

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1996-12-30** | Period of Report: **1996-10-31**
SEC Accession No. **0000950134-96-007125**

([HTML Version](#) on secdatabase.com)

FILER

AMERICAN AADVANTAGE FUNDS

CIK: **809593** | State of Incorporation: **MA** | Fiscal Year End: **1031**
Type: **N-30D** | Act: **40** | File No.: **811-04984** | Film No.: **96688340**

| Mailing Address | Business Address |
|----------------------------------|------------------------------|
| <i>PO BOX 619003 MD 5645</i> | <i>4333 AMON CARTER BLVD</i> |
| <i>DFW AIRPORT TX 75261-9003</i> | <i>FORT WORTH TX 76155</i> |
| | <i>8179673500</i> |

AMERICAN
AADVANTAGE FUNDS (R)

ANNUAL
REPORT

OCTOBER 31, 1996

- Institutional Class -
P.O. Box 619003
Dallas/Fort Worth Airport, Texas
75261-9003
(800) 967-9009

[AMERICAN LOGO]

AADVANTAGE
FUNDS (R)

- PlanAhead Class -(R)
P.O. Box 4580
Chicago, Illinois 60680-4580
(800) 388-3344

BALANCED FUND

GROWTH AND INCOME FUND

INTERNATIONAL EQUITY FUND

- AMR Class -(sm)
P.O. Box 619003
Dallas/Fort Worth Airport, Texas
75261-9003
(800) 967-9009

LIMITED-TERM INCOME FUND

Dear Fellow Shareholder:

We are pleased to report to you on the performance of the American AAdvantage Balanced, Growth and Income, International Equity and Limited-Term Income Funds and to provide you with a copy of the Annual Report for the year ended October 31, 1996.

Balanced Fund

The Balanced Fund's total return for the year ending October 31, 1996 was 16.77% for the AMR Class, 16.46% for the Institutional Class and 16.01% for the PlanAhead Class. These returns exceeded the Lipper Balanced Index total return average of 14.49%.

Both the stock and bond portions of the Fund performed well on a relative basis. The stock segment posted a 25.47% return, beating the S&P 500 Index's 24.02% return for the twelve month period. The bond segment's 5.82% return outpaced the 5.39% return of the Lehman Government/Corporate Index. The Fund maintained a relatively low cash position throughout the year which also aided overall returns.

During the year, the Fund modestly reduced its stock exposure from 60% to 57%, shifting in favor of bonds. The gradual reduction in stocks resulted from the combination of exceptionally strong stock market returns and relatively weak bond market returns during the period. Early in 1996, the yields on bonds rose and the price for bonds fell which made them more attractive. At the same time, the equity markets continued to climb due to low inflation, record M&A activity, and record mutual fund inflows. This combination of events led to boosting the level of the Fund's bond investments from 37% to 42% at October 31, 1996.

The Fund's discipline of purchasing stocks that are perceived to be undervalued in the market and which offer better than average growth expectations led to the Fund's largest overweightings in financial and energy stocks. As these sectors were the top performers in the S&P 500 Index for the twelve month period, these weightings assisted the Fund's performance. Financial stocks, especially banks, outperformed due to industry consolidations and the lack of any interest rate increases by the Federal Reserve. Energy stocks did

exceptionally well as oil and gas prices rose steadily over the year. The utility sector was the poorest performer in the S&P 500 Index, and the only sector with negative returns, as changes in the legal and regulatory environments suppressed earnings. However, the Fund's decision to underweight utilities in favor of other sectors and its superior utility stock selection also aided performance relative to the S&P 500 Index.

The bond component of the Fund outpaced the Lehman Brothers Government/Corporate Index by 0.43%. As the Presidential election approached, the bond market reacted with great uncertainty. During the year ended October 31, 1996, the yield on the 30-year Treasury began at 6.33%, dropped to a December 1995 low of 5.95%, rose to a high of 7.19% in July and dropped again to end at 6.64%. As interest rates were rising early in 1996, the Fund began to purchase bonds with a longer average maturity than the Lehman Govt/Corp Index. Later, when the market began its rally and bond yields began to fall, the Fund benefitted from the longer maturity. The Fund then chose to shorten the average maturity of its bond holdings to protect the Fund should interest rates rise again.

Looking ahead, the Fund will continue to look for undervalued stocks with higher than average expected growth rates as this value approach to investing should provide downside protection without foregoing the opportunity for upside participation in any continued market gains.

3

Growth and Income Fund

The Growth and Income Fund also performed well for the year ending October 31, 1996. The Fund's total return was 23.66% for the AMR Class, 23.37% for the Institutional Class and 22.98% for the PlanAhead Class. These returns all exceeded the Lipper Growth and Income Index total return average of 21.39%.

Since the Fund utilizes the same investment managers and the same approach to stock selection as the Balanced Fund, it also benefitted from overweighted positions in financial and energy stocks and good stock selection in utilities. The consistent application of the Fund's value style continues to benefit its shareholders.

International Equity Fund

The International Equity Fund continued to post strong results on an absolute and relative basis for the twelve months ended October 31, 1996. The Fund's total return for the one year period was 17.72% for the AMR Class, 17.27% for the Institutional Class and 16.95% for the PlanAhead Class, compared to a 12.65% return for the Lipper International Index. The Institutional Class was ranked as the 18th and the PlanAhead Class as the 23rd highest performing Lipper International Equity Fund out of 318 funds for the one year ended October 31, 1996.

Relative to the EAFE index (the Morgan Stanley Capital International Europe, Australia and Far East Index) which returned 10.77% for the twelve month period, the Fund added value by holding a higher concentration of stocks based in the better performing countries and a lower concentration of stocks in countries which were among the poorer performers. In addition, the Fund benefitted from selecting stocks which performed better than their respective country's market average.

The underweighting of the Japanese market, which had an average EAFE weighting of 40% during the period and an average Fund weighting of 14%, continues to be the most significant departure from EAFE. Over the last twelve months, Japan's return of minus 0.7% ranked second worst among the 20 markets that comprise the EAFE Index. Although the situation in Japan is slowly improving, overall market valuations are expected to remain unattractive and growth should be subdued throughout 1997. In addition, the banking and real estate sectors remain troubled and Japanese exporters are facing intense competition from the developing Asian economies. Until the current environment improves, the Fund will continue to underweight the market.

In Europe, conditions are more favorable. Although the recovery has been sluggish as countries have been unable to use fiscal stimulus due to the impending European Monetary Union, with low inflation and high unemployment, monetary policy should remain accommodative. The Fund continues to underweight the stocks in the United Kingdom due to concerns of rising interest rates while overweighting the stocks based in the smaller markets. The Fund was helped by successful overweightings of the Dutch, Swedish and Spanish markets and positive stock selection in Germany.

Limited-Term Income Fund

For the twelve months ended October 31, 1996, the total return of the Limited-Term Income Fund was 5.38% for the AMR Class, 5.10% for the Institutional Class and 4.83% for the PlanAhead Class. These results represent an outperformance of the Fund's benchmark which was 4.54% for the twelve months. For a description of the benchmark for the Limited-Term Income Fund, please see

1996 was notable for the very rapid rise in rates that occurred from February through July. The two year Treasury note increased by approximately 160 base points, in response to above average GDP growth in the first and second quarters. The Fund's duration was reduced significantly in this period. From the high yields reached in July, the two year Treasury note rallied back approximately half way (or 80 basis points) as GDP growth became more subdued and inflation remained low, allowing for a stable Fed policy. In this period, the duration of the Fund was returned to a more neutral posture. On October 31, the portfolio's weighted average duration was 2.1 years.

The Fund was responsive to the rapid shifts in both economic fundamentals and market psychology, actively managing its duration. This contributed to achieving superior performance relative to our benchmark. The Fund also benefits from spread tightening in many of the sectors the Fund invests in, as there was good investor demand for securities with incremental yield to Treasuries.

As always, we appreciate your confidence and support and we will continue to strive to provide you with above average long-term returns.

Sincerely,

LOGO

William F. Quinn
 President
 American AAdvantage Funds

AMERICAN AADVANTAGE BALANCED FUND
 PERFORMANCE SUMMARY THROUGH OCTOBER 31, 1996

COMPARISON OF CHANGE IN VALUE \$10,000 INVESTMENT IN THE FUND, THE STANDARD & POORS 500 INDEX, THE SHEARSON LEHMAN GOVERNMENT/CORPORATE AND THE LIPPER BALANCED INDEX*

<TABLE>
 <CAPTION>
 Annualized Returns

| | 1 Year | 5 Year | Inception to Date* |
|-----------------------|--------|--------|--------------------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Institutional Class | 16.46% | 12.49% | 10.69% |
| PlanAhead Class ** | 16.01% | 12.32% | 10.60% |
| AMR Class ** | 16.77% | 12.62% | 10.76% |
| S&P 500 | 24.02% | 15.53% | 12.47% |
| SLGC | 5.39% | 7.96% | 9.03% |
| Lipper Balanced Index | 14.49% | 11.10% | 9.78% |

</TABLE>

Past performance is not predictive of future performance.

[GRAPH]

<TABLE>
 <CAPTION>

| | Jul-87 | Oct-87 | Oct-88 | Oct-89 | Oct-90 | Oct-91 | Oct-92 | Oct-93 | Oct-94 | Oct-95 | Oct-96 |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Institutional Class.... \$10,000 | \$ 9,076 | \$10,404 | \$12,015 | \$11,385 | \$14,271 | \$15,521 | \$18,500 | \$18,485 | \$22,069 | \$25,702 | |
| PlanAhead Class **..... \$10,000 | \$ 9,076 | \$10,404 | \$12,015 | \$11,385 | \$14,271 | \$15,521 | \$18,500 | \$18,470 | \$21,991 | \$25,512 | |
| AMR Class **..... \$10,000 | \$ 9,076 | \$10,404 | \$12,015 | \$11,385 | \$14,271 | \$15,521 | \$18,500 | \$18,485 | \$22,139 | \$25,852 | |
| S&P 500... \$10,000 | \$ 8,082 | \$ 9,275 | \$11,719 | \$10,841 | \$14,476 | \$15,917 | \$18,290 | \$19,009 | \$24,021 | \$29,790 | |
| SLGC..... \$10,000 | \$10,084 | \$11,156 | \$12,510 | \$13,199 | \$15,227 | \$16,828 | \$19,126 | \$18,239 | \$21,186 | \$22,329 | |
| Lipper Balanced Index.... \$10,000 | \$ 8,624 | \$ 9,758 | \$11,408 | \$10,974 | \$14,066 | \$15,326 | \$17,793 | \$17,683 | \$20,793 | \$23,806 | |

</TABLE>

* Fund inception was 7/17/87. Changes in value for indices have a starting date of 7/15/87.

** Fund performance represents the total returns achieved by the Institutional Class from the inception date of the Fund up to the inception date of the PlanAhead and AMR Classes and the returns of the PlanAhead and AMR Classes since inception of the Classes. 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 place since inception of the Fund. Expenses of the AMR Class are lower than those of the Institutional Class. As a result, total returns shown may be lower than they would have been had the AMR Class been in place since inception of the Fund. Inception of the PlanAhead and AMR Classes was 8/1/94.

4

6

AMERICAN AADVANTAGE GROWTH AND INCOME FUND
PERFORMANCE SUMMARY THROUGH OCTOBER 31, 1996

COMPARISON OF CHANGE IN VALUE \$10,000 INVESTMENT IN THE FUND, THE STANDARD & POORS 500 INDEX AND THE LIPPER GROWTH & INCOME INDEX*

<TABLE>
<CAPTION>
Annualized Returns

| | 1 Year | 5 Year | Inception to Date* |
|------------------------------|--------|--------|--------------------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Institutional Class | 23.37% | 15.51% | 12.22% |
| PlanAhead Class ** | 22.98% | 15.30% | 12.11% |
| AMR Class ** | 23.66% | 15.65% | 12.29% |
| S&P 500 | 24.02% | 15.53% | 12.47% |
| Lipper Growth & Income Index | 21.39% | 14.41% | 11.38% |

</TABLE>

Past performance is not predictive of future performance.

[GRAPH]

<TABLE>
<CAPTION>

| | Jul-87 | Oct-87 | Oct-88 | Oct-89 | Oct-90 | Oct-91 | Oct-92 | Oct-93 | Oct-94 | Oct-95 | Oct-96 |
|--|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Institutional Class..... \$10,000 | \$8,301 | \$10,144 | \$12,269 | \$10,610 | \$14,200 | \$15,619 | \$18,976 | \$19,613 | \$23,670 | \$29,203 | |
| PlanAhead Class **... \$10,000 | \$8,301 | \$10,144 | \$12,269 | \$10,610 | \$14,200 | \$15,619 | \$18,976 | \$19,585 | \$23,573 | \$28,941 | |
| AMR Class **..... \$10,000 | \$8,301 | \$10,144 | \$12,269 | \$10,610 | \$14,200 | \$15,619 | \$18,976 | \$19,626 | \$23,754 | \$29,374 | |
| S&P 500..... \$10,000 | \$8,082 | \$ 9,275 | \$11,719 | \$10,841 | \$14,476 | \$15,917 | \$18,290 | \$19,009 | \$24,021 | \$29,790 | |
| Lipper Growth & Income Index..... \$10,000 | \$8,227 | \$ 9,722 | \$11,746 | \$10,388 | \$13,886 | \$15,123 | \$18,071 | \$18,642 | \$22,422 | \$27,220 | |

</TABLE>

* Fund inception was 7/17/87. Changes in value for indices have a starting date of 7/15/87.

** Fund performance represents the total returns achieved by the Institutional Class from the inception date of the Fund up to the inception date of the PlanAhead and AMR Classes and the returns of the PlanAhead and AMR Classes since inception of the Classes. 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 place since inception of the Fund. Expenses of the AMR Class are lower than those of the Institutional Class. As a result, total returns shown may be lower than they would have been had the AMR Class been in place since inception of the Fund. Inception of the PlanAhead and AMR Classes was 8/1/94.

5

7

AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND
PERFORMANCE SUMMARY THROUGH OCTOBER 31, 1996

COMPARISON OF CHANGE IN VALUE \$10,000 INVESTMENT IN THE FUND, THE EAFE

<TABLE>

<CAPTION>

| Annualized Returns | 1 Year | 5 Year | Inception to Date* |
|----------------------------|--------|--------|--------------------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Institutional Class | 17.27% | 11.17% | 10.93% |
| PlanAhead Class ** | 16.95% | 10.97% | 10.73% |
| AMR Class ** | 17.72% | 11.32% | 11.07% |
| EAFE Index | 10.77% | 7.94% | 8.90% |
| Lipper International Index | 12.65% | 9.73% | 9.90% |

Past performance is not predictive of future performance.

[GRAPH]

<TABLE>

<CAPTION>

| | Aug-91 | Oct-91 | Oct-92 | Oct-93 | Oct-94 | Oct-95 | Oct-96 |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Institutional Class..... | \$10,000 | \$10,133 | \$ 8,910 | \$12,168 | \$13,601 | \$14,676 | \$17,211 |
| PlanAhead Class **..... | \$10,000 | \$10,133 | \$ 8,910 | \$12,168 | \$13,580 | \$14,581 | \$17,052 |
| AMR Class **..... | \$10,000 | \$10,133 | \$ 8,910 | \$12,168 | \$13,601 | \$14,714 | \$17,322 |
| EAFE Index..... | \$10,000 | \$10,760 | \$ 9,360 | \$12,905 | \$14,244 | \$14,235 | \$15,769 |
| Lipper International Index..... | \$10,000 | \$10,314 | \$ 9,792 | \$13,127 | \$14,638 | \$14,569 | \$16,412 |

* Fund inception was 8/7/91. Changes in value for indices have a starting date of 8/7/91.

** Fund performance represents the total returns achieved by the Institutional Class from the inception date of the Fund up to the inception date of the PlanAhead and AMR Classes and the returns of the PlanAhead and AMR Classes since inception of the Classes. 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 place since inception of the Fund. Expenses of the AMR Class are lower than those of the Institutional Class. As a result, total returns shown may be lower than they would have been had the AMR Class been in place since inception of the Fund. Inception of the PlanAhead and AMR Classes was 8/1/94.

6

8

AMERICAN AADVANTAGE LIMITED-TERM INCOME FUND
PERFORMANCE SUMMARY THROUGH OCTOBER 31, 1996

COMPARISON OF CHANGE IN VALUE \$10,000 INVESTMENT IN THE FUND, THE LIPPER LINKED AVERAGE***, AND THE SHEARSON LEHMAN GOVERNMENT/CORPORATE 1 TO 5 YEAR INDEX*

<TABLE>

<CAPTION>

| Annualized Returns | 1 Year | 5 Year | Inception to Date* |
|------------------------------------|--------|--------|--------------------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Institutional Class | 5.10% | 5.73% | 6.98% |
| PlanAhead Class ** | 4.83% | 5.61% | 6.91% |
| AMR Class ** | 5.38% | 5.83% | 7.04% |
| Linked Lipper Average*** | 5.44% | 5.72% | 6.97% |
| Shearson Lehman G/C 1-5 Year Index | 5.99% | 6.55% | 7.87% |

Past performance is not predictive of future performance.

[GRAPH]

<TABLE>

<CAPTION>

| | Nov-87 | Oct-88 | Oct-89 | Oct-90 | Oct-91 | Oct-92 | Oct-93 | Oct-94 | Oct-95 | Oct-96 |
|--------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Institutional Class..... | \$10,000 | \$10,670 | \$11,482 | \$12,345 | \$13,810 | \$14,906 | \$15,979 | \$16,047 | \$17,359 | \$18,243 |
| PlanAhead Class **... | \$10,000 | \$10,670 | \$11,482 | \$12,345 | \$13,810 | \$14,906 | \$15,979 | \$16,051 | \$17,308 | \$18,143 |

| | | | | | | | | | | |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| AMR Class **..... | \$10,000 | \$10,670 | \$11,482 | \$12,345 | \$13,810 | \$14,906 | \$15,979 | \$16,073 | \$17,395 | \$18,330 |
| Linked Lipper | | | | | | | | | | |
| Average..... | \$10,000 | \$10,730 | \$11,696 | \$12,614 | \$14,027 | \$15,077 | \$16,048 | \$16,070 | \$17,459 | \$18,243 |
| Shearson Lehman G/C | | | | | | | | | | |
| 1-5 Year Index..... | \$10,000 | \$10,675 | \$11,723 | \$12,715 | \$14,310 | \$15,622 | \$16,833 | \$16,795 | \$18,545 | \$19,655 |

</TABLE>

* Fund inception was 12/3/87. Changes in value for indices have a starting date of 12/3/87.

** Fund performance represents the total returns achieved by the Institutional Class from the inception date of the Fund up to the inception date of the PlanAhead and AMR Classes and the returns of the PlanAhead and AMR Classes since inception of the Classes. 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 place since inception of the Fund. Expenses of the AMR Class are lower than those of the Institutional Class. As a result, total returns shown may be lower than they would have been had the AMR Class been in place since inception of the Fund. Inception of the PlanAhead and AMR Classes was 8/1/94.

*** The Linked Lipper Average is created by linking the Lipper Short-Term (1-5 Year) Investment Grade Debt Average from 11/30/87 through 12/31/95, the Lipper Short-Intermediate Investment Grade Debt Average from 1/1/96 through 7/31/96 and the Lipper Short-Term (1-3 Year) Investment Grade Debt Average since 8/1/96.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Shareholders and Board of Trustees
 American AAdvantage Balanced Fund
 American AAdvantage Growth and Income Fund
 American AAdvantage International Equity Fund
 American AAdvantage Limited-Term Income Fund

We have audited the accompanying statements of assets and liabilities of the American AAdvantage Balanced Fund, the American AAdvantage Growth and Income Fund, the American AAdvantage International Equity Fund, and the American AAdvantage Limited-Term Income Fund (collectively, "the Funds") (separate funds comprising the American AAdvantage Funds) as of October 31, 1996, and the related statements 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 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 generally accepted auditing standards. 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 investments owned as of October 31, 1996, 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 October 31, 1996, the results of their operations for the year then ended, the changes in their 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 generally accepted accounting principles.

/s/ ERNST & YOUNG

Dallas, Texas
 December 20, 1996

AMERICAN AADVANTAGE FUNDS
 STATEMENTS OF ASSETS AND LIABILITIES
 October 31, 1996

<TABLE>
<CAPTION>

| | Balanced Fund | Growth and Income Fund | International Equity Fund | Limited-Term Income Fund |
|--|-------------------|---------------------------|---------------------------------|--------------------------------|
| (in thousands, except share and per share amounts) | | | | |
| <S> | <C> | <C> | <C> | <C> |
| ASSETS: | | | | |
| Investment in Portfolio, at value..... | \$ 892,993 | \$1,105,921 | \$ 401,107 | \$ 172,011 |
| Receivable for expense reimbursement..... | - | 2 | - | 2 |
| TOTAL ASSETS..... | 892,993 | 1,105,923 | 401,107 | 172,013 |
| LIABILITIES: | | | | |
| Dividends payable..... | - | - | - | 30 |
| Management fees payable (Note 2)..... | 257 | 82 | 53 | 95 |
| Other liabilities..... | 54 | 56 | 26 | 34 |
| TOTAL LIABILITIES..... | 311 | 138 | 79 | 159 |
| NET ASSETS..... | \$ 892,682 | \$1,105,785 | \$ 401,028 | \$ 171,854 |
| ANALYSIS OF NET ASSETS: | | | | |
| Paid-in-capital..... | 659,891 | 774,199 | 329,583 | 179,503 |
| Accumulated undistributed investment income..... | 28,578 | 21,170 | 7,574 | 15 |
| Accumulated net realized gain (loss)..... | 68,021 | 77,394 | 10,282 | (8,196) |
| Unrealized appreciation of investments..... | 136,192 | 233,022 | 53,589 | 532 |
| NET ASSETS..... | \$ 892,682 | \$1,105,785 | \$ 401,028 | \$ 171,854 |
| Shares Outstanding (no par value): | | | | |
| Institutional Class..... | 19,683,199 | 4,387,794 | 4,195,708 | 11,256,115 |
| PlanAhead Class..... | 1,197,280 | 877,255 | 478,943 | 351,011 |
| AMR Class..... | 37,993,760 | 54,323,679 | 21,977,780 | 6,154,287 |
| Net Asset Value Per Share: | | | | |
| Institutional Class..... | \$ 15.14 | \$ 18.50 | \$ 15.01 | \$ 9.68 |
| PlanAhead Class..... | \$ 15.03 | \$ 18.33 | \$ 14.90 | \$ 9.68 |
| AMR Class..... | \$ 15.18 | \$ 18.56 | \$ 15.06 | \$ 9.67 |

</TABLE>

See accompanying notes

9

11

AMERICAN AADVANTAGE FUNDS
STATEMENTS OF OPERATIONS
Year Ended October 31, 1996

<TABLE>
<CAPTION>

| | Balanced Fund | Growth and Income Fund | International Equity Fund | Limited-Term Income Fund |
|--|------------------|------------------------------|---------------------------------|--------------------------------|
| (in thousands) | | | | |
| <S> | <C> | <C> | <C> | <C> |
| INVESTMENT INCOME ALLOCATED FROM PORTFOLIO: | | | | |
| Allocated interest income..... | \$ 24,130 | \$ 2,565 | \$ 1,378 | \$ 12,571 |
| Allocated dividend income (net of foreign taxes of \$756 in International Equity Fund)..... | 15,563 | 27,898 | 8,467 | - |
| Allocated income derived from securities lending, net..... | 89 | 60 | 54 | 7 |
| Allocated Portfolio expenses..... | (3,098) | (3,368) | (1,822) | (557) |
| NET INVESTMENT INCOME ALLOCATED FROM PORTFOLIO..... | 36,684 | 27,155 | 8,077 | 12,021 |
| FUND EXPENSES: | | | | |
| Administrative service fees (Note 2): | | | | |
| Institutional Class..... | 693 | 206 | 108 | 283 |
| PlanAhead Class..... | 27 | 27 | 9 | 6 |
| Transfer agent fees: | | | | |
| Institutional Class..... | 13 | 16 | 12 | 20 |
| PlanAhead Class..... | 10 | 12 | 4 | 3 |
| AMR Class..... | 3 | 1 | 1 | 1 |
| Professional fees..... | 39 | 40 | 10 | 9 |

| | | | | |
|---|-----------|-----------|----------|----------|
| Registration fees and expenses..... | 18 | 18 | 20 | 30 |
| Service Fees -- PlanAhead Class..... | 27 | 27 | 10 | 6 |
| Other expenses..... | 10 | 10 | 5 | 3 |
| | ----- | ----- | ----- | ----- |
| TOTAL FUND EXPENSES..... | 840 | 357 | 179 | 361 |
| | ----- | ----- | ----- | ----- |
| Less reimbursement of expenses (Note 2)..... | - | 2 | - | 2 |
| | ----- | ----- | ----- | ----- |
| NET FUND EXPENSES..... | 840 | 355 | 179 | 359 |
| | ----- | ----- | ----- | ----- |
| NET INVESTMENT INCOME..... | 35,844 | 26,800 | 7,898 | 11,662 |
| | ----- | ----- | ----- | ----- |
| REALIZED AND UNREALIZED GAIN (LOSS) ALLOCATED FROM PORTFOLIO: | | | | |
| Net realized gain (loss) on investments and foreign currency transactions..... | 67,577 | 77,475 | 11,093 | (3,194) |
| Change in net unrealized appreciation of investments and foreign currency translations..... | 27,642 | 93,955 | 30,557 | 469 |
| | ----- | ----- | ----- | ----- |
| NET GAIN (LOSS) ON INVESTMENTS..... | 95,219 | 171,430 | 41,650 | (2,725) |
| | ----- | ----- | ----- | ----- |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS..... | \$131,063 | \$198,230 | \$49,548 | \$ 8,937 |
| | ===== | ===== | ===== | ===== |

</TABLE>

See accompanying notes

10

12

AMERICAN AADVANTAGE FUNDS
STATEMENTS OF CHANGES IN NET ASSETS
Year Ended October 31,

| | Balanced Fund | | Growth and Income Fund | | International Equity Fund | | Limited-Term Income Fund | |
|---|----------------|-----------|------------------------|-----------|---------------------------|----------|--------------------------|-----------|
| | 1996 | 1995 | 1996 | 1995 | 1996 | 1995 | 1996 | 1995 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | (in thousands) | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| INCREASE (DECREASE) IN NET ASSETS: | | | | | | | | |
| OPERATIONS: | | | | | | | | |
| Net investment income..... | \$ 35,844 | \$ 31,522 | \$ 26,800 | \$ 20,377 | \$ 7,898 | \$ 5,970 | \$ 11,662 | \$ 10,359 |
| Net realized gain (loss) on investments and foreign currency transactions..... | 67,577 | 25,895 | 77,475 | 28,115 | 11,093 | 4,311 | (3,194) | (1,552) |
| Change in net unrealized appreciation of investments and foreign currency translations... | 27,642 | 71,067 | 93,955 | 75,331 | 30,557 | 10,022 | 469 | 3,688 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.... | 131,063 | 128,484 | 198,230 | 123,823 | 49,548 | 20,303 | 8,937 | 12,495 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| DISTRIBUTIONS TO SHAREHOLDERS: | | | | | | | | |
| Net investment income: | | | | | | | | |
| Institutional Class..... | (10,135) | (9,177) | (1,936) | (702) | (608) | (376) | (7,273) | (6,340) |
| Mileage Class..... | - | (5) | - | (14) | - | (14) | - | (33) |
| PlanAhead Class..... | (238) | (23) | (143) | (4) | (31) | (10) | (155) | (42) |
| AMR Class..... | (22,970) | (17,086) | (20,011) | (16,041) | (5,125) | (3,145) | (4,272) | (3,944) |
| Net realized gain on investments: | | | | | | | | |
| Institutional Class..... | (7,867) | (2,507) | (2,653) | (881) | (546) | (563) | - | - |
| Mileage Class..... | - | (1) | - | (18) | - | (20) | - | - |
| PlanAhead Class..... | (187) | (6) | (202) | (5) | (31) | (15) | - | - |
| AMR Class..... | (16,814) | (4,561) | (25,694) | (19,500) | (4,170) | (4,435) | - | - |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| NET DISTRIBUTIONS TO SHAREHOLDERS..... | (58,211) | (33,366) | (50,639) | (37,165) | (10,511) | (8,578) | (11,700) | (10,359) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| CAPITAL SHARE TRANSACTIONS: | | | | | | | | |
| Proceeds from sales of shares.... | 169,963 | 170,104 | 208,797 | 188,748 | 126,546 | 89,320 | 76,269 | 137,613 |
| Reinvestment of dividends and distributions..... | 57,693 | 33,152 | 50,139 | 36,862 | 10,164 | 8,233 | 11,656 | 9,154 |
| Cost of shares redeemed..... | (206,839) | (116,305) | (86,256) | (55,588) | (31,126) | (42,092) | (117,354) | (110,995) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| NET INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS..... | 20,817 | 86,951 | 172,680 | 170,022 | 105,584 | 55,461 | (29,429) | 35,772 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| NET INCREASE (DECREASE) IN NET ASSETS..... | 93,669 | 182,069 | 320,271 | 256,680 | 144,621 | 67,186 | (32,192) | 37,908 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |

| NET ASSETS: | | | | | | | | |
|--|------------|------------|-------------|-----------|-----------|-----------|------------|------------|
| Beginning of year..... | 799,013 | 616,944 | 785,514 | 528,834 | 256,407 | 189,221 | 204,046 | 166,138 |
| END OF YEAR*..... | \$ 892,682 | \$ 799,013 | \$1,105,785 | \$785,514 | \$401,028 | \$256,407 | \$ 171,854 | \$ 204,046 |
| * Includes undistributed net investment income of..... | \$ 28,578 | \$ 26,077 | \$ 21,170 | \$ 16,460 | \$ 7,574 | \$ 5,440 | \$ 15 | \$ 53 |

</TABLE>

See accompanying notes

AMERICAN AADVANTAGE FUNDS
NOTES TO FINANCIAL STATEMENTS
October 31, 1996

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, as amended, as a no-load, open-end, management investment company with eight separate funds: the American AAdvantage Balanced Fund, the American AAdvantage Growth and Income Fund, the American AAdvantage International Equity Fund, the American AAdvantage Limited-Term Income Fund, the American AAdvantage Money Market Fund, the American AAdvantage Municipal Money Market Fund, the American AAdvantage Short-Term Income Fund and the American AAdvantage U.S. Treasury Money Market Fund. These financial statements relate to the Balanced, Growth and Income, International Equity and Limited-Term Income Funds (each a "Fund" and collectively, the "Funds"). The American AAdvantage Short-Term Income Fund had not commenced active operations at October 31, 1996. The Trust commenced sales of additional classes of shares of the Funds on August 1, 1994, designated as "Mileage Class", "PlanAhead Class", and "AMR Class" shares. At the same time, the existing shares of each Fund were redesignated as "Institutional Class" shares. The Mileage Class of each Fund was terminated on November 1, 1996. 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.

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> |
| Balanced Fund | | Balanced Portfolio |
| Growth and Income Fund | | Growth and Income Portfolio |
| International Equity Fund | | International Equity |
| Limited-Term Income Fund | | Portfolio |
| | | Limited-Term Income Portfolio |

</TABLE>

Each AMR Investment Services 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 (99.72%, 99.44%, 99.16% and 99.33% at October 31, 1996) of the AMR Investment Services Trust Balanced, Growth and Income, International Equity and Limited-Term Income Portfolios (each a "Portfolio" and collectively the "Portfolios", respectively). 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.

AMERICAN AADVANTAGE FUNDS
NOTES TO FINANCIAL STATEMENTS
October 31, 1996

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

Valuation of Investments

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, and realized and unrealized gain and loss in the Portfolio each day. All net investment income and realized and unrealized gain and loss of each Portfolio are allocated pro rata among the corresponding Fund and other investors in each Portfolio at the time of such determination. Dividends from net investment income of the Balanced, Growth and Income, and International Equity Funds normally will be declared and paid annually. The Limited-Term Income Fund generally declares dividends from net investment income daily, payable monthly. Distributions, if any, of net realized capital gains normally will be paid annually after the close of the fiscal year in which realized.

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

Federal Income and Excise Taxes

It is the policy of each of the Funds 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 October 31, 1996, the Limited-Term Income Fund had capital loss carryforwards for federal income tax purposes of approximately \$8,330,000 expiring in years 2001-2004.

Expenses

Expenses directly attributable to a Fund are charged to that Fund's operations. Expenses directly attributable to a Class of shares are charged to that Class. Expenses incurred by the Trust with respect to any two or more of the Funds are allocated in proportion to the net assets of each Fund, except where allocations of direct expenses to each Fund can otherwise be made fairly. Each share of each Fund, regardless of class, bears equally those expenses that are allocated to the Fund as a whole.

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's pro rata allocation of the Fund's investments and other assets, less liabilities, by the number of Class shares outstanding.

2. TRANSACTIONS WITH AFFILIATES

Management Agreement

The Manager and the Trust entered into an Administrative Service 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 .25% of the average daily net assets of the Institutional and PlanAhead Classes of each of the Funds.

Distribution Plan

The Trust has adopted a "defensive" Distribution Plan in accordance with Rule 12b-1 under the Investment Company Act of 1940, pursuant to which no fees may be charged to the Funds for distribution purposes. However, the plan authorizes the fees received by the Manager and the investment advisers hired 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.

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 October 31, 1996, the cost of air transportation was not material to any of the Funds. At October 31, 1996, AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof owned 100% of AMR Class shares of the Funds. Trustees and officers of the trust as a group owned 1% of the PlanAhead Class of the International Equity Fund at October 31, 1996.

3. CAPITAL SHARE TRANSACTIONS

The tables below summarize the activity in capital shares for each Class of the Funds (in thousands):

<TABLE>
<CAPTION>

| Year Ended October 31, 1996 | Institutional Class | | Mileage Class | | PlanAhead Class | | AMR Class | |
|--|---------------------|-----------|---------------|-----------|-----------------|----------|-----------|------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount |
| Balanced Fund | | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares sold..... | 3,818 | \$ 54,692 | - | \$ - | 937 | \$13,340 | 7,142 | \$101,931 |
| Reinvestment of dividends..... | 1,286 | 17,671 | - | - | 17 | 238 | 2,889 | 39,784 |
| Shares redeemed..... | (3,337) | (47,982) | (74) | (1,035) | (149) | (2,148) | (10,857) | (155,674) |
| Net increase (decrease) in capital share transactions..... | 1,767 | \$ 24,381 | (74) | \$(1,035) | 805 | \$11,430 | (826) | \$(13,959) |

</TABLE>

AMERICAN AADVANTAGE FUNDS
NOTES TO FINANCIAL STATEMENTS
October 31, 1996

<TABLE>
<CAPTION>

| Growth and Income Fund | Institutional Class | | Mileage Class | | PlanAhead Class | | AMR Class | |
|--|---------------------|------------|---------------|-----------|-----------------|----------|-----------|-----------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares sold..... | 1,665 | \$ 28,490 | - | \$ - | 724 | \$12,146 | 9,838 | \$168,161 |
| Reinvestment of dividends..... | 266 | 4,293 | - | - | 9 | 142 | 2,834 | 45,704 |
| Shares redeemed..... | (2,043) | (35,315) | (139) | (2,214) | (160) | (2,706) | (2,673) | (46,021) |
| Net increase (decrease) in capital share transactions..... | (112) | \$ (2,532) | (139) | \$(2,214) | 573 | \$ 9,582 | 9,999 | \$167,844 |

</TABLE>

<TABLE>
<CAPTION>

| International Equity Fund | Institutional Class | | Mileage Class | | PlanAhead Class | | AMR Class | |
|--|---------------------|-----------|---------------|-----------|-----------------|----------|-----------|-----------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares sold..... | 2,590 | \$ 37,103 | - | \$ - | 655 | \$ 9,341 | 5,594 | \$ 80,102 |
| Reinvestment of dividends..... | 63 | 839 | - | - | 2 | 30 | 693 | 9,295 |
| Shares redeemed..... | (396) | (5,688) | (95) | (1,251) | (288) | (4,114) | (1,432) | (20,073) |
| Net increase (decrease) in capital share transactions..... | 2,257 | \$ 32,254 | (95) | \$(1,251) | 369 | \$ 5,257 | 4,855 | \$ 69,324 |

</TABLE>

<TABLE>
<CAPTION>

| Limited-Term Income Fund | Institutional Class | | Mileage Class | | PlanAhead Class | | AMR Class | |
|--------------------------|---------------------|--------|---------------|--------|-----------------|--------|-----------|--------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |

| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
|--|---------|-------------|------|----------|-------|----------|---------|------------|-----|
| Shares sold..... | 4,609 | \$ 44,766 | - | \$ 3 | 401 | \$ 3,879 | 2,861 | \$ 27,621 | |
| Reinvestment of dividends..... | 708 | 6,889 | - | - | 15 | 142 | 476 | 4,625 | |
| Shares redeemed..... | (8,044) | (78,331) | (60) | (586) | (225) | (2,167) | (3,764) | (36,270) | |
| Net increase (decrease) in capital share transactions..... | (2,727) | \$ (26,676) | (60) | \$ (583) | 191 | \$ 1,854 | (427) | \$ (4,024) | |

</TABLE>

<TABLE>
<CAPTION>

| Year ended October 31, 1995 | Institutional Class | | Mileage Class | | PlanAhead Class | | AMR Class | |
|--|---------------------|------------|---------------|----------|-----------------|----------|-----------|-----------|
| Balanced Fund | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares sold..... | 3,917 | \$ 50,397 | 88 | \$ 1,108 | 383 | \$ 5,102 | 8,920 | \$113,497 |
| Reinvestment of dividends..... | 999 | 11,470 | 1 | 6 | 3 | 29 | 1,886 | 21,647 |
| Shares redeemed..... | (5,037) | (64,582) | (18) | (239) | (36) | (487) | (3,812) | (50,997) |
| Net increase (decrease) in capital share transactions..... | (121) | \$ (2,715) | 71 | \$ 875 | 350 | \$ 4,644 | 6,994 | \$ 84,147 |

</TABLE>

<TABLE>
<CAPTION>

| Growth and Income Fund | Institutional Class | | Mileage Class | | PlanAhead Class | | AMR Class | |
|---|---------------------|-----------|---------------|----------|-----------------|----------|-----------|-----------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares sold..... | 3,606 | \$ 53,296 | 160 | \$ 2,274 | 1,175 | \$17,502 | 7,953 | \$115,676 |
| Reinvestment of dividends..... | 101 | 1,282 | 2 | 31 | 1 | 8 | 2,788 | 35,541 |
| Shares redeemed..... | (810) | (12,073) | (33) | (506) | (875) | (12,839) | (2,052) | (30,170) |
| Net increase in capital share transactions..... | 2,897 | \$ 42,505 | 129 | \$ 1,799 | 301 | \$ 4,671 | 8,689 | \$121,047 |

</TABLE>

<TABLE>
<CAPTION>

| International Equity Fund | Institutional Class | | Mileage Class | | PlanAhead Class | | AMR Class | |
|---|---------------------|-----------|---------------|----------|-----------------|----------|-----------|-----------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares sold..... | 941 | \$ 11,924 | 135 | \$ 1,678 | 339 | \$ 4,275 | 5,802 | \$ 71,443 |
| Reinvestment of dividends..... | 51 | 599 | 3 | 33 | 2 | 21 | 644 | 7,580 |
| Shares redeemed..... | (850) | (10,686) | (59) | (759) | (260) | (3,288) | (2,181) | (27,359) |
| Net increase in capital share transactions..... | 142 | \$ 1,837 | 79 | \$ 952 | 81 | \$ 1,008 | 4,265 | \$ 51,664 |

</TABLE>

<TABLE>
<CAPTION>

| Limited-Term Income Fund | Institutional Class | | Mileage Class | | PlanAhead Class | | AMR Class | |
|---|---------------------|-----------|---------------|--------|-----------------|----------|-----------|-----------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares sold..... | 11,246 | \$109,868 | 103 | \$ 999 | 155 | \$ 1,517 | 2,596 | \$ 25,229 |
| Reinvestment of dividends..... | 542 | 5,265 | 3 | 29 | 3 | 27 | 395 | 3,833 |
| Shares redeemed..... | (9,396) | (91,138) | (62) | (605) | (39) | (381) | (1,934) | (18,871) |
| Net increase in capital share transactions..... | 2,392 | \$ 23,995 | 44 | \$ 423 | 119 | \$ 1,163 | 1,057 | \$ 10,191 |

</TABLE>

<TABLE>
<CAPTION>

| | Institutional Class | | | | |
|--|------------------------|-------------|-----------|-----------|-----------|
| | Year Ended October 31, | | | | |
| | 1996(1) (2) | 1995(1) (3) | 1994(4) | 1993 | 1992 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 13.95 | \$ 12.36 | \$ 13.23 | \$ 11.99 | \$ 11.60 |
| Income from Investment Operations: | | | | | |
| Net investment income..... | 0.59(12) | 0.54 | 0.57 | 0.49 | 0.55 |
| Net gains (losses) on securities (both realized and unrealized)..... | 1.61(12) | 1.71 | (0.54) | 1.57 | 0.41 |
| Total from investment operations..... | 2.20 | 2.25 | 0.03 | 2.06 | 0.96 |
| Less Distributions: | | | | | |
| Dividends from net investment income..... | (0.57) | (0.52) | (0.56) | (0.52) | (0.56) |
| Distributions from net realized gains on securities..... | (0.44) | (0.14) | (0.34) | (0.30) | (0.01) |
| Total distributions..... | (1.01) | (0.66) | (0.90) | (0.82) | (0.57) |
| Net asset value, end of period..... | \$ 15.14 | \$ 13.95 | \$ 12.36 | \$ 13.23 | \$ 11.99 |
| Total return (annualized) (6) (7)..... | 16.46% | 19.39% | (0.08)% | 19.19% | 8.75% |
| Ratios/Supplemental Data: | | | | | |
| Net assets, end of period (in thousands)..... | \$298,009 | \$249,913 | \$222,873 | \$532,543 | \$370,087 |
| Ratios to average net assets (annualized) (8) (9) (10): | | | | | |
| Expenses..... | 0.62%(12) | 0.63% | 0.36% | 0.34% | 0.35% |
| Net investment income..... | 4.00%(12) | 4.30% | 4.77% | 4.91% | 5.31% |
| Portfolio turnover rate(11)..... | - | 73% | 48% | 83% | 80% |

<CAPTION>

| | PlanAhead Class | | | AMR Class | | |
|--|------------------------|-------------|-------------------------|------------------------|-------------|-------------------------|
| | Year Ended October 31, | | Period Ended | Year Ended October 31, | | Period Ended |
| | 1996(1) (2) | 1995(1) (3) | October 31, 1994(4) (5) | 1996(1) (2) | 1995(1) (3) | October 31, 1994(4) (5) |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 13.90 | \$12.35 | \$12.35 | \$ 13.98 | \$ 12.36 | \$ 12.35 |
| Income from Investment Operations: | | | | | | |
| Net investment income..... | 0.57 (12) | 0.54 | 0.12 | 0.63(12) | 0.58 | 0.14 |
| Net gains (losses) on securities (both realized and unrealized)..... | 1.56 (12) | 1.67 | (0.12) | 1.61(12) | 1.71 | (0.13) |
| Total from investment operations..... | 2.13 | 2.21 | - | 2.24 | 2.29 | 0.01 |
| Less Distributions: | | | | | | |
| Dividends from net investment income..... | (0.56) | (0.52) | - | (0.60) | (0.53) | - |
| Distributions from net realized gains on securities..... | (0.44) | (0.14) | - | (0.44) | (0.14) | - |
| Total distributions..... | (1.00) | (0.66) | - | (1.04) | (0.67) | - |
| Net asset value, end of period..... | \$ 15.03 | \$13.90 | \$12.35 | \$ 15.18 | \$ 13.98 | \$ 12.36 |
| Total return (annualized) (6) (7)..... | 16.01% | 19.06% | (0.16)% | 16.77% | 19.77% | (0.08)% |
| Ratios/Supplemental Data: | | | | | | |
| Net assets, end of period (in thousands)..... | \$ 18,000 | \$5,450 | \$ 528 | \$576,673 | \$542,619 | \$393,504 |
| Ratios to average net assets (annualized) (8) (9) (10): | | | | | | |
| Expenses..... | 0.97% (12) | 0.99% | 0.92% | 0.37%(12) | 0.38% | 0.36% |
| Net investment income..... | 3.64% (12) | 3.70% | 4.04% | 4.26%(12) | 4.54% | 4.65% |
| Portfolio turnover rate(11)..... | - | 73% | 48% | - | 73% | 48% |

</TABLE>

(1) Class expenses per share were subtracted from net investment income per share for the Fund before class expenses to determine net investment income per share.

(2) Capital Guardian Trust Company was replaced by Brandywine Asset Management, Inc. as an investment adviser to the Balanced Fund on April 1, 1996.

(3) GSB Investment Management, Inc. was added as an investment adviser to the

Balanced Fund as of January 1, 1995.

- (4) Average shares outstanding for the period rather than end of period shares were used to compute net investment income per share.
- (5) The PlanAhead and AMR Classes commenced active operations on August 1, 1994.
- (6) Total return is calculated assuming an initial investment is made at the net asset value last calculated on the business day before the first day of each period reported, reinvestment of all dividends and capital gains distributions on the payable date, accrual for the maximum shareholder services fee of .30% (for periods prior to August 1, 1994) and a sale at net asset value on the last day of each period reported.
- (7) Total returns for the PlanAhead and AMR Classes for the period ended October 31, 1994 reflect Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the applicable class for the period August 1, 1994 (commencement of operations of the new classes) through October 31, 1994. Due to the different expense structures between the classes, total returns would vary from the results shown had the classes been in operation for the entire year.
- (8) Effective August 1, 1994, expenses include administrative services fees paid by the Fund to the Manager. Prior to that date, expenses exclude shareholder services fees paid directly by shareholders to the Manager. Such fees amounted to approximately \$.01 per share in each period on an annualized basis.
- (9) The method of determining average net assets was changed from a monthly average to a daily average starting with the period ended October 31, 1994.

16

18

- (10) Operating results of the PlanAhead Class exclude fees waived by the Manager. Results prior to expense waived were as follows:

<TABLE>
<CAPTION>

| | Year Ended October 31, 1995 | Period Ended October 31, 1994 |
|--|--------------------------------|----------------------------------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Ratio of expenses to average net assets (annualized)..... | 1.09% | 0.99% |
| Ratio of net investment income to average net assets (annualized)... | 3.60% | 3.97% |

</TABLE>

- (11) On November 1, 1995, the American AAdvantage Balanced Fund invested all of its investable assets in the AMR Investment Services Balanced Portfolio. The portfolio turnover rate for the year ended October 31, 1996 is included elsewhere in this report.
- (12) 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 Trust Balanced Portfolio.

17

19

AMERICAN AADVANTAGE GROWTH AND INCOME FUND
FINANCIAL HIGHLIGHTS
(For a share outstanding throughout the period)

<TABLE>
<CAPTION>

| | Institutional Class | | | | |
|---|------------------------|----------|----------|----------|----------|
| | ----- | | | | |
| | Year Ended October 31, | | | | |
| | ----- | ----- | ----- | ----- | ----- |
| | 1996 (1) (2) | 1995 (1) | 1994 (3) | 1993 | 1992 (4) |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 15.91 | \$ 14.19 | \$ 14.63 | \$ 12.79 | \$ 12.10 |
| Income From Investment Operations: | | | | | |
| Net investment income..... | 0.42 (12) | 0.41 | 0.43 | 0.36 | 0.39 |

| | | | | | |
|---|-----------|----------|----------|----------|-----------|
| Net gains on securities (both realized and unrealized)..... | 3.15(12) | 2.28 | 0.08 | 2.21 | 0.77 |
| Total from investment operations..... | 3.57 | 2.69 | 0.51 | 2.57 | 1.16 |
| Less Distributions: | | | | | |
| Dividends from net investment income..... | (0.41) | (0.43) | (0.41) | (0.37) | (0.39) |
| Distributions from net realized gains on securities..... | (0.57) | (0.54) | (0.54) | (0.36) | (0.08) |
| Total distributions..... | (0.98) | (0.97) | (0.95) | (0.73) | (0.47) |
| Net asset value, end of period..... | \$ 18.50 | \$ 15.91 | \$ 14.19 | \$ 14.63 | \$ 12.79 |
| Total return (annualized) (6) (7)..... | 23.37% | 20.69% | 3.36% | 21.49% | 10.00% |
| Ratios/Supplemental Data: | | | | | |
| Net assets, end of period (in thousands)..... | \$ 81,183 | \$71,608 | \$22,737 | 477,088 | \$339,739 |
| Ratios to average net assets (annualized) (8) (9) (10): | | | | | |
| Expenses..... | 0.62%(12) | 0.62% | 0.33% | 0.34% | 0.36% |
| Net investment income..... | 2.55%(12) | 2.84% | 3.28% | 3.12% | 3.57% |
| Portfolio turnover rate(11)..... | - | 26% | 23% | 30% | 35% |

<CAPTION>

| | PlanAhead Class | | | AMR Class | | |
|--|------------------------|--------------|------------------------|--------------|------------------------|------------|
| | Year Ended October 31, | Period Ended | Year Ended October 31, | Period Ended | Year Ended October 31, | |
| | 1996(1) (2) | October 31, | 1996(1) (2) | October 31, | 1996(1) (2) | |
| | 1995(1) | 1994(3) (5) | 1995(1) | 1994(3) (5) | 1994(3) (5) | |
| <S> | <C> | <C> | <C> | <C> | <C> | |
| Net asset value, beginning of period..... | \$ 15.81 | \$14.17 | \$13.99 | \$ 15.95 | \$ 14.20 | \$ 13.99 |
| Income From Investment Operations: | | | | | | |
| Net investment income..... | 0.39(12) | 0.40 | 0.05 | 0.47(12) | 0.44 | 0.11 |
| Net gains on securities (both realized and unrealized).. | 3.10(12) | 2.22 | 0.13 | 3.15(12) | 2.30 | 0.10 |
| Total from investment operations..... | 3.49 | 2.62 | 0.18 | 3.62 | 2.74 | 0.21 |
| Less Distributions: | | | | | | |
| Dividends from net investment income..... | (0.40) | (0.44) | - | (0.44) | (0.45) | - |
| Distributions from net realized gains on securities..... | (0.57) | (0.54) | - | (0.57) | (0.54) | - |
| Total distributions..... | (0.97) | (0.98) | - | (1.01) | (0.99) | - |
| Net asset value, end of period..... | \$ 18.33 | \$15.81 | \$14.17 | \$ 18.56 | \$ 15.95 | \$ 14.20 |
| Total return (annualized) (6) (7)..... | 22.98% | 20.14% | 3.21% | 23.66% | 21.03% | 3.43% |
| Ratios/Supplemental Data: | | | | | | |
| Net assets, end of period (in thousands)..... | \$ 16,084 | \$4,821 | \$ 56 | \$1,008,518 | \$706,884 | \$ 505,892 |
| Ratios to average net assets (annualized) (8) (9) (10): | | | | | | |
| Expenses..... | 0.94%(12) | 0.99% | 0.95% | 0.36%(12) | 0.38% | 0.37% |
| Net investment income..... | 2.16%(12) | 2.23% | 1.50% | 2.80%(12) | 3.20% | 3.18% |
| Portfolio turnover rate(11)..... | - | 26% | 23% | - | 26% | 23% |

</TABLE>

-
- (1) Class expenses per share were subtracted from net investment income per share for the Fund before class expenses to determine net investment income per share.
 - (2) Capital Guardian Trust Company was replaced by Brandywine Asset Management, Inc. as an investment adviser to the Growth and Income Fund on April 1, 1996.
 - (3) Average shares outstanding for the period rather than end of period shares were used to compute net investment income per share.
 - (4) The assets of the Growth and Income Fund previously managed by Atlanta Capital Management were transferred to GSB Investment Management, Inc. as of the close of business on December 5, 1991.
 - (5) The PlanAhead and AMR Classes commenced active operations on August 1, 1994.
 - (6) Total return is calculated assuming an initial investment is made at the net asset value last calculated on the business day before the first day of each period reported, reinvestment of all dividends and capital gains distributions on the payable date, accrual for the maximum shareholder services fee of .30% (for periods prior to August 1, 1994) and a sale at net asset value on the last day of each period reported.
 - (7) Total returns for the PlanAhead and AMR Classes for the period ended October 31, 1994 reflect Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the applicable class for the period August 1, 1994 (commencement of operations of the new classes) through

October 31, 1994. Due to the different expense structures between the classes, total returns would vary from the results shown had the classes been in operation for the entire year.

- (8) Effective August 1, 1994, expenses include administrative services fees paid by the fund to the Manager. Prior to that date, expenses exclude shareholder services fees paid directly by shareholders to the Manager. Such fees amounted to less than \$.01 per share in each period on an annualized basis.
- (9) The method of determining average net assets was changed from a monthly average to a daily average starting with the period ended October 31, 1994.
- (10) Operating results of the PlanAhead Class exclude fees waived by the Manager. Results prior to expense waived were as follows:

<TABLE>
<CAPTION>

| | Year Ended October 31, 1996 | Year Ended October 31, 1995 | Period Ended October 31, 1994 |
|--|--------------------------------|--------------------------------|----------------------------------|
| <S> | <C> | <C> | <C> |
| Ratio of expenses to average net assets (annualized)..... | 0.96% | 1.08% | 1.05% |
| Ratio of net investment income to average net assets (annualized)..... | 2.14% | 2.14% | 1.40% |

</TABLE>

- (11) On November 1, 1995, the American AAdvantage Growth and Income Fund invested all of its investable assets in the AMR Investment Services Growth and Income Portfolio. The portfolio turnover rate for the year ended October 31, 1996 is included elsewhere in this report.
- (12) 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 Trust Growth and Income Portfolio.

AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND
FINANCIAL HIGHLIGHTS
(For a share outstanding throughout the period)

<TABLE>
<CAPTION>

| | Institutional Class | | | | |
|--|------------------------|----------|--------------|----------|-----------|
| | Year Ended October 31, | | | | |
| <S> | 1996 (1) | 1995 (1) | 1994 (2) (3) | 1993 (4) | 1992 |
| | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$13.29 | \$12.87 | \$ 12.07 | \$ 8.93 | \$ 10.13 |
| Income From Investment Operations: | | | | | |
| Net investment income..... | 0.28 (11) | 0.27 | 0.32 | 0.17 | 0.12 |
| Net gains (losses) on securities (both realized and unrealized)..... | 1.95 (11) | 0.68 | 1.10 | 3.09 | (1.31) |
| Total from investment operations..... | 2.23 | 0.95 | 1.42 | 3.26 | (1.19) |
| Less Distributions: | | | | | |
| Dividends from net investment income..... | (0.27) | (0.21) | (0.17) | (0.12) | (0.01) |
| Distributions from net realized gains on securities..... | (0.24) | (0.32) | (0.45) | - | - |
| Total distributions..... | (0.51) | (0.53) | (0.62) | (0.12) | (0.01) |
| Net asset value, end of period..... | \$15.01 | \$13.29 | \$ 12.87 | \$12.07 | \$ 8.93 |
| Total return (annualized) (6) (7)..... | 17.27% | 7.90% | 11.77% | 36.56% | (12.07)% |
| Ratios/Supplemental Data: | | | | | |
| Net assets, end of period (in thousands)..... | \$62,992 | \$25,757 | \$ 23,115 | \$66,652 | \$ 38,837 |
| Ratios to average net assets | | | | | |

| | | | | | |
|----------------------------------|------------|-------|-------|-------|-------|
| (annualized) (8) (9) : | | | | | |
| Expenses..... | 0.85% (11) | 0.85% | 0.61% | 0.78% | 1.17% |
| Net investment income..... | 2.19% (11) | 2.37% | 2.74% | 2.00% | 2.04% |
| Portfolio turnover rate(10)..... | - | 21% | 37% | 61% | 21% |

| | PlanAhead Class | | | AMR Class | | |
|---|-----------------------------------|-----------------------------------|--|-----------------------------------|-----------------------------------|--|
| | Year Ended October 31, 1996(1) | Year Ended October 31, 1995(1) | Period Ended October 31, 1994(2) (3) (5) | Year Ended October 31, 1996(1) | Year Ended October 31, 1995(1) | Period Ended October 31, 1994(2) (3) (5) |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 13.20 | \$12.85 | \$ 12.61 | \$ 13.31 | \$ 12.87 | \$ 12.61 |
| Income From Investment Operations: | | | | | | |
| Net investment income..... | 0.26(11) | 0.24 | 0.06 | 0.31(11) | 0.30 | 0.05 |
| Net gains (losses) on securities (both realized and unrealized)..... | 1.92(11) | 0.64 | 0.18 | 1.98(11) | 0.68 | 0.21 |
| Total from investment operations..... | 2.18 | 0.88 | 0.24 | 2.29 | 0.98 | 0.26 |
| Less Distributions: | | | | | | |
| Dividends from net investment income..... | (0.24) | (0.21) | - | (0.30) | (0.22) | - |
| Distributions from net realized gains on securities..... | (0.24) | (0.32) | - | (0.24) | (0.32) | - |
| Total distributions..... | (0.48) | (0.53) | - | (0.54) | (0.54) | - |
| Net asset value, end of period..... | \$ 14.90 | \$13.20 | \$ 12.85 | \$ 15.06 | \$ 13.31 | \$ 12.87 |
| Total return (annualized) (6) (7)..... | 16.95% | 7.37% | 11.60% | 17.72% | 8.18% | 11.77% |
| Ratios/Supplemental Data: | | | | | | |
| Net assets, end of period (in thousands)..... | \$ 7,138 | \$1,456 | \$ 375 | \$330,898 | \$227,939 | \$ 165,524 |
| Ratios to average net assets (annualized) (8) (9) : | | | | | | |
| Expenses..... | 1.17%(11) | 1.33% | 1.25% | 0.57%(11) | 0.60% | 0.63% |
| Net investment income..... | 1.76%(11) | 2.08% | 1.86% | 2.49%(11) | 2.65% | 1.41% |
| Portfolio turnover rate(10)..... | - | 21% | 37% | - | 21% | 37% |

</TABLE>

-
- (1) Class expenses per share were subtracted from net investment income per share for the Fund before class expenses to determine net investment income per share.
 - (2) Morgan Stanley Asset Management Inc. was added as an investment adviser to the International Equity Fund as of August 1, 1994.
 - (3) Average shares outstanding for the period rather than end of period shares were used to compute net investment income per share.
 - (4) HD International Limited was replaced by Hotchkis and Wiley as an investment adviser to the International Equity Fund as of the close of business on May 21, 1993.
 - (5) The PlanAhead and AMR Classes commenced active operations on August 1, 1994.
 - (6) Total return is calculated assuming an initial investment is made at the net asset value last calculated on the business day before the first day of each period reported, reinvestment of all dividends and capital gains distributions on the payable date, accrual for the maximum shareholder services fee of .30% (for periods prior to August 1, 1994) and a sale at net asset value on the last day of each period reported.
 - (7) Total returns for the PlanAhead and AMR Classes for the period ended October 31, 1994 reflect Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the applicable class for the period August 1, 1994 (commencement of operations of the new classes) through October 31, 1994. Due to the different expense structures between the classes, total returns would vary from the results shown had the classes been in operation for the entire year.

-
- (8) Effective August 1, 1994, expenses include administrative services fees paid by the Fund to the Manager. Prior to that date, expenses exclude shareholder services fees paid directly by shareholders to the Manager.

Such fees amounted to less than \$.04 per share in each period on an annualized basis.

- (9) The method of determining average net assets was changed from a monthly average to a daily average starting with the period ended October 31, 1994.
- (10) On November 1, 1995, the American AAdvantage International Equity Fund invested all of its investable assets in the AMR Investment Services International Equity Portfolio. The portfolio turnover rate for the year ended October 31, 1996 is included elsewhere in this report.
- (11) 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 Trust International Equity Portfolio.

21

23

AMERICAN AADVANTAGE LIMITED-TERM INCOME FUND
FINANCIAL HIGHLIGHTS
(For a share outstanding throughout the period)

| | | Institutional Class | | | | |
|--|------------|---|-----------|--------------|---|---------|
| | | Year Ended October 31, | | | | |
| | | 1996 | 1995 | 1994 (1) | 1993 | 1992 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 9.82 | \$ 9.67 | \$ 10.23 | \$ 10.13 | \$ 10.07 | |
| Income from Investment Operations: | | | | | | |
| Net investment income..... | 0.62 (9) | 0.62 | 0.52 | 0.58 | 0.75 | |
| Net gains (losses) on securities (both realized and unrealized)..... | (0.14) (9) | 0.15 | (0.46) | 0.15 | 0.06 | |
| Total from investment operations..... | 0.48 | 0.77 | 0.06 | 0.73 | 0.81 | |
| Less Distributions: | | | | | | |
| Dividends from net investment income..... | (0.62) | (0.62) | (0.52) | (0.58) | (0.75) | |
| Distributions from net realized gains on securities... | - | - | (0.10) | (0.05) | - | |
| Total distributions..... | (0.62) | (0.62) | (0.62) | (0.63) | (0.75) | |
| Net asset value, end of period..... | \$ 9.68 | \$ 9.82 | \$ 9.67 | \$ 10.23 | \$ 10.13 | |
| Total return (annualized) (3) (4)..... | 5.10% | 8.18% | 0.42% | 7.20% | 7.94% | |
| Ratios/Supplemental Data: | | | | | | |
| Net assets, end of period (in thousands)..... | \$108,929 | \$137,293 | \$112,141 | \$238,874 | \$209,928 | |
| Ratios to average net assets (annualized) (5) (6) (7): | | | | | | |
| Expenses..... | 0.60% (9) | 0.60% | 0.31% | 0.26% | 0.27% | |
| Net investment income..... | 6.41% (9) | 6.36% | 5.26% | 5.76% | 7.40% | |
| Portfolio turnover rate(8)..... | - | 183% | 94% | 176% | 133% | |
| | | PlanAhead Class | | | AMR Class | |
| | | Year Ended October 31, Period Ended October 31, | | | Year Ended October 31, Period Ended October 31, | |
| | | 1996 | 1995 | 1994 (1) (2) | 1996 | 1995 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 9.82 | \$ 9.68 | \$ 9.78 | \$ 9.81 | \$ 9.68 | \$ 9.78 |
| Income from Investment Operations: | | | | | | |
| Net investment income..... | 0.60 (9) | 0.59 | 0.13 | 0.65 (9) | 0.64 | 0.14 |
| Net gains (losses) on securities (both realized and unrealized)..... | (0.14) (9) | 0.14 | (0.10) | (0.14) (9) | 0.13 | (0.10) |
| Total from investment operations..... | 0.46 | 0.73 | 0.03 | 0.51 | 0.77 | 0.04 |
| Less Distributions: | | | | | | |
| Dividends from net investment income..... | (0.60) | (0.59) | (0.13) | (0.65) | (0.64) | (0.14) |
| Distributions from net realized gains on securities... | - | - | - | - | - | - |
| Total distributions..... | (0.60) | (0.59) | (0.13) | (0.65) | (0.64) | (0.14) |
| Net asset value, end of period..... | \$ 9.68 | \$ 9.82 | \$ 9.68 | \$ 9.67 | \$ 9.81 | \$ 9.68 |
| Total return (annualized) (3) (4)..... | 4.83% | 7.83% | 0.45% | 5.38% | 8.22% | 0.59% |
| Ratios/Supplemental Data: | | | | | | |

| | | | | | | |
|--|-----------|---------|--------|-----------|----------|-----------|
| Net assets, end of period (in thousands)..... | \$3,399 | \$1,576 | \$ 403 | \$59,526 | \$64,595 | \$ 53,445 |
| Ratios to average net assets (annualized) (5) (6) (7): | | | | | | |
| Expenses..... | 0.85% (9) | 0.83% | 0.79% | 0.33% (9) | 0.36% | 0.33% |
| Net investment income..... | 6.11% (9) | 6.16% | 5.10% | 6.66% (9) | 6.60% | 5.77% |
| Portfolio turnover rate(8)..... | - | 183% | 94% | - | 183% | 94% |

</TABLE>

-
- (1) Average shares outstanding for the period rather than end of period shares were used to compute net investment income per share.
 - (2) The PlanAhead and AMR Classes commenced active operations on August 1, 1994.
 - (3) Total return is calculated assuming an initial investment is made at the net asset value last calculated on the business day before the first day of each period reported, reinvestment of all dividends and capital gains distributions on the payable date, accrual for the maximum shareholder services fee of .30% (for periods prior to August 1, 1994) and a sale at net asset value on the last day of each period reported.
 - (4) Total returns for the PlanAhead and AMR Classes for the period ended October 31, 1994 reflect Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the applicable class for the period August 1, 1994 (commencement of operations of the new classes) through October 31, 1994. Due to the different expense structures between the classes, total returns would vary from the results shown had the classes been in operation for the entire year.
 - (5) Effective August 1, 1994, expenses include administrative services fees paid by the Fund to the Manager. Prior to that date, expenses exclude shareholder services fees paid directly by shareholders to the Manager. Such fees amounted to less than \$.03 per share in each period on an annualized basis.

-
- (6) The method of determining average net assets was changed from a monthly average to a daily average starting with the period ended October 31, 1994.
 - (7) Operating results of the PlanAhead Class exclude fees waived by the Manager. Results prior to expense waived were as follows:

<TABLE>
<CAPTION>

| | Year Ended October 31, 1996 | Year Ended October 31, 1995 | Period Ended October 31, 1994 |
|--|--------------------------------|--------------------------------|----------------------------------|
| <S> | <C> | <C> | <C> |
| Ratio of expenses to average net assets (annualized)..... | 0.94% | 1.06% | 1.00% |
| Ratio of net investment income to average net assets (annualized)..... | 6.02% | 5.94% | 4.89% |

</TABLE>

- (8) On November 1, 1995, the American AAdvantage Limited-Term Income Fund invested all of its investable assets in the AMR Investment Services Limited-Term Income Portfolio. The portfolio turnover rate for the period ended October 31, 1996 is included elsewhere in this report.
- (9) 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 Trust Limited-Term Income Portfolio.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Shareholders and Board of Trustees
AMR Investment Services Balanced Portfolio
AMR Investment Services Growth and Income Portfolio
AMR Investment Services International Equity Portfolio
AMR Investment Services Limited-Term Income Portfolio

We have audited the accompanying statements of assets and liabilities of the AMR Investment Services Balanced Portfolio, the AMR Investment Services Growth and Income Portfolio, the AMR Investment Services International Equity Portfolio, and the AMR Investment Services Limited-Term Income Portfolio (collectively, "the Portfolios") (separate portfolios comprising the AMR Investment Services Trust), including the schedules of investments as of October 31, 1996, and the related statements of operations, the statements of changes in net assets, and the financial highlights for the year then ended. 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 generally accepted auditing standards. 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 investments owned as of October 31, 1996, 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 October 31, 1996, the results of their operations, the changes in their net assets, and the financial highlights for the year then ended, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG

Dallas, Texas
December 20, 1996

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>

<CAPTION>

| | Par Amount | Value |
|---|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| U.S. GOVERNMENT & AGENCY | | |
| OBLIGATIONS - 21.14% | | |
| U.S. TREASURY BILLS - 0.78% | | |
| Due 11/21/1996..... | \$ 4,000 | \$ 3,989 |
| Due 12/26/1996..... | 3,000 | 2,978 |
| | | ----- |
| TOTAL U.S. TREASURY BILLS... | | 6,967 |
| | | ----- |
| U.S. TREASURY BONDS - 5.42% | | |
| 8.75%, Due 8/15/2020..... | 7,500 | 9,237 |
| 11.625%, Due 11/15/2004..... | 8,370 | 11,109 |
| 13.875%, Due 5/15/2011..... | 1,230 | 1,868 |
| 10.375%, Due 11/15/2012..... | 2,000 | 2,585 |
| 8.75%, Due 5/15/2017..... | 4,630 | 5,647 |
| 8.125%, Due 8/15/2019..... | 10,035 | 11,594 |
| 8.125%, Due 8/15/2021..... | 1,045 | 1,213 |
| 7.25%, Due 8/15/2022..... | 5,000 | 5,291 |
| | | ----- |
| TOTAL U.S. TREASURY BONDS... | | 48,544 |
| | | ----- |
| U.S. TREASURY COUPON STRIPS - 1.04% | | |
| Due 11/15/2008..... | 796 | 362 |
| Due 5/15/2011..... | 4,000 | 1,517 |
| Due 8/15/2018..... | 4,000 | 901 |
| Due 11/15/2018..... | 13,000 | 2,872 |
| Due 8/15/2019..... | 11,500 | 2,413 |
| Due 11/15/2019..... | 6,000 | 1,238 |
| | | ----- |
| TOTAL U.S. TREASURY COUPON STRIPS..... | | 9,303 |
| | | ----- |
| U.S. TREASURY NOTES - 13.90% | | |
| 7.375%, Due 11/15/1997..... | 1,000 | 1,018 |
| 5.125%, Due 3/31/1998..... | 7,500 | 7,444 |
| 5.125%, Due 6/30/1998..... | 1,000 | 991 |
| 5.875%, Due 3/31/1999..... | 2,750 | 2,753 |
| 6.375%, Due 7/15/1999..... | 3,000 | 3,036 |
| 7.125%, Due 9/30/1999..... | 12,390 | 12,777 |
| 7.125%, Due 2/29/2000..... | 8,190 | 8,466 |
| 5.50%, Due 4/15/2000..... | 3,000 | 2,953 |
| 6.125%, Due 7/31/2000..... | 2,000 | 2,006 |
| 6.125%, Due 9/30/2000..... | 11,950 | 11,984 |
| 8.50%, Due 11/15/2000..... | 5,500 | 5,976 |
| 5.625%, Due 11/30/2000..... | 3,000 | 2,953 |
| 6.375%, Due 3/31/2001..... | 7,500 | 7,587 |
| 7.50%, Due 11/15/2001..... | 3,000 | 3,176 |

7.50%, Due 5/15/2002..... 1,000 1,063

<CAPTION>

| | Par Amount | Value |
|--|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| 6.375%, Due 8/15/2002..... | \$ 8,250 | \$ 8,339 |
| 6.25%, Due 2/15/2003..... | 9,190 | 9,222 |
| 5.75%, Due 8/15/2003..... | 3,000 | 2,921 |
| 5.875%, Due 2/15/2004..... | 2,000 | 1,953 |
| 7.25%, Due 5/15/2004..... | 1,500 | 1,584 |
| 7.875%, Due 11/15/2004..... | 1,500 | 1,646 |
| 7.50%, Due 2/15/2005..... | 5,785 | 6,215 |
| 6.50%, Due 5/15/2005..... | 7,000 | 7,075 |
| 6.50%, Due 8/15/2005..... | 2,000 | 2,021 |
| 5.875%, Due 11/15/2005..... | 3,000 | 2,903 |
| 5.625%, Due 2/15/2006..... | 3,000 | 2,854 |
| 7.875%, Due 2/15/2021..... | 325 | 367 |
| 6.25%, Due 8/15/2023..... | 3,450 | 3,237 |
| | ----- | ----- |
| TOTAL U.S. TREASURY NOTES... | | 124,520 |
| | | ----- |
| TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS..... | | 189,334 |
| | | ----- |

U.S. AGENCY MORTGAGE-BACKED OBLIGATIONS - 6.49%

FEDERAL HOME LOAN MORTGAGE

CORPORATION - 1.78%

| | | |
|--|-------|--------|
| 7.15%, Due 6/27/2000..... | 2,115 | 2,133 |
| 7.83%, Due 8/11/2004..... | 1,130 | 1,140 |
| 7.75%, Due 5/22/2006..... | 2,300 | 2,341 |
| 7.61%, Due 5/24/2006..... | 3,000 | 3,057 |
| Series 1194G, 6.50%, Due 10/15/2006..... | 1,500 | 1,488 |
| Series 1250F, 7.00%, Due 4/15/2019..... | 887 | 893 |
| Pool #C00436, 7.50%, Due 12/1/2025..... | 4,894 | 4,910 |
| | ----- | ----- |
| TOTAL FEDERAL HOME LOAN MORTGAGE CORPORATION..... | | 15,962 |
| | | ----- |

FEDERAL NATIONAL MORTGAGE

ASSOCIATION - 3.15%

| | | |
|--|-------|-------|
| 6.36%, Due 8/16/2000..... | 2,090 | 2,101 |
| 7.78%, Due 5/22/2006..... | 1,000 | 1,013 |
| Pool #297492, 6.50%, Due 10/1/2010..... | 26 | 25 |
| Pool #338030, 6.50%, Due 4/1/2011..... | 311 | 305 |
| Pool #341332, 6.50%, Due 4/1/2011..... | 676 | 664 |
| Pool #341382, 6.50%, Due 4/1/2011..... | 270 | 264 |

</TABLE>

See accompanying notes

25

27

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO

SCHEDULE OF INVESTMENTS

October 31, 1996

<TABLE>

<CAPTION>

| | Par Amount | Value |
|---|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Pool #342743, 6.50%, Due 4/1/2011..... | \$ 721 | \$ 708 |
| Pool #337195, 6.50%, Due 5/1/2011..... | 1,356 | 1,332 |
| Pool #344287, 6.50%, Due 5/1/2011..... | 493 | 485 |
| Pool #344429, 6.50%, Due 5/1/2011..... | 129 | 127 |
| Series 1349PG, 6.50%, | | |

| | | |
|---------------------------------|-------|-------|
| Due 5/15/2014..... | 400 | 401 |
| Pool #66185, 6.059%, | | |
| Due 7/1/2018..... | 1,737 | 1,702 |
| Series 1992-143G, 6.75%, | | |
| Due 10/25/2018..... | 500 | 502 |
| Series 1989-21G, 10.45%, | | |
| Due 4/25/2019..... | 209 | 228 |
| Pool #218949, 7.50%, | | |
| Due 12/1/2023..... | 936 | 950 |
| Pool #266196, 7.114%, | | |
| Due 1/1/2024..... | 1,581 | 1,597 |
| TBA, 7.50% Due 9/23/2024..... | 1,670 | 1,673 |
| Pool #306505, 8.00%, | | |
| Due 3/1/2025..... | 1,411 | 1,439 |
| Pool #308798, 7.32%, | | |
| Due 4/1/2025..... | 371 | 382 |
| Pool #303585, 7.00%, | | |
| Due 10/1/2025..... | 733 | 719 |
| Pool #250414, 7.00%, | | |
| Due 12/1/2025..... | 2,421 | 2,374 |
| Pool #339141, 7.00%, | | |
| Due 3/1/2026..... | 5,488 | 5,381 |
| Pool #341041, 7.00%, | | |
| Due 4/1/2026..... | 29 | 28 |
| TBA, 8.00%, Due 11/13/2026..... | 3,700 | 3,774 |

TOTAL FEDERAL NATIONAL
MORTGAGE ASSOCIATION..... 28,174

| | | |
|--|-------|-------|
| GOVERNMENT NATIONAL MORTGAGE ASSOCIATION - 1.56% | | |
| Pool #102932, 10.50%, | | |
| Due 9/15/1998..... | 12 | 12 |
| Series 1994-2 Cl O, 7.99125%, | | |
| Due 4/16/2010..... | 1,488 | 1,527 |
| Pool #180220, 9.00%, | | |
| Due 10/15/2016..... | 887 | 938 |
| TBA, 8.00%, Due 2/1/2020..... | 1,640 | 1,677 |
| Pool #340063, 7.50%, | | |
| Due 12/15/2022..... | 20 | 21 |

<CAPTION>

| | Par Amount | Value |
|-------------------------------|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Pool #339886, 7.50%, | | |
| Due 1/15/2023..... | \$ 463 | \$ 465 |
| Pool #349306, 8.00%, | | |
| Due 2/15/2023..... | 2,525 | 2,581 |
| Pool #345300, 7.00%, | | |
| Due 3/15/2023..... | 878 | 861 |
| Pool #344261, 7.50%, | | |
| Due 4/15/2023..... | 505 | 507 |
| Pool #336950, 7.50%, | | |
| Due 4/15/2023..... | 783 | 786 |
| Pool #355479, 8.00%, | | |
| Due 5/15/2023..... | 1,518 | 1,552 |
| Pool #320073, 7.00%, | | |
| Due 6/15/2023..... | 20 | 20 |
| Pool #341926, 8.00%, | | |
| Due 6/15/2023..... | 17 | 18 |
| Pool #352117, 8.00%, | | |
| Due 7/15/2023..... | 1,131 | 1,157 |
| Pool #355721, 7.50%, | | |
| Due 7/15/2023..... | 157 | 158 |
| Pool #344979, 7.50%, | | |
| Due 8/15/2023..... | 451 | 453 |
| Pool #1849, 8.50%, | | |
| Due 8/20/2024..... | 563 | 580 |
| TBA, 7.50%, Due 6/1/2025..... | 630 | 632 |

TOTAL GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION..... 13,945

TOTAL U.S. AGENCY
MORTGAGE-BACKED
OBLIGATIONS..... 58,081

| | | |
|----------------------------------|-------|-------|
| ASSET-BACKED SECURITIES -- 2.21% | | |
| American Express Master Trust | | |
| 1992-1 A, 6.05%, | | |
| Due 6/15/1998..... | 2,250 | 2,256 |
| AT&T Universal Card Master | | |

| | | |
|--|-------|-------|
| Trust, 1995-2A, 5.95%, Due 10/17/2002..... | 550 | 545 |
| Boatmen's Auto Trust, 1996-A A2, 6.35%, Due 1/15/2003..... | 850 | 856 |
| Chase Manhattan Credit Card Master Trust, 1996-4A, 6.73%, Due 2/15/2003..... | 1,550 | 1,576 |
| Chemical Master Credit Card Trust 1, 1996-1A, 5.55%, Due 9/15/2003..... | 810 | 789 |
| Chemical Master Credit Card Trust 1, 1995-3A, 6.23%, Due 4/15/2005..... | 990 | 980 |

</TABLE>

See accompanying notes

26

28

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Par Amount | Value |
|---|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Citibank Credit Card Master Trust I, 1996-1A, Zero Coupon, Due 2/7/2003..... | \$ 1,410 | \$ 1,075 |
| ContiMortgage Home Equity Loan Trust, 1994-4 A2, 7.96%, Due 9/15/2009..... | 2,003 | 2,046 |
| Discover Card Master Trust I, 1996-3A, 6.05%, Due 8/18/2008..... | 1,010 | 958 |
| General Electric Railcar Trust, 1992-1A, 7.75%, Due 6/1/2004..... | 601 | 629 |
| NationsBank Auto Owner Trust, 1996-A A3, 6.375%, Due 7/15/2000..... | 2,550 | 2,567 |
| NationsBank Credit Card Master Trust, 1993-2A, 6.00%, Due 12/15/2005..... | 1,060 | 1,027 |
| Olympic Automobile Receivables Trust, 1993-CA, 4.50%, Due 2/15/2000..... | 173 | 172 |
| Prime Credit Card Master Trust, 1996-1A, 6.70%, Due 7/15/2004..... | 500 | 508 |
| Sears Credit Account Master Trust, 1995-5A, 6.05%, Due 1/16/2008..... | 720 | 704 |
| Sears Credit Account Master Trust, 1996-4A, 6.45%, Due 10/16/2006..... | 440 | 442 |
| Signet Credit Card Master Trust, 1994-4A, 6.80%, Due 12/15/2000..... | 1,800 | 1,817 |
| UCFC Home Equity Loan, 1994-C1 A2, 7.275%, Due 6/10/2007..... | 380 | 382 |
| Western Financial Grantor Trust, 1994-3 A2, 6.65%, Due 12/1/1999..... | 471 | 475 |
| | | ----- |
| TOTAL ASSET-BACKED SECURITIES..... | | 19,804 |
| | | ----- |
| NON-AGENCY MORTGAGE-BACKED OBLIGATIONS -- 1.24% | | |
| Citicorp Mortgage Securities, Incorporated, 1987-14 A1, 9.50%, Due 9/25/2002..... | 608 | 619 |
| Citicorp Mortgage Securities, Incorporated, 1987-5 A1, 8.50%, Due 4/25/2017..... | 646 | 644 |
| Citicorp Mortgage Securities, Incorporated, 1990-4 A5, | | |

9.50%, Due 3/25/2005..... 836 833

<CAPTION>

| | Par Amount | Value |
|---|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| DLJ Mortgage Acceptance Corporation, 1994-Q1 2A1, 4.56029%, Due 3/25/2024..... | \$ 498 | \$ 490 |
| General Electric Capital Mortgage Services, Incorporated, 1992-4A A4, 8.00%, Due 4/25/2022..... | 614 | 625 |
| Green Tree Financial Corporation, 1993-3 A5, 5.75%, Due 10/15/2018..... | 990 | 969 |
| Green Tree Financial Corporation, 1994-5 A2, 7.30%, Due 11/15/2019..... | 690 | 701 |
| Green Tree Financial Corporation, 1996-8 A4, 7.00%, Due 10/15/2027..... | 1,300 | 1,327 |
| Independent National Mortgage Corporation, 1995-F A5, 8.25%, Due 5/25/2010..... | 600 | 623 |
| Independent National Mortgage Corporation, 1995W A2, 7.25% Due 2/25/2026..... | 1,500 | 1,435 |
| The Money Store Home Equity Trust, 7.66%, Due 8/15/2026... | 1,500 | 1,508 |
| Residential Asset Securitization Trust, 1996-A3 A11, 7.50%, Due 7/25/2011..... | 976 | 994 |
| Residential Funding Mortgage 1, 1993-S28 A4, 6.35%, Due 8/25/2023..... | 300 | 296 |
| | | ----- |
| TOTAL NON-AGENCY MORTGAGE-BACKED OBLIGATIONS..... | | 11,064 |
| | | ----- |

CORPORATE BONDS -- 10.13%
FINANCIAL -- 5.12%

| | | |
|---|-------|-------|
| American General Financial, 7.25%, Due 5/15/2005..... | 410 | 418 |
| Associates Corporation of North America 7.50%, Due 5/15/1999..... | 80 | 82 |
| BankAmerica Corporation, 7.50%, Due 3/15/1997..... | 960 | 966 |
| BankAmerica Corporation, 9.75%, Due 7/1/2000..... | 600 | 664 |
| BankAmerica Corporation, 7.20%, Due 4/15/2006..... | 1,280 | 1,294 |
| Bankers Trust New York, 8.25%, Due 5/1/2005..... | 740 | 795 |
| BanPonce, 7.30%, Due 6/5/2002..... | 640 | 657 |
| Capital One Bank, 6.73%, Due 6/4/1998..... | 2,500 | 2,516 |

</TABLE>

See accompanying notes

27

29

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>

<CAPTION>

| | Par Amount | Value |
|---|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Chase Manhattan Corporation, 7.625%, Due 1/15/2003..... | \$ 200 | \$ 209 |
| Chase Manhattan Corporation, | | |

| | | |
|---|-------|-------|
| 8.625%, Due 5/1/2002..... | 700 | 763 |
| Chemical Banking Corporation, FRN, 6.2125%, Due 6/15/2000..... | 2,300 | 2,309 |
| Chemical New York Corporation, 9.75%, Due 6/15/2099..... | 900 | 975 |
| Countrywide Funding Corporation, 7.20%, Due 1/15/2006..... | 2,190 | 2,218 |
| Dean Witter Discover, 6.875%, Due 3/1/2003..... | 1,290 | 1,298 |
| First Union Corporation, 7.05%, Due 8/1/2005..... | 840 | 841 |
| Fleet Mortgage Group, Incorporated, 6.125%, Due 8/15/1997..... | 930 | 932 |
| Ford Motor Credit Company, 9.25%, Due 6/15/1998..... | 1,000 | 1,048 |
| Ford Motor Credit Company, 7.95%, Due 5/17/1999..... | 2,000 | 2,080 |
| Ford Motor Credit Company, 8.20%, Due 2/15/2002..... | 1,510 | 1,611 |
| General Motors Acceptance Corporation, 6.65%, Due 5/24/2000..... | 2,700 | 2,719 |
| General Motors Acceptance Corporation, 6.75%, Due 6/17/2002..... | 1,140 | 1,146 |
| Health & Rehab, FRN, 6.9875%, Due 7/13/1999..... | 1,000 | 997 |
| International Business Machines, Incorporated, 7.00%, Due 10/30/2025..... | 1,290 | 1,242 |
| Lehman Brothers Holding, Incorporated, 7.41%, Due 5/25/1999..... | 500 | 510 |
| Lehman Brothers, 6.625%, Due 2/15/2000..... | 570 | 568 |
| Lehman Brothers, Incorporated, 5.04%, Due 12/15/2003..... | 1,000 | 1,004 |
| National Bank Of Detroit, 7.125%, Due 5/15/2007..... | 700 | 701 |
| NationsBank Corporation, 7.00%, Due 9/15/2001..... | 750 | 764 |
| Paine Webber, 7.625%, Due 10/15/2008..... | 2,200 | 2,227 |
| PNC Funding Corporation, 6.125%, Due 9/1/2003..... | 1,000 | 961 |

<CAPTION>

| | Par Amount | Value |
|---|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Salomon Incorporated, 7.05%, Due 1/15/1998..... | \$ 800 | \$ 807 |
| Salomon Incorporated, 7.00%, Due 1/20/1998..... | 390 | 394 |
| Salomon Incorporated, 5.53%, Due 1/30/1998..... | 1,500 | 1,487 |
| Salomon Incorporated, 6.04%, Due 7/9/1998..... | 625 | 622 |
| Salomon Incorporated, 6.70%, Due 12/1/1998..... | 390 | 393 |
| Salomon Incorporated, 5.395%, Due 4/5/1999..... | 500 | 497 |
| Society National Bank, 7.25%, Due 6/1/2005..... | 800 | 813 |
| St. Paul Companies, 9.375%, Due 6/15/1997..... | 600 | 613 |
| Taubman Realty Group, 8.00%, Due 6/15/1999..... | 2,000 | 2,038 |
| Taubman Realty Group, 5.75%, Due 11/3/1997..... | 1,500 | 1,498 |
| Travelers/Aetna P & C, 6.75%, Due 4/15/2001..... | 1,300 | 1,312 |
| Westpac Banking Corporation, 7.875%, Due 10/15/2002..... | 800 | 847 |
| | | ----- |
| TOTAL FINANCIAL..... | | 45,836 |
| | | ----- |
| INDUSTRIAL -- 3.17% | | |
| American Home Products, 7.70%, Due 2/15/2000..... | 450 | 469 |
| Atlantic Richfield Corporation, | | |

| | | |
|--|-------|-------|
| 8.50%, Due 4/1/2012..... | 870 | 999 |
| Atlantic Richfield Corporation, 8.75%, Due 3/1/2032..... | 610 | 714 |
| The Boeing Company, 8.625%, Due 11/15/2031..... | 620 | 724 |
| Capital Cities/ABC, 8.875%, Due 12/15/2000..... | 1,000 | 1,086 |
| CIT Group Holdings, 6.375%, Due 5/21/1999..... | 750 | 755 |
| Coca-Cola Company, 6.625%, Due 10/1/2002..... | 1,000 | 1,007 |
| Columbia/HCA Health, 7.69%, Due 6/15/2025..... | 730 | 756 |
| Dresser Industries, 6.25%, Due 6/1/2000..... | 2,000 | 1,996 |
| E.I. DuPont de Nemours & Company, 6.75%, Due 10/15/2002..... | 1,000 | 1,013 |
| Exxon Capital Corporation, 7.45%, Due 12/15/2001..... | 1,000 | 1,046 |

</TABLE>

See accompanying notes

28

30

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Par Amount | Value |
|---|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Heinz H.J. Company, 5.50%, Due 9/15/1997..... | \$ 520 | \$ 519 |
| Legrand, 8.50%, Due 2/15/2025... | 820 | 917 |
| Lockheed Martin Corporation, 7.45%, Due 6/15/2004..... | 1,390 | 1,442 |
| The May Department Store Company, 9.75%, Due 2/15/2021..... | 400 | 468 |
| News America Holdings, 9.25%, Due 2/1/2013..... | 710 | 800 |
| Occidental Petroleum Corporation, 8.50%, Due 9/15/2004..... | 2,000 | 2,109 |
| Pepsico Incorporated, 7.00%, Due 11/15/1996..... | 550 | 550 |
| Philip Morris Companies, Incorporated, 8.25%, Due 10/15/2003..... | 640 | 685 |
| Philip Morris Companies, Incorporated, 8.375%, Due 1/15/2017..... | 625 | 640 |
| Pohang Iron & Steel, 7.375%, Due 5/15/2005..... | 750 | 763 |
| RJR Nabisco, 8.75%, Due 8/15/2005..... | 1,000 | 996 |
| RJR Nabisco, 8.00%, Due 7/15/2001..... | 1,750 | 1,761 |
| Sears Roebuck Acceptance, 6.82%, Due 10/17/2002..... | 2,710 | 2,724 |
| Sysco Corporation, 7.00%, Due 5/1/2006..... | 1,000 | 1,012 |
| Tenneco, Incorporated, 10.00%, Due 8/1/1998..... | 1,000 | 1,063 |
| Texaco Cap, MTN, 6.19%, Due 7/9/2003..... | 750 | 727 |
| WMX Technologies, 6.22%, Due 4/30/2004..... | 590 | 631 |
| TOTAL INDUSTRIAL..... | | 28,372 |
| | | ----- |
| UTILITY -- 0.32% | | |
| General Telephone Southwest, Incorporated, 8.50%, Due 11/15/2031..... | 600 | 677 |
| Pacific Bell Telephone, 8.70%, | | |

| | | |
|--|-------|-------|
| Due 6/15/2001..... | 670 | 727 |
| Southern California Edison Company, 8.25%, Due 2/1/2000..... | 1,425 | 1,501 |
| | | ----- |
| TOTAL UTILITY..... | | 2,905 |
| | | ----- |

<CAPTION>

| | Par Amount | Value |
|---|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| FOREIGN BONDS -- 1.52% | | |
| ABN AMRO, 7.27%, Due 5/31/2005..... | \$ 690 | \$ 704 |
| ANZ Banking, 6.25%, Due 2/1/2004..... | 770 | 737 |
| BCH Cayman Islands Limited, 7.70%, Due 7/15/2006..... | 850 | 875 |
| Hanson Overseas, 7.375%, Due 1/15/2003..... | 600 | 617 |
| Hydro-Quebec, 7.375%, Due 2/1/2003..... | 400 | 414 |
| Hydro-Quebec, 9.40%, Due 2/1/2021..... | 1,800 | 2,160 |
| Hydro-Quebec, 8.875%, Due 3/1/2026..... | 1,200 | 1,376 |
| Kansallis-Osake-Pankki Bank, 10.00%, Due 5/1/2002..... | 810 | 924 |
| Korea Development Bank, 5.875%, Due 12/1/1998..... | 100 | 99 |
| Korea Development Bank, 6.25%, Due 5/1/2000..... | 770 | 765 |
| Midland Bank PLC, 7.625%, Due 6/15/2006..... | 910 | 946 |
| Province of Newfoundland, 9.875%, Due 6/1/2020..... | 250 | 314 |
| Province of Quebec, 8.80%, Due 4/15/2003..... | 335 | 371 |
| Province of Quebec, 5.735%, Due 3/2/2026..... | 890 | 864 |
| Santander Financial Issuance Limited, 7.75%, Due 5/15/2005..... | 250 | 260 |
| Santander Financial Issuance Limited, 7.00%, Due 4/1/2006..... | 460 | 457 |
| Svenska Handelsbanken, 8.35%, Due 7/15/2004..... | 740 | 804 |
| Swiss Bank Corporation, 7.50%, Due 7/15/2025..... | 950 | 957 |
| | | ----- |
| TOTAL FOREIGN BONDS..... | | 13,644 |
| | | ----- |
| TOTAL CORPORATE BONDS..... | | 90,757 |
| | | ----- |

<CAPTION>

| | Shares | |
|----------------------------------|--------|-------|
| | ----- | |
| <S> | <C> | <C> |
| COMMON STOCK -- 56.85% | | |
| FOREIGN STOCKS -- 1.19% | | |
| Arthur Guinness & Sons, ADR..... | 24,700 | 885 |
| British Petroleum PLC, ADR..... | 10,000 | 1,286 |
| British Telecom PLC, ADR..... | 22,300 | 1,285 |

See accompanying notes

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>

<CAPTION>

| | Shares | Value |
|-----|------------------------|-------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |

| | | |
|--|------------------------|----------|
| Ciba-Geigy AG..... | 30,000 | \$ 1,855 |
| Elf Aquitaine SA..... | 36,100 | 1,449 |
| Hanson PLC, ADR..... | 301,300 | 1,921 |
| Imperial Tobacco Group PLC..... | 30,000 | 350 |
| Royal Dutch Petroleum Company, New York Registry..... | 10,000 | 1,654 |
| TOTAL FOREIGN STOCKS..... | | 10,685 |
| CONSUMER STAPLES -- 9.05% | | |
| DEPARTMENT AND MAIL ORDER -- 1.37% | | |
| J.C. Penney Company, Incorporated..... | 96,075 | 5,044 |
| K Mart Corporation..... | 359,600 | 3,506 |
| The May Department Store Company..... | 32,500 | 1,540 |
| Sears Roebuck & Company..... | 45,000 | 2,177 |
| TOTAL DEPARTMENT AND MAIL ORDER..... | | 12,267 |
| DISTILLERS AND BREWERS - 0.66% | | |
| Anheuser-Busch Companies, Incorporated..... | 123,000 | 4,736 |
| Brown-Foreman, Incorporated.... | 26,700 | 1,155 |
| TOTAL DISTILLERS AND BREWERS..... | | 5,891 |
| DRUGS AND HOSPITAL SUPPLY - 2.50% | | |
| American Home Products Corporation..... | | |
| Baxter International, Incorporated..... | 82,100 | 5,029 |
| Bristol-Myers Squibb Company.... | 55,000 | 2,289 |
| Horizon / CMS Healthcare Corporation..... | 48,600 | 5,139 |
| Merck & Company, Incorporated... | 120,675 | 1,252 |
| Pharmacia & Upjohn, Incorporated..... | 35,000 | 2,594 |
| Warner Lambert, Incorporated.... | 47,300 | 1,703 |
| | 68,700 | 4,371 |
| TOTAL DRUGS AND HOSPITAL SUPPLY..... | | 22,377 |
| FOOD PROCESSING - 0.23% | | |
| Archer Daniels Midland Company.. | 94,500 | 2,055 |
| TOTAL FOOD PROCESSING..... | | 2,055 |
| FOODS - 0.16% | | |
| Nabisco Holdings Corporation, Class A..... | 37,900 | 1,412 |
| TOTAL FOODS..... | | 1,412 |
| <CAPTION> | | |
| | Shares | Value |
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| LEISURE - 0.36% | | |
| Hasbro, Incorporated..... | 35,200 | \$ 1,368 |
| King World Productions, Incorporated (non-income producing)..... | 11,200 | 403 |
| Toys R Us, Incorporated..... | 44,500 | 1,507 |
| TOTAL LEISURE..... | | 3,278 |
| PHOTOGRAPHY - 1.14% | | |
| Eastman Kodak Company..... | 127,900 | 10,200 |
| TOTAL PHOTOGRAPHY..... | | 10,200 |
| PUBLISHING - 0.26% | | |
| A.H. Belo, Incorporated, Class A..... | 60,700 | 2,367 |
| TOTAL PUBLISHING..... | | 2,367 |
| TOBACCO - 2.37% | | |
| American Brands, Incorporated... | 91,400 | 4,364 |
| Philip Morris Companies, | | |

| | | |
|----------------------------------|---------|--------|
| Incorporated..... | 152,389 | 14,115 |
| RJR Nabisco Holdings..... | 95,700 | 2,763 |
| | | ----- |
| TOTAL TOBACCO..... | | 21,242 |
| | | ----- |
| TOTAL CONSUMER STAPLES..... | | 81,089 |
| | | ----- |
| INTEREST SENSITIVE - 21.77% | | |
| BANKS - 7.37% | | |
| Bank America Corporation..... | 152,000 | 13,908 |
| Bank of Boston Corporation..... | 40,000 | 2,560 |
| Bankers Trust Company | | |
| New York..... | 19,400 | 1,639 |
| Chase Manhattan Corporation..... | 196,200 | 16,824 |
| Corestates Financial | | |
| Corporation..... | 16,000 | 778 |
| First Chicago NBD..... | 130,681 | 6,665 |
| First of America Bank | | |
| Corporation..... | 50,000 | 2,719 |
| First Security Corporation..... | 60,000 | 1,763 |
| First Union Corporation..... | 20,000 | 1,455 |
| Fleet Financial Group, | | |
| Incorporated..... | 25,000 | 1,247 |
| J.P. Morgan & Company, | | |
| Incorporated..... | 33,000 | 2,850 |
| Norwest Corporation..... | 183,900 | 8,069 |
| PNC Bank Corporation..... | 115,000 | 4,169 |
| Wells Fargo and Company..... | 5,000 | 1,336 |
| | | ----- |
| TOTAL BANKS..... | | 65,982 |
| | | ----- |
| BUILDING AND MATERIALS - 0.42% | | |
| PPG Industries, Incorporated.... | 66,500 | 3,791 |
| | | ----- |
| TOTAL BUILDING AND | | |
| MATERIALS..... | | 3,791 |
| | | ----- |

</TABLE>

See accompanying notes

30

32

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Shares | Value |
|----------------------------------|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| FINANCE - 0.68% | | |
| Beneficial Corporation..... | 35,000 | \$ 2,048 |
| Household International, | | |
| Incorporated..... | 30,000 | 2,655 |
| Paine Webber Group, | | |
| Incorporated..... | 58,900 | 1,384 |
| | | ----- |
| TOTAL FINANCE..... | | 6,087 |
| | | ----- |
| INSURANCE - LIFE AND MULTI- | | |
| LINE - 2.58% | | |
| Aetna Incorporated..... | 75,600 | 5,056 |
| American Financial Group, | | |
| Incorporated..... | 12,600 | 452 |
| American General Corporation.... | 26,000 | 969 |
| Aon Corporation..... | 114,300 | 6,601 |
| Lincoln National Corporation.... | 45,000 | 2,183 |
| Old Republic International | | |
| Corporation..... | 121,000 | 2,995 |
| Travelers Corporation..... | 89,503 | 4,856 |
| | | ----- |
| TOTAL INSURANCE - LIFE AND | | |
| MULTI-LINE..... | | 23,112 |
| | | ----- |
| INSURANCE - PROPERTY AND | | |
| CASUALTY - 1.32% | | |
| Allstate Corporation..... | 113,300 | 6,359 |
| Chubb Corporation..... | 20,000 | 1,000 |
| St. Paul Companies..... | 60,000 | 3,263 |

| | | |
|--|---------|--------|
| TIG Holdings, Incorporated..... | 42,000 | 1,213 |
| | | ----- |
| TOTAL INSURANCE - PROPERTY AND CASUALTY..... | | 11,835 |
| | | ----- |
| SAVINGS AND LOAN - 0.48% | | |
| Great Western Financial Corporation..... | 75,000 | 2,100 |
| H.F. Ahmanson & Company..... | 70,000 | 2,196 |
| | | ----- |
| TOTAL SAVINGS AND LOAN..... | | 4,296 |
| | | ----- |
| UTILITIES - ELECTRIC - 3.56% | | |
| Central and Southwest Corporation..... | 48,500 | 1,285 |
| CMS Energy Corporation..... | 60,000 | 1,898 |
| DTE Energy Company..... | 83,700 | 2,521 |
| Edison International..... | 80,000 | 1,580 |
| Entergy Corporation..... | 383,000 | 10,724 |
| Illinova Corporation..... | 60,000 | 1,635 |
| Northeast Utilities..... | 287,400 | 3,090 |
| Potomac Electric Power..... | 23,900 | 612 |
| PP&L Resources, Incorporated.... | 25,000 | 584 |

<CAPTION>

| | Shares | Value |
|---|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Public Service Enterprise Group, Incorporated..... | 45,400 | \$ 1,220 |
| Rochester Gas and Electric, Incorporated..... | 30,000 | 559 |
| Unicom Corporation..... | 238,100 | 6,191 |
| | | ----- |
| TOTAL UTILITIES - ELECTRIC..... | | 31,899 |
| | | ----- |
| UTILITIES - NATURAL GAS - 1.95% | | |
| Consolidated Natural Gas Company..... | 149,200 | 7,926 |
| Panenergy Corporation..... | 193,500 | 7,450 |
| Peoples Energy Corporation..... | 58,000 | 2,045 |
| | | ----- |
| TOTAL UTILITIES - NATURAL GAS..... | | 17,421 |
| | | ----- |
| UTILITIES - TELEPHONE - 1.35% | | |
| AT&T Corporation..... | 30,000 | 1,046 |
| NYNEX Corporation..... | 32,000 | 1,424 |
| Pacific Telesis Group, Incorporated..... | 96,500 | 3,281 |
| SBC Communications..... | 14,400 | 700 |
| US West, Incorporated..... | 184,200 | 5,595 |
| | | ----- |
| TOTAL UTILITIES - TELEPHONE..... | | 12,046 |
| | | ----- |
| MISCELLANEOUS - INTEREST SENSITIVE - 2.06% | | |
| American Express Company..... | 205,600 | 9,663 |
| Dean Witter Discover & Company.. | 22,600 | 1,331 |
| Federal Home Loan Mortgage Corporation..... | 20,800 | 2,101 |
| Federal National Mortgage Association..... | 117,200 | 4,585 |
| Fund American Enterprises, Incorporated..... | 8,800 | 789 |
| | | ----- |
| TOTAL MISCELLANEOUS - INTEREST SENSITIVE..... | | 18,469 |
| | | ----- |
| TOTAL INTEREST SENSITIVE..... | | 194,938 |
| | | ----- |
| CONSUMER CYCLICALS - 3.55% | | |
| AUTOMOBILE AND TRUCK - 3.27% | | |
| Dana Corporation..... | 208,200 | 6,168 |
| Eaton Corporation..... | 25,000 | 1,494 |
| Ford Motor Company..... | 408,200 | 12,756 |
| General Motors Corporation..... | 164,800 | 8,879 |
| | | ----- |
| TOTAL AUTOMOBILE AND TRUCK..... | | 29,297 |

</TABLE>

See accompanying notes

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>

<CAPTION>

| | Shares | Value |
|--|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| ELECTRICAL HOUSEHOLD EQUIPMENT - 0.13% | | |
| Whirlpool Corporation..... | 24,400 | \$ 1,153 |
| | | ----- |
| TOTAL ELECTRICAL HOUSEHOLD EQUIPMENT..... | | 1,153 |
| | | ----- |
| TIRE AND RUBBER - 0.15% | | |
| Goodyear Tire & Rubber Company.. | 28,800 | 1,321 |
| | | ----- |
| TOTAL TIRE AND RUBBER..... | | 1,321 |
| | | ----- |
| TOTAL CONSUMER CYCLICALS.... | | |
| | | 31,771 |
| | | ----- |
| INTERMEDIATE GOODS & SERVICES - 13.37% | | |
| CHEMICALS - 1.60% | | |
| ARCO Chemical Company..... | 35,000 | 1,671 |
| Dow Chemical..... | 27,000 | 2,099 |
| E.I. DuPont de Nemours & Company..... | 27,000 | 2,504 |
| Eastman Chemical Company..... | 38,900 | 2,052 |
| FMC Corporation (non-income producing)..... | 58,300 | 4,292 |
| Olin Corporation..... | 40,000 | 1,700 |
| | | ----- |
| TOTAL CHEMICALS..... | | 14,318 |
| | | ----- |
| FOREST PRODUCTS - 1.28% | | |
| Boise Cascade Corporation..... | 46,700 | 1,448 |
| Georgia-Pacific Corporation.... | 15,000 | 1,125 |
| International Paper Company.... | 55,000 | 2,351 |
| Louisiana Pacific Corporation... | 59,200 | 1,236 |
| Mead Corporation..... | 12,000 | 681 |
| Millenium Chemicals, Incorporated..... | 31,172 | 631 |
| Union Camp Corporation..... | 40,000 | 1,950 |
| Weyerhaeuser Company..... | 45,000 | 2,064 |
| | | ----- |
| TOTAL FOREST PRODUCTS..... | | 11,486 |
| | | ----- |
| METALS - ALUMINUM - 0.39% | | |
| Alumax, Incorporated..... | 43,000 | 1,381 |
| Aluminum Company of America.... | 36,000 | 2,111 |
| | | ----- |
| TOTAL METALS - ALUMINUM..... | | 3,492 |
| | | ----- |
| NATURAL GAS TRANSMISSION - 0.20% | | |
| Coastal Corporation..... | 40,700 | 1,750 |
| | | ----- |
| TOTAL NATURAL GAS TRANSMISSION..... | | 1,750 |
| | | ----- |
| OIL - 6.40% | | |
| Amoco Corporation..... | 120,500 | 9,128 |
| Ashland, Incorporated..... | 50,000 | 2,125 |
| Atlantic Richfield Corporation..... | 15,000 | 1,988 |

<CAPTION>

| | Shares | Value |
|--------------------------|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Chevron Corporation..... | 30,000 | \$ 1,973 |
| Exxon Corporation..... | 62,600 | 5,548 |

| | | |
|--|---------|---------|
| Louisiana Land and Exploration | | |
| Company..... | 25,400 | 1,445 |
| Mobil Corporation..... | 10,000 | 1,168 |
| Phillips Petroleum Company..... | 217,300 | 8,909 |
| Tenneco, Incorporated..... | 205,000 | 10,148 |
| Texaco, Incorporated..... | 82,900 | 8,425 |
| Ultramar Corporation..... | 70,000 | 2,004 |
| Union Pacific Resources Group, Incorporated..... | 78,600 | 2,162 |
| Union Texas Petroleum Holdings, Incorporated..... | 105,700 | 2,259 |
| | | ----- |
| TOTAL OIL..... | | 57,282 |
| | | ----- |
| OIL SERVICE - 0.45% | | |
| Baker Hughes, Incorporated..... | 113,200 | 4,033 |
| | | ----- |
| TOTAL OIL SERVICE..... | | 4,033 |
| | | ----- |
| TRANSPORTATION - 1.71% | | |
| Conrail, Incorporated..... | 17,500 | 1,665 |
| CSX Corporation..... | 120,300 | 5,188 |
| Norfolk Southern Corporation.... | 77,100 | 6,872 |
| Ryder Systems, Incorporated..... | 55,000 | 1,636 |
| | | ----- |
| TOTAL TRANSPORTATION..... | | 15,361 |
| | | ----- |
| MISCELLANEOUS - INTERMEDIATE GOODS & SERVICES - 1.34% | | |
| Browning-Ferris Industries..... | 71,500 | 1,877 |
| Dresser Industries, Incorporated..... | 146,700 | 4,823 |
| Federal-Mogul Corporation..... | 46,200 | 1,034 |
| GATX Corporation..... | 40,000 | 1,910 |
| LTV Corporation..... | 30,200 | 310 |
| Mapco, Incorporated..... | 33,800 | 1,052 |
| USX-US Steel Group..... | 35,400 | 965 |
| | | ----- |
| TOTAL MISCELLANEOUS - INTERMEDIATE GOODS & SERVICES..... | | 11,971 |
| | | ----- |
| TOTAL INTERMEDIATE GOODS & SERVICES..... | | 119,693 |
| | | ----- |
| CAPITAL GOODS - 7.92% | | |
| AEROSPACE - 4.27% | | |
| Allegheny Teledyne, Incorporated..... | 23,100 | 494 |
| Coltec Industries, Incorporated (non-income producing)..... | 120,700 | 2,082 |
| Harsco Corporation..... | 30,000 | 1,916 |
| Lockheed Martin Corporation..... | 102,299 | 9,169 |

See accompanying notes

32

34

AMR INVESTMENT SERVICES TRUST BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Shares | Value |
|--|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Northrop Corporation..... | 25,000 | \$ 2,019 |
| Raytheon Company..... | 209,300 | 10,308 |
| Rockwell International Corporation..... | 40,000 | 2,200 |
| Textron, Incorporated..... | 70,100 | 6,221 |
| Thiokol Corporation..... | 45,400 | 1,901 |
| United Technologies Corporation..... | 15,000 | 1,931 |
| | | ----- |
| TOTAL AEROSPACE..... | | 38,241 |
| | | ----- |
| ELECTRICAL EQUIPMENT - 1.32% | | |
| General Electric Corporation.... | 25,000 | 2,419 |

| | | |
|---|---------|--------|
| Honeywell, Incorporated..... | 40,300 | 2,504 |
| ITT Industries, Incorporated.... | 119,500 | 2,778 |
| Sunbeam-Oster Company..... | 57,500 | 1,416 |
| Westinghouse Electric Corporation..... | 157,400 | 2,695 |
| TOTAL ELECTRICAL EQUIPMENT..... | | 11,812 |
| ELECTRONICS - INDUSTRIAL - 0.29% | | |
| Advanced Micro Devices..... | 72,700 | 1,290 |
| Lam Research Corporation..... | 25,000 | 609 |
| Teradyne, Incorporated..... | 43,400 | 689 |
| TOTAL ELECTRONICS - INDUSTRIAL..... | | 2,588 |
| MACHINERY - 0.37% | | |
| Caterpillar Tractor Company.... | 8,600 | 590 |
| Deere and Company..... | 42,000 | 1,754 |
| Tecumseh Products Company..... | 17,900 | 1,007 |
| TOTAL MACHINERY..... | | 3,351 |
| NEWSPAPERS-PUBLISHING & PRINTING - 0.15% | | |
| Gannett Company..... | 17,800 | 1,351 |
| TOTAL NEWSPAPERS-PUBLISHING & PRINTING..... | | 1,351 |

<CAPTION>

| | Shares | Value |
|--|------------------------|---------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| OFFICE EQUIPMENT - 1.52% | | |
| Apple Computer, Incorporated.... | 23,400 | \$ 538 |
| International Business Machines Corporation..... | 26,900 | 3,470 |
| Storage Tech Group..... | 45,200 | 1,927 |
| Xerox Corporation..... | 164,700 | 7,638 |
| TOTAL OFFICE EQUIPMENT..... | | 13,573 |
| TOTAL CAPITAL GOODS..... | | 70,916 |
| TOTAL COMMON STOCK..... | | 509,092 |

<CAPTION>

| | Par Amount | |
|--|------------|-----------|
| | ----- | |
| <S> | <C> | <C> |
| SHORT-TERM INVESTMENTS (NOTE A) - 2.53% | | |
| Bank Brussels Lambert Euro TD, 6.00%, Due 11/1/1996..... | \$ 8,453 | 8,453 |
| Bank of Tokyo Mitsubishi, Limited, YCD, 5.60%, Due 11/14/1996..... | 10,000 | 10,000 |
| Dai-Ichi Kangyo Bank, Limited, BA, 5.45%, Due 11/20/1996..... | 4,200 | 4,200 |
| TOTAL SHORT-TERM INVESTMENTS..... | | 22,653 |
| TOTAL INVESTMENTS - 100.59% (COST \$764,769)..... | | 900,785 |
| LIABILITIES, NET OF OTHER ASSETS - (0.59%)..... | | (5,303) |
| TOTAL NET ASSETS - 100%..... | | \$895,482 |

</TABLE>

Based on the cost of investments of \$766,140 for federal income tax purposes at October 31, 1996, the aggregate gross unrealized appreciation was \$143,793, the aggregate gross unrealized depreciation was \$9,148, and the net unrealized appreciation of investments was \$134,645.

(A) Rates associated with short-term investments represent yield to maturity.

ABBREVIATIONS:

ADR - American Depositary Receipt
 AG - Company
 BA - Bankers Acceptance
 FRN - Floating Rate Note
 MTN - Medium Term Note
 PLC - Public Limited Corporation
 SA - Company
 TBA - To Be Announced
 TD - Time Deposit
 YCD - Yankee Certificate of Deposit

See accompanying notes

AMR INVESTMENT SERVICES TRUST GROWTH AND INCOME PORTFOLIO
 SCHEDULE OF INVESTMENTS
 October 31, 1996

<TABLE>

<CAPTION>

| | Shares | Value |
|-----------------------------------|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| COMMON STOCK - 97.08% | | |
| FOREIGN STOCKS - 3.20% | | |
| Arthur Guinness & Sons, | | |
| ADR..... | 197,000 | \$ 7,057 |
| British Petroleum PLC, | | |
| ADR..... | 33,000 | 4,244 |
| British Telecom PLC, ADR.... | 40,100 | 2,310 |
| Ciba-Geigy AG..... | 35,000 | 2,164 |
| Elf Aquitaine SA..... | 48,100 | 1,930 |
| Exel Limited..... | 150,000 | 5,700 |
| Hanson PLC, ADR..... | 1,021,400 | 6,511 |
| Imperial Tobacco Group | | |
| PLC..... | 108,400 | 1,265 |
| Royal Dutch Petroleum | | |
| Company, New York | | |
| Registry..... | 27,000 | 4,465 |
| | | ----- |
| TOTAL FOREIGN STOCKS.... | | 35,646 |
| | | ----- |
| CONSUMER STAPLES - 16.67% | | |
| DEPARTMENT AND MAIL ORDER - 2.12% | | |
| J.C. Penney Company, | | |
| Incorporated..... | 272,600 | 14,312 |
| K Mart Corporation..... | 359,400 | 3,504 |
| The May Department Store | | |
| Company..... | 60,000 | 2,843 |
| Sears Roebuck & Company..... | 60,000 | 2,903 |
| | | ----- |
| TOTAL DEPARTMENT AND | | |
| MAIL ORDER..... | | 23,562 |
| | | ----- |
| DISTILLERS AND BREWERS - 1.35% | | |
| Anheuser-Busch Companies, | | |
| Incorporated..... | 197,200 | 7,592 |
| Brown-Foreman, | | |
| Incorporated..... | 171,400 | 7,413 |
| | | ----- |
| TOTAL DISTILLERS AND | | |
| BREWERS..... | | 15,005 |
| | | ----- |
| DRUGS AND HOSPITAL SUPPLY - 4.19% | | |
| American Home Products | | |
| Corporation..... | 109,300 | 6,694 |
| Baxter International, | | |
| Incorporated..... | 65,000 | 2,705 |
| Bristol-Myers Squibb | | |
| Company..... | 159,700 | 16,888 |
| Horizon / CMS Healthcare | | |
| Corporation..... | 509,700 | 5,288 |
| Merck & Company, | | |
| Incorporated..... | 60,000 | 4,447 |
| Pharmacia & Upjohn, | | |
| Incorporated..... | 87,800 | 3,160 |
| Warner Lambert, | | |
| Incorporated..... | 116,300 | 7,400 |

TOTAL DRUGS AND HOSPITAL
SUPPLY..... 46,582

<CAPTION>

| | Shares | Value |
|--|------------------------|----------|
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| FOOD PROCESSING - 0.18% | | |
| Archer Daniels Midland Company..... | 81,900 | \$ 1,781 |
| Heinz H.J. Company..... | 5,000 | 178 |
| TOTAL FOOD PROCESSING... | | 1,959 |
| FOODS - 0.71% | | |
| Nabisco Holdings Corporation, Class A..... | 212,900 | 7,931 |
| TOTAL FOODS..... | | 7,931 |
| LEISURE - 1.28% | | |
| Hasbro, Incorporated..... | 203,400 | 7,907 |
| King World Productions, Incorporated (non-income producing)..... | 66,900 | 2,408 |
| Toys R Us, Incorporated..... | 116,700 | 3,953 |
| TOTAL LEISURE..... | | 14,268 |
| PHOTOGRAPHY - 1.57% | | |
| Eastman Kodak Company..... | 218,600 | 17,433 |
| TOTAL PHOTOGRAPHY..... | | 17,433 |
| PUBLISHING - 0.82% | | |
| A.H. Belo, Incorporated, Class A..... | 235,600 | 9,188 |
| TOTAL PUBLISHING..... | | 9,188 |
| TOBACCO - 4.32% | | |
| American Brands, Incorporated..... | 138,900 | 6,632 |
| Philip Morris Companies, Incorporated..... | 346,600 | 32,104 |
| RJR Nabisco Holdings..... | 322,520 | 9,313 |
| TOTAL TOBACCO..... | | 48,049 |
| MISCELLANEOUS - CONSUMER STAPLES - 0.13% | | |
| Gibson Greetings, Incorporated..... | 90,550 | 1,415 |
| TOTAL MISCELLANEOUS - CONSUMER STAPLES..... | | 1,415 |
| TOTAL CONSUMER STAPLES..... | | |
| | | 185,392 |
| INTEREST SENSITIVE - 33.40% | | |
| BANKS - 10.35% | | |
| Bank America Corporation.... | 272,700 | 24,952 |
| Bank of Boston Corporation..... | 52,000 | 3,328 |
| Bankers Trust Company New York..... | 92,000 | 7,774 |
| Chase Manhattan Corporation..... | 290,614 | 24,920 |

See accompanying notes

34

36

AMR INVESTMENT SERVICES TRUST GROWTH AND INCOME PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>

| <CAPTION> | Shares | Value |
|--|------------------------|----------|
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Corestates Financial Corporation..... | 33,000 | \$ 1,605 |
| First Chicago NBD..... | 227,965 | 11,626 |
| First of America Bank Corporation..... | 70,000 | 3,806 |
| First Security Corporation..... | 120,500 | 3,540 |
| First Union Corporation..... | 17,000 | 1,237 |
| Fleet Financial Group, Incorporated..... | 55,000 | 2,743 |
| J.P. Morgan & Company, Incorporated..... | 92,600 | 7,998 |
| NationsBank Corporation..... | 130,000 | 12,253 |
| PNC Bank Corporation..... | 219,600 | 7,961 |
| Wells Fargo and Company..... | 5,000 | 1,336 |
| TOTAL BANKS..... | | 115,079 |
| BUILDING AND MATERIALS - 0.58% | | |
| PPG Industries, Incorporated..... | 113,100 | 6,447 |
| TOTAL BUILDING AND MATERIALS..... | | 6,447 |
| FINANCE - 0.84% | | |
| Beneficial Corporation..... | 60,000 | 3,510 |
| Household International, Incorporated..... | 45,000 | 3,983 |
| Paine Webber Group, Incorporated..... | 79,300 | 1,864 |
| TOTAL FINANCE..... | | 9,357 |
| INSURANCE - LIFE AND MULTI-LINE - 4.42% | | |
| Aetna, Incorporated..... | 170,400 | 11,396 |
| American Financial Group, Incorporated..... | 47,950 | 1,720 |
| American General Corporation..... | 61,000 | 2,272 |
| Aon Corporation..... | 181,400 | 10,476 |
| Lincoln National Corporation..... | 80,000 | 3,880 |
| Old Republic International Corporation..... | 370,900 | 9,180 |
| TransAmerica Corporation..... | 50,000 | 3,794 |
| Travelers Corporation..... | 118,344 | 6,420 |
| TOTAL INSURANCE - LIFE AND MULTI-LINE..... | | 49,138 |
| INSURANCE - PROPERTY AND CASUALTY - 1.55% | | |
| Allstate Corporation..... | 182,825 | 10,261 |
| Chubb Corporation..... | 5,000 | 250 |
| St. Paul Companies..... | 76,500 | 4,160 |
| TIG Holdings, Incorporated..... | 88,000 | 2,541 |
| TOTAL INSURANCE - PROPERTY AND CASUALTY..... | | 17,212 |

| <CAPTION> | Shares | Value |
|--|------------------------|----------|
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| SAVINGS AND LOAN - 0.52% | | |
| Great Western Financial Corporation..... | 100,000 | \$ 2,800 |
| H.F. Ahmanson & Company..... | 95,000 | 2,981 |
| TOTAL SAVINGS AND LOAN..... | | 5,781 |
| UTILITIES - ELECTRIC - 6.33% | | |
| Central And Southwest Corporation..... | 175,000 | 4,638 |
| CMS Energy Corporation..... | 130,000 | 4,111 |

| | | |
|---|---------|--------|
| DTE Energy Company..... | 233,800 | 7,043 |
| Edison International..... | 187,500 | 3,703 |
| Entergy Corporation..... | 774,600 | 21,689 |
| Illinova Corporation..... | 90,000 | 2,453 |
| New York State Electric & Gas Corporation..... | 70,000 | 1,461 |
| Northeast Utilities..... | 480,900 | 5,170 |
| Peco Energy Company..... | 100,000 | 2,525 |
| Potomac Electric Power..... | 48,500 | 1,243 |
| PP&L Resources, Incorporated..... | 65,000 | 1,519 |
| Public Service Enterprise Group, Incorporated..... | 172,100 | 4,625 |
| Rochester Gas and Electric, Incorporated..... | 45,000 | 838 |
| Unicom Corporation..... | 359,300 | 9,342 |
| TOTAL UTILITIES - ELECTRIC..... | | 70,360 |
| UTILITIES - NATURAL GAS - 2.89% | | |
| Consolidated Natural Gas Company..... | 273,300 | 14,519 |
| Panenergy Corporation..... | 399,500 | 15,381 |
| Peoples Energy Corporation..... | 65,000 | 2,291 |
| TOTAL UTILITIES - NATURAL GAS..... | | 32,191 |
| UTILITIES - TELEPHONE - 1.99% | | |
| AT&T Corporation..... | 47,500 | 1,657 |
| NYNEX Corporation..... | 100,000 | 4,450 |
| Pacific Telesis Group, Incorporated..... | 160,200 | 5,447 |
| SBC Communications..... | 19,400 | 943 |
| US West, Incorporated..... | 318,900 | 9,687 |
| TOTAL UTILITIES - TELEPHONE..... | | 22,184 |
| MISCELLANEOUS - INTEREST SENSITIVE - 3.93% | | |
| American Express Company.... | 347,000 | 16,309 |
| Dean Witter Discover & Company..... | 56,200 | 3,309 |

See accompanying notes

35

37

AMR INVESTMENT SERVICES TRUST GROWTH AND INCOME PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

| <TABLE> <CAPTION> | | |
|---|------------------------|----------|
| | Shares | Value |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Federal Home Loan Mortgage Corporation..... | 78,600 | \$ 7,939 |
| Federal National Mortgage Association..... | 317,900 | 12,438 |
| Fund American Enterprises, Incorporated..... | 41,375 | 3,708 |
| TOTAL MISCELLANEOUS - INTEREST SENSITIVE.... | | 43,703 |
| TOTAL INTEREST SENSITIVE..... | | 371,452 |
| CONSUMER CYCLICALS - 5.64% | | |
| AUTOMOBILE AND TRUCK - 5.05% | | |
| Dana Corporation..... | 414,800 | 12,288 |
| Eaton Corporation..... | 76,800 | 4,589 |
| Ford Motor Company..... | 739,100 | 23,097 |
| General Motors Corporation..... | 300,800 | 16,206 |

| | | | |
|---|---------|--------|-------|
| TOTAL AUTOMOBILE AND TRUCK..... | | 56,180 | ----- |
| ELECTRICAL HOUSEHOLD EQUIPMENT - 0.23% | | | ----- |
| Whirlpool Corporation..... | 55,000 | 2,599 | ----- |
| TOTAL ELECTRICAL HOUSEHOLD EQUIPMENT... | | 2,599 | ----- |
| TIRE AND RUBBER - 0.36% | | | ----- |
| Goodyear Tire & Rubber Company..... | 87,000 | 3,991 | ----- |
| TOTAL TIRE AND RUBBER... | | 3,991 | ----- |
| TOTAL CONSUMER CYCLICALS..... | | 62,770 | ----- |
| INTERMEDIATE GOODS & SERVICES - 23.90% | | | ----- |
| CHEMICALS - 2.82% | | | ----- |
| ARCO Chemical Company..... | 60,000 | 2,865 | |
| Dow Chemical..... | 40,000 | 3,110 | |
| E.I. DuPont de Nemours & Company..... | 47,000 | 4,359 | |
| Eastman Chemical Company... | 101,775 | 5,369 | |
| FMC Corporation (non-income producing)..... | 178,200 | 13,120 | |
| Olin Corporation..... | 60,000 | 2,550 | ----- |
| TOTAL CHEMICALS..... | | 31,373 | ----- |
| FOREST PRODUCTS - 2.10% | | | ----- |
| Boise Cascade Corporation... | 110,000 | 3,410 | |
| Georgia-Pacific Corporation..... | 50,000 | 3,750 | |
| International Paper Company..... | 80,000 | 3,420 | |
| Louisiana Pacific Corporation..... | 111,400 | 2,325 | |

<CAPTION>

| | Shares | Value | |
|--|------------------------|----------|-------|
| | ----- | ----- | |
| | (dollars in thousands) | | |
| <S> | <C> | <C> | |
| Mead Corporation..... | 24,000 | \$ 1,362 | |
| Millenium Chemicals, Incorporated..... | 82,672 | 1,674 | |
| Union Camp Corporation..... | 77,300 | 3,768 | |
| Weyerhaeuser Company..... | 80,000 | 3,670 | ----- |
| TOTAL FOREST PRODUCTS... | | 23,379 | ----- |
| METALS - ALUMINUM - 0.49% | | | ----- |
| Alumax, Incorporated..... | 74,800 | 2,403 | |
| Aluminum Company of America..... | 52,000 | 3,049 | ----- |
| TOTAL METALS - ALUMINUM..... | | 5,452 | ----- |
| NATURAL GAS TRANSMISSION - 0.43% | | | ----- |
| Coastal Corporation..... | 111,200 | 4,782 | ----- |
| TOTAL NATURAL GAS TRANSMISSION..... | | 4,782 | ----- |
| OIL - 12.58% | | | ----- |
| Amoco Corporation..... | 207,700 | 15,733 | |
| Ashland, Incorporated..... | 90,000 | 3,825 | |
| Atlantic Richfield Corporation..... | 145,400 | 19,266 | |
| Chevron Corporation..... | 55,000 | 3,616 | |
| Exxon Corporation..... | 117,100 | 10,378 | |
| Louisiana Land and Exploration Company..... | 113,325 | 6,445 | |
| Mobil Corporation..... | 21,500 | 2,510 | |
| Phillips Petroleum Company..... | 399,300 | 16,371 | |
| Tenneco, Incorporated..... | 375,700 | 18,597 | |
| Texaco, Incorporated..... | 210,000 | 21,341 | |
| Ultramar Corporation..... | 120,000 | 3,435 | |
| Union Pacific Resources Group, Incorporated..... | 267,700 | 7,362 | |
| Union Texas Petroleum | | | |

| | | |
|----------------------------|---------|---------|
| Holdings, Incorporated.... | 360,800 | 7,712 |
| USX-Marathon Group..... | 150,000 | 3,281 |
| | | ----- |
| TOTAL OIL..... | | 139,872 |
| | | ----- |
| OIL SERVICE - 0.59% | | |
| Baker Hughes, | | |
| Incorporated..... | 185,200 | 6,598 |
| | | ----- |
| TOTAL OIL SERVICE..... | | 6,598 |
| | | ----- |
| TRANSPORTATION - 2.53% | | |
| Conrail, Incorporated..... | 35,000 | 3,329 |
| CSX Corporation..... | 209,100 | 9,017 |
| Norfolk Southern | | |
| Corporation..... | 145,600 | 12,977 |
| Ryder Systems, | | |
| Incorporated..... | 93,000 | 2,767 |
| | | ----- |
| TOTAL TRANSPORTATION.... | | 28,090 |
| | | ----- |

</TABLE>

See accompanying notes

36

38

AMR INVESTMENT SERVICES TRUST GROWTH AND INCOME PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Shares | Value |
|---|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| MISCELLANEOUS - INTERMEDIATE GOODS & SERVICES - 2.36% | | |
| Browning-Ferris Industries..... | 129,300 | \$ 3,394 |
| Dresser Industries, Incorporated..... | 229,800 | 7,555 |
| Federal-Mogul Corporation... | 96,100 | 2,150 |
| GATX Corporation..... | 70,000 | 3,343 |
| Mapco, Incorporated..... | 224,600 | 6,991 |
| LTV Corporation..... | 67,400 | 691 |
| USX-US Steel Group..... | 76,200 | 2,076 |
| | | ----- |
| TOTAL MISCELLANEOUS - INTERMEDIATE GOODS & SERVICES..... | | 26,200 |
| | | ----- |
| TOTAL INTERMEDIATE GOODS & SERVICES..... | | 265,746 |
| | | ----- |
| CAPITAL GOODS - 14.27% | | |
| AEROSPACE - 8.46% | | |
| Allegheny Teledyne, Incorporated..... | 266,323 | 5,693 |
| Coltec Industries, Incorporated (non-income producing)..... | 465,700 | 8,033 |
| Harsco Corporation..... | 55,000 | 3,513 |
| Lockheed Martin Corporation..... | 231,994 | 20,792 |
| Northrop Corporation..... | 45,000 | 3,634 |
| Raytheon Company..... | 484,200 | 23,847 |
| Rockwell International Corporation..... | 60,000 | 3,300 |
| Textron, Incorporated..... | 170,900 | 15,167 |
| Thiokol Corporation..... | 149,200 | 6,248 |
| United Technologies Corporation..... | 30,000 | 3,863 |
| | | ----- |
| TOTAL AEROSPACE..... | | 94,090 |
| | | ----- |
| ELECTRICAL EQUIPMENT - 1.86% | | |
| General Electric Corporation..... | 7,700 | 745 |
| Honeywell, Incorporated..... | 91,200 | 5,666 |
| ITT Industries, Incorporated..... | 208,800 | 4,855 |

| | | |
|--|---------|--------|
| Sunbeam-Oster Company..... | 201,100 | 4,952 |
| Westinghouse Electric Corporation..... | 260,700 | 4,464 |
| | | ----- |
| TOTAL ELECTRICAL EQUIPMENT..... | | 20,682 |
| | | ----- |

<CAPTION>

| | Shares | Value |
|--|------------------------|-----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| ELECTRONICS - INDUSTRIAL - 0.40% | | |
| Advanced Micro Devices..... | 135,000 | \$ 2,396 |
| Lam Research Corporation.... | 30,000 | 731 |
| Teradyne, Incorporated..... | 85,200 | 1,353 |
| | | ----- |
| TOTAL ELECTRONICS - INDUSTRIAL..... | | 4,480 |
| | | ----- |
| MACHINERY - 0.93% | | |
| Caterpillar Tractor Company..... | 17,900 | 1,228 |
| Deere and Company..... | 90,000 | 3,758 |
| Tecumseh Products Company... | 94,400 | 5,310 |
| | | ----- |
| TOTAL MACHINERY..... | | 10,296 |
| | | ----- |
| OFFICE EQUIPMENT - 2.62% | | |
| Apple Computer, Incorporated..... | 47,700 | 1,097 |
| International Business Machines Corporation..... | 54,400 | 7,018 |
| Storage Tech Group..... | 92,400 | 3,939 |
| Xerox Corporation..... | 369,200 | 17,122 |
| | | ----- |
| TOTAL OFFICE EQUIPMENT..... | | 29,176 |
| | | ----- |
| TOTAL CAPITAL GOODS..... | | 158,724 |
| | | ----- |
| TOTAL COMMON STOCK..... | | 1,079,730 |
| | | ----- |

<CAPTION>

| | Par Amount | |
|--|------------|-------------|
| | ----- | |
| <S> | <C> | <C> |
| SHORT-TERM INVESTMENTS (NOTE A) - 3.07% | | |
| Bank Brussels Lambert Eurodollar TD, 6.00%, Due 11/1/1996..... | \$ 14,112 | 14,112 |
| Bank of Tokyo-Mitsubishi, Limited, YCD, 5.60%, Due 11/14/1996..... | 20,000 | 20,000 |
| | | ----- |
| TOTAL SHORT-TERM INVESTMENTS..... | | 34,112 |
| | | ----- |
| TOTAL INVESTMENTS - 100.15% (COST \$880,481)..... | | 1,113,842 |
| | | ----- |
| LIABILITIES, NET OF OTHER ASSETS - (0.15%)..... | | (1,685) |
| | | ----- |
| TOTAL NET ASSETS - 100%..... | | \$1,112,157 |
| | | ===== |

</TABLE>

See accompanying notes

AMR INVESTMENT SERVICES TRUST GROWTH AND INCOME PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

Based on the cost of investments of \$882,056 for federal income tax purposes at October 31, 1996, the aggregate gross unrealized appreciation was \$250,652, the

aggregate gross unrealized depreciation was \$18,866, and the net unrealized appreciation of investments was \$231,786.

(A) Rates associated with short-term investments represent yield to maturity.

ABBREVIATIONS:

ADR - American Depositary Receipt
 AG - Company
 PLC - Public Limited Corporation
 SA - Company
 TD - Time Deposit
 YCD - Yankee Certificate of Deposit

See accompanying notes

AMR INVESTMENT SERVICES TRUST INTERNATIONAL EQUITY PORTFOLIO
 SCHEDULE OF INVESTMENTS
 October 31, 1996

<TABLE>

<CAPTION>

| | Shares | Value |
|--|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| AUSTRALIA COMMON STOCK - 5.25% | | |
| Australia & New Zealand Banking Group..... | 799,577 | \$ 4,673 |
| Brambles Industries, Limited..... | 192,200 | 3,186 |
| Burns Philip & Company, Limited... | 400,000 | 634 |
| CSR, Limited..... | 460,000 | 1,547 |
| Coles Myer Limited Australian..... | 361,000 | 1,320 |
| GIO Australia Holdings, Limited... | 470,271 | 1,212 |
| Goodman Fielder Limited..... | 1,150,000 | 1,350 |
| News Corporation, Limited..... | 210,000 | 1,196 |
| News Corporation Preferred Rights..... | 155,000 | 682 |
| Pacific Dunlop, Limited..... | 401,000 | 890 |
| Pioneer International, Limited... | 860,000 | 2,292 |
| QBE Insurance Group, Limited..... | 429,197 | 2,274 |
| | | ----- |
| TOTAL AUSTRALIA COMMON STOCKS..... | | 21,256 |
| | | ----- |
| AUSTRIA COMMON STOCKS -- 1.22% | | |
| Boehler-Uddeholm..... | 27,500 | 2,057 |
| Evn Energie-Versorgung Niederroesterreich AG..... | 3,960 | 537 |
| Mayr-Melnhof Karton AG..... | 16,000 | 786 |
| VA Technologie AG..... | 11,000 | 1,539 |
| | | ----- |
| TOTAL AUSTRIA COMMON STOCKS... | | 4,919 |
| | | ----- |
| BELGIUM COMMON STOCKS -- 0.88% | | |
| Arbed, SA (non-income producing)..... | 2,200 | 258 |
| GIB Holdings, Limited, NPV..... | 14,800 | 624 |
| Groupe Bruxelles Lambert, SA..... | 11,759 | 1,461 |
| Solvay Et Cie, NPV..... | 2,000 | 1,197 |
| | | ----- |
| TOTAL BELGIUM COMMON STOCKS... | | 3,540 |
| | | ----- |
| CANADA COMMON STOCKS -- 2.61% | | |
| Anderson Exploration Limited..... | 115,000 | 1,338 |
| Bank of Nova Scotia..... | 62,439 | 1,967 |
| Canadian Imperial Bank of Commerce..... | 60,000 | 2,494 |
| IMASCO, Limited..... | 119,000 | 2,764 |
| Noranda, Incorporated..... | 62,500 | 1,375 |
| Wascana Energy, Incorporated (non-income producing)..... | 60,000 | 631 |
| | | ----- |
| TOTAL CANADA COMMON STOCKS... | | 10,569 |
| | | ----- |
| DENMARK COMMON STOCKS -- 1.07% | | |
| Den Danske Bank..... | 16,000 | 1,148 |
| Novo Nordisk AS "B"..... | 8,000 | 1,332 |
| Unidanmark AS, "A"..... | 40,000 | 1,845 |
| | | ----- |
| TOTAL DENMARK COMMON STOCKS... | | 4,325 |
| | | ----- |
| FINLAND COMMON STOCKS -- 2.78% | | |

| | | |
|--------------------------------|---------|--------|
| Enso-Gutzeit OY..... | 170,000 | 1,332 |
| Huhtamaki Group I Free..... | 28,100 | 1,222 |
| Merita Bank, Limited..... | 785,000 | 2,321 |
| Metsa-Serla OY..... | 100,000 | 695 |
| Nokia OY "A"..... | 55,700 | 2,574 |
| UPM-Kymmene OY..... | 152,500 | 3,096 |
| | | ----- |
| TOTAL FINLAND COMMON STOCKS... | | 11,240 |
| | | ----- |

<CAPTION>

| | Shares | Value |
|--|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| FRANCE COMMON STOCKS -- 8.20% | | |
| Adecco SA..... | 3,855 | \$ 1,093 |
| Alcatel Alsthom CG..... | 20,000 | 1,707 |
| Assurances Generales de France.... | 11,850 | 350 |
| Axa SA..... | 18,542 | 1,159 |
| Banque Nationale de Paris..... | 66,213 | 2,480 |
| Bongrain SA..... | 1,870 | 758 |
| Credit Lyonnais-CDI (non-income producing)..... | 9,100 | 249 |
| Elf Aquitaine SA..... | 67,300 | 5,386 |
| Groupe Danone..... | 8,950 | 1,226 |
| La Farge-Coppee SA..... | 63,323 | 3,803 |
| La France SA..... | 9,000 | 2,229 |
| Pechiney SA..... | 18,800 | 808 |
| Peugot SA..... | 11,000 | 1,148 |
| Rhone-Poulenc "A"..... | 50,000 | 1,483 |
| Sa Des Galeries Lafayette..... | 162 | 58 |
| Saint Gobain..... | 11,234 | 1,517 |
| Thomson CSF..... | 10,900 | 340 |
| Total Petroleum Company "B"..... | 43,954 | 3,441 |
| Usinor Sacilor..... | 170,000 | 2,524 |
| Valeo SA..... | 23,600 | 1,417 |
| | | ----- |
| TOTAL FRANCE COMMON STOCKS.... | | 33,176 |
| | | ----- |

| | | |
|--|--------|-------|
| GERMANY -- 5.73% | | |
| PREFERRED STOCK -- 1.18% | | |
| Herlitz AG..... | 8,947 | 984 |
| RWE AG..... | 42,000 | 1,420 |
| Spar Handels AG..... | 25,600 | 316 |
| Volkswagen AG..... | 6,800 | 2,065 |
| | | ----- |
| TOTAL GERMANY PREFERRED STOCKS..... | | 4,785 |
| | | ----- |

| | | |
|--|---------|--------|
| COMMON STOCKS -- 4.55% | | |
| BASF AG..... | 49,000 | 1,567 |
| BAYER AG..... | 150,625 | 5,694 |
| Commerzbank AG..... | 40,000 | 897 |
| Deutsche Bank AG..... | 30,000 | 1,395 |
| Hoechst AG..... | 16,000 | 603 |
| Karstadt AG..... | 6,500 | 2,371 |
| Mannesmann AG..... | 1,840 | 717 |
| Muenchener Rueckversicherungs AG.. | 300 | 585 |
| Muenchener Rueckversicherungs AG -- Reg..... | 137 | 332 |
| Muenchener Rueckversicherungs AG -- Warrants..... | 37 | 8 |
| Varta AG (non-income producing)... | 1,520 | 277 |
| Veba AG..... | 54,200 | 2,895 |
| Volkswagen AG..... | 2,650 | 1,050 |
| | | ----- |
| TOTAL GERMANY COMMON STOCKS... | | 18,391 |
| | | ----- |
| TOTAL GERMANY..... | | 23,176 |
| | | ----- |

</TABLE>

See accompanying notes

AMR INVESTMENT SERVICES TRUST INTERNATIONAL EQUITY PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Shares | Value |
|--|------------------------|----------|
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| HONG KONG COMMON STOCK -- 5.60% | | |
| Cheung Kong Holdings, Limited..... | 235,000 | \$ 1,884 |
| Dickson Concepts (International) Limited..... | 360,000 | 1,201 |
| Hang Lung Development Company, Limited..... | 710,000 | 1,405 |
| Hong Kong Electric Holdings..... | 292,900 | 938 |
| Hong Kong Land (SGD)..... | 515,000 | 1,148 |
| Hong Kong Telecommunications, Limited..... | 1,432,400 | 2,529 |
| HSBC Holdings, Limited..... | 114,500 | 2,332 |
| Hutchinson Whampoa, Limited..... | 200,000 | 1,397 |
| Jardine Matheson Holdings, Limited..... | 575,800 | 3,253 |
| National Mutual Of Asia, Limited..... | 1,700,000 | 1,429 |
| New World Development Company, Limited..... | 507,000 | 2,951 |
| Peregrine Investments Holdings, Limited..... | 550,000 | 886 |
| Peregrine Investments Holdings, Limited Warrants..... | 55,000 | 10 |
| South China Morning Post (Holdings), Limited..... | 1,100,000 | 939 |
| Sun Hung Kai Properties, Limited..... | 100 | 1 |
| Swire Pacific Limited "A"..... | 40,000 | 353 |
| | | ----- |
| TOTAL HONG KONG COMMON STOCKS..... | | 22,656 |
| | | ----- |
| IRELAND COMMON STOCKS -- 0.57% | | |
| Jefferson Smurfit..... | 851,542 | 2,301 |
| | | ----- |
| TOTAL IRELAND COMMON STOCKS... | | 2,301 |
| | | ----- |
| ITALY -- 2.55% | | |
| PREFERRED STOCK -- 0.19% | | |
| Concessioni E Costruzioni Autostrade..... | 525,000 | 777 |
| | | ----- |
| TOTAL ITALY PREFERRED STOCK... | | 777 |
| | | ----- |
| COMMON STOCKS -- 2.36% | | |
| Danieli Group Risp..... | 473,960 | 1,507 |
| Fiat SPA..... | 600,000 | 1,605 |
| Olivetti Ing C, & Co..... | 940,000 | 273 |
| Sasib SPA..... | 500,000 | 866 |
| STET Risp Non Convertible..... | 550,000 | 1,901 |
| Telecom Italia, SPA..... | 250,000 | 557 |
| Telecom Italia, SPA Non Convertible Risp..... | 100,000 | 191 |
| Sta Finanziaria Telefonica Torino..... | 1,000,000 | 2,664 |
| | | ----- |
| TOTAL ITALY COMMON STOCKS..... | | 9,564 |
| | | ----- |
| TOTAL ITALY..... | | 10,341 |
| | | ----- |
| JAPAN COMMON STOCKS -- 11.74% | | |
| Aisin Seiki Company, Limited..... | 87,000 | 1,262 |
| Bridgestone Corporation..... | 54,000 | 912 |
| Canon, Incorporated..... | 70,000 | 1,342 |
| Chudenko Corporation..... | 19,000 | 583 |

<CAPTION>

| | Shares | Value |
|---|------------------------|----------|
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Daibiru Corporation..... | 100,000 | \$ 1,134 |
| Daicel Chemical..... | 120,000 | 608 |
| Daikin Industries..... | 70,000 | 665 |
| Dainippon Ink & Chemical..... | 57,000 | 244 |
| Daiwa House Industry Company, Limited..... | 103,000 | 1,431 |
| East Japan Railway Company..... | 270 | 1,242 |
| Fuji Photo Film..... | 150,000 | 4,312 |
| Hitachi Koki Company, Limited..... | 70,000 | 588 |
| Hitachi, Limited..... | 305,000 | 2,708 |
| KAO Corporation..... | 146,000 | 1,720 |

| | | |
|--|---------|--------|
| Kirin Brewery Company, Limited.... | 37,000 | 381 |
| Matsushita Electric Industrial Company..... | 75,000 | 1,200 |
| MOS Food Services..... | 79,000 | 1,653 |
| Nichicon Corporation..... | 114,000 | 1,423 |
| Nichido Fire & Marine Insurance... | 240,000 | 1,498 |
| Nintendo Company, Limited..... | 37,300 | 2,387 |
| Nippon Fire And Marine Insurance..... | 287,000 | 1,514 |
| Nippon Telegraph & Telephone Corporation..... | 143 | 1,000 |
| Promise Company, Limited..... | 39,000 | 1,821 |
| Ryosan Company..... | 12,000 | 273 |
| Sekisui Chemical Company, Limited..... | 227,000 | 2,535 |
| Sony Corporation..... | 51,800 | 3,111 |
| Sumitomo Marine & Fire Insurance..... | 255,000 | 1,829 |
| Sumitomo Rubber Industries..... | 220,000 | 1,559 |
| Suzuki Motor Company, Limited.... | 167,000 | 1,703 |
| TDK Corporation..... | 21,000 | 1,233 |
| Toyo Seikan Kaisha..... | 58,000 | 1,836 |
| Yodogawa Steel Works..... | 274,000 | 1,783 |
| | | ----- |
| TOTAL JAPAN COMMON STOCKS..... | | 47,490 |
| | | ----- |
| MEXICO COMMON STOCKS -- 0.13% | | |
| Alfa, SA..... | 125,000 | 513 |
| | | ----- |
| TOTAL MEXICO COMMON STOCKS.... | | 513 |
| | | ----- |
| MALAYSIA COMMON STOCKS -- 1.19% | | |
| Arab Malaysian Finance..... | 390,000 | 2,099 |
| Golden Hope Plantations BHD..... | 17,000 | 29 |
| Kedah Cement Holdings BHD..... | 636,000 | 1,178 |
| Malaysian International Shipping Corporation BHD..... | 505,666 | 1,511 |
| | | ----- |
| TOTAL MALAYSIA COMMON STOCKS..... | | 4,817 |
| | | ----- |
| NETHERLANDS COMMON STOCKS -- 7.91% | | |
| ABN AMRO Holdings NV..... | 79,145 | 4,476 |
| Aegon NV..... | 40,000 | 2,036 |
| Akzo Nobel NV..... | 44,775 | 5,645 |
| Fortis Amev NV..... | 76,054 | 2,274 |
| Hollandsche Beton Groep NV..... | 17,104 | 3,176 |
| Internationale Nederlanden Groep NV..... | 214,570 | 6,693 |
| Koninklijke Bijenkorf Beheer NV... | 14,000 | 978 |

</TABLE>

See accompanying notes

40

42

AMR INVESTMENT SERVICES TRUST INTERNATIONAL EQUITY PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>

<CAPTION>

| | Shares | Value |
|---|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Phillips Electronics..... | 96,500 | \$ 3,403 |
| Royal PTT Nederland NV..... | 49,480 | 1,791 |
| Unilever NV..... | 10,000 | 1,521 |
| | | ----- |
| TOTAL NETHERLANDS COMMON STOCKS..... | | 31,993 |
| | | ----- |

<CAPTION>

| | Par Amount | |
|------------------------------|---------------|-----|
| | ----- | |
| <S> | <C> | <C> |
| NEW ZEALAND -- 1.21% | | |
| FOREIGN BONDS -- 0.01% | | |
| Brierley Investments Limited | | |

| | | | |
|--|----|----|----|
| Subordinated Convertible 9%, Due 6/30/1998..... | \$ | 63 | 53 |
| TOTAL NEW ZEALAND BONDS..... | | | 53 |

<CAPTION>

| | Shares | |
|---|-----------|-------|
| <S> | <C> | <C> |
| COMMON STOCK -- 1.20% | | |
| Brierley Investments, Limited..... | 1,400,000 | 1,277 |
| Fisher & Paykel, Limited..... | 210,000 | 768 |
| Fletcher Challenge Paper..... | 382,500 | 693 |
| Fletcher Challenge Building..... | 775,250 | 2,100 |
| TOTAL NEW ZEALAND COMMON STOCKS..... | | 4,838 |
| TOTAL NEW ZEALAND..... | | 4,891 |

| NORWAY COMMON STOCKS -- 3.07% | | |
|------------------------------------|---------|--------|
| Den Norsk Bank Series A..... | 565,000 | 1,879 |
| Hafslund AS, Series B..... | 99,500 | 734 |
| Kvaerner Industries AS..... | 49,789 | 1,882 |
| Norsk Hydro AS..... | 40,000 | 1,845 |
| Nycomed AS, Series B..... | 270,500 | 3,649 |
| Saga Petroleum, Series B Free..... | 100,000 | 1,569 |
| Unitor AS..... | 80,000 | 878 |
| TOTAL NORWAY COMMON STOCKS.... | | 12,436 |

| SINGAPORE COMMON STOCKS -- 0.48% | | |
|---------------------------------------|---------|-------|
| Inchcape Berhad..... | 175,000 | 569 |
| Neptune Orient Lines..... | 300,000 | 251 |
| Sembawang Corporation..... | 258,000 | 1,108 |
| TOTAL SINGAPORE COMMON STOCKS..... | | 1,928 |

| SPAIN COMMON STOCKS -- 4.15% | | |
|------------------------------------|---------|--------|
| Banco Espana Credito SA..... | 7,000 | 44 |
| Banco Popular Espanol..... | 7,000 | 1,339 |
| Banco Santander SA..... | 50,000 | 2,569 |
| Iberdrola SA..... | 350,357 | 3,724 |
| Repsol SA (BR)..... | 77,000 | 2,516 |
| Telefonica de Espana..... | 297,000 | 5,964 |
| Uralita (non-income producing).... | 79,250 | 622 |
| TOTAL SPAIN COMMON STOCKS..... | | 16,778 |

| SWEDEN COMMON STOCKS -- 4.10% | | |
|-------------------------------|--------|-------|
| Assidoman AB..... | 48,000 | 1,188 |
| Astra AB, "B" Free..... | 48,000 | 2,194 |
| Electrolux AB "B"..... | 43,000 | 2,397 |
| Esselte AB, Class "A"..... | 2,000 | 44 |
| Esselte AB, Class "B"..... | 17,000 | 381 |

<CAPTION>

| | Shares | Value |
|--|------------------------|--------|
| <S> | <C> | <C> |
| | (dollars in thousands) | |
| Fastighets AB Tornet..... | 9,170 | \$ 117 |
| Marieberg Tidnings..... | 77,267 | 1,883 |
| Nordbanken AS..... | 28,500 | 751 |
| Skandia Forsakrings AB..... | 23,100 | 649 |
| SKF AB, "B" Free..... | 55,000 | 1,219 |
| Sparbanken Sverige AB "A"..... | 91,700 | 1,453 |
| Stora Kopparbergs Bergslags, "A"..... | 42,100 | 552 |
| Stora Kopparbergs Bergslags, "B"..... | 25,800 | 332 |
| Svedala Industries, "A" Free..... | 80,000 | 1,255 |
| Svenska Cellulosa, "B" Free..... | 59,000 | 1,240 |
| Svenska Handelsbanken, "A"..... | 3,200 | 79 |
| Volvo AB..... | 40,000 | 832 |
| TOTAL SWEDEN COMMON STOCKS.... | | 16,566 |

| SWITZERLAND COMMON STOCKS -- 6.69% | | |
|------------------------------------|--------|-------|
| BBC AG Series "A"..... | 1,100 | 1,365 |
| Ciba-Geigy AG..... | 5,000 | 6,185 |
| Distefora Holding AG..... | 16,400 | 216 |
| Forbo Holding AG-R..... | 2,000 | 798 |
| Gerbrueder Sulzer AG..... | 1,800 | 1,028 |

| | | |
|------------------------------------|-------|-------|
| Holderbank Financial Glarus-B..... | 1,350 | 938 |
| Nestle SA..... | 3,800 | 4,145 |
| Schindler Holding AG..... | 840 | 860 |
| Schindler Holding AG Warrants..... | 300 | 1 |
| SGS Holding SA (Reg)..... | 4,200 | 1,792 |
| SIG AG..... | 1,540 | 3,707 |
| SGS Holding SA (BR)..... | 240 | 547 |
| Sulzer AG..... | 4,365 | 2,323 |
| Swiss Reinsurance Company..... | 2,925 | 3,151 |

TOTAL SWITZERLAND COMMON
STOCKS..... 27,056

UNITED KINGDOM COMMON STOCKS -- 11.80%

| | | |
|---|---------|-------|
| Albert Fisher Group, PLC..... | 262,500 | 171 |
| Associated British Foods Group, PLC..... | 62,000 | 426 |
| Barclays, PLC..... | 27,900 | 438 |
| Barratt Developments, PLC..... | 350,000 | 1,456 |
| BAT Industries, PLC..... | 490,000 | 3,415 |
| British Gas..... | 550,000 | 1,715 |
| British Telecommunications..... | 409,000 | 2,368 |
| BTR, PLC..... | 450,000 | 1,887 |
| Burton Group, PLC..... | 335,000 | 814 |
| Coats Viyella, PLC..... | 700,000 | 1,744 |
| Commercial Union, PLC..... | 172,500 | 1,822 |
| English China Claylord Group..... | 134,022 | 410 |
| Grand Metropolitan, PLC..... | 303,742 | 2,293 |
| Hanson, PLC..... | 620,000 | 815 |
| Hillsdown Holdings, PLC..... | 830,000 | 2,372 |
| Hyder, PLC..... | 164,000 | 1,891 |
| Imperial Tobacco Group..... | 62,000 | 362 |
| Kwik Save Group, PLC..... | 136,200 | 706 |
| London Pacific Group, PLC..... | 130,000 | 494 |
| National Power, PLC..... | 50,000 | 331 |
| National Westminster Bank, PLC.... | 119,100 | 1,361 |

See accompanying notes

41

43

AMR INVESTMENT SERVICES TRUST INTERNATIONAL EQUITY PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Shares | Value |
|--|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Northern Foods, PLC..... | 300,000 | \$ 972 |
| Peninsular & Orient Steam Company..... | 41,800 | 411 |
| PowerGen, PLC..... | 249,990 | 2,076 |
| Reckitt & Coleman, PLC..... | 171,679 | 1,988 |
| Redland, PLC..... | 220,000 | 1,508 |
| Rolls Royce, PLC..... | 107,600 | 445 |
| Royal & Sun Alliance Insurance Group..... | 205,000 | 1,407 |
| Safeway, PLC..... | 309,677 | 1,838 |
| Salvesen, (Christian), PLC..... | 290,000 | 1,504 |
| Shell Transportation & Trading, PLC..... | 45,000 | 738 |
| Southern Electric, PLC..... | 55,900 | 586 |
| Tate & Lyle, PLC..... | 105,000 | 816 |
| Tesco, PLC..... | 340,173 | 1,842 |
| Thames Water Group, PLC..... | 129,800 | 1,172 |
| Unilever, PLC..... | 120,000 | 2,523 |
| WPP Group, PLC..... | 169,500 | 629 |
| TOTAL UNITED KINGDOM COMMON STOCKS..... | | 47,746 |

FOREIGN SECURITIES DENOMINATED IN U.S. DOLLARS -- 1.15%

| | | |
|--|---------|-------|
| Dairy Farm International..... | 908,000 | 549 |
| G P Batteries International Limited..... | 137,000 | 397 |
| G P Batteries Warrants Expiration 11/15/2000..... | 34,250 | 26 |
| Jardine Strategic..... | 920,000 | 2,999 |
| Millenium Chemicals Incorporated..... | 8,857 | 179 |

| | | |
|---|--------|-------|
| Telmex ADR..... | 17,000 | 519 |
| | | ----- |
| TOTAL FOREIGN SECURITIES DENOMINATED IN U.S. DOLLARS..... | | 4,669 |
| | | ----- |

<CAPTION>

| | Par Amount | |
|---|---------------|-------|
| | ----- | |
| <S> | <C> | <C> |
| UNITED STATES -- 6.14% | | |
| FOREIGN BONDS -- 0.12% | | |
| New World China Convertible Bond, 4.00%, Due 12/31/1999..... | \$ 481 | 481 |
| | | ----- |
| TOTAL UNITED STATES FOREIGN BONDS..... | | 481 |
| | | ----- |

<CAPTION>

| | Par Amount | Value |
|--|---------------|-----------|
| | ----- | ----- |
| <S> | <C> | <C> |
| (dollars in thousands) | | |
| UNITED STATES GOVERNMENT OBLIGATIONS (NOTE B) -- 6.02% | | |
| U. S. Treasury Bill, 5.01%, Due 11/7/1996..... | \$ 5,011 | \$ 5,006 |
| U. S. Treasury Bill, 5.02%, Due 11/14/1996..... | 6,411 | 6,398 |
| U. S. Treasury Bill, 5.05%, Due 11/21/1996..... | 581 | 579 |
| U. S. Treasury Bill, 5.16%, Due 11/29/1996..... | 4,587 | 4,569 |
| U. S. Treasury Bill, 4.92%, Due 12/5/1996..... | 962 | 957 |
| U. S. Treasury Bill, 5.12%, Due 12/12/1996..... | 401 | 399 |
| U. S. Treasury Bill, 4.83%, Due 12/26/1996..... | 302 | 300 |
| U. S. Treasury Bill, 4.92%, Due 1/2/1997..... | 10 | 10 |
| U. S. Treasury Bill, 4.94%, Due 1/9/1997..... | 6,174 | 6,114 |
| | | ----- |
| TOTAL UNITED STATES U. S. GOVERNMENT BONDS..... | | 24,332 |
| | | ----- |
| TOTAL UNITED STATES..... | | 24,813 |
| | | ----- |
| TOTAL INVESTMENTS -- 96.22% (COST \$335,924)..... | | 389,195 |
| | | ----- |
| OTHER ASSETS, NET OF LIABILITIES -- 3.78%..... | | 15,301 |
| | | ----- |
| TOTAL NET ASSETS -- 100%..... | | \$404,496 |
| | | ===== |

</TABLE>

See accompanying notes

AMR INVESTMENT SERVICES TRUST INTERNATIONAL EQUITY PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

(A) Based on the cost of investments of \$336,065 for federal income tax purposes at October 31, 1996, the aggregate gross unrealized appreciation was \$66,481, the aggregate gross unrealized depreciation was \$13,351, and the net unrealized appreciation of investments was \$53,130.

(B) Rates associated with United States Government Bonds represent yield to maturity from time of purchase.

ABBREVIATIONS:

ADR -- American Depository Receipt

AB -- Company (Sweden)
 AG -- Company (Switzerland, Germany)
 AS -- Company (Denmark, Norway)
 BHD -- Berhard (Malaysia)
 BR -- Bearer (Spain, Switzerland)
 CG -- Company General (France)
 HG -- Holding (Switzerland)
 NPV -- No Par Value (Belgium)
 NV -- Company (Netherlands)
 ORD -- Ordinary (Netherlands, France, Australia)
 OY -- Company (Sweden)
 PLC -- Public Limited Corporation (UK, Hong Kong)
 SA -- Company (Switzerland, Spain, Mexico, Belgium)
 SGD -- Singapore Dollars (Hong Kong)
 SPA -- Company (Italy)
 VZA -- Vorzugsaktie -- Preferred (Germany)

43

45

AMR INVESTMENT SERVICES TRUST INTERNATIONAL EQUITY PORTFOLIO
 INDUSTRY DIVERSIFICATION
 October 31, 1996

<TABLE>
 <CAPTION>

| | Percent of Net Assets |
|---|--------------------------|
| | ----- |
| <S> | <C> |
| Consumer Goods & Services..... | 19.59% |
| Energy..... | 4.42% |
| Capital Goods..... | 9.60% |
| Basic Industry..... | 31.49% |
| Financing, Insurance & Real Estate..... | 20.13% |
| Utilities..... | 4.23% |
| Transportation..... | 0.85% |
| Short Term Investments..... | 6.02% |
| Other Assets/Liabilities..... | 3.67% |
| | ----- |
| NET ASSETS..... | 100.00% |
| | ===== |

</TABLE>

44

46

AMR INVESTMENT SERVICES TRUST LIMITED-TERM INCOME PORTFOLIO
 SCHEDULE OF INVESTMENTS
 October 31, 1996

<TABLE>
 <CAPTION>

| | Par Amount | Value |
|--|---------------|----------|
| | ----- | ----- |
| <S> | <C> | <C> |
| CERTIFICATES OF DEPOSIT -- 5.24% | | |
| Advanta National Bank CD, 6.43%, Dated 4/30/1996, Due 4/30/1998..... | \$ 9,000 | \$ 9,078 |
| | | ----- |
| TOTAL CERTIFICATES OF DEPOSIT..... | | 9,078 |
| | | ----- |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS -- 54.20% | | |
| Federal Home Loan Mortgage Corporation, 1647 PE, 6.00%, Due 8/15/2006..... | 7,535 | 7,470 |
| Federal Home Loan Mortgage Corporation, M H-1 A REMIC, 10.15%, Due 4/15/2006..... | 173 | 174 |
| Government National Mortgage Association, Pool #780285, 9.50%, Due 12/15/2017..... | 24,250 | 26,367 |
| Government National Mortgage Association, Pool #780426, 9.50%, Due 11/15/2017..... | 26,257 | 28,549 |
| Government National Mortgage Association, Pool #780173, | | |

| | | |
|---|--------|--------|
| 9.50%, Due 12/15/2019..... | 12,324 | 13,386 |
| Government National Mortgage Association, Pool #780010, 9.50%, Due 3/15/2023..... | 12,001 | 13,040 |
| U.S. Treasury Notes, 5.75%, Due 8/15/2003..... | 5,000 | 4,869 |
| | | ----- |
| TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS..... | | 93,855 |
| | | ----- |
| CORPORATE OBLIGATIONS -- 20.60% INDUSTRIAL -- 9.39% | | |
| Cox Communications, Incorporated 6.94%, Due 10/1/2001..... | 8,000 | 8,096 |
| Philip Morris, Incorporated 7.25%, Due 9/15/2001..... | 8,000 | 8,168 |
| | | ----- |
| TOTAL INDUSTRIAL..... | | 16,264 |
| | | ----- |
| BANK FUNDING -- 11.21% | | |
| Ford Motor Credit Corporation, 5.75%, Due 1/25/2001..... | 8,000 | 7,775 |
| Smith Barney Holdings, 5.875%, Due 2/01/2001..... | 5,000 | 4,874 |
| Southtrust Bank Of Alabama, 5.58%, Due 2/6/2006, Puttable 2001, Dated 2/6/1996..... | 7,000 | 6,768 |
| | | ----- |
| TOTAL BANK FUNDING..... | | 19,417 |
| | | ----- |
| TOTAL CORPORATE OBLIGATIONS..... | | 35,681 |
| | | ----- |

<CAPTION>

| | Par Amount | Value |
|---|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| ASSET-BACKED SECURITIES -- 5.94% | | |
| Case Equipment Loan Trust, Series 1993-B, 5.10%, Due 5/15/1999..... | \$ 2,241 | \$ 2,221 |
| Corestates 1996-1, 6.75%, Due 2/15/2005..... | 8,000 | 8,065 |
| | | ----- |
| TOTAL ASSET-BACKED SECURITIES..... | | 10,286 |
| | | ----- |
| NON-AGENCY MORTGAGE BACKED OBLIGATIONS -- 13.37% | | |
| Collateralized Mortgage Obligation Trust, 56 A, 9.00%, Due 5/1/2014..... | 194 | 200 |
| Residential Funding Securities Corporation, 1995-1 KS1, 6.7125%, Due 6/25/2025..... | 3,872 | 3,892 |
| Resolution Trust Corporation, 1992-MH3 B1, 7.25%, Due 12/15/2011..... | 7,301 | 7,347 |
| Resolution Trust Corporation, 1992-7 A3, 6.97312%, Due 3/25/2022..... | 2,784 | 2,755 |
| Resolution Trust Corporation, 1992-6 A 3, 6.97312%, Due 3/25/2022..... | 2,767 | 2,806 |
| Resolution Trust Corporation, 1992-1 A1, 6.3860%, Due 5/25/2028..... | 2,983 | 3,017 |
| Resolution Trust Corporation, 1992-4 A2, 6.2696%, Due 7/25/2028..... | 3,086 | 3,132 |
| | | ----- |
| TOTAL NON-AGENCY MORTGAGE BACKED OBLIGATIONS..... | | 23,149 |
| SHORT-TERM INVESTMENTS (NOTE A) -- 1.40% | | |
| Bank Brussels Lambert, Euro TD, 5.5625%, Due 11/1/1996..... | 2,430 | 2,430 |
| | | ----- |
| TOTAL SHORT-TERM INVESTMENTS..... | | 2,430 |
| | | ----- |

| | |
|-------------------------------|-----------|
| TOTAL INVESTMENTS -- 100.75% | |
| (COST \$173,958)..... | 174,479 |
| | ----- |
| LIABILITIES, NET OF OTHER | |
| ASSETS -- (0.75%)..... | (1,302) |
| | ----- |
| TOTAL NET ASSETS -- 100%..... | \$173,177 |
| | ===== |

</TABLE>

See accompanying notes

45

47

AMR INVESTMENT SERVICES TRUST LIMITED-TERM INCOME PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

Based on the cost of investments of \$173,958 for federal income tax purposes at October 31, 1996, the aggregate gross unrealized appreciation was \$927, the unrealized depreciation was \$406, and the net unrealized appreciation of investments was \$521.

(A) Rates associated with short-term investments represent yield to maturity.

ABBREVIATIONS:

CD -- Certificate of Deposit
REMIC -- Real Estate Mortgage Investment Conduit
TD -- Time Deposit

See accompanying notes

46

48

AMR INVESTMENT SERVICES TRUST
STATEMENTS OF ASSETS AND LIABILITIES
October 31, 1996

<TABLE>
<CAPTION>

| | Balanced Portfolio | Growth and Income Portfolio | International Equity Portfolio | Limited-Term Income Portfolio |
|---|-----------------------|-----------------------------------|--------------------------------------|-------------------------------------|
| | ----- | ----- | ----- | ----- |
| | (in thousands) | | | |
| <S> | <C> | <C> | <C> | <C> |
| ASSETS: | | | | |
| Investments in securities at value (cost -- \$764,769; \$880,481; \$335,924; \$173,958, respectively)..... | \$900,785 | \$1,113,842 | \$389,195 | \$174,479 |
| Cash, including foreign currency..... | - | - | 14,651 | - |
| Unrealized appreciation on foreign currency contracts... | - | - | 484 | - |
| Dividends and interest receivable..... | 6,586 | 2,193 | 993 | 1,278 |
| Reclaims receivable..... | - | - | 566 | - |
| Receivable for investments sold..... | 120 | 241 | 235 | - |
| Deferred organization costs..... | 34 | 34 | 34 | 34 |
| Other assets..... | 1 | - | - | - |
| | ----- | ----- | ----- | ----- |
| TOTAL ASSETS..... | 907,526 | 1,116,310 | 406,158 | 175,791 |
| | ----- | ----- | ----- | ----- |
| LIABILITIES: | | | | |
| Payable for investments purchased..... | 10,606 | 3,040 | 678 | 2,508 |
| Payable for portfolio redemptions..... | 538 | 126 | 43 | - |
| Management and investment advisory fees payable (Note 2)..... | 803 | 904 | 496 | 37 |
| Accrued organization costs..... | 43 | 43 | 35 | 43 |
| Other liabilities..... | 54 | 40 | 410 | 26 |
| | ----- | ----- | ----- | ----- |
| TOTAL LIABILITIES..... | 12,044 | 4,153 | 1,662 | 2,614 |
| | ----- | ----- | ----- | ----- |
| NET ASSETS APPLICABLE TO INVESTORS' BENEFICIAL INTERESTS.... | \$895,482 | \$1,112,157 | \$404,496 | \$173,177 |
| | ===== | ===== | ===== | ===== |

</TABLE>

See accompanying notes

47

49

AMR INVESTMENT SERVICES TRUST
STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

| | Balanced Portfolio | Growth and Income Portfolio | International Equity Portfolio | Limited-Term Income Portfolio |
|--|-----------------------|-----------------------------------|--------------------------------------|-------------------------------------|
| | (in thousands) | | | |
| <S> | <C> | <C> | <C> | <C> |
| INVESTMENT INCOME: | | | | |
| Interest income..... | \$ 24,184 | \$ 2,577 | \$ 1,389 | \$12,656 |
| Dividend income (net of foreign taxes of \$762 in International Equity Portfolio)..... | 15,597 | 28,031 | 8,527 | - |
| Income derived from securities lending, net..... | 89 | 60 | 54 | 7 |
| TOTAL INVESTMENT INCOME..... | 39,870 | 30,668 | 9,970 | 12,663 |
| EXPENSES: | | | | |
| Management and investment advisory fees (Note 2)..... | 2,845 | 3,154 | 1,458 | 454 |
| Custodian fees..... | 121 | 93 | 317 | 46 |
| Professional fees..... | 59 | 57 | 20 | 19 |
| Other expenses..... | 80 | 80 | 40 | 42 |
| TOTAL EXPENSES..... | 3,105 | 3,384 | 1,835 | 561 |
| NET INVESTMENT INCOME..... | 36,765 | 27,284 | 8,135 | 12,102 |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS: | | | | |
| Net realized gain (loss) on investments..... | 67,731 | 77,846 | 9,600 | (3,216) |
| Net realized gain on foreign currency transactions..... | - | - | 1,572 | - |
| Change in net unrealized appreciation of investments..... | 27,670 | 94,294 | 38,592 | 458 |
| Change in net unrealized depreciation of foreign currency contracts and translations..... | - | - | (7,840) | - |
| NET GAIN (LOSS) ON INVESTMENTS..... | 95,401 | 172,140 | 41,924 | (2,758) |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS..... | \$132,166 | \$199,424 | \$50,059 | \$ 9,344 |

</TABLE>

See accompanying notes

48

50

AMR INVESTMENT SERVICES TRUST
STATEMENTS OF CHANGES IN NET ASSETS
Year Ended October 31, 1996<TABLE>
<CAPTION>

| | Balanced Portfolio | Growth and Income Portfolio | International Equity Portfolio | Limited-Term Income Portfolio |
|---|-----------------------|-----------------------------------|--------------------------------------|-------------------------------------|
| | (in thousands) | | | |
| <S> | <C> | <C> | <C> | <C> |
| INCREASE IN NET ASSETS: | | | | |
| OPERATIONS: | | | | |
| Net investment income..... | \$ 36,765 | \$ 27,284 | \$ 8,135 | \$ 12,102 |
| Net realized gain (loss) on investments and foreign currency transactions..... | 67,731 | 77,846 | 11,172 | (3,216) |
| Change in net unrealized appreciation of investments and foreign currency translations..... | 27,670 | 94,294 | 30,752 | 458 |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS..... | 132,166 | 199,424 | 50,059 | 9,344 |
| TRANSACTIONS IN INVESTORS' BENEFICIAL INTERESTS: | | | | |
| Contributions..... | 1,029,398 | 1,053,593 | 397,164 | 292,820 |
| Withdrawals..... | (266,082) | (140,860) | (42,727) | (128,987) |
| NET INCREASE IN NET ASSETS RESULTING FROM TRANSACTIONS IN INVESTORS' BENEFICIAL INTERESTS..... | 763,316 | 912,733 | 354,437 | 163,833 |
| NET INCREASE IN NET ASSETS..... | 895,482 | 1,112,157 | 404,496 | 173,177 |
| NET ASSETS: | | | | |
| Beginning of year..... | - | - | - | - |

| | | | | |
|------------------|------------|-------------|-----------|------------|
| END OF YEAR..... | \$ 895,482 | \$1,112,157 | \$404,496 | \$ 173,177 |
| | ===== | ===== | ===== | ===== |

FINANCIAL HIGHLIGHTS:

RATIOS:

| | | | | |
|--|-----------|-----------|-----------|-------|
| Net investment income to average net assets..... | 4.26% | 2.81% | 2.50% | 6.67% |
| Expenses to average net assets..... | 0.36% | 0.35% | 0.56% | 0.31% |
| Portfolio turnover rate..... | 76% | 40% | 19% | 304% |
| Average commission rate paid..... | \$ 0.0409 | \$ 0.0412 | \$ 0.0192 | - |

</TABLE>

See accompanying notes

AMR INVESTMENT SERVICES TRUST
NOTES TO FINANCIAL STATEMENTS
October 31, 1996

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 seven separate series, each having distinct investment objectives and policies, as follows: AMR Investment Services Balanced Portfolio, AMR Investment Services Growth and Income Portfolio, AMR Investment Services International Equity Portfolio, AMR Investment Services Limited-Term Income Portfolio, AMR Investment Services Money Market Portfolio, AMR Investment Services Municipal Money Market Portfolio, and AMR Investment Services U.S. Treasury Money Market Portfolio. These financial statements and notes to the financial statements relate to the Balanced, Growth and Income, International Equity and Limited-Term Income Portfolios (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. The Trust commenced active operations on November 1, 1995.

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

Equity securities that are primarily traded on domestic securities exchanges are valued at the last quoted sales price on a designated exchange prior to the close of trading on the New York Stock Exchange (the "Exchange") or, lacking any current sales, on the basis of the last current bid price prior to the close of trading on the Exchange. Portfolio securities that are primarily traded on foreign securities exchanges are generally valued at the preceding closing values of such securities on their respective exchanges where primarily traded. Over-the-counter equity securities are valued on the basis of the last bid price on that date prior to the close of trading. Debt securities (other than short-term securities) normally will be valued on the basis of prices provided by a pricing service and may take into account appropriate factors such as institution-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data. In some cases, the prices of debt securities may be determined using quotes obtained from brokers. Securities for which market quotations are not readily available are valued at fair value, as determined in good faith and pursuant to procedures approved by the Board. Investment grade short-term obligations with 60 days or less to maturity are valued using the amortized cost method.

Security Transactions and Investment Income

Security transactions are recorded on the trade date of the security purchase or sale. Dividend income is recorded on the ex-dividend date except certain dividends from foreign securities which are recorded as soon as the information is available to the Portfolios. 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.

Currency Translation

All assets and liabilities initially expressed in foreign currency values are converted into U.S. dollar values at the bid price of such currencies against U.S. dollars as last quoted by a recognized dealer. Income, expenses and purchases and sales of investments are translated into U.S. dollars at the rate of exchange prevailing on the respective dates of such transactions. The Portfolios include that portion of the results of operations resulting from changes in foreign exchange rates with net realized and unrealized gain on investments, as appropriate.

Forward Foreign Currency Contracts

The International Equity Portfolio may enter into forward foreign currency contracts to hedge the exchange rate risk on investment transactions or to hedge the value of portfolio securities denominated in foreign currencies. Forward foreign currency contracts are valued at the forward exchange rate prevailing on the day of valuation.

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 sub-chapter M of the Internal Revenue Code. Accordingly, no provision for United States federal income or excise tax is necessary.

Deferred Organization Expenses

Expenses incurred by a Portfolio in connection with its organization are being amortized on a straight-line basis over a five-year period.

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. Investment assets of the Balanced, Growth and Income, and International Equity Portfolios ("Variable NAV Portfolios") are managed by multiple investment advisers which have entered into separate investment advisory agreements with the Manager. As compensation for performing the duties required under the Management Agreement, the Manager receives from the Portfolios an annualized fee equal to .10% of the average daily net assets of the Variable NAV Portfolios plus amounts paid by the

51

Manager to the investment advisors hired by the Manager to direct investment activities of the Portfolios. Management fees are paid as follows (dollars in thousands):

<TABLE>
 <CAPTION>

| | Management Fee Rate | Management Fee | Amount paid to Investment Advisors | Net Amount Paid to Manager |
|-------------------------------------|------------------------|-------------------|--|----------------------------------|
| | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| Balanced Portfolio..... | .225%-.70% | \$2,845 | \$2,005 | \$840 |
| Growth and Income Portfolio..... | .225%-.70% | 3,154 | 2,182 | 972 |
| International Equity Portfolio..... | .50%-.90% | 1,458 | 1,132 | 326 |

</TABLE>

The Manager serves as the sole investment adviser to the Limited-Term Income Portfolio. Pursuant to the Management Agreement, the Manager receives from the Limited-Term Income Portfolio an annualized fee equal to .25% of the average daily net assets of the Portfolio.

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 free 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 October 31, 1996, the cost of air transportation was not material to any of the Portfolios.

3. INVESTMENT TRANSACTIONS

Investment transactions for the year ended October 31, 1996 (excluding short-term investments) are as follows (in thousands):

<TABLE>
<CAPTION>

| | Balanced Portfolio | Growth and Income Portfolio | International Equity Portfolio | Limited-Term Income Portfolio |
|--------------------------|-----------------------|-----------------------------------|--------------------------------------|-------------------------------------|
| | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| Purchases..... | \$647,086 | \$536,001 | \$ 139,871 | \$523,969 |
| Proceeds from sales..... | \$632,770 | \$365,851 | \$ 57,351 | \$547,409 |

</TABLE>

52

54

AMR INVESTMENT SERVICES TRUST
NOTES TO FINANCIAL STATEMENTS
October 31, 1996
(Continued)

4. COMMITMENTS

In order to protect itself against a decline in the value of particular foreign currencies against the U.S. dollar, the International Equity Portfolio has entered into forward contracts to deliver or receive foreign currency in exchange for U.S. dollars as described below. The Portfolio bears the market risk that arises from changes in foreign exchange rates, and accordingly, the unrealized gain (loss) on these contracts is reflected in the accompanying financial statements. The Portfolio also bears the credit risk if the counterparty fails to perform under the contract. At October 31, 1996, the Portfolio had outstanding forward foreign currency contracts as follows:

At October 31, 1996, the Portfolio had outstanding forward foreign currency contracts as follows:

<TABLE>
<CAPTION>
Contracts to Deliver

(amounts in thousands)

| | | Settlement Date | Value | Unrealized Gain/(Loss) |
|---|----------|--------------------|----------|---------------------------|
| | | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| 2,900 | AUD..... | 1/10/97 | \$ 2,291 | \$ (8) |
| 10,000 | DEM..... | 6/19/97 | 6,681 | 190 |
| 300,000 | ESP..... | 12/2/96 | 2,349 | 15 |
| 34,000 | FRF..... | 6/19/97 | 6,715 | 83 |
| 21,700 | FRF..... | 6/19/97 | 4,286 | (29) |
| 195,000 | JPY..... | 12/20/96 | 1,721 | 289 |
| 2,750 | NLG..... | 11/14/96 | 1,623 | 145 |
| 3,900 | NLG..... | 11/14/96 | 2,302 | 219 |
| 18,500 | SEK..... | 9/16/97 | 2,828 | (36) |
| | | | ----- | ----- |
| Total contracts to deliver (Receivable amount \$31,665)..... | | | \$30,796 | \$ 869 |
| | | | ===== | ===== |
| Contracts to Receive | | | | |
| ----- | | | | |
| (amounts in thousands) | | | | |
| 10,000 | DEM..... | 6/19/97 | \$ 6,681 | \$ (229) |
| 195,000 | JPY..... | 12/24/96 | 1,721 | (101) |
| 6,650 | NLG..... | 11/14/96 | 3,925 | (56) |
| | | | ----- | ----- |
| Total contracts to receive (Payable amount \$12,712)..... | | | \$12,327 | \$ (385) |

5. SECURITIES LENDING

The Portfolios participate in a securities lending program under which securities are loaned to selected institutional investors for a fee. All such loans require collateralization with cash, securities of the U.S. Government and its agencies or letters of credit that at all times equal at least 100% of the market value of the loaned securities plus accrued interest. At October 31, 1996 there were no outstanding securities loans for any of the Portfolios.

53

55

ANNUAL
REPORT

OCTOBER 31, 1996

AMERICAN
ADVANTAGE FUNDS (R)

-INSTITUTIONAL CLASS-
P.O. Box 619003
Dallas/Fort Worth Airport, Texas
75261-9003
(800) 967-9009

[AMERICAN LOGO]
AMERICAN
ADVANTAGE
FUNDS (R)

-PLANAHHEAD CLASS-(R)
P.O. Box 4580
Chicago, Illinois 60680-4580
(800) 388-3344

MONEY MARKET FUND

MUNICIPAL MONEY MARKET FUND

U.S. TREASURY MONEY MARKET FUND

-PLATINUM CLASS-(SM)
P.O. Box 619003
Dallas/Fort Worth Airport, Texas
75261-9003
(800) 967-9009

56

Dear Fellow Shareholder:

We are pleased to report to you on the performance of the American AAdvantage Money Market Funds and to provide you with a copy of the Annual Report for the year ended October 31, 1996.

Money Market Fund

For the twelve months ended October 31, 1996, the total return of the Institutional Class of the American AAdvantage Money Market Fund was 5.57%. Lipper Analytical Services ranked the Institutional Class among the top ten best performing Institutional Money Market Funds out of its universe of 158 funds for that period. For the five years ended October 31, 1996, the Institutional Class maintained its Lipper ranking as the best performing Institutional Money Market Fund out of 85 such funds. Similarly, during the twelve months ended October 31, 1996, the PlanAhead Class outperformed its benchmark, the Lipper Money Market Instrument Average, while the Platinum Class met its benchmark.

After the Federal Reserve lowered interest rates on January 31, 1996 by 25 basis points, the economy grew in the first and second quarter by 2.0% and 4.2%, respectively. During this period of economic expansion, our expectations were that the Fed would adhere to a neutral to restrictive monetary policy. Consequently, the weighted average maturity of the portfolio was maintained at or near a neutral posture.

The Fund achieved its superior performance during this period of relatively stable monetary policy by investing in variable rate securities that were indexed to the London Interbank Offering Rate, reset on a quarterly basis and had final maturities of 397 days or less. During this period of improving economic momentum, we established a strategy of overweighting improving credits to increase yield. This strategy proved to be successful.

Municipal Money Market Fund

The Institutional Class of the Municipal Money Market Fund achieved a total return of 3.59% for the twelve months ended October 31, 1996. Lipper Analytical

Services ranked the Institutional Class as the 4th best performing Institutional Tax-Exempt Money Market Fund out of its universe of 75 such funds during this period. Likewise, the PlanAhead Class outperformed this Lipper benchmark, the Lipper Tax-Exempt Money Market Funds Average, while the Platinum Class underperformed this benchmark. Since its inception, the Municipal Money Market Fund has invested exclusively in high credit worthy municipal issuers that are further credit enhanced either by a bank letter of credit or bond insurance.

U.S. Treasury Money Market Fund

For the twelve months ended October 31, 1996, the Institutional Class of the U.S. Treasury Money Market Fund had a total return of 5.29% and was ranked among the top 20% in the Lipper universe of 101 Institutional Treasury Funds. During the same one year period, the PlanAhead Class also outperformed its Lipper benchmark, the Lipper U.S. Treasury Money Market Funds Average, while the Platinum Class underperformed this benchmark. The Fund continued to be rated "AAAm" by Standard and Poor's Corporation its highest money market funds' rating category.

As always, we appreciate your confidence and support and we will continue to strive to provide you with above average returns.

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

57

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

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

We have audited the accompanying statements of assets and liabilities of the American AAdvantage Money Market Fund, the American AAdvantage Municipal Money Market Fund, the American AAdvantage U.S. Treasury Money Market Fund (collectively, "the Funds") (separate funds comprising the American AAdvantage Funds) as of October 31, 1996, and the related statements 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 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 generally accepted auditing standards. 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 investments owned as of October 31, 1996, 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 October 31, 1996, the results of their operations for the year then ended, the changes in their 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 generally accepted accounting principles.

/s/ ERNST & YOUNG
Dallas, Texas
December 20, 1996

2

58

AMERICAN AADVANTAGE FUNDS
STATEMENTS OF ASSETS AND LIABILITIES
October 31, 1996

<TABLE>
<CAPTION>

Money Municipal U.S.
Treasury

| | Market Fund | Money Market Fund | Money Market Fund |
|---|--|-------------------|-------------------|
| | (in thousands, except share and per share amounts) | | |
| <S> | <C> | <C> | <C> |
| ASSETS: | | | |
| Investment in Portfolio, at value..... | \$ 1,642,180 | \$ 52,433 | \$ 80,006 |
| TOTAL ASSETS..... | 1,642,180 | 52,433 | 80,006 |
| LIABILITIES: | | | |
| Dividends payable..... | 7,679 | 123 | 302 |
| Management and administrative services fees payable (Note 2)..... | 440 | 88 | 98 |
| Other liabilities..... | 251 | 14 | 36 |
| TOTAL LIABILITIES..... | 8,370 | 225 | 436 |
| NET ASSETS..... | \$ 1,633,810 | \$ 52,208 | \$ 79,570 |
| ANALYSIS OF NET ASSETS: | | | |
| Paid-in-capital..... | 1,633,810 | 52,208 | 79,570 |
| NET ASSETS..... | \$ 1,633,810 | \$ 52,208 | \$ 79,570 |
| Shares outstanding (no par value): | | | |
| Institutional Class..... | 1,406,938,475 | 6,104 | 25,594,915 |
| PlanAhead Class..... | 106,889,907 | 2,339,633 | 1,822,270 |
| Platinum Class..... | 119,981,224 | 49,862,571 | 52,152,937 |
| Net asset value per share: | | | |
| Institutional Class..... | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| PlanAhead Class..... | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Platinum Class..... | \$ 1.00 | \$ 1.00 | \$ 1.00 |

</TABLE>

See accompanying notes

3

59

AMERICAN AADVANTAGE FUNDS
STATEMENTS OF OPERATIONS
Year Ended October 31, 1996

| | Money Market Fund | Municipal Money Market Fund | U.S. Treasury Money Market Fund |
|--|-------------------|-----------------------------|---------------------------------|
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| INVESTMENT INCOME ALLOCATED FROM PORTFOLIO: | | | |
| Allocated interest income..... | \$83,708 | \$1,394 | \$4,460 |
| Allocated Portfolio expenses (net of reimbursement of \$29 for the Municipal Money Market Fund)..... | (2,587) | (47) | (164) |
| NET INVESTMENT INCOME ALLOCATED FROM PORTFOLIO..... | 81,121 | 1,347 | 4,296 |
| FUND EXPENSES: | | | |
| Administrative service fees (Note 2): | | | |
| Institutional Class..... | 670 | - | 16 |
| PlanAhead Class..... | 33 | - | 1 |
| Platinum Class..... | 384 | 185 | 249 |
| Transfer agent fees: | | | |
| Institutional Class..... | 54 | - | 2 |
| PlanAhead Class..... | 62 | 1 | 1 |
| Professional fees..... | 79 | 5 | 13 |
| Registration fees and expenses..... | 98 | 21 | 33 |
| Distribution fees - Platinum Class..... | 192 | 93 | 124 |
| Service Fees - PlanAhead Class..... | 164 | 2 | 3 |
| Other expenses..... | 15 | 1 | 2 |
| TOTAL FUND EXPENSES..... | 1,751 | 308 | 444 |
| NET INVESTMENT INCOME..... | 79,370 | 1,039 | 3,852 |

| | | | |
|---|----------|---------|---------|
| REALIZED GAIN ALLOCATED FROM PORTFOLIO: | | | |
| Net realized gain on investments..... | 69 | - | 36 |
| NET GAIN ON INVESTMENTS..... | 69 | - | 36 |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS..... | \$79,439 | \$1,039 | \$3,888 |

</TABLE>

See accompanying notes

4

60

AMERICAN AADVANTAGE FUNDS
STATEMENTS OF CHANGES IN NET ASSETS
Year Ended October 31,

<TABLE>
<CAPTION>

| | Money Market Fund | | Municipal Money Market Fund | | U.S. Treasury Money Market Fund | |
|--|-------------------|--------------|-----------------------------|-----------|---------------------------------|-----------|
| | 1996 | 1995 | 1996 | 1995 | 1996 | 1995 |
| | (in thousands) | | | | | |
| | <C> | <C> | <C> | <C> | <C> | <C> |
| INCREASE (DECREASE) IN NET ASSETS: OPERATIONS: | | | | | | |
| Net investment income..... | \$ 79,370 | \$ 91,590 | \$ 1,039 | \$ 682 | \$ 3,852 | \$ 3,700 |
| Net realized gain on investments..... | 69 | 19 | - | - | 36 | 8 |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS..... | 79,439 | 91,609 | 1,039 | 682 | 3,888 | 3,708 |
| DISTRIBUTIONS TO SHAREHOLDERS: | | | | | | |
| Net investment income: | | | | | | |
| Institutional Class..... | (72,480) | (86,432) | (1) | (194) | (1,633) | (3,301) |
| Mileage Class..... | (19) | (4,257) | - | (483) | - | (390) |
| PlanAhead Class..... | (3,324) | (901) | (28) | (5) | (57) | (9) |
| Platinum Class..... | (3,547) | - | (1,010) | - | (2,162) | - |
| Net realized gain on investments: | | | | | | |
| Institutional Class..... | (62) | (18) | - | - | (15) | (7) |
| Mileage Class..... | - | (1) | - | - | - | (1) |
| PlanAhead Class..... | (3) | - | - | - | - | - |
| Platinum Class..... | (4) | - | - | - | (21) | - |
| NET DISTRIBUTIONS TO SHAREHOLDERS..... | (79,439) | (91,609) | (1,039) | (682) | (3,888) | (3,708) |
| CAPITAL SHARE TRANSACTIONS: | | | | | | |
| Proceeds from sales of shares... | 12,974,461 | 12,531,768 | 120,311 | 189,500 | 199,981 | 389,427 |
| Reinvestment of dividends and distributions..... | 52,065 | 54,680 | 915 | 668 | 3,266 | 2,823 |
| Cost of shares redeemed..... | (12,741,031) | (13,189,189) | (88,592) | (191,043) | (178,363) | (411,339) |
| NET INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS..... | 285,495 | (602,741) | 32,634 | (875) | 24,884 | (19,089) |
| NET INCREASE (DECREASE) IN NET ASSETS: | | | | | | |
| Beginning of year..... | 1,348,315 | 1,951,056 | 19,574 | 20,449 | 54,686 | 73,775 |
| END OF YEAR..... | \$ 1,633,810 | \$ 1,348,315 | \$ 52,208 | \$ 19,574 | \$ 79,570 | \$ 54,686 |

</TABLE>

See accompanying notes

5

61

AMERICAN AADVANTAGE FUNDS
NOTES TO FINANCIAL STATEMENTS
October 31, 1996

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, as amended, as a no-load, open-end, management investment company with eight separate funds: the American AAdvantage Balanced Fund, the American AAdvantage Growth and Income Fund, the American AAdvantage International Equity Fund, the American AAdvantage Limited-Term Income Fund, the American AAdvantage Money Market Fund, the American AAdvantage Municipal Money Market Fund, American AAdvantage Short-Term Income Fund and the American AAdvantage U.S. Treasury Money Market Fund. These financial statements relate to the Money Market, Municipal Money Market and U.S. Treasury Money Market Funds (each a "Fund" and collectively, the "Funds"). The American AAdvantage Short-Term Income Fund had not commenced active operations at October 31, 1996. The Trust commenced sales of a second class of shares of the Funds, designated as "Mileage Class" shares, on November 1, 1991 for the Money Market Fund, November 1, 1993 for the U.S. Treasury Money Market Fund and on November 10, 1993 for the Municipal Money Market Fund. At the same time, the existing shares of each Fund were redesignated as "Institutional Class" shares. The Trust commenced sales on August 1, 1994 of a third class of shares of the Funds, designated as "PlanAhead Class" shares and on November 7, 1995 a fourth class of shares of the Funds, designated as "Platinum Class" shares. The Mileage Class of each Fund was terminated on November 15, 1995.

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:

| <S> | <C> | <C> |
|---------------------------------|-------------------------|--------------------------------------|
| AMERICAN AADVANTAGE: | -) INVESTS ASSETS IN -) | AMR INVESTMENT SERVICES TRUST: |
| Money Market Fund | | Money Market Portfolio |
| Municipal Money Market Fund | | Municipal Money Market Portfolio |
| U.S. Treasury Money Market Fund | | U.S. Treasury Money Market Portfolio |

Each AMR Investment Services 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 (93.05%, 64.53% and 88.22% at October 31, 1996 of the AMR Investment Services Trust Money Market, Municipal Money Market and U.S. Treasury Money Market Portfolios) (each a "Portfolio" and collectively the "Portfolios", respectively). 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 the Portfolios is discussed in Note 1 of the Portfolios' Notes to Financial Statements which are included elsewhere in this report.

AMERICAN AADVANTAGE FUNDS
NOTES TO FINANCIAL STATEMENTS
October 31, 1996 (Continued)

Investment Income and Dividends to Shareholders

Each Fund records its share of net investment income and realized gain and loss in the Portfolio each day. All net investment income and realized gain and 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 generally accepted accounting principles.

Federal Income and Excise Taxes

It is the policy of each of the Funds 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.

All dividends paid by the Municipal Money Market Fund were "exempt -- interest dividends", and therefore 100% free of any regular Federal income tax. Approximately 35% of interest earned was derived from investments in certain private activity bonds for purposes of the Federal alternative minimum tax calculation.

Expenses

Expenses directly attributable to a Fund are charged to that Fund's operations. Expenses directly attributable to a Class of shares are charged to that Class. Expenses incurred by the Trust with respect to any two or more of the Funds are allocated in proportion to the net assets of each Fund, except where allocations of direct expenses to each Fund can otherwise be made fairly. Each share of each Fund, regardless of class, bears equally those expenses that are allocated to the Fund as a whole.

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's pro rata allocation of the Fund's investments and other assets, less liabilities, by the number of Class shares outstanding.

2. TRANSACTIONS WITH AFFILIATES

Administrative Services Agreement

The Manager and the Trust entered into an Administrative Service 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 .05% of the average daily net assets of the Institutional and PlanAhead Classes of each of the Funds and .50% of the average daily net assets of the Platinum Classes of each of the Funds.

AMERICAN AADVANTAGE FUNDS
 NOTES TO FINANCIAL STATEMENTS
 October 31, 1996 (Continued)

Distribution Plan

The Trust has adopted a "defensive" Distribution Plan in accordance with Rule 12b-1 under the Investment Company Act of 1940, pursuant to which no fees may be charged to the Funds for distribution purposes. However, the plan authorizes the fees received by the Manager and the investment advisers hired 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.

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 free 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 October 31, 1996, the cost of air transportation was not material to any of the Funds. At October 31, 1996, AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof owned 6% of the Institutional Class of the Municipal Money Market Fund.

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:

<TABLE>
 <CAPTION>

| Year Ended October 31, 1996 | Institutional Class | Mileage Class | PlanAhead Class | Platinum Class |
|-----------------------------|---------------------|---------------|-----------------|----------------|
| ----- | ----- | ----- | ----- | ----- |

| <S> | <C> | <C> | <C> | <C> |
|--|--------------|-----------|-----------|----------|
| Money Market Fund | | | | |
| Shares sold..... | 12,617,528 | 654 | 177,716 | 178,563 |
| Reinvestment of dividends..... | 46,010 | -- | 2,969 | 3,086 |
| Shares redeemed..... | (12,462,640) | (100,940) | (115,783) | (61,668) |
| Net increase (decrease) in capital share transactions..... | 200,898 | (100,286) | 64,902 | 119,981 |

</TABLE>

<TABLE>
<CAPTION>

| Municipal Money Market Fund | Institutional Class | Mileage Class | PlanAhead Class | Platinum Class |
|--|---------------------|---------------|-----------------|----------------|
| <S> | <C> | <C> | <C> | <C> |
| Shares sold..... | 1,491 | -- | 6,330 | 112,490 |
| Reinvestment of dividends..... | -- | -- | 23 | 892 |
| Shares redeemed..... | (1,492) | (19,438) | (4,143) | (63,519) |
| Net increase (decrease) in capital share transactions..... | (1) | (19,438) | 2,210 | 49,863 |

</TABLE>

<TABLE>
<CAPTION>

| U.S. Treasury Money Market Fund | Institutional Class | Mileage Class | PlanAhead Class | Platinum Class |
|--|---------------------|---------------|-----------------|----------------|
| <S> | <C> | <C> | <C> | <C> |
| Shares sold..... | 51,499 | 26 | 4,149 | 144,307 |
| Reinvestment of dividends..... | 1,225 | -- | 49 | 1,992 |
| Shares redeemed..... | (74,313) | (6,998) | (2,906) | (94,146) |
| Net increase (decrease) in capital share transactions..... | (21,589) | (6,972) | 1,292 | 52,153 |

</TABLE>

AMERICAN AADVANTAGE FUNDS
NOTES TO FINANCIAL STATEMENTS
October 31, 1996 (Continued)

<TABLE>
<CAPTION>

| Year Ended October 31, 1995 | Institutional Class | Mileage Class | PlanAhead Class |
|--|---------------------|---------------|-----------------|
| <S> | <C> | <C> | <C> |
| Money Market Fund | | | |
| Shares sold..... | 12,106,153 | 297,557 | 128,058 |
| Reinvestment of dividends..... | 50,158 | 3,863 | 659 |
| Shares redeemed..... | (12,843,415) | (259,020) | (86,754) |
| Net increase (decrease) in capital share transactions..... | (687,104) | 42,400 | 41,963 |

</TABLE>

<TABLE>
<CAPTION>

| Municipal Money Market Fund | Institutional Class | Mileage Class | PlanAhead Class |
|--|---------------------|---------------|-----------------|
| <S> | <C> | <C> | <C> |
| Shares sold..... | 146,600 | 42,208 | 692 |
| Reinvestment of dividends..... | 223 | 440 | 5 |
| Shares redeemed..... | (156,552) | (33,923) | (568) |
| Net increase (decrease) in capital share transactions..... | (9,729) | 8,725 | 129 |

</TABLE>

<TABLE>
<CAPTION>

| U.S. Treasury Money Market Fund | Institutional Class | Mileage Class | PlanAhead Class |
|---------------------------------|---------------------|---------------|-----------------|
| <S> | <C> | <C> | <C> |
| Shares sold..... | 371,049 | 16,404 | 1,974 |

| | | | |
|--|-----------|----------|---------|
| Reinvestment of dividends..... | 2,455 | 362 | 6 |
| Shares redeemed..... | (393,927) | (15,962) | (1,450) |
| Net increase (decrease) in capital share transactions..... | (20,423) | 804 | 530 |

</TABLE>

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

<TABLE>
<CAPTION>

| | Institutional Class | | | | |
|--|------------------------|-------------|-------------|-------------|-------------|
| | Year Ended October 31, | | | | |
| | 1996 | 1995 | 1994 (1) | 1993 | 1992 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Net investment income..... | 0.05 (5) | 0.06 | 0.04 | 0.03 | 0.04 |
| Less dividends from net investment income..... | (0.05) | (0.06) | (0.04) | (0.03) | (0.04) |
| Net asset value, end of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Total return (annualized)..... | 5.57% | 5.96% | 3.85% | 3.31% | 4.41% |
| Ratios/supplemental data: | | | | | |
| Net assets, end of period (in thousands)..... | \$1,406,939 | \$1,206,041 | \$1,893,144 | \$2,882,947 | \$2,223,829 |
| Ratios to average net assets (annualized): | | | | | |
| Expenses..... | 0.24% (5) | 0.23% | 0.21% | 0.23% | 0.26% |
| Net investment income..... | 5.41% (5) | 5.79% | 3.63% | 3.23% | 4.06% |

<CAPTION>

| | PlanAhead Class | | | Platinum Class |
|--|------------------------|----------|--------------------------|--------------------------|
| | Year Ended October 31, | | Period Ended October 31, | Period Ended October 31, |
| | 1996 | 1995 | 1994 (1) (2) (3) | 1996 (2) (4) |
| <S> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 1.00 | \$ 1.00 | \$1.00 | \$ 1.00 |
| Net investment income..... | 0.05 (5) | 0.05 | 0.01 | 0.05 (5) |
| Less dividends from net investment income..... | (0.05) | (0.05) | (0.01) | (0.05) |
| Net asset value, end of period..... | \$ 1.00 | \$ 1.00 | \$1.00 | \$ 1.00 |
| Total return (annualized)..... | 5.21% | 5.60% | 3.73% | 4.85% |
| Ratios/supplemental data: | | | | |
| Net assets, end of period (in thousands)..... | \$106,890 | \$41,989 | \$ 25 | \$119,981 |
| Ratios to average net assets (annualized): | | | | |
| Expenses..... | 0.58% (5) | 0.55% | 0.70% | 0.94% (5) |
| Net investment income..... | 5.06% (5) | 5.56% | 4.42% | 4.63% (5) |

</TABLE>

(1) Average shares outstanding for the period rather than end of period shares were used to compute net investment income per share.

(2) The PlanAhead Class commenced active operations on August 1, 1994. The Platinum Class commenced active operations on November 7, 1995.

(3) Total return for the PlanAhead Class for the period ended October 31, 1994 reflects Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the PlanAhead Class from August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return would vary from the results

shown had the PlanAhead Class been in operation for the entire year.

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

- (4) Total return for the Platinum Class for the period ended October 31, 1996 reflects Institutional Class returns from November 1, 1995 through November 6, 1995 and returns of the Platinum Class from November 7, 1995 (commencement of operations) through October 31, 1996. Due to the different expense structures between the classes, total return would vary from the results shown had the Platinum Class been in operation for the entire year.
- (5) 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 Trust Money Market Portfolio.

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

<TABLE>
 <CAPTION>

| | Institutional Class | | | |
|--|---------------------------|---------|-----------------------------|-----------------------------|
| | Year Ended October 31, | | Period Ended October 31, | |
| | 1996 | 1995 | 1994 (1) | |
| <S> | <C> | <C> | <C> | |
| Net asset value, beginning of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | |
| Net investment income..... | 0.04 (5) | 0.04 | 0.02 | |
| Less dividends from net investment income..... | (0.04) | (0.04) | (0.02) | |
| Net asset value, end of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | |
| Total return (annualized) (3)..... | 3.59% | 3.75% | 2.44% | |
| Ratios/Supplemental Data: | | | | |
| Net assets, end of period (in thousands)..... | \$ 6 | \$ 7 | \$9,736 | |
| Ratios to average net assets (annualized) (3): | | | | |
| Expenses..... | 0.27% (5) | 0.35% | 0.30% | |
| Net investment income..... | 3.49% (5) | 3.70% | 2.38% | |
| <CAPTION> | | | | |
| | PlanAhead Class | | Platinum Class | |
| | Year Ended October 31, | | Period Ended October 31, | Period Ended October 31, |
| | 1996 | 1995 | 1994 (1) | 1996 (1) (2) |
| <S> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Net investment income..... | 0.03 (5) | 0.03 | 0.01 | 0.03 (5) |
| Less dividends from net investment income..... | (0.03) | (0.03) | (0.01) | (0.03) |
| Net asset value, end of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Total return (annualized) (3)..... | 3.27% | 3.39% | 2.35% | 2.88% |
| Ratios/Supplemental Data: | | | | |
| Net assets, end of period (in thousands)..... | \$2,340 | \$ 129 | \$ - | \$ 49,862 |
| Ratios to average net assets (annualized) (3): | | | | |
| Expenses..... | 0.62% (5) | 0.72% | 0.77% | 0.97% (5) |
| Net investment income..... | 3.12% (5) | 3.32% | 2.49% | 2.72% (5) |

</TABLE>

(1) The Institutional Class commenced active operations on November 10, 1993.

The PlanAhead Class commenced active operations on August 1, 1994. The Platinum Class commenced active operations on November 7, 1995.

- (2) Total return for the Platinum Class for the period ended October 31, 1996 reflects Institutional Class returns from November 1, 1995 through November 6, 1995 and returns of the Platinum Class from November 7, 1995 (commencement of operations) through October 31, 1996. Due to the different expense structures between the classes, total return would vary from the results shown had the Platinum Class been in operation for the entire year.
- (3) Operating results of each class of the Municipal Money Market Fund exclude fees waived by the Manager. Had the Fund paid such fees, the ratio of expenses and net investment income to average net assets for the Institutional Class would have been as follows:

<TABLE>
<CAPTION>

| | Institutional Class | | | PlanAhead Class | | | Platinum Class |
|--|------------------------|-------|-------------------------------|------------------------|-------|-------------------------------|----------------|
| | Year Ended October 31, | | Period Ended October 31, 1994 | Year Ended October 31, | | Period Ended October 31, 1994 | |
| | 1996 | 1995 | | 1996 | 1995 | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Ratio of expenses to average net assets (annualized)..... | 0.33% | 0.55% | 0.50% | 0.67% | 0.92% | 0.97% | 1.02% |
| Ratio of net investment income to average net assets (annualized)..... | 3.43% | 3.50% | 2.18% | 3.07% | 3.12% | 2.29% | 2.67% |

</TABLE>

AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUND
FINANCIAL HIGHLIGHTS
YEAR ENDED OCTOBER 31, 1996

- (4) Total return for the PlanAhead Class for the period ended October 31, 1994 reflects Institutional Class returns from November 10, 1993 through July 31, 1994 and returns of the PlanAhead Class from August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return would vary from the results shown had the PlanAhead Class been in operation for entire year.
- (5) 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 Trust Municipal Money Market Portfolio.

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

<TABLE>
<CAPTION>

| | Institutional Class | | | | |
|--|------------------------|----------|----------|-----------|-----------------------------------|
| | Year Ended October 31, | | | | Period Ended October 31, 1992 (2) |
| | 1996 | 1995 | 1994 (1) | 1993 | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Net investment income..... | 0.05 (7) | 0.06 | 0.04 | 0.03 | 0.02 |
| Less dividends from net investment income..... | (0.05) | (0.06) | (0.04) | (0.03) | (0.02) |
| Net asset value, end of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Total return (annualized)..... | 5.29% | 5.67% | 3.70% | 3.07% | 3.61% |
| Ratios/Supplemental Data: | | | | | |
| Net assets, end of period (in thousands)..... | \$25,595 | \$47,184 | \$67,607 | \$136,813 | \$ 91,453 |
| Ratios to average net assets (annualized) (5): | | | | | |

| | | | | | |
|----------------------------|-----------|-------|-------|-------|-----------|
| Expenses..... | 0.32% (7) | 0.32% | 0.25% | 0.23% | 0.27% (6) |
| Net investment income..... | 5.16% (7) | 5.49% | 3.44% | 2.96% | 3.46% (6) |

<CAPTION>

| | PlanAhead Class | | | Platinum Class |
|--|------------------------|---------|------------------|----------------|
| | Year Ended October 31, | | Period Ended | Period Ended |
| | ----- | | October 31, | October 31, |
| | 1996 | 1995 | 1994 (1) (2) (3) | 1996 (2) (4) |
| <S> | <C> | <C> | <C> | <C> |
| Net asset value, beginning of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Net investment income..... | 0.05 (7) | 0.05 | 0.01 | 0.04 (7) |
| Less dividends from net investment income..... | (0.05) | (0.05) | (0.01) | (0.04) |
| Net asset value, end of period..... | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Total return (annualized)..... | 4.94% | 5.19% | 3.58% | 4.58% |
| Ratios/Supplemental Data: | | | | |
| Net assets, end of period (in thousands)..... | \$1,822 | \$ 530 | \$ - | \$ 52,153 |
| Ratios to average net assets (annualized) (5): | | | | |
| Expenses..... | 0.67% (7) | 0.76% | 0.75% | 1.00% (7) |
| Net investment income..... | 4.74% (7) | 5.19% | 3.94% | 4.35% (7) |

</TABLE>

-
- (1) Average shares outstanding for the period rather than end of period shares were used to compute net investment income per share.
 - (2) The Institutional Class commenced active operations on March 2, 1992. The PlanAhead Class commenced active operations on August 1, 1994. The Platinum Class commenced active operations on November 7, 1995.
 - (3) Total return for the PlanAhead Class for the period ended October 31, 1994 reflects Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the PlanAhead Class from August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return would vary from the results shown had the PlanAhead Class been in operation for the entire year.
 - (4) Total return for the Platinum Class for the period ended October 31, 1996 reflects Institutional Class returns from November 1, 1995 through November 6, 1995 and returns of the Platinum Class from November 7, 1995 (commencement of operations) through October 31, 1996. Due to the different expense structures between the classes, total return would vary from the results shown had the Platinum Class been in operation for the entire year.

14

70

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

-
- (5) The method of determining average net assets was changed from a monthly average to a daily average starting with the period ended October 31, 1994.
 - (6) Estimated based on expected annual expenses and actual average net assets.
 - (7) 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 Trust U.S. Treasury Money Market Portfolio.

15

71

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Shareholders and Board of Trustees
AMR Investment Services Money Market Portfolio
AMR Investment Services Municipal Money Market Portfolio
AMR Investment Services U.S. Treasury 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 Municipal Money Market Portfolio, and the AMR Investment Services U.S. Treasury Money Market Portfolio (collectively, "the Portfolios") (separate portfolios

comprising the AMR Investment Services Trust), including the schedules of investments as of October 31, 1996, and the related statements of operations, the statements of changes in net assets, and the financial highlights for the year then ended. 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 generally accepted auditing standards. 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 investments owned as of October 31, 1996, 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 October 31, 1996, the results of their operations, the changes in their net assets, and the financial highlights for the year then ended, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG
 Dallas, Texas
 December 20, 1996

AMR INVESTMENT SERVICES TRUST MONEY MARKET PORTFOLIO
 SCHEDULE OF INVESTMENTS
 October 31, 1996

<TABLE>
 <CAPTION>

| | Par Amount | Value |
|---|------------------------|-----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| EURODOLLAR TIME DEPOSITS (NOTE A) - 9.16% | | |
| Bank Brussels Lambert, 6.00%, Due 11/1/1996..... | \$85,000 | \$ 85,000 |
| Fuji Bank, 5.84375%, Due 11/1/1996..... | 57,000 | 57,000 |
| Skandinaviska Enskilda Banken, 5.75%, Due 11/1/1996..... | 19,662 | 19,662 |
| | | ----- |
| TOTAL EURODOLLAR TIME DEPOSITS..... | | 161,662 |
| | | ----- |
| CERTIFICATES OF DEPOSIT (NOTE A) - 22.61% | | |
| FOREIGN BANKS - 21.25% | | |
| Banca CRT S.p.A., New York, Variable Rate, 5.65625%, Due 3/10/1997..... | 75,000 | 75,000 |
| Industrial Bank of Japan, New York, Variable Rate, 5.50219%, Due 8/27/1997..... | 25,000 | 25,000 |
| Industrial Bank of Japan, New York, Variable Rate, 5.54%, Due 8/5/1997..... | 80,000 | 80,000 |
| Postipankki, Limited, New York, Variable Rate Demand, 5.5225%, Due 9/26/1997 (Note C)..... | 90,000 | 90,000 |
| Sanwa Bank, Limited, New York, Variable Rate, 5.59594%, Due 2/6/1997..... | 72,000 | 72,000 |
| Sanwa Bank, Limited, New York, Variable Rate, 5.49219%, Due 2/27/1997..... | 33,000 | 33,000 |
| | | ----- |
| TOTAL FOREIGN BANKS..... | | 375,000 |
| | | ----- |
| DOMESTIC BANKS - 1.36% | | |
| Banco Popular de Puerto Rico, Variable Rate, 5.725%, Due 4/4/1997 (Note B)..... | 24,000 | 24,000 |

| | | |
|---|--------|---------|
| TOTAL DOMESTIC | | |
| BANKS..... | | 24,000 |
| TOTAL CERTIFICATES OF | | |
| DEPOSIT..... | | 399,000 |
| PROMISSORY NOTES (NOTES A AND C) - 16.71% | | |
| Goldman Sachs Group L.P., | | |
| Variable Rate Demand, | | |
| 5.57547%, Due 4/4/1997..... | 18,000 | 18,000 |
| Goldman Sachs Group L.P., | | |
| Variable Rate Demand, | | |
| 5.50516%, Due 4/18/1997..... | 50,000 | 50,000 |

<CAPTION>

| | Par Amount | Value |
|-----------------------------------|------------------------|-----------|
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Goldman Sachs Group L.P., | | |
| Variable Rate Demand, | | |
| 5.50516%, Due 4/18/1997..... | \$12,000 | \$ 12,000 |
| Goldman Sachs Group L.P., | | |
| Variable Rate Demand, | | |
| 5.46219%, Due 5/19/1997..... | 25,000 | 25,000 |
| Heller Financial, Incorporated, | | |
| Variable Rate Demand, 5.75%, | | |
| Due 12/20/1996..... | 65,000 | 65,000 |
| Heller Financial, Incorporated, | | |
| Variable Rate Demand, | | |
| 5.63125%, Due 1/27/1997..... | 10,000 | 10,000 |
| Heller Financial, Incorporated, | | |
| Variable Rate Demand, 5.705%, | | |
| Due 3/11/1997..... | 25,000 | 25,000 |
| Jackson National Life Insurance | | |
| FA #F-1041-1, Variable Rate | | |
| Demand, 5.57078%, Due | | |
| 9/2/1997..... | 90,000 | 90,000 |
| TOTAL PROMISSORY NOTES..... | | 295,000 |
| BANK NOTES (NOTE A) - 5.44% | | |
| Advanta Bank USA, Variable | | |
| Rate, 5.66125%, Due | | |
| 1/9/1997..... | 25,000 | 25,000 |
| Advanta Bank USA, Variable | | |
| Rate, 5.65625%, Due | | |
| 7/15/1997..... | 25,000 | 24,999 |
| Advanta National Bank, Variable | | |
| Rate, 5.825%, Due | | |
| 4/4/1997..... | 11,000 | 11,000 |
| Advanta National Bank, Variable | | |
| Rate, 5.73125%, Due | | |
| 4/10/1997..... | 10,000 | 10,001 |
| Advanta National Bank, Variable | | |
| Rate, 5.825%, Due 10/1/1997.. | 25,000 | 25,000 |
| TOTAL BANK NOTES..... | | 96,000 |
| COMMERCIAL PAPER (NOTE A) - 7.70% | | |
| Aristar, Incorporated, 5.42%, | | |
| Due 11/14/1996..... | 9,175 | 9,157 |
| Aristar, Incorporated, 5.44%, | | |
| Due 11/14/1996..... | 35,000 | 34,932 |
| BanPonce Financial Corporation, | | |
| 5.52%, Due 11/14/1996..... | 12,000 | 11,976 |
| Finova Capital Corporation, | | |
| 5.33%, Due 11/14/1996..... | 10,000 | 9,981 |

See accompanying notes

AMR INVESTMENT SERVICES TRUST MONEY MARKET PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>

<CAPTION>

| | Par Amount | Value |
|--|------------------------|-----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Finova Capital Corporation, 5.33%, Due 11/14/1996..... | \$50,000 | \$ 49,904 |
| Finova Capital Corporation, 5.34%, Due 11/14/1996..... | 20,000 | 19,962 |
| | | ----- |
| TOTAL COMMERCIAL PAPER..... | | 135,912 |
| | | ----- |
| VARIABLE RATE MEDIUM-TERM NOTES (NOTE A) - 37.85% | | |
| American Honda Finance Corporation, 144A, 5.53125%, Due 1/27/1997..... | 70,000 | 69,992 |
| American Honda Finance Corporation, 144A, 5.58078%, Due 2/7/1997..... | 10,000 | 10,000 |
| Bank of Boston Corporation, 5.56125%, Due 1/24/1997..... | 50,000 | 50,000 |
| Bank of Boston Corporation, 5.55125%, Due 1/24/1997..... | 15,000 | 15,000 |
| Bank of Boston Corporation, 5.55125%, Due 1/29/1997..... | 5,000 | 5,000 |
| BanPonce Corporation, 5.91250%, Due 2/3/1997..... | 40,000 | 40,019 |
| BanPonce Financial Corporation, 6.0125%, Due 11/25/1996..... | 5,000 | 5,001 |
| BanPonce Financial Corporation, 6.0625%, Due 1/7/1997..... | 10,000 | 10,007 |
| Bear Stearns Companies, Incorporated, 5.55469%, Due 1/17/1997..... | 25,000 | 25,000 |
| CS First Boston, Incorporated, 144A, 5.53906%, Due 5/11/1997..... | 58,000 | 58,000 |
| General Motors Acceptance Corporation, Variable Rate Demand, 5.50%, Due 2/23/1998 (Note D)..... | 70,000 | 70,000 |

<CAPTION>

| | Par Amount | Value |
|--|------------------------|-------------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| General Motors Acceptance Corporation, Variable Rate Demand, 5.48734%, Due 10/22/1998 (Note D)..... | \$25,000 | \$ 25,000 |
| Merrill Lynch & Company, Incorporated, 5.50906%, Due 2/12/1997..... | 30,000 | 30,000 |
| Salomon Incorporated, 5.73125%, Due 10/31/1997..... | 95,000 | 95,000 |
| Sanwa Business Credit Corporation, 144A, 5.62125%, Due 1/10/1997..... | 25,000 | 25,000 |
| Sanwa Business Credit Corporation, 144A, 5.62125%, Due 1/10/1997..... | 25,000 | 25,000 |
| Sanwa Business Credit Corporation, 144A, 5.61906%, Due 2/10/1997..... | 10,000 | 9,999 |
| Sanwa Business Credit Corporation, 144A, 5.65203%, Due 3/4/1997..... | 20,000 | 19,996 |
| Sears Roebuck Acceptance Corporation, 5.51078%, Due 10/2/1997..... | 80,000 | 80,000 |
| | | ----- |
| TOTAL VARIABLE RATE MEDIUM-TERM NOTES..... | | 668,014 |
| | | ----- |
| TOTAL INVESTMENTS - 99.47% (COST \$1,755,588)..... | | 1,755,588 |
| | | ----- |
| OTHER ASSETS, NET OF LIABILITIES - 0.53%..... | | 9,334 |
| | | ----- |
| TOTAL NET ASSETS - 100%..... | | \$1,764,922 |
| | | ===== |

</TABLE>

Based on the cost of investments of \$1,755,588 for federal income tax purposes at October 31, 1996, 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.
- (B) Obligation is subject to a same day credit quality put back to issuer.
- (C) Obligation is subject to an unconditional put back to the issuer with seven calendar days notice.
- (D) Obligation is subject to an unconditional put back to the issuer with thirty calendar days notice.

ABBREVIATION:

L.P. - Limited Partnership

See accompanying notes

AMR INVESTMENT SERVICES TRUST MUNICIPAL MONEY MARKET PORTFOLIO
 SCHEDULE OF INVESTMENTS
 October 31, 1996

<TABLE>
<CAPTION>

| | Par Amount | Value |
|---|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| COMMERCIAL PAPER (NOTE A) - 4.25% | | |
| City of Burlington, Kansas Customized Purchase Pollution Control Refunding and Improvement Revenue Bonds Series 1985B, 3.60%, Due 9/1/2015, LOC Societe Generale..... | \$ 1,400 | \$ 1,400 |
| Carbon County Industrial Developement Authority Resource Recovery Bonds (Panther Creek Project) Series 1991A, 3.60%, Due 12/1/2017, LOC National Westminster Bank, PLC..... | 750 | 750 |
| Toledo, Lucas County, Ohio Port Authority Port Facility Refunding Revenue Bonds (CSX Transportation, Incorporated Project) Series 1992, 3.55%, Due 12/15/2021, LOC Bank of Nova Scotia..... | 1,300 | 1,300 |
| | | ----- |
| TOTAL COMMERCIAL PAPER..... | | 3,450 |
| | | ----- |
| MUNICIPAL BONDS (NOTE A) - 92.24% | | |
| ALABAMA - 4.52% | | |
| Birmingham Baptist Medical Centers - Alabama Special Care Facilities Financing Authority Revenue Bonds (Senior Living Communities, Incorporated Project) Series 1990A, 3.70%, Due 9/1/2020, LOC Fuji Bank, Limited, VRDO..... | 3,190 | 3,190 |
| Birmingham Baptist Medical Centers - Alabama Medical Clinic Board Revenue Bonds (Western Medical System, Inc. Project), Series 1990A, 3.70%, Due 6/1/2028, LOC Fuji Bank, Limited, VRDO..... | 480 | 480 |
| | | ----- |
| TOTAL ALABAMA..... | | 3,670 |
| | | ----- |
| ARIZONA - 2.95% | | |
| Industrial Development Authority of Apache County, | | |

| | | |
|---|-------|-------|
| Arizona Pollution Control Revenue (Tucson Electric Power Company) Series 1981B, 3.65%, Due 10/1/2021, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | 2,400 | 2,400 |
| | | ----- |
| TOTAL ARIZONA..... | | 2,400 |
| | | ----- |

<CAPTION>

| | Par Amount | Value |
|---|------------------------|----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| ARKANSAS - 1.48% | | |
| Little River County, Arkansas Solid Waste Disposal Revenue Bonds (Georgia-Pacific Corporation Project) Series 1991, 3.70%, Due 11/1/2026, LOC Sumitomo Bank, Limited, VRDO..... | \$ 1,200 | \$ 1,200 |
| | | ----- |
| TOTAL ARKANSAS..... | | 1,200 |
| | | ----- |
| CALIFORNIA - 7.93% | | |
| California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds(Taormina Industries, Incorporated Project) Series 1994B, 3.70%, Due 8/1/2014, LOC Sanwa Bank, Limited, VRDO..... | 1,000 | 1,000 |
| California Statewide Community Development Authority Industrial Development Revenue Bonds (Nichirin-Flex U.S.A., Incorporated Project) Series 1989, 3.55%, Due 10/1/2004, LOC Dai-Ichi Kangyo Bank, Limited, VRDO... | 2,500 | 2,500 |
| County of Sacramento, California Revenue Bonds Series 1985A, 3.60%, Due 4/15/2007, LOC Dai-Ichi Kangyo Bank, Limited, VRDO... | 200 | 200 |
| County of Sacramento, California Revenue Bonds Series 1985B, 3.60%, Due 4/15/2007, LOC Dai-Ichi Kangyo Bank, Limited, VRDO... | 100 | 100 |
| Los Angeles County Industrial Development Authority (Gary A. Brandy), 4.10%, Due 12/1/2007, LOC Dai-Ichi Kangyo Bank, Limited, VRDO... | 345 | 345 |
| Los Angeles County Industrial Development Authority (Bicara, Limited Project) Series 1987A-II, 4.10%, Due 12/1/2007, LOC Dai-Ichi Kangyo Bank, Limited, VRDO... | 600 | 600 |
| Southeast Resource Recovery Facilities Authority California Lease Revenue Bonds Series 1995A, 3.55%, Due 12/1/2018, LOC Industrial Bank of Japan, Limited, VRDO..... | 1,700 | 1,700 |
| | | ----- |
| TOTAL CALIFORNIA..... | | 6,445 |
| | | ----- |

</TABLE>

<TABLE>
<CAPTION>

| | Par Amount ----- | Value ----- |
|---------------------------------|------------------------|----------------|
| | (dollars in | thousands) |
| <S> | <C> | <C> |
| COLORADO - 2.22% | | |
| Adams County, Colorado | | |
| Industrial Development | | |
| Revenue Bonds (City View Park | | |
| Project) Series 1985, 3.60%, | | |
| Due 12/1/2015, LOC Barclays | | |
| Bank PLC, VRDO..... | | |
| | \$ 1,800 | \$ 1,800 |
| | | ----- |
| | | 1,800 |
| | | ----- |
| TOTAL COLORADO..... | | |
| | | 1,800 |
| | | ----- |
| CONNECTICUT - 0.25% | | |
| Connecticut Development | | |
| Authority Solid Waste | | |
| Disposal Facility Revenue | | |
| Bonds (Exeter Energy Project) | | |
| Series 1989A, 3.60%, Due | | |
| 12/1/2019, LOC Sanwa Bank, | | |
| Limited, VRDO..... | | |
| | 200 | 200 |
| | | ----- |
| | | 200 |
| | | ----- |
| TOTAL CONNECTICUT..... | | |
| | | 200 |
| | | ----- |
| FLORIDA - 6.52% | | |
| Broward County, Florida Housing | | |
| Finance Authority Multifamily | | |
| Housing Revenue | | |
| Bonds(Parkview Partnership | | |
| Limited), 3.75%, Due | | |
| 12/1/2010, LOC Fuji Bank, | | |
| Limited, VRDO..... | | |
| | 1,000 | 1,000 |
| City of Naples, Florida | | |
| Hospital Revenue Bonds | | |
| (Naples Community Hospital, | | |
| Incorporated Project) Series | | |
| 1992, 3.70%, Due 11/1/2022, | | |
| LOC Mellon Bank, N.A., | | |
| VRDO..... | | |
| | 100 | 100 |
| Dade County, Florida Capital | | |
| Asset Acquisition Special | | |
| Obligation Bonds Series 1990, | | |
| 3.90%, Due 10/1/2010, LOC | | |
| Sanwa Bank, Limited, VRDO.... | | |
| | 1,700 | 1,700 |
| Lee County, Florida Industrial | | |
| Development Authority Revenue | | |
| Bonds (Christian & Missionary | | |
| Alliance Foundation - Shell | | |
| Point Village Project), | | |
| Series 1985, 3.625%, Due | | |
| 4/1/2010, LOC Banque Paribas, | | |
| VRDO..... | | |
| | 2,500 | 2,500 |
| | | ----- |
| | | 5,300 |
| | | ----- |
| TOTAL FLORIDA..... | | |
| | | 5,300 |
| | | ----- |
| GEORGIA - 6.36% | | |
| Clayton County, Georgia Housing | | |
| Authority Multifamily Housing | | |
| Revenue Refunding Bonds | | |
| (Chateau Forest Apartments | | |
| Project) Series 1990E, 3.55%, | | |
| Due 1/1/2021, Bond | | |
| Insurance - Financial | | |
| Security Assurance, VRDO..... | | |
| | 570 | 570 |

<CAPTION>

| | Par Amount ----- | Value ----- |
|------------------------------|------------------------|----------------|
| | (dollars in | thousands) |
| <S> | <C> | <C> |
| Industrial Development | | |
| Authority of Cartersville | | |
| (Sekisui Jushi America | | |
| Incorporated Project) Series | | |
| 1992, 4.05%, Due 6/1/2012, | | |
| LOC Sanwa Bank, Limited, | | |
| VRDO..... | | |
| | \$ 1,100 | \$ 1,100 |
| Thomaston-Upson County | | |
| Industrial Development | | |

| | | |
|---|-------|-------|
| Revenue Authority (Yamaha Music Manufacturing, Incorporated) Series 1988, 4.05%, Due 8/1/2018, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | 3,500 | 3,500 |
| | | ----- |
| TOTAL GEORGIA..... | | 5,170 |
| | | ----- |
| HAWAII - 0.74% | | |
| Hawaii Housing Finance & Development Corporation (Pohulani Rental Housing Development Project) Rental Housing System Revenue Bonds Series 1990B, 3.60%, Due 7/1/2025, LOC Industrial Bank of Japan, Limited, VRDO..... | 500 | 500 |
| Hawaii State Housing Finance & Development Corporation Revenue Rental Housing System (Kamakee Vista Rental Housing Development Project) Series 1990A, 3.60%, Due 7/1/2025, LOC Industrial Bank of Japan, Limited, VRDO..... | 100 | 100 |
| | | ----- |
| TOTAL HAWAII..... | | 600 |
| | | ----- |
| ILLINOIS - 3.19% | | |
| Illinois Development Finance Authority (Illinois Power Project) Series 1987D, 3.55%, Due 3/1/2017, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | 900 | 900 |
| Illinois Housing Development Authority Multi-Family Mortgage - Revenue Bonds (Hyde Park Project) Series 1989, 4.05%, Due 2/1/2024, LOC Sumitomo Bank, Limited, VRDO..... | 1,265 | 1,265 |
| Oswego, Illinois Industrial Development Revenue Bonds (Griffith Laboratories World Wide, Incorporated Project) Series 1995, 3.65%, Due 7/1/2025, LOC ABN AMRO Bank, N.V., VRDO..... | 430 | 430 |
| | | ----- |
| TOTAL ILLINOIS..... | | 2,595 |
| | | ----- |

</TABLE>

20

76

AMR INVESTMENT SERVICES TRUST MUNICIPAL MONEY MARKET PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Par Amount | Value |
|--|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| INDIANA - 4.01% | | |
| Fort Wayne Industrial Economic Development Revenue Bonds (ND-Tech Corporation Project) Series 1989, 3.65%, Due 7/1/2009, LOC Societe Generale, VRDO..... | \$ 600 | \$ 600 |
| Indianapolis, Indiana Resource Recovery Revenue Bonds (Ogden Martin System) Series 1987, 3.65%, Due 12/1/2016, LOC Swiss Bank Corporation, VRDO..... | 400 | 400 |

| | | |
|--|-------|-------|
| Princeton Industrial Development Revenue Bonds (Orion Electric America, Incorporated Project) Series 1987, 3.80%, Due 4/30/2017, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | 455 | 455 |
| Seymour Economic Development Revenue Bonds (Kobelco Metal Powder of America, Incorporated Project) Series 1987, 4.05%, Due 12/15/1997, LOC Industrial Bank of Japan, Limited, VRDO..... | 600 | 600 |
| Shelbyville, Indiana Economic Development Revenue Bonds (Nippisun Indiana Corporation Project) Series 1991, 4.25%, Due 9/1/2006, LOC Industrial Bank of Japan, Limited, VRDO..... | 1,200 | 1,200 |
| TOTAL INDIANA..... | | 3,255 |

| | | |
|---|-----|-----|
| IOWA - 0.95% | | |
| Dubuque, Iowa Industrial Development Revenue Bonds (Swiss Valley Farms Company Project Series 1987), 3.90%, Due 12/1/2001, LOC Rabobank Nederland, VRDO..... | 770 | 770 |
| TOTAL IOWA..... | | 770 |

| | | |
|---|-----|-----|
| KENTUCKY - 3.44% | | |
| Bowling Green Industrial Building Revenue Bonds (TWN Fastener, Incorporated Project) Series 1988, 4.05%, Due 3/1/2008, LOC Industrial Bank of Japan, Limited, VRDO..... | 900 | 900 |

<CAPTION>

| | Par Amount | Value |
|--|------------------------|------------------------|
| | ----- | ----- |
| | (dollars in thousands) | (dollars in thousands) |
| <S> | <C> | <C> |
| Georgetown, Kentucky Public Project Revenue Bond Series 1986, 4.00%, Due 12/1/2006, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | \$ 300 | \$ 300 |
| Hopkinsville Industrial Development Revenue Bonds (American Precision Machinery, Incorporated Project) Series 1990, 3.75%, Due 5/1/2000, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | 1,400 | 1,400 |
| Hopkinsville, Kentucky Industrial Building Revenue Refunding Bonds (Co Par, Incorporated Project) Series 1994A, 4.05%, Due 4/1/2004, LOC Dai-Ichi Kangyo Bank, Limited, VRDO..... | 100 | 100 |
| Shelbyville, Kentucky Industrial Building Revenue Bonds (Ichikoh Manufacturing, Incorporated Project) Series 1987, 4.05%, Due 10/1/1997 LOC Industrial Bank of Japan, Limited, VRDO..... | 100 | 100 |
| TOTAL KENTUCKY..... | | 2,800 |

LOUISIANA - 4.20%
Louisiana Public Facilities
Authority Capital Facilities
Revenue Bonds Series 1985A,
3.90%, Due 12/1/2005, LOC

| | | |
|--|-------|-------|
| Sumitomo Bank, Limited, VRDO..... | 1,210 | 1,210 |
| Louisiana Public Facilities Authority Revenue Bonds(College & University Equipment & Capital Facilities) Series 1985A, 3.55%, Due 9/1/2010, Bond Insurance - Financial Guaranty Insurance Company, VRDO..... | 2,200 | 2,200 |
| TOTAL LOUISIANA..... | | 3,410 |
| MICHIGAN - 0.25% | | |
| Kent Hospital Finance Authority (Butterworth Hospital Project) Series 1991A, 3.85%, Due 1/15/2020, LOC Sanwa Bank, Limited, VRDO..... | 200 | 200 |
| TOTAL MICHIGAN..... | | 200 |

</TABLE>

AMR INVESTMENT SERVICES TRUST MUNICIPAL MONEY MARKET PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| | Par Amount | Value |
|---|------------------------|------------------------|
| | (dollars in thousands) | (dollars in thousands) |
| <S> | <C> | <C> |
| MISSOURI - 4.43% | | |
| Barry County, Missouri Industrial Development Authority, Industrial Revenue Bonds (George's Processing, Incorporated Project) Series 1987, 3.60%, Due 4/1/2000, LOC Sumitomo Bank, Limited, VRDO..... | \$ 2,200 | \$ 2,200 |
| Missouri Higher Education Loan Authority Revenue Bonds Series 1988A, 3.60%, Due 6/1/2017, LOC National Westminster Bank, PLC, VRDO..... | 1,400 | 1,400 |
| TOTAL MISSOURI..... | | 3,600 |
| NEBRASKA - 1.11% | | |
| Lancaster County, Nebraska Industrial Revenue Bonds (Sun-Husker Foods, Incorporated Project), Series 1989, 4.05%, Due 8/15/2009, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | 900 | 900 |
| TOTAL NEBRASKA..... | | 900 |
| NEVADA - 4.55% | | |
| Clark County, Nevada Industrial Development Revenue Bonds Pollution Control Refunding Revenue Bonds (Nevada Power Company Project) Series 1995A, 3.75%, Due 10/1/2030, LOC Barclays Bank, PLC, VRDO..... | 700 | 700 |
| Clark County, Nevada Industrial Development Revenue Bonds Pollution Control Refunding Revenue Bonds (Nevada Power Company Project) Series 1995C, 3.60%, Due 10/1/2030, | | |

| | | |
|---|-------|-------|
| LOC Barclays Bank, PLC, VRDO..... | 3,000 | 3,000 |
| | | ----- |
| TOTAL NEVADA..... | | 3,700 |
| | | ----- |
| NEW JERSEY - 3.33% | | |
| New Jersey Health Care Facilities Financing Authority Revenue Bonds(Carrier Foundation Project)Series 1985C, 3.80%, Due 7/1/2005, Bond Insurance Financial Guaranty Insurance Corporation, VRDO..... | 2,705 | 2,705 |
| | | ----- |
| TOTAL NEW JERSEY..... | | 2,705 |
| | | ----- |

<CAPTION>

| | Par Amount | Value |
|---|---------------|------------|
| | ----- | ----- |
| | (dollars in | thousands) |
| <S> | <C> | <C> |
| OHIO - 1.84% | | |
| Saint Mary's, Ohio Industrial Development Revenue Bonds(Setex Incorporated Project), Series 1988, 4.05%, Due 12/1/2001, LOC Industrial Bank of Japan Limited, VRDO..... | \$ 1,500 | \$ 1,500 |
| | | ----- |
| TOTAL OHIO..... | | 1,500 |
| | | ----- |
| PENNSYLVANIA - 7.53% | | |
| Cambria County Industrial Development Authority Resource Recovery Revenue Bonds(Cambria Cogen Company Project) Series 1989 V-1, 3.65%, Due 9/1/2019, LOC ABN AMRO Bank, N.V., VRDO..... | 1,000 | 1,000 |
| Cambria County Industrial Development Authority Resource Recovery Revenue Bonds(Cambria Cogen Company Project) Series 1989 V-2, 3.65%, Due 9/1/2019, LOC ABN AMRO Bank, N.V., VRDO..... | 900 | 900 |
| Cambria County Industrial Development Authority Resource Recovery Revenue Bonds(Cambria Cogen Company Project) Series 1991 V-1, 3.65%, Due 9/1/2019, LOC ABN AMRO Bank, N.V., VRDO..... | 1,150 | 1,150 |
| Emmaus, Pennsylvania General Authority Revenue Bonds (Saucon Valley School District) Series 1989 D, Subseries D-12, 3.60%, Due 3/1/2024, LOC Canadian Imperial Bank of Commerce, VRDO..... | 400 | 400 |
| Emmaus, Pennsylvania General Authority Local Government Revenue Bonds, (Bond Pod Program) Series 1989H Subseries H-8, 3.60%, Due 3/1/2024, LOC Canadian Imperial Bank of Commerce, VRDO..... | 400 | 400 |
| Gettysburg Area Industrial Development Authority Industrial Development Refunding Bonds (Dal-Tile Corporation) Series 1987B, 3.75%, Due 3/1/2004, LOC Credit Suisse, VRDO..... | 1,670 | 1,670 |

</TABLE>

AMR INVESTMENT SERVICES TRUST MUNICIPAL MONEY MARKET PORTFOLIO
 SCHEDULE OF INVESTMENTS
 October 31, 1996

<TABLE>
 <CAPTION>

| | Par Amount | Value |
|---|------------------------|--------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| Northumberland County Industrial Development Authority Resource Recovery Revenue Bonds (Foster Wheeler Mt. Carmel, Incorporated Project) Series 1987A, 3.70%, Due 2/1/2010, LOC Union Bank of Switzerland, VRDO..... | \$ 600 | \$ 600 |
| | | ----- |
| TOTAL PENNSYLVANIA..... | | 6,120 |
| | | ----- |
| TENNESSEE - 0.98% | | |
| Blount County Industrial Development Revenue Bonds (Advanced Crystal Technology, Incorporated Project) Series 1988, 4.05%, Due 8/1/2008, LOC Industrial Bank of Japan, Limited, VRDO..... | 500 | 500 |
| Covington, Tennessee Industrial Development Board Industrial Development Revenue Bonds (Charms Company Project) Series 1992, 3.65%, Due 6/1/2027, LOC Societe Generale, VRDO..... | 300 | 300 |
| | | ----- |
| TOTAL TENNESSEE..... | | 800 |
| | | ----- |
| TEXAS - 4.92% | | |
| Brazos River Authority, Texas Pollution Control Revenue Refunding Bonds (Coll. Utility Company Project) Series 1996B, 3.70%, Due 6/1/2030, Bond Insurance AMBAC, VRDO..... | 2,600 | 2,600 |
| Brazos River Authority, Texas Pollution Control Revenue Refunding Bonds (Texas Utilities Electric Company) Series 1995 B, 3.70%, Due 6/1/2030, LOC Union Bank of Switzerland, VRDO..... | 400 | 400 |
| Harris County, Texas Industrial Development Revenue Bonds (Zeon Chemicals Project) Series 1989, 4.05%, Due 2/1/2009, LOC Industrial Bank of Japan, Limited, VRDO..... | 600 | 600 |
| Harris County, Texas Industrial Development Revenue Bonds (Chusei "USA" Project) Series 1991C, 4.05%, Due 8/1/2001, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | 100 | 100 |
| Montgomery County, Texas Industrial Development Revenue Bonds (Dal-Tile Corporation Project) Series 1986B, 3.75%, Due 12/1/2003, LOC Credit Suisse, VRDO..... | 300 | 300 |
| | | ----- |
| TOTAL TEXAS..... | | 4,000 |
| | | ----- |

<CAPTION>

| | Par Amount | Value |
|--|------------------------|-------|
| | ----- | ----- |
| | (dollars in thousands) | |

| <u><S></u> | <u><C></u> | <u><C></u> |
|---|------------------|------------------|
| UTAH - 3.57% | | |
| Housing Authority of Provo City, Utah Multifamily Rental Housing Revenue Refunding Bonds(Branbury Park Project) Series 1987A, 3.75%, Due 12/15/2010, LOC Dai-Ichi Kangyo Bank, Limited VRDO..... | \$ 1,600 | \$ 1,600 |
| Housing Authority of Provo City, Utah Multifamily Rental Housing Revenue Refunding Bonds(Branbury Park Project) Series 1987B, 3.956%, Due 12/15/2010, LOC Dai-Ichi Kangyo, Bank, Limited, VRDO..... | 300 | 300 |
| Utah State Board of Regents Student Loan Revenue Bonds(Bond Insurance-AMBAC Indemnity Corporation) Series 1988C, 3.60%, Due 11/1/2013, Dresdner Bank A.G., VRDO..... | 1,000 | 1,000 |
| | | ----- |
| TOTAL UTAH..... | | 2,900 |
| | | ----- |
| VIRGINIA - 1.11% | | |
| Alexandria Industrial Development Authority Resource Recovery Revenue Bonds (Alexandria/ Arlington Waste-To-Energy Facility) Series 1986A, 3.65%, Due 12/1/2016, LOC Swiss Bank Corporation, VRDO..... | 700 | 700 |
| Virginia Housing Development Authority (AHC Service Corporation) Series 1987A, 3.60%, Due 9/1/2017, LOC Bank of Tokyo-Mitsubishi, Limited, VRDO..... | 200 | 200 |
| | | ----- |
| TOTAL VIRGINIA..... | | 900 |
| | | ----- |
| WASHINGTON - 6.15% | | |
| Port Angeles Industrial Development Corporation (Daishowa America Project) Series 1992, 4.05%, Due 8/1/2007, LOC Industrial Bank of Japan, Limited, VRDO..... | 200 | 200 |
| Port Angeles Industrial Development Corporation Revenue Bonds Series 1992B, 4.05%, Due 12/1/2007, LOC Industrial Bank Of Japan, Limited, VRDO..... | 200 | 200 |
| Port Everett Revenue Bonds Series 1986, 4.05%, Due 12/1/2006, LOC Sumitomo Bank, Limited, VRDO..... | 1,200 | 1,200 |
| Washington Student Loan Finance Association Revenue Bonds Series 1987A, 3.70%, Due 12/1/2002, LOC Sanwa Bank, Limited, VRDO..... | 2,400 | 2,400 |

AMR INVESTMENT SERVICES TRUST MUNICIPAL MONEY MARKET PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>
<CAPTION>

| Par Amount | Value |
|------------------------|-------|
| ----- | ----- |
| (dollars in thousands) | |
| <C> | <C> |

<S>
Washington Student Loan Finance

| | | |
|--|----------|----------|
| Association Revenue Bonds Series 1987B, 3.70%, Due 12/1/2002, LOC Sanwa Bank, Limited, VRDO..... | \$ 1,000 | \$ 1,000 |
| TOTAL WASHINGTON..... | | 5,000 |
| WEST VIRGINIA - 1.37% | | |
| Marion County, West Virginia Solid Waste Disposal Facility (Grant Town Cogeneration Project) Series 1990B, 3.60%, Due 10/1/2017, LOC National Westminster Bank, PLC, VRDO..... | 115 | 115 |
| Marion County, West Virginia Solid Waste Disposal Facility (Grant Town Cogeneration Project) Series 1990C, 3.60%, Due 10/1/2017, LOC National Westminster Bank, PLC, VRDO..... | 1,000 | 1,000 |
| TOTAL WEST VIRGINIA..... | | 1,115 |

<CAPTION>

| | Par Amount | Value |
|--|------------------------|-----------|
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| WISCONSIN - 2.34% | | |
| Lacrosse, Wisconsin Industrial Development Revenue Bonds (Dairyland Power Cooperative Project) Series 1984B, 3.70%, Due 2/1/2015, LOC Rabobank Nederland, VRDO..... | \$ 1,900 | \$ 1,900 |
| TOTAL WISCONSIN..... | | 1,900 |
| TOTAL MUNICIPAL BONDS..... | | 74,955 |
| OTHER INVESTMENTS - 3.24% | | |
| Lehman Municipal Money Market Fund..... | 2,630 | 2,630 |
| TOTAL OTHER INVESTMENTS.... | | 2,630 |
| TOTAL INVESTMENTS - 99.73% (COST \$81,035)..... | | 81,035 |
| OTHER ASSETS, NET OF LIABILITIES - 0.27%..... | | 223 |
| TOTAL NET ASSETS - 100%..... | | \$ 81,258 |

</TABLE>

Based on the cost of investments of \$81,035 for federal income tax purposes at October 31, 1996, 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.

ABBREVIATIONS:

LOC - Letter of Credit
PLC - Public Limited Corporation
VRDO - Variable Rate Demand Obligation

AMR INVESTMENT SERVICES TRUST U.S. TREASURY MONEY MARKET PORTFOLIO
SCHEDULE OF INVESTMENTS
October 31, 1996

<TABLE>

<CAPTION>

| | Par Amount | Value |
|---|------------------------|-----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| REPURCHASE AGREEMENTS (NOTES A AND B) - 100.02% | | |
| BA Securities, 5.52%, Dated 10/31/1996, Due 11/1/1996 with a maturing value of \$20,003. (Collateralized by \$18,120 U.S. Treasury Notes, due 2/15/2025, market value - \$20,416)..... | \$ 20,000 | \$ 20,000 |
| Goldman Sachs Tri-Party Treasury Repo, 5.54%, Dated 10/31/1996, Due 11/1/1996. (Collateral held at The Bank of New York Company, Incorporated by \$38,656 U.S. Treasury Notes, due 11/30/1999, market value - \$41,820)..... | 41,000 | 41,000 |
| Morgan Stanley Tri-Party Government National Mortgage Association Repo, 5.58%, Dated 10/31/1996, Due 11/1/1996 (Collateral held at The Bank of New York Company, Incorporated, by \$30,275 Government National Mortgage Association, 6.00%, due 10/20/2026, market value - \$30,474)..... | 29,714 | 29,714 |

<CAPTION>

| | Par Amount | Value |
|--|------------------------|-----------|
| | ----- | ----- |
| | (dollars in thousands) | |
| <S> | <C> | <C> |
| TOTAL U S TREASURY REPURCHASE AGREEMENTS... | | \$ 90,714 |
| TOTAL INVESTMENTS - 100.02% - (COST - \$90,714).. | | 90,714 |
| LIABILITIES, NET OF OTHER ASSETS - (0.02%)..... | | (22) |
| TOTAL NET ASSETS - 100%..... | | \$ 90,692 |

</TABLE>

Based on the cost of investments of \$90,714 for federal income tax purposes at October 31, 1996, there was no unrealized appreciation or depreciation of investments.

(A) Rates associated with money market securities represent yield to maturity.

(B) Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities. All collateral is held at the Portfolio's custodian bank, NationsBank of Texas, N.A., or at subcustodian banks, as indicated. The collateral is monitored daily by the Portfolio so that its market value exceeds the carrying value of the repurchase agreement.

AMR INVESTMENT SERVICES TRUST
STATEMENTS OF ASSETS AND LIABILITIES
October 31, 1996

<TABLE>
<CAPTION>

| Money Market Portfolio | Municipal Money Market Portfolio | U.S. Treasury Money Market Portfolio |
|------------------------------|--|---|
| ----- | ----- | ----- |

| | <C> | (in thousands) <C> | <C> |
|--|--------------------|-----------------------|------------------|
| ASSETS: | | | |
| Investments in securities at value (cost - \$1,755,588; \$81,035; \$90,714, respectively) *..... | \$1,755,588 | \$ 81,035 | \$ 90,714 |
| Cash..... | - | - | 17 |
| Dividends and interest receivable..... | 9,671 | 274 | 14 |
| Deferred organization costs..... | 34 | 34 | 34 |
| TOTAL ASSETS..... | 1,765,293 | 81,343 | 90,779 |
| LIABILITIES: | | | |
| Management and investment advisory fees payable (Note 2)..... | 237 | 4 | 11 |
| Accrued organization costs..... | 43 | 43 | 43 |
| Other liabilities..... | 91 | 38 | 33 |
| TOTAL LIABILITIES..... | 371 | 85 | 87 |
| NET ASSETS APPLICABLE TO INVESTORS' BENEFICIAL INTERESTS..... | \$1,764,922 | \$ 81,258 | \$ 90,692 |

</TABLE>

* Includes repurchase agreements of \$90,714 for the U.S. Treasury Money Market Portfolio.

See accompanying notes

26

82

AMR INVESTMENT SERVICES TRUST
STATEMENTS OF OPERATIONS
Year Ended October 31, 1996

<TABLE>
<CAPTION>

| | Money Market Portfolio | Municipal Money Market Portfolio | U.S. Treasury Money Market Portfolio |
|--|------------------------------|---|--|
| | <C> | (in thousands) <C> | <C> |
| INVESTMENT INCOME: | | | |
| Interest income..... | \$89,923 | \$ 2,275 | \$ 4,915 |
| TOTAL INVESTMENT INCOME..... | 89,923 | 2,275 | 4,915 |
| EXPENSES: | | | |
| Management and investment advisory fees (Note 2)..... | 2,393 | 92 | 137 |
| Custodian fees..... | 193 | 7 | 11 |
| Professional fees..... | 84 | 2 | 6 |
| Organization costs..... | 8 | 8 | 8 |
| Other expenses..... | 107 | 17 | 19 |
| TOTAL EXPENSES..... | 2,785 | 126 | 181 |
| Less fees waived (Note 2)..... | - | 47 | - |
| NET EXPENSES..... | 2,785 | 79 | 181 |
| NET INVESTMENT INCOME..... | 87,138 | 2,196 | 4,734 |
| REALIZED GAIN ON INVESTMENTS: | | | |
| Net realized gain on investments..... | 73 | - | 39 |
| NET GAIN ON INVESTMENTS..... | 73 | - | 39 |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS..... | \$87,211 | \$ 2,196 | \$ 4,773 |

</TABLE>

See accompanying notes

27

83

AMR INVESTMENT SERVICES TRUST
STATEMENTS OF CHANGES IN NET ASSETS
Year Ended October 31, 1996

<TABLE>
<CAPTION>

| | Money Market Portfolio | Municipal Money Market Portfolio | U.S. Treasury Money Market Portfolio |
|--|---------------------------|---|--|
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| INCREASE IN NET ASSETS: | | | |
| OPERATIONS: | | | |
| Net investment income..... | \$ 87,138 | \$ 2,196 | \$ 4,734 |
| Net realized gain on investments..... | 73 | - | 39 |
| TOTAL INCREASE IN NET ASSETS RESULTING FROM OPERATIONS..... | 87,211 | 2,196 | 4,773 |
| TRANSACTIONS IN INVESTORS' BENEFICIAL INTERESTS: | | | |
| Contributions..... | 14,620,176 | 189,085 | 275,202 |
| Withdrawals..... | (12,942,465) | (110,023) | (189,283) |
| NET INCREASE IN NET ASSETS RESULTING FROM TRANSACTIONS IN INVESTORS' BENEFICIAL INTERESTS..... | 1,677,711 | 79,062 | 85,919 |
| NET INCREASE IN NET ASSETS..... | 1,764,922 | 81,258 | 90,692 |
| NET ASSETS: | | | |
| Beginning of year..... | - | - | - |
| END OF YEAR..... | \$ 1,764,922 | \$ 81,258 | \$ 90,692 |
| FINANCIAL HIGHLIGHTS: | | | |
| RATIOS: | | | |
| Net investment income to average net assets*..... | 5.45% | 3.59% | 5.18% |
| Expenses to average net assets*..... | 0.17% | 0.13% | 0.20% |

</TABLE>

* Ratios to average net assets exclude fees waived by the Manager. Had the Municipal Money Market Portfolio paid such fees, the ratios of net investment income and expenses to average net assets would have been 3.51% and .21%, respectively.

See accompanying notes

AMR INVESTMENT SERVICES TRUST
NOTES TO FINANCIAL STATEMENTS
October 31, 1996

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 seven separate series, each having distinct investment objectives and policies, as follows: AMR Investment Services Balanced Portfolio, AMR Investment Services Growth and Income Portfolio, AMR Investment Services International Equity Portfolio, AMR Investment Services Limited-Term Income Portfolio, AMR Investment Services Money Market Portfolio, AMR Investment Services Municipal Money Market Portfolio, and AMR Investment Services U.S. Treasury Money Market Portfolio. These financial statements and notes to the financial statements relate to the Money Market, Municipal Money Market and U.S. Treasury Money Market Portfolios (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. The Trust commenced active operations on November 1, 1995.

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 using the amortized cost method. 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 sub-chapter M of the Internal Revenue Code. Accordingly, no provision for United States federal income or excise tax is necessary.

29

85

AMR INVESTMENT SERVICES TRUST
NOTES TO FINANCIAL STATEMENTS
October 31, 1996

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 monitored daily by each Portfolio so that the collateral's market value exceeds the carrying value of the repurchase agreement.

Deferred Organization Expenses

Expenses incurred by a Portfolio in connection with its organization are being amortized on a straight-line basis over a five-year period.

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 .15% of the average daily net assets of each of the Portfolios. During the year ended October 31, 1996, the Manager waived management fees totaling \$47,000 for the Municipal Money Market Portfolio.

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 free 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 October 31, 1996, the cost of air transportation was not material to any of the Portfolios.

30