Employee Benefits Defined Benefit Sub-Committee (1982-Present); Trustee, American AAdvantage Mileage Funds (1995-Present); Trustee, American AAdvantage Select Funds (1999-Present).
Alan D. Feld** (67)	Trustee since 1996	Partner, Akin, Gump, Strauss, Hauer & Feld, LLP (law firm) (1960-Present); Director, Clear Channel Communications (1984-Present); Trustee, CenterPoint Properties (1994-Present); Trustee, American AAdvantage Mileage Funds (1996-Present); Trustee, American AAdvantage Select Funds (1999-Present).
NON-INTERESTED TRUSTEES		
	TERM ----	
	Lifetime of Trust until removal, resignation or retirement*	
Stephen D. O'Sullivan (68)	Trustee of AAdvantage Trust since 1987 and AMR Trust since 1995	Consultant (1994-Present); Trustee, American AAdvantage Mileage Funds (1995-Present); Trustee, American AAdvantage Select Funds (1999-Present).

R. Gerald Turner (58)  
 225 Perkins Admin. Bldg.  
 Southern Methodist Univ.  
 Dallas, Texas 75275

Trustee since 2001

President, Southern Methodist University (1995-Present); Director, ChemFirst (1986-2002); Director, J.C. Penney Company, Inc. (1996-Present); Director, California Federal Preferred Capital Corp. (2001-2003); Director, Kronus Worldwide, Inc. (chemical manufacturing) (2003-Present); Director, First Broadcasting Investment Partners, LLC (2003-Present); Member, United Way of Dallas Board of Directors; Member, Salvation Army of Dallas

</TABLE>

TRUSTEES AND OFFICERS OF THE TRUST  
 AND THE AMR INVESTMENT SERVICES TRUST -- CONTINUED  
 (Unaudited)

<TABLE> <CAPTION>	POSITION, TERM OF OFFICE AND LENGTH OF TIME SERVED WITH EACH TRUST	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND CURRENT DIRECTORSHIPS
<S>	<C>	<C>
NON-INTERESTED TRUSTEES (CONT.)		Board of Directors; Member, Methodist Hospital Advisory Board; Member, Knight Commission on Intercollegiate Athletics; Trustee, American AAdvantage Mileage Funds (2001-Present); Trustee, American AAdvantage Select Funds (2001-Present).
Kneeland Youngblood (48) 100 Crescent Court Suite 1740 Dallas, Texas 75201	Trustee since 1996	Managing Partner, Pharos Capital Group, LLC (a private equity firm) (1998-Present); Trustee, The Hockaday School (1997-Present); Director, Starwood Hotels and Resorts (2001-Present); Member, Council on Foreign Relations (1995-Present); Director, Just For the Kids (1995-2001); Director, L&B Realty Advisors (1998-2000); Trustee, Teachers Retirement System of Texas (1993-1999); Director, Starwood Financial Trust (1998-2001); Trustee, St. Mark's School of Texas (2002-Present); Trustee, American AAdvantage Mileage Funds (1996-Present); Trustee, American AAdvantage Select Funds (1999-Present).
OFFICERS	TERM ----	
	One Year	
Nancy A. Eckl (41)	VP of AAdvantage Trust since 1990 and AMR Trust since 1995	Vice President, Trust Investments, AMR Investment Services, Inc. (1990-Present).
Michael W. Fields (49)	VP of AAdvantage Trust since 1989 and AMR Trust since 1995	Vice President, Fixed Income Investments, AMR Investment Services, Inc. (1988-Present).
Barry Y. Greenberg (40)	VP and Assistant Secretary since 1995	Vice President, Legal and Compliance, AMR Investment Services, Inc. (1995-Present).
Rebecca L. Harris (37)	Treasurer since 1995	Vice President, Finance, AMR Investment Services, Inc. (1995-Present).
John B. Roberson (45)	VP of AAdvantage Trust since 1989 and AMR Trust since 1995	Vice President, Director of Sales, AMR Investment Services, Inc. (1991-Present).
Robert J. Zutz (50) 1800 Massachusetts Ave. NW 2nd Floor Washington, D.C. 20036	Secretary since 1998	Partner, Kirkpatrick & Lockhart LLP (law firm).

</TABLE>

\* The Board has adopted a retirement plan that requires Trustees to retire no later than the last day of the calendar year in which they reach the age of 70, with the exception of Mr. Quinn.

\*\* Messrs. Quinn and Feld are deemed to be "interested persons" of the Trust and AMR Trust, as defined by the 1940 Act. Mr. Quinn is President of the Manager. Mr. Feld's law firm of Akin, Gump, Strauss, Hauer & Feld LLP has

provided legal services within the past two years to one or more of the Trust's and AMR Trust's sub-advisers.

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AMERICAN AADVANTAGE FUNDS  
PRIVACY POLICY  
(Unaudited)

The American AAdvantage Funds recognizes and respects 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:

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

We do not disclose any nonpublic personal information about our shareholders or former shareholders 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 information, we maintain safeguards that comply with federal standards.

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[GRAPHIC OF EAGLE]

43

[GRAPHIC OF EAGLE]

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[LOGO OF AMERICAN AADVANTAGE FUNDS]  
AMERICAN  
AADVANTAGE FUNDS (R)

To reduce expenses, your financial institution may mail only one copy of the Prospectus, Annual Report, and Semi-Annual Report to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please contact your financial institution. They will begin sending you individual copies thirty days after receiving your request.

TO OBTAIN MORE INFORMATION ABOUT THE FUNDS:

[GRAPHIC OF KEYBOARD]  
BY E-MAIL:

[GRAPHIC OF MOUSE]  
ON THE INTERNET:

American\_AAdvantage.Funds@aa.com

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

<Table>  
<Caption>

[GRAPHIC OF TELEPHONE]  
BY TELEPHONE:

[GRAPHIC OF MAILBOX]  
BY MAIL:

<S>	<C>
Cash Management Class	PlanAhead Class (R)
Institutional Class	-----
-----	Call (800)388-3344
Call (800)658-5811	
Platinum Class (sm)	
-----	
Call (800)967-9009	

<C>	<C>
Cash Management Class	PlanAhead Class (R)
Institutional Class	-----
Platinum Class (sm)	-----
-----	American AAdvantage Funds
American AAdvantage Funds	American AAdvantage Funds
4151 Amon Carter Blvd., MD 2450	P.O. Box 219643
Fort Worth, TX 76155	Kansas City, MO 64121-9643

</Table>

FUND SERVICE PROVIDERS:

CUSTODIAN	TRANSFER AGENT	INDEPENDENT AUDITORS	DISTRIBUTOR
STATE STREET BANK AND TRUST Boston, Massachusetts	BOSTON FINANCIAL DATA SERVICES Kansas City, Missouri	ERNST & YOUNG LLP Chicago, Illinois	SWS FINANCIAL SERVICES Dallas, Texas

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

American Airlines is not responsible for investments made in the American AAdvantage Funds. American AAdvantage Funds is a registered service mark of AMR Corporation. PlanAhead Class and American AAdvantage Money Market Fund are registered service marks of AMR Investment Services, Inc. Platinum Class, American AAdvantage U.S. Government Money Market Fund, and American AAdvantage Municipal Money Market Fund are service marks of AMR Investment Services, Inc.

[GRAPHIC OF GLOBE]

530096

ITEM 2. CODE OF ETHICS.

The Trust has adopted a code of ethics that applies to its principal executive and financial officers (the "Code"). The Trust did not amend the Code nor did it grant any waivers to the provisions of the Code during the period covered by the shareholder report presented in Item 1. The Code is filed herewith as Exhibit 99.CODE ETH.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Trust's Board of Trustees has determined that Stephen O'Sullivan, a member of the Trust's audit committee, is an "audit committee financial expert" as defined in Form N-CSR. Mr. O'Sullivan is "independent" as defined in Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a)

Audit Fees	Fiscal Year Ended
\$163,350	10/31/2002
\$36,295	12/31/2002
\$180,713	10/31/2003
\$27,001	12/31/2003

(b)

Audit-Related Fees	Fiscal Year Ended
\$0	10/31/2002
\$0	12/31/2002
\$0	10/31/2003
\$0	12/31/2003

(c)

Tax Fees	Fiscal Year Ended
\$13,206*	10/31/2002
\$6,119*	12/31/2002
\$39,417**	10/31/2003
\$4,821***	12/31/2003

\* For review of 2001 tax returns

\*\* For review of 2002 tax returns and professional services related to the collectibility of tax reclaims in Switzerland

\*\*\* For review of 2002 tax returns

</FN>

(d)

<Table>

<Caption>

All Other Fees Fiscal Year Ended

-----

-----

<S>

<C>

\$6,000\* 10/31/2002

\$0 12/31/2002

\$0 10/31/2003

\$0 12/31/2003

</Table>

<FN>

\* For review of after-tax total return calculations.

</FN>

(e) (1) Pursuant to its charter, the Trust's audit committee shall have the following duties and powers pertaining to pre-approval of audit and non-audit services provided by the Trust's principal accountant:

- to approve, prior to appointment, the engagement of auditors to annually audit and provide their opinion on the Trust's financial statements, and, in connection therewith, to review and evaluate matters potentially affecting the independence and capabilities of the auditors;
- to approve, prior to appointment, the engagement of the auditors to provide non-audit services to the Trust, an investment adviser to any series of the Trust or any entity controlling, controlled by, or under common control with an investment adviser that provides

ongoing services to the Trust, if the engagement relates directly to the operations and financial reporting of the Trust;

- to review the arrangements for and scope of the annual audit and any special audits; and
- to review and approve the fees proposed to be charged to the Trust by the auditors for each audit and non-audit service.

The audit committee may delegate any portion of its authority, including the authority to grant pre-approvals of audit and permitted non-audit services, to a subcommittee of one or more members. Any decisions of the subcommittee to grant pre-approvals shall be presented to the full audit committee at its next regularly scheduled meeting.

(e) (2) None of the fees disclosed in paragraphs (b) through (d) above were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable.

(g)

<Table>

<Caption>

Aggregate Non-Audit Fees for Services Rendered to the:

-----

Registrant Adviser Adviser's Affiliates Providing Fiscal Year Ended

-----

Ongoing Services to Registrant

-----

<S>

<C>

<C>

<C>

\$19,206 \$0 N/A 10/31/2002

\$6,119 \$0 N/A 12/31/2002

\$39,417 \$0 N/A 10/31/2003

\$4,821 \$0 N/A 12/31/2003

</Table>

(h) Not Applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not Applicable.

ITEM 6. [RESERVED]

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not Applicable.

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not Applicable.

ITEM 9. CONTROLS AND PROCEDURES.

Based upon an evaluation within 90 days of the filing date of this report, the principal executive and financial officers concluded that the disclosure controls and procedures of the Trust are effective. There were no changes in the Trust's internal control over financial reporting during the Trust's last fiscal half-year that materially affected, or were reasonably likely to materially affect, the Trust's internal control over financial reporting.

ITEM 10. EXHIBITS.

(a) (1) Filed herewith as EX-99.CODE ETH.

(a) (2) A separate certification for each principal executive officer and principal financial officer of the Trust as required by Rule 30a-2(a) under the Investment Company Act of 1940 is attached hereto as EX-99.CERT.

(a) (3) Not Applicable.

(b) The certifications required by Rule 30a-2(b) under the Investment Company Act of 1940 are attached hereto as EX-99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): American AAdvantage Funds

By /s/ William F. Quinn

-----  
William F. Quinn  
President

Date: March 12, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ William F. Quinn

-----  
William F. Quinn  
President

Date: March 12, 2004

By /s/ Rebecca L. Harris

-----  
Rebecca L. Harris  
Treasurer

Date: March 12, 2004

For period ended 12/31/2003  
Registrant Name: American AAdvantage Funds  
File Number: 811-4984

EXHIBIT 99.CODE ETH

AMERICAN AADVANTAGE FUNDS  
AMERICAN AADVANTAGE MILEAGE FUNDS  
AMERICAN AADVANTAGE SELECT FUNDS  
AMR INVESTMENT SERVICES TRUST

Code of Ethics for Principal Executive and Financial Officers

Dated: September 3, 2003

Purpose

The American AAdvantage Funds, the American AAdvantage Mileage Funds, the American AAdvantage Select Funds, and the AMR Investment Services Trust (collectively, the "Trusts") have adopted this Code of Ethics for Principal Executive and Financial Officers (the "Code"), which applies to the Trusts' Principal Executive Officer and Principal Financial Officer (the "Covered Officers" as set forth in Exhibit A), for the purpose of promoting:

- \* honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- \* full, fair, accurate, timely, and understandable disclosure in reports and documents that a Trust files with, or submits to, the Securities and Exchange Commission (the "SEC") and in other public communications made by the registrant;
- \* compliance with applicable governmental laws, rules, and regulations;
- \* the prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code; and
- \* accountability for adherence to the Code.

Each Covered Officer should adhere to a high standard of business ethics and should be sensitive to situations that may give rise to actual as well as apparent conflicts of interest.

Conflicts of Interest

For purposes of this Code, a "conflict of interest" occurs when a Covered Officer's "personal interests" interfere with the interests of, or his/her service to, the Trusts. For example, a conflict of interest would arise if a Covered Officer, or a member of his/her family, receives improper personal benefits as a result of his/her position with the Trusts.

Certain conflicts of interest arise out of the relationship between Covered Officers and the Trusts and already are subject to conflict of interest



provisions in the Investment Company Act of 1940 ("Investment Company Act") and the Investment Advisers Act of 1940 ("Investment Advisers Act"). For example, Covered Officers may not individually engage in certain transactions (such as the purchase or sale of securities or other property) with the Trusts because of their status as "affiliated persons" of the Trusts.

Conflicts also may arise from a Covered Officer's position or employment at AMR Investment Services, Inc. ("AMR Investments"), the Trusts' manager, and his/her position with each Trust. This Code recognizes that the Covered Officers will, in the normal course of their duties, be involved in establishing policies and implementing decisions that will have different effects on AMR Investments and the Trusts. The participation of the Covered Officers in such activities is inherent in the contractual relationship between the Trusts and AMR Investments

and is consistent with the performance by the Covered Officers of their duties as officers of the Trusts. Thus, if performed in conformity with the provisions of the Investment Company Act and the Investment Advisers Act, such activities will be deemed to have been handled ethically.

Other conflicts of interest are covered by the Code, even if such conflicts of interest are not subject to provisions in the Investment Company Act and the Investment Advisers Act. The following list provides examples of conflicts of interest under the Code, but Covered Officers should keep in mind that these examples are not exhaustive. The overarching principle is that the personal interest of a Covered Officer should not be placed improperly before the interest of the Trusts.

Each Covered Officer should not:

- \* use his/her personal influence or personal relationships improperly to influence investment decisions or financial reporting by the Trusts whereby the Covered Officer would benefit personally to the detriment of the Trusts; or
- \* cause the Trusts to take action, or fail to take action, for the personal benefit of the Covered Officer rather than the benefit of the Trusts.

At times, certain situations may arise that may, or may not, be considered conflicts of interest under this Code. Covered Officers are encouraged to discuss such situations with the Trusts' Chief Legal Officer ("CLO"). Examples of these types of situations include:

- \* service as a director on the board of any public or private company;
- \* the receipt of any non-nominal gifts in excess of \$150;
- \* the receipt of any entertainment from any company with which the Trusts have current or prospective business dealings unless such entertainment is business-related, reasonable in cost, appropriate as to time and place, and not so frequent as to raise any question of impropriety;
- \* any ownership interest in, or any consulting or employment relationship

with, any of the Trusts' service providers, other than AMR Investments, the distributor for the Trusts' shares, or any affiliated person thereof;  
\* a direct or indirect financial interest in commissions, transaction charges or spreads paid by the Trusts for effecting portfolio transactions or for selling or redeeming shares other than an interest arising from the Covered Officer's employment, such as compensation or equity ownership.

#### Disclosure and Compliance

Each Covered Officer:

- \* should familiarize himself/herself with the disclosure requirements generally applicable to the Trusts;
- \* should not knowingly misrepresent, or cause others to misrepresent, facts about the Trusts to others, whether within or outside the Trusts, including to the Trusts' Trustees and auditors, and to governmental regulators and self-regulatory organizations;
- \* should, to the extent appropriate within his/her area of responsibility, consult with other officers and employees of the Trusts and AMR Investments with the goal of promoting full, fair, accurate, timely and understandable disclosure in the reports and documents the Trusts file with, or submit to, the SEC and in other public communications made by the Trusts; and

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- \* is responsible to promote compliance with the standards and restrictions imposed by applicable laws, rules and regulations.

#### Reporting and Accountability

Each Covered Officer must:

- \* upon adoption of the Code (or thereafter as applicable, upon becoming a Covered Officer), affirm in writing to the Board that he/she has received, read, and understands the Code;
- \* annual thereafter affirm to the Board that he/she has complied with the requirements of the Code;
- \* complete at least annually the Officer Questionnaire by detailing any directorships with public or private companies and/or material relationships or transactions with affiliated persons of any Trust or its series;
- \* not retaliate against any other Covered Officer or any employee of the Trusts or their affiliated persons for reports of potential violations that are made in good faith; and
- \* notify the Legal Officer promptly if he/she knows of any violations of this Code. Failure to do so is itself a violation of this Code.

The CLO is responsible for applying this Code to specific situations in which questions are presented under it and has the authority to interpret this Code in any particular situation. In addition, the CLO is authorized and encouraged to consult with counsel to the Trusts and counsel to the Independent Trustees of the Trusts' Boards of Trustees. However, any approvals or waivers

sought by the Covered Officers will be considered by the Independent Trustees.

The Trusts will follow these procedures in investigating and enforcing this Code:

- \* the CLO will take all appropriate action to investigate any potential violations reported to him;
- \* if, after such investigation, the CLO believes that no violation has occurred, the CLO is not required to take any further action;
- \* any matter that the CLO believes is a violation will be reported to the Independent Trustees;
- \* if the Independent Trustees concur that a violation has occurred, they will inform and make a recommendation to the applicable Trust's Board of Trustees, which will consider appropriate action, which may include review of, and appropriate modifications to, applicable policies and procedures; notification to appropriate personnel of AMR Investments or its board; or a recommendation to dismiss the Covered Officer;
- \* the Independent Trustees will be responsible for granting waivers, as appropriate; and
- \* any changes to or waivers of this Code will, to the extent required, be disclosed as provided by SEC rules.

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#### Other Policies and Procedures

This Code shall be the sole code of ethics adopted by the Trusts for purposes of Section 406 of the Sarbanes-Oxley Act and the rules and forms applicable to registered investment companies thereunder. Insofar as other policies or procedures of the Trusts, AMR Investments, the distributor for the Trusts' shares, or other service providers govern or purport to govern the behavior or activities of the Covered Officers who are subject to this Code, they are superseded by this Code to the extent that they overlap or conflict with the provisions of this Code. The Trusts' and AMR Investments' codes of ethics under Rule 17j-1 under the Investment Company Act and the more detailed policies and procedures set forth in the Trusts' Statement of Policy on Material Non-Public Information are separate requirements applying to the Covered Officers and others, and are not part of nor replaced by this Code.

#### Amendments

Any amendments to this Code, other than amendments to Exhibit A, must be approved or ratified by a majority vote of the Board, including a majority of Independent Trustees.

#### Confidentiality

All reports and records prepared or maintained pursuant to this Code will be considered confidential and shall be maintained and protected accordingly. Except as otherwise required by law or this Code, such matters shall not be disclosed to anyone other than the appropriate Board of Trustees, its counsel and AMR Investments.

#### Internal Use

This Code is intended solely for the internal use by the Trusts and does not constitute an admission, by or on behalf of any Trust, as to any fact, circumstance, or legal conclusion.

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EXHIBIT A

Persons Covered by this Code of Ethics

<TABLE>

<Caption>

	Position with each Trust	Name
<S>	<C>	<C>
Principal Executive Officer	President	William F. Quinn
Principal Financial Officer	Treasurer	Rebecca L. Harris

</Table>

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For period ended 12/31/2003  
Registrant Name: American AAdvantage Funds  
File Number: 811-4984

EX-99.CERT  
CERTIFICATIONS

I, Rebecca L. Harris, certify that:

1. I have reviewed this report on Form N-CSR of American AAdvantage Funds;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
  - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004  
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/s/ Rebecca L. Harris  
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Rebecca L. Harris  
Treasurer  
American AAdvantage Funds

I, William F. Quinn, certify that:

1. I have reviewed this report on Form N-CSR of American AAdvantage Funds;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and

(c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

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/s/ William F. Quinn

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William F. Quinn  
President  
American AAdvantage Funds

For period ended 12/31/2003  
Registrant Name: American AAdvantage Funds  
File Number: 811-4984

EX-99.906CERT

William F. Quinn and Rebecca L. Harris, respectively, the President and Treasurer of the American AAdvantage Funds (the "Registrant"), each certify to the best of his or her knowledge and belief that:

1. the Registrant's report on Form N-CSR for the period ended December 31, 2003 (the "Form N-CSR") fully complies with the requirements of Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in such Form N-CSR fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ William F. Quinn  
-----  
William F. Quinn  
President  
American AAdvantage Funds

/s/ Rebecca L. Harris  
-----  
Rebecca L. Harris  
Treasurer  
American AAdvantage Funds

Date: March 12, 2004

A signed original of this written statement required by Section 906 has been provided to American AAdvantage Funds and will be retained by American AAdvantage Funds and furnished to the Securities and Exchange Commission or its staff upon request.