FORM 485APOS

Post-effective amendments [Rule 485(a)]

Filing Date: **1997-12-18**
SEC Accession No. 0000950134-97-009393

(HTML Version on secdatabase.com)

FILER

AMERICAN AADVANTAGE FUNDS	Mailing Address	Business Address
CIK:**809593**| State of Incorp.:**MA** | Fiscal Year End: **1031**	*PO BOX 619003 MD 5645*	*4333 AMON CARTER BLVD*
Type: **485APOS** | Act: **33** | File No.: **333-42539** | Film No.: **97740131**	*DFW AIRPORT TX 75261-9003*	*FORT WORTH TX 76155*
		8179673500

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As filed with the Securities and Exchange Commission on December 18, 1997
1933 Act File No. 33-11387
1940 Act File No. 811-4984

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933			[X]
	Pre-Effective Amendment No.	------	[ ]
	Post-Effective Amendment No.	23	[X]
		------	

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 [X]
Amendment No. 24

(Check appropriate box or boxes.)

AMERICAN AADVANTAGE FUNDS
(Exact name of Registrant as Specified in Charter)
4333 Amon Carter Boulevard
Fort Worth, Texas 76155
(Address of Principal Executive Office) (Zip Code)
Registrant's Telephone Number, including Area Code: (817) 967-3509

WILLIAM F. QUINN, PRESIDENT
4333 Amon Carter Boulevard
Fort Worth, Texas 76155
(Name and Address of Agent for Service)

Copy to:
CLIFFORD J. ALEXANDER, ESQ.
Kirkpatrick & Lockhart LLP
1800 Massachusetts Avenue, NW
Washington, DC 20036

It is proposed that this filing will become effective (check appropriate box)

[ ] immediately upon filing pursuant to paragraph (b)
[ ] on (date) pursuant to paragraph (b)
[ ] 60 days after filing pursuant to paragraph (a)(1)
[X] on March 2, 1998 pursuant to paragraph (a)(1)
[ ] 75 days after filing pursuant to paragraph (a)(2)
[ ] on (date) pursuant to paragraph (a)(2) of Rule 485.

Title of Securities Being Registered ....Shares of Beneficial Interest

Registrant has adopted a master-feeder operating structure for each of its series except the American AAdvantage Short- Term Income Fund. This Post-Effective Amendment includes signature pages for the AMR Investment Services Trust and the Equity 500 Index Portfolios, the master trusts.

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AMERICAN AADVANTAGE FUNDS
CONTENTS OF REGISTRATION STATEMENT

This registration statement is comprised of the following:

Cover Sheet

Contents of Registration Statement

Cross Reference Sheets

Prospectus for the Institutional Class consisting of the following American AAdvantage Funds: Balanced Fund, Growth and Income Fund, International Equity Fund, S&P 500 Index Fund, Intermediate Bond Fund, Short-Term Bond Fund, Money Market Fund, Municipal Money Market Fund and U.S. Government Money Market Fund.

Prospectus for the PlanAhead Class consisting of the following American AAdvantage Funds: Balanced Fund, Growth and Income Fund, International Equity Fund, S&P 500 Index Fund, Intermediate Bond Fund, Short-Term Bond Fund, Money Market Fund, Municipal Money Market Fund and U.S. Government Money

Market Fund.

Prospectus for the AMR Class consisting of the following American AAdvantage Funds: Balanced Fund, Growth and Income Fund, International Equity Fund, Intermediate Bond Fund, Short-Term Bond Fund and S&P 500 Index Fund.

Prospectus for the Platinum Class of the American AAdvantage Money Market Fund, American AAdvantage Municipal Money Market Fund, American AAdvantage U.S. Government Money Market Fund and American AAdvantage Money Market Mileage Fund.

Prospectus of the American AAdvantage Short-Term Income Fund

Statement of Additional Information for the AMR Class, Institutional Class and PlanAhead Class of the following American AAdvantage Funds: Balanced Fund, Growth and Income International Equity Fund, S&P 500 Index Fund, Intermediate Bond Fund, Short-Term Bond Fund, Money Market Fund, Municipal Money Market Fund, and U.S. Government Money Market Fund.

Statement of Additional Information for the Platinum Class of the American AAdvantage Money Market Fund, American AAdvantage Municipal Money Market Fund, American AAdvantage U.S. Government Money Marke Fund and American AAdvantage Money Market Mileage Fund.

Statement of Additional Information for the American AAdvantage Short-Term Income Fund

Part C

Signature Pages

Exhibits

AMERICAN AADVANTAGE FUNDS
INSTITUTIONAL CLASS

FORM N-1A CROSS-REFERENCE SHEET

Part A

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FORM N-1A ITEM NO.	PROSPECTUS CAPTION
<S>	<C>
1	Cover Page
2	Table of Fees and Expenses
3	Financial Highlights; Yields and Total Returns
4	Cover Page; Introduction; Investment Objectives, Policies and Risks; Investment Restrictions
5	Management and Administration of the Trusts; Investment Advisers
5A	Not Applicable
6	Dividends, Other Distributions and Tax Matters; General Information; Shareholder Communications
7	Management and Administration of the Trusts; Purchase, Redemption and Valuation of Shares
8	Purchase, Redemption and Valuation of Shares
9	Inapplicable

Part B

<CAPTION>

FORM N-1A ITEM NO.	STATEMENT OF ADDITIONAL INFORMATION CAPTION
<S>	<C>
10	Cover Page
11	Table of Contents
12	Cover Page
13	Investment Restrictions; Approach to Stock Selection; Other Information
14	Trustees and Officers of the Trust and the AMR Trust; Trustees and Officers of the Equity 500 Index Portfolio
15	Control Persons and 5% Shareholders

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16	Management, Administrative Services and Distribution Fees; Investment Advisory Agreements
17	Portfolio Securities Transactions
18	Description of the Trust; Other Information
19	Net Asset Value; Redemptions in Kind
20	Tax Information
21	Inapplicable
22	Yield and Total Return Quotations
23	Financial Statements

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AMERICAN AADVANTAGE FUNDS
PLANAHEAD CLASS

FORM N-1A CROSS-REFERENCE SHEET

Part A

<TABLE>
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FORM N-1A --------- ITEM NO. --------	PROSPECTUS CAPTION ------------------
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3	Financial Highlights; Yields and Total Returns
4	Cover Page; Introduction; Investment Objectives, Policies and Risks; Investment Restrictions
5	Management and Administration of the Trusts; Investment Advisers
5A	Not Applicable
6	Dividends, Other Distributions and Tax Matters; General Information; Shareholder Communications
7	Management and Administration of the Trusts; How to Purchase Shares; Retirement Accounts; Distribution of Trust Shares; Valuation of Shares
8	How to Redeem Shares; Exchange Privilege
9	Inapplicable

Part B

<CAPTION>

FORM N-1A ITEM NO. --------	STATEMENT OF ADDITIONAL INFORMATION CAPTION -------------------
<S>	<C>
10	Cover Page
11	Table of Contents
12	Not Applicable
13	Investment Restrictions; Approach to Stock Selection; Other Information
14	Trustees and Officers of the Trust and the AMR Trust; Trustees and Officers of the Equity 500 Index Portfolio
15	Control Persons and 5% Shareholders

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<TABLE>

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16	Management, Administrative Services and Distribution Fees; Investment Advisory Agreements
17	Portfolio Securities Transactions
18	Description of the Trust; Other Information
19	Net Asset Value; Redemptions in Kind
20	Tax Information
21	Inapplicable
22	Yield and Total Return Quotations
23	Financial Statements

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AMERICAN AADVANTAGE FUNDS AMR CLASS

FORM N-1A CROSS-REFERENCE SHEET

Part A

FORM N-1A ITEM NO.	PROSPECTUS CAPTION
1	Cover Page
2	Table of Fees and Expenses
3	Financial Highlights; Yields and Total Returns
4	Cover Page; Introduction; Investment Objectives, Policies and Risks; Investment Restrictions
5	Management and Administration of the Trusts; Investment Advisers
5A	Not Applicable
6	Dividends, Other Distributions and Tax Matters; General Information; Shareholder Communications
7	Management and Administration of the Trusts; Purchase, Redemption and Valuation of Shares
8	Purchase, Redemption and Valuation of Shares
9	Inapplicable

Part B

FORM N-1A ITEM NO.	STATEMENT OF ADDITIONAL INFORMATION CAPTION
10	Cover Page
11	Table of Contents
12	Not Applicable
13	Investment Restrictions; Approach to Stock Selection; Other Information
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15	Control Persons and 5% Shareholders
16	Management, Administrative Services and Distribution Fees; Investment Advisory Agreements

17	Portfolio Securities Transactions
18	Description of the Trust; Other Information
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AMERICAN AADVANTAGE FUNDS
PLATINUM CLASS

FORM N-1A CROSS-REFERENCE SHEET

Part A

FORM N-1A ITEM NO.	PROSPECTUS CAPTION
1	Cover Page

2	Table of Fees and Expenses
3	Financial Highlights; Yields and Total Returns
4	Cover Page; Introduction; Investment Objectives, Policies and Risks; Investment Restrictions
5	Management and Administration of the Trusts
5A	Not Applicable
6	Dividends and Tax Matters; General Information; Shareholder Communications
7	Management and Administration of the Trusts; AAdvantage(R) Miles; How to Purchase Shares; Valuation of Shares
8	How to Redeem Shares
9	Inapplicable

Part B

<CAPTION>

FORM N-1A ITEM NO.	STATEMENT OF ADDITIONAL INFORMATION CAPTION
<S>	<C>
10	Cover Page
11	Table of Contents
12	Not Applicable
13	Investment Restrictions; Other Information
14	Trustees and Officers of the Trusts and the AMR Trust
15	Control Persons and 5% Shareholders
16	Management, Administrative Services and Distribution Fees
17	Portfolio Securities Transactions
18	Description of the Trust; Other Information

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19	Net Asset Value; Redemptions in Kind
20	Tax Information
21	Inapplicable
22	Yield and Total Return Quotations
23	Financial Statements

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AMERICAN AADVANTAGE FUNDS
AMERICAN AADVANTAGE SHORT-TERM INCOME FUND

FORM N-1A CROSS-REFERENCE SHEET

Part A

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FORM N-1A ITEM NO.	PROSPECTUS CAPTION
<S>	<C>
1	Cover Page
2	Table of Fees and Expenses
3	Financial Highlights; Yields and Total Returns
4	Cover Page; Introduction; Investment Objectives, Policies and Risks; Investment Restrictions
5	Management and Administration of the Trust; Investment Advisers
5A	Not Applicable
6	Dividends, Other Distributions and Tax Matters; General Information; Shareholder Communications
7	Management and Administration of the Trust; Purchase, Redemption and Valuation of Shares
8	Purchase, Redemption and Valuation of Shares
9	Inapplicable

Part B

<CAPTION>

FORM N-1A ITEM NO.	STATEMENT OF ADDITIONAL INFORMATION CAPTION
<S>	<C>
10	Cover Page
11	Table of Contents
12	Cover Page

13	Investment Restrictions; Approach to Stock Selection; Other Information
14	Trustees and Officers of the Trust
15	Control Persons and 5% Shareholders
16	Management, Administrative Services and Distribution Fees; Investment Advisory Agreements

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<TABLE>

<S>	<C>
17	Portfolio Securities Transactions
18	Description of the Trust; Other Information
19	Net Asset Value; Redemptions in Kind
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PART C. OTHER INFORMATION

Information required to be included in Part C is set forth under the appropriate item, so numbered, in Part C of this Registration Statement.

THIS PROSPECTUS contains important information about the INSTITUTIONAL CLASS OF THE AMERICAN AADVANTAGE FUNDS ("Trust"), an open-end management investment company which consists of multiple investment portfolios. This Prospectus pertains only to the nine funds listed on this cover page (individually referred to as a "Fund" and, collectively, the "Funds"). EACH FUND, EXCEPT THE S&P 500 INDEX FUND, SEEKS ITS INVESTMENT OBJECTIVE BY INVESTING ALL OF ITS INVESTABLE ASSETS IN A CORRESPONDING PORTFOLIO OF THE AMR INVESTMENT SERVICES TRUST ("AMR TRUST"). THE S&P 500 INDEX FUND INVESTS ALL OF ITS INVESTABLE ASSETS IN THE EQUITY 500 INDEX PORTFOLIO. (THE EQUITY 500 INDEX PORTFOLIO AND THE PORTFOLIOS OF THE AMR TRUST ARE REFERRED TO HEREIN INDIVIDUALLY AS A "PORTFOLIO" AND, COLLECTIVELY, THE "PORTFOLIOS.") EACH PORTFOLIO HAS AN INVESTMENT OBJECTIVE IDENTICAL TO THE INVESTING FUND. The investment experience of each Fund will correspond directly with the investment experience of each Portfolio. Each Fund consists of multiple classes of shares designed to meet the needs of different groups of investors. Institutional Class shares are offered primarily to institutional investors, investing at least $2 million in the Funds. Prospective Institutional Class investors should read this Prospectus carefully before making an investment decision and retain it for future reference.

IN ADDITION TO THIS PROSPECTUS, a Statement of Additional Information ("SAI") dated March 1, 1998 has been filed with the Securities and Exchange Commission and is incorporated herein by reference. The SAI contains more detailed information about the Funds. For a free copy of the SAI, call 817-967-3509. For further information about the Institutional Class or for information on the other classes of shares, please refer to the appropriate address and phone number on the back cover of this Prospectus.

The Securities and Exchange Commission maintains a Web site (http://www.sec.gov) that contains the SAI, material incorporated by reference and other information regarding the Funds and the Portfolios.

AN INVESTMENT IN ANY OF THE MONEY MARKET FUNDS IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT AND THERE CAN BE NO ASSURANCE THAT THEY WILL BE ABLE TO MAINTAIN A STABLE PRICE OF $1.00 PER SHARE.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PROSPECTUS
March 1, 1998

[AMERICAN AADVANTAGE LOGO]
- Institutional Class -

BALANCED FUND
GROWTH AND INCOME FUND
INTERNATIONAL EQUITY FUND
S&P 500 INDEX FUND
INTERMEDIATE BOND FUND
SHORT-TERM BOND FUND
MONEY MARKET FUND
MUNICIPAL MONEY MARKET FUND
U.S. GOVERNMENT MONEY MARKET FUND
Managed by AMR Investment Services, Inc.

The AMERICAN AADVANTAGE BALANCED FUND(SM) ("Balanced Fund") seeks income and capital appreciation by investing all of its investable assets in the Balanced Portfolio of the AMR Trust ("Balanced Portfolio") which in turn primarily invests in equity and debt securities (such as stocks and bonds).

The AMERICAN AADVANTAGE GROWTH AND INCOME FUND(SM) ("Growth and Income Fund") seeks long-term capital appreciation and current income by investing all of its investable assets in the Growth and Income Portfolio of the AMR Trust ("Growth and Income Portfolio") which in turn primarily invests in equity securities (such as stocks).

The AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND(SM) ("International Equity Fund") seeks long-term capital appreciation by investing all of its investable assets in the International Equity Portfolio of the AMR Trust ("International Equity Portfolio") which in turn primarily invests in equity securities of issuers based outside the United States (such as foreign stocks).

The AMERICAN AADVANTAGE S&P 500 INDEX FUND(1) ("S&P 500 Index Fund") seeks to provide investment results that, before expenses, correspond to the total return of common stocks publicly traded in the United States, as represented by the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500" or "Index"), by investing all of its investable assets in the Equity 500 Index Portfolio which in turn invests in common stocks of companies that compose the S&P 500.

The AMERICAN AADVANTAGE INTERMEDIATE BOND FUND(SM) ("Intermediate Bond Fund") seeks income and capital appreciation by investing all of its investable assets in the Intermediate Bond Portfolio of the AMR Trust ("Intermediate Bond Portfolio"), which in turn primarily invests in debt obligations and seeks to maintain a dollar weighted average duration of three to seven years.

The AMERICAN AADVANTAGE SHORT-TERM BOND FUND(SM) ("Short-Term Bond Fund," formerly the American AAdvantage Limited-Term Income Fund) seeks income and capital appreciation by investing all of its investable assets in the Short-Term Bond Portfolio of the AMR Trust ("Short-Term Bond Portfolio," formerly the Limited-Term Income Portfolio) which in turn primarily invests in debt obligations and seeks to maintain a dollar weighted average duration of one to three years.

The AMERICAN AADVANTAGE MONEY MARKET FUND(SM) ("Money Market Fund"), AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUND(SM) ("Municipal Money Market Fund") and AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUND(SM) ("U.S. Government Money Market Fund" (collectively, the "Money Market Funds") each seeks current income, liquidity, and the maintenance of a stable price per share of $1.00 by investing all of its investable assets in the Money Market Portfolio of the AMR Trust ("Money Market Portfolio"), the Municipal Money Market Portfolio of the AMR Trust ("Municipal Money Market Portfolio") and the U.S. Government Money Market Portfolio of the AMR Trust ("U.S. Government Money Market Portfolio"), respectively (collectively the "Money Market Portfolios"), which in turn invest in high quality, short-term obligations. The Municipal Money Market Portfolio invests primarily in municipal obligations and the U.S. Government Money Market Portfolio invests exclusively in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and in repurchase agreements that are collateralized by such obligations.

Under a master-feeder operating structure, each Fund seeks its investment objective by investing all of its investable assets in a corresponding Portfolio as described above. Each Portfolio's investment objective is identical to that of its corresponding Fund. Whenever the phrase "all of the Fund's investable assets" is used, it means that the only investment securities that will be held by a Fund will be that Fund's interest in its corresponding Portfolio. AMR

Investment Services, Inc. ("Manager") provides investment management and administrative services to the Portfolios, except for the Equity 500 Index Portfolio, and administrative services to the Funds. Bankers Trust Company, ("BT") provides investment advisory, administrative and other services to the

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(1) S&P is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use. "Standard and Poor's(R)," "S&P(R)," "Standard & Poor's 500," "S&P 500(R)" and "500" are all trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by Bankers Trust Company. The S&P 500 Index Fund is not sponsored, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in that Fund.

Equity 500 Index Portfolio. This master-feeder operating structure is different from that of many other investment companies which directly acquire and manage their own portfolios of securities. Accordingly, investors should carefully consider this investment approach. See "Investment Objectives, Policies and Risks -- Additional Information About the Portfolios." A Fund may withdraw its investment in a corresponding Portfolio at any time if the Trust's Board of Trustees ("Board") determines that it would be in the best interest of that Fund and its shareholders to do so. Upon any such withdrawal, that Fund's assets would be invested in accordance with the investment policies and restrictions described in this Prospectus and the SAI.

<TABLE>

</TABLE>

TABLE OF FEES AND EXPENSES

Annual Operating Expenses (as a percentage of average net assets):

<TABLE>
<CAPTION>

	BALANCED FUND	GROWTH AND INCOME FUND	INTER-NATIONAL EQUITY FUND	S&P 500 INDEX FUND	INTER-MEDIATE BOND FUND	SHORT-TERM BOND FUND	MONEY MARKET FUND	MUNICIPAL MONEY MARKET FUND	U.S. GOVERNMENT MONEY MARKET FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Management Fees	0.33%	0.33%	0.48%	%	%	0.25%	0.15%	0.15%	0.15%
12b-1 Fees	0.00	0.00	0.00			0.00	0.00	0.00	0.00
Other Expenses	0.29	0.29	0.37			0.35	0.09	0.18	0.17
	----	---	----	----	----	---	---	-----	-----
Total Operating Expenses	0.62%	0.62%	0.85%	%	%	0.60%	0.24%	0.33%	0.32%
	====	===	====	====	====	===	===	=====	=====

</TABLE>

The above expenses reflect the expenses of each Fund and the Portfolio in which it invests. The Board believes that the aggregate per share expenses of each Fund and its corresponding Portfolio will be approximately equal to the expenses that the Fund would incur if its assets were invested directly in the type of securities held by the Portfolio. Because the S&P 500 Index Fund's shares were not offered for sale prior to March 1, 1998, its Annual Operating Expenses are based on estimates.

EXAMPLES

An Institutional Class investor in each Fund would directly or indirectly pay on a cumulative basis the following expenses on a $1,000 investment assuming a 5% annual return:

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Balanced Fund	$6	$20	$35	$77
Growth and Income Fund	6	20	35	77
International Equity Fund	9	27	47	105
S&P 500 Index Fund				
Intermediate Bond Fund				
Short-Term Bond Fund	6	19	33	75
Money Market Fund	2	8	14	31
Municipal Money Market Fund	3	11	19	42
U.S. Government Money Market Fund	3	10	18	41

The purpose of the table above is to assist a potential investor in understanding the various costs and expenses to be incurred directly or indirectly as a shareholder in the Institutional Class of a Fund. Additional information may be found under "Management and Administration of the Trusts" and "Investment Advisers."

THE FOREGOING EXAMPLES SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR PERFORMANCE. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN AND PERFORMANCE MAY BE BETTER OR WORSE THAN THE 5% ANNUAL RETURN ASSUMED IN THE EXAMPLES.

FINANCIAL HIGHLIGHTS

The financial highlights in the following tables have been derived from financial statements of the Trust. The information has been audited by Ernst & Young LLP, independent auditors. Such information should be read in conjunction with the financial statements and the report of the independent auditors appearing in the Annual Report incorporated by reference in the SAI, which contains further information about performance of the Funds and can be obtained by investors without charge. Financial highlights are not available for the S&P 500 Index Fund because it had not commenced operations as of October 31, 1997.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

BALANCED FUND -- INSTITUTIONAL CLASS

	YEAR ENDED OCTOBER 31,					
	1997	1996(5)(6)	1995(4)(5)	1994(3)	1993	1992
<S>	<C>	<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(7)	0.54	0.57	0.49	0.55
Net gains or (losses) on securities (both realized and unrealized)		1.61(7)	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)(8)	%	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(13)	$532,543	$370,087
Ratios to average net assets(9)(10)(11):						
Expenses	%	0.62%(7)	0.63%	0.36%	0.34%	0.35%
Net investment income	%	4.00%(7)	4.30%	4.77%	4.91%	5.31%
Portfolio turnover rate(12)	%	76%	73%	48%	83%	80%
Average commission rate paid(12)	$	$ 0.0409	--	--	--	--

<CAPTION>

	BALANCED FUND -- INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			
	1991	1990(2)	1989	1988
<S>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$ 9.87	$ 11.05	$ 10.13	$ 9.08
Income from investment operations:				
Net investment income	0.58	0.57	0.53	0.56
Net gains or (losses) on securities (both realized and unrealized)	1.79	(1.18)	0.90	0.73
Total from investment operations	2.37	(0.61)	1.43	1.29
Less distributions:				
Dividends from net investment income	(0.64)	(0.51)	(0.51)	(0.24)
Distributions from net realized gains on securities	--	(0.06)	--	--
Total distributions	(0.64)	(0.57)	(0.51)	(0.24)
Net asset value, end of period	$ 11.60	$ 9.87	$ 11.05	$ 10.13
Total return (annualized)(8)	25.35%	(5.24%)	15.49%	14.63%
Ratios/supplemental data:				
Net assets, end of period (in thousands)	$311,906	$233,702	$210,119	$147,581
Ratios to average net assets(9)(10)(11):				
Expenses	0.37%	0.44%	0.47%	0.52%
Net investment income	6.06%	6.50%	6.32%	6.25%
Portfolio turnover rate(12)	55%	62%	78%	77%
Average commission rate paid(12)	--	--	--	--

</TABLE>

(1) The Balanced Fund commenced active operations on July 17, 1987.

(2) Penmark Investments, Inc. was replaced by Independence Investment Associates, Inc. as an investment adviser to the Fund as of the close of business on February 28, 1990.

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

(4) GSB Investment Management, Inc. was added as an investment adviser to the Balanced Fund on January 1, 1995.

(5) 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.

(6) Brandywine Asset Management, Inc. replaced Capital Guardian Trust Company as an investment adviser to the Fund as of April 1, 1996.

(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 Balanced Portfolio.

(8) 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.

(9) 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, which amounted to approximately $.01 per share in each period on an annualized basis.

(10) The method of determining average net assets was changed from a monthly average to a daily average starting with the year ended October 31, 1994.

(11) Annualized.

(12) On November 1, 1995 the Balanced Fund began investing all of its investable assets in the Balanced Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the Balanced Portfolio. Calculation and disclosure of the average commission rate paid was not required prior to 1996.

(13) On August 1, 1994, assets of AMR Corporation and its employee benefit plans were transferred to the AMR Class of the Fund.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	GROWTH AND INCOME FUND--INSTITUTIONAL CLASS				
	YEAR ENDED OCTOBER 31,				
	1997	1996(5)(6)	1995(5)	1994(4)	1993
<S>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$	$ 15.91	$ 14.19	$ 14.63	$ 12.79
Income from investment operations:					
Net investment income		0.42(7)	0.41	0.43	0.36
Net gains (losses) on securities (both realized and unrealized)		3.15(7)	2.28	0.08	2.21
Total from investment operations		3.57	2.69	0.51	2.57
Less distributions:					
Dividends from net investment income		(0.41)	(0.43)	(0.41)	(0.37)
Distributions from net realized gains on securities		(0.57)	(0.54)	(0.54)	(0.36)
Total distributions		(0.98)	(0.97)	(0.95)	(0.73)
Net asset value, end of period	$	$ 18.50	$ 15.91	$ 14.19	$ 14.63

Total return (annualized)(8)	%	23.37%	20.69%	3.36%	21.49%
Ratio/supplemental data:					
Net assets, end of period (in thousands)	$	$81,183	$71,608	$22,737>(13)	$477,088
Ratios to average net assets(9)(10)(11):					
Expenses	%	0.62%(7)	0.62%	0.33%	0.34%
Net investment income	%	2.55%(7)	2.84%	3.28%	3.12%
Portfolio turnover rate(12)	%	40%	26%	23%	30%
Average commission rate paid(12)	$	$0.0412	--	--	--

<CAPTION>

GROWTH AND INCOME FUND--INSTITUTIONAL CLASS

YEAR ENDED OCTOBER 31,

<S>	1992(3)	1991	1990(2)	1989	1988
	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$ 12.10	$ 9.47	$ 11.59	$ 9.96	$ 8.30
Income from investment operations:					
Net investment income	0.39	0.42	0.42	0.42	0.42
Net gains (losses) on securities (both realized and unrealized)	0.77	2.70	(1.94)	1.59	1.40
Total from investment operations	1.16	3.12	(1.52)	2.01	1.82
Less distributions:					
Dividends from net investment income	(0.39)	(0.49)	(0.43)	(0.38)	(0.16)
Distributions from net realized gains on securities	(0.08)	--	(0.17)	--	--
Total distributions	(0.47)	(0.49)	(0.60)	(0.38)	(0.16)
Net asset value, end of period	$ 12.79	$ 12.10	$ 9.47	$ 11.59	$ 9.96
Total return (annualized)(8)	10.00%	33.83%	(13.52%)	20.94%	22.20%
Ratio/supplemental data:					
Net assets, end of period (in thousands)	$339,739	$264,628	$182,430	$187,869	$140,073
Ratios to average net assets(9)(10)(11):					
Expenses	0.36%	0.37%	0.45%	0.45%	0.53%
Net investment income	3.57%	4.19%	4.49%	4.40%	4.20%
Portfolio turnover rate(12)	35%	52%	41%	50%	56%
Average commission rate paid(12)	--	--	--	--	--

</TABLE>

(1) The Growth and Income Fund commenced active operations on July 17, 1987.

(2) GSB Investment Management, Inc. was added as an investment adviser to the Growth and Income Fund on April 10, 1990.

(3) 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.

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

(5) 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.

(6) Brandywine Asset Management, Inc. replaced Capital Guardian Trust Company as an investment adviser to the Fund as of April 1, 1996.

(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 Growth and Income Portfolio.

(8) 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.

(9) 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, which amounted to less than $.01 per share in each period on an annualized basis.

(10) The method of determining average net assets was changed from a monthly average to a daily average starting with the year ended October 31, 1994.

(11) Annualized.

(12) On November 1, 1995 the Growth and Income Fund began investing all of its investable assets in the Growth and Income Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the Growth and Income Portfolio. Calculation and disclosure of the average commission rate paid was not required prior to 1996.

(13) On August 1, 1994, assets of AMR Corporation and its employee benefit plans were transferred to the AMR Class of the Fund.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	INTERNATIONAL EQUITY FUND--INSTITUTIONAL CLASS						
	YEAR ENDED OCTOBER 31,						PERIOD ENDED OCTOBER 31,
	1997	1996(5)	1995(5)	1994(3)(4)	1993(2)	1992	1991(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$	$ 13.29	$ 12.87	$ 12.07	$ 8.93	$ 10.13	$ 10.00
Income from investment operations:							
Net investment income		0.28(6)	0.27	0.32	0.17	0.12	--
Net gains (losses) on securities (both realized and unrealized)		1.95(6)	0.68	1.10	3.09	(1.31)	0.13
Total from investment operations		2.23	0.95	1.42	3.26	(1.19)	0.13
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	$ 10.13
Total return (annualized)(7)	%	17.27%	7.90%	11.77%	36.56%	(12.07%)	5.69%
Ratios/supplemental data:							
Net assets, end of period (in thousands)	$	$62,992	$25,757	$23,115(13)	$66,652	$38,837	$10,536
Ratios to average net assets (annualized)(8)(9)(10):							
Expenses	%	0.85%(6)	0.85%	0.61%	0.78%	1.17%	1.90%(11)
Net investment income	%	2.19%(6)	2.37%	2.74%	2.00%	2.04%	0.38%(11)
Portfolio turnover rate(12)	%	19%	21%	37%	61%	21%	2%
Average commission rate paid(12)	$	$0.0192	--	--	--	--	--

</TABLE>

(1) The International Equity Fund commenced active operations on August 7, 1991.

(2) 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.

(3) Morgan Stanley Asset Management Inc. was added as an investment adviser to the International Equity Fund as of August 1, 1994.

(4) Average shares outstanding for the period rather than end of period shares

were used to compute net investment income per share.

(5) 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.

(6) 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 International Equity Portfolio.

(7) 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.

(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, which amounted to less than $.04 per share in each period on an annualized basis and were waived by the Manager for the period ended October 31, 1991.

(9) The method of determining average net assets was changed from a monthly average to a daily average starting with the year ended October 31, 1994.

(10) Annualized.

(11) Estimated based on expected annual expenses and actual average net assets.

(12) On November 1, 1995 the International Equity Fund began investing all of its investable assets in the International Equity Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the International Equity Portfolio. Calculation and disclosure of the average commission rate paid was not required in prior to 1996.

(13) On August 1, 1994 assets of AMR Corporation and its employee benefit plans were transferred to the AMR Class of the Fund.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	SHORT-TERM BOND FUND--INSTITUTIONAL CLASS					
	YEAR ENDED OCTOBER 31,					
	1997	1996	1995	1994(3)	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(4)	0.62	0.52	0.58	0.75
Net gains or (losses) on securities (both realized and unrealized)		(0.14)(4)	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)(5)	%	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(10)	$238,874	$209,928
Ratios to average net assets(6)(7)(8):						
Expenses	%	0.60%(4)	0.60%	0.31%	0.26%	0.27%
Net investment income	%	6.41%(4)	6.36%	5.26%	5.76%	7.40%
Portfolio turnover rate(9)	%	304%	183%	94%	176%	133%

<CAPTION>

<S>	SHORT-TERM BOND FUND--INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,
	1991(2) <C>	1990 <C>	1989 <C>	1988(1) <C>
Net asset value, beginning of period	$ 9.76	$ 9.94	$ 10.12	$ 10.00
Income from investment operations:				
Net investment income	0.83	0.92	0.96	0.64
Net gains or (losses) on securities (both realized and unrealized)	0.31	(0.18)	(0.12)	0.05
Total from investment operations	1.14	0.74	0.84	0.69
Less distributions:				
Dividends from net investment income	(0.83)	(0.92)	(1.02)	(0.57)
Distributions from net realized gains on securities	--	--	--	--
Total distributions	(0.83)	(0.92)	(1.02)	(0.57)
Net asset value, end of period	$ 10.07	$ 9.76	$ 9.94	$ 10.12
Total return (annualized)(5)	11.87%	7.51%	7.62%	7.41%
Ratios/supplemental data:				
Net assets, end of period (in thousands)	$141,629	$83,265	$60,507	$40,855
Ratios to average net assets(6)(7)(8):				
Expenses	0.35%	0.48%	0.59%	0.50%
Net investment income	8.42%	9.44%	9.77%	8.01%
Portfolio turnover rate(9)	165%	156%	158%	127%

</TABLE>

(1) The Short-Term Bond Fund commenced active operations on December 3, 1987. Prior to March 1, 1998, the Short-Term Income Fund was known as the American AAdvantage Limited-Term Income Fund.

(2) AMR Investment Services, Inc. began portfolio management of the Short-Term Bond Fund on March 1, 1991, replacing Brown Brothers, Harriman & Co. and Barrow, Hanley, Mewhinney & Strauss, Inc.

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

(4) 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 Limited-Term Income Portfolio.

(5) 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.

(6) 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.

(7) The method of determining average net assets was changed from a monthly average to a daily average starting with the year ended October 31, 1994.

(8) Annualized.

(9) On November 1, 1995 the Short-Term Bond Fund began investing all of its investable assets in the Short-Term Bond Portfolio. Portfolio turnover rate for the years ended October 31, 1996 and 1997 is that of the Short-Term Bond Portfolio.

(10) On August 1, 1994, assets of AMR Corporation and its employee benefit plans were transferred to the AMR Class of the Fund.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	MONEY MARKET FUND--INSTITUTIONAL CLASS					
	YEAR ENDED OCTOBER 31,					
	1997	1996	1995	1994(2)	1993	1992
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income		0.05(3)	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	$ 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 (4)(5)(6):						
Expenses	%	0.24%(3)	0.23%	0.21%	0.23%	0.26%
Net investment income	%	5.41%(3)	5.79%	3.63%	3.23%	4.06%

<CAPTION>

	MONEY MARKET FUND--INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			
	1991	1990	1989	1988
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income	0.07	0.08	0.09	0.08
Less dividends from net investment income	(0.07)	(0.08)	(0.09)	(0.08)
Net asset value, end of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Total return (annualized)	7.18%	8.50%	9.45%	7.54%
Ratios/supplemental data:				
Net assets, end of period (in thousands)	$715,280	$745,405	$385,916	$330,230
Ratios to average net assets (4)(5)(6):				
Expenses	0.24%	0.20%	0.22%	0.28%
Net investment income	6.93%	8.19%	9.11%	7.54%

</TABLE>

(1) The Money Market Fund commenced active operations on September 1, 1987.

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

(3) 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 Money Market Portfolio.

(4) The method of determining average net assets was changed from a monthly average to a daily average starting with the year ended October 31, 1992.

(5) Effective October 1, 1990, 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, which amounted to less than $.01 per share in each period on an annualized basis.

(6) Annualized.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

MUNICIPAL MONEY MARKET FUND -- INSTITUTIONAL CLASS

	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,
	1997	1996	1995	1994(1)
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income		0.04(3)	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	$ 1.00
Total return (annualized)(4)	%	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(5)(6)(7):				
Expenses	%	0.27%(3)	0.35%	0.30%
Net investment income	%	3.49%(3)	3.70%	2.38%

<CAPTION>

U.S. GOVERNMENT MONEY MARKET FUND -- INSTITUTIONAL CLASS

	YEAR ENDED OCTOBER 31,					PERIOD ENDED OCTOBER 31,
	1997	1996	1995	1994(2)	1993	1992(1)
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income		0.05	0.06	0.04	0.03	0.02
Less dividends from net investment income		(0.05)(3)	(0.06)	(0.04)	(0.03)	(0.02)
Net asset value, end of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Total return (annualized)(4)	%	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(5)(6)(7):						
Expenses	%	0.32%(3)	0.32%	0.25%	0.23%	0.27%(8)
Net investment income	%	5.16%(3)	5.49%	3.44%	2.96%	3.46%(8)

</TABLE>

(1) The U.S. Government Money Market Fund commenced active operations on March 2, 1992 and the Municipal Money Market Fund commenced active operations on November 10, 1993.

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

(3) 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 U.S. Government Money Market Portfolio and the Municipal Money Market Portfolio, respectively.

(4) Total returns for the Municipal Money Market Fund exclude management and administrative services fees waived by the Manager. Had the Fund paid such fees, total returns would have been 2.24% for the period ended October 31, 1994 and 3.54% for the year ended October 31, 1995.

(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) Operating results for the Municipal Money Market Fund exclude management and administrative services fees waived by the Manager. Had the Fund paid such fees, the ratio of expenses and net investment income to average net assets would have been 0.50% and 2.18%, respectively, for the period ended October 31, 1994, 0.55% and 3.50%, respectively, for the period ended October 31, 1995 and 0.33% and 3.43%, respectively, for the period ended October 31, 1996.

(7) Annualized.

(8) Estimated based on expected annual expenses and actual average net assets.

INTRODUCTION

The Trust is an open-end, diversified management investment company organized as a Massachusetts business trust on January 16, 1987. The Funds are nine of the several investment portfolios of the Trust. Each Fund has a distinctive investment objective and investment policies. Each Fund, except the S&P 500 Index Fund, invests all of its investable assets in a corresponding Portfolio of the AMR Trust which has an identical investment objective. The S&P 500 Index Fund invests all of its investable assets in the Equity 500 Index Portfolio, which is a separate investment company advised by BT with an identical investment objective. The Manager provides the Portfolios, except the Equity 500 Index Portfolio, with business and asset management services, including the evaluation and monitoring of the investment advisers, and it provides the Funds with administrative services. BT provides the Equity 500 Index Portfolio with investment advisory, administrative and other services.

The Balanced Fund, the Growth and Income Fund, the International Equity Fund, the S&P 500 Index Fund, the Intermediate Bond Fund and the Short-Term Bond Fund (collectively, the "Variable NAV Funds") currently consist of three classes of shares, including the "Institutional Class" which is primarily for institutional investors investing at least $2 million in the Funds and the "PlanAhead Class" which is available to all investors, including smaller institutional investors, investors using intermediary organizations such as discount brokers or plan sponsors, individual retirement accounts ("IRAs"), and self-employed individual retirement plans ("HR-10 Plans" or "Keogh Plans"). The Money Market Funds also consist of three classes of shares, including the Institutional Class, the PlanAhead Class and the "Platinum Class" which is available to customers of certain broker-dealers as an investment for cash balances in their brokerage accounts. For further information about the PlanAhead Class, call (800) 388-3344. For further information about the Platinum Class, call (800) 967-9009.

Although each class of shares is designed to meet the needs of different categories of investors, all classes of each Fund share the same portfolio of investments and a common investment objective. See "Investment Objectives, Policies and Risks." There is no guarantee that a Fund will achieve its investment objective. Based on its value, a share of a Fund, regardless of class, will receive a proportionate share of the investment income and the gains (losses) earned (or incurred) by the Fund. It also will bear its proportionate share of expenses that are allocated to the Fund as a whole. However, certain expenses are allocated separately to each class of shares.

The assets of the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio are allocated by the Manager among investment advisers designated for each of those Portfolios. BT serves as the investment adviser to the Equity 500 Index Portfolio. The assets of the Intermediate Bond Portfolio are allocated by the Manager between the Manager and another investment adviser. Investment decisions for the Short-Term Bond Portfolio and the Money Market Portfolios are made directly by the Manager. With the exception of the S&P 500 Index Fund, each investment adviser has discretion to purchase and sell portfolio securities in accordance with the investment objectives, policies and restrictions described in this Prospectus, the SAI, and by specific investment strategies developed by the Manager. See "Investment Advisers."

Institutional Class shares are offered without a sales charge at the net asset value next determined after an investment is received and accepted. Shares will be redeemed at the next share price calculated after receipt of a redemption order. See "Purchase, Redemption and Valuation of Shares."

INVESTMENT OBJECTIVES, POLICIES AND RISKS

The investment objective and policies of each Fund and its corresponding Portfolio are described below. Except as otherwise indicated, the investment policies of any Fund may be changed at any time by the Board to the extent that such changes are consistent with the investment objective of the applicable Fund. However, each Fund's investment objective may not be changed without a majority vote of that Fund's outstanding shares, which is defined as the lesser of (a) 67% of the shares of the applicable Fund present or represented if the holders of more than 50% of the shares are present or represented at the shareholders' meeting, or (b) more than 50% of the shares of the applicable Fund (hereinafter, "majority vote"). Except for the Equity 500 Index Portfolio, a Portfolio's investment objective may not be changed without a majority vote of that Portfolio's interest holders. The investment objective of the Equity 500 Index Portfolio is not a fundamental policy. Shareholders of the S&P 500 Index Fund will receive 30 days' written notice with respect to any change in the investment objective of the Equity 500 Index Portfolio.

Each Fund has a fundamental investment policy which allows it to invest all of its investable assets in its corresponding Portfolio. All other fundamental investment policies and the non-fundamental investment policies of each Fund and its corresponding Portfolio are identical. Therefore, although the following discusses the investment policies of each Portfolio, the AMR Trust's Board of Trustees ("AMR Trust Board") and the Equity 500 Index Portfolio's Board of Trustees ("Equity 500 Index Portfolio Board"), it applies equally to each Fund and each Board.

AMERICAN AADVANTAGE BALANCED FUND -- This Fund's investment objective is to realize both income and capital appreciation. This Fund seeks its investment objective by investing all of its investable assets in the Balanced

Portfolio, which invests primarily in equity and debt securities. Although equity securities (such as stocks) will be purchased primarily for capital appreciation and debt securities (such as bonds) will be purchased primarily for income purposes, income and capital appreciation potential will be considered in connection with all such investments. Excluding collateral for securities loaned, ordinarily the Portfolio will have a minimum of 30% and a maximum of 70% of its assets invested in equity securities and a minimum of 30% and a maximum of 70% of its assets invested in debt securities which, at the time of purchase, are rated in one of the four highest rating categories by all nationally recognized statistical rating organizations ("Rating Organizations") rating that security such as Standard & Poor's ("S&P") or Moody's Investor Services, Inc. ("Moody's") or, if unrated, are deemed to be of comparable quality by the applicable investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's debt allocation. Obligations rated in the BBB or Baa categories by any Rating Organization have speculative characteristics and thus changes in economic conditions or other circumstances are more likely to lead to a weakened capacity to make principal and interest payments than is the case with higher grade bonds. See the SAI for a description of debt ratings. The Portfolio, at the discretion of the investment advisers, may retain a security that has been downgraded below the initial investment criteria. The Portfolio usually invests between 50% and 65% of its assets in equity securities and between 35% and 50% of its assets in debt securities. The remainder of the Portfolio's assets may be invested in cash or cash equivalents, including obligations that are permitted investments for the Money Market Portfolio and in other investment companies. However, when its investment advisers deem that market conditions warrant, the Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents and investment grade short-term obligations.

The Portfolio's investments in debt securities may include investments in obligations of the U.S. Government and its agencies and instrumentalities, including separately traded registered interest and principal securities ("STRIPS") and other zero coupon obligations; corporate bonds, notes and debentures; non-convertible preferred stocks; mortgage-backed securities; asset-backed securities; and domestic, Yankeedollar and Eurodollar bank deposit notes, certificates of deposit, bonds and notes. Such obligations may have a fixed, variable or floating rate of interest. See the SAI for a further description of the foregoing securities. The value of the Portfolio's debt investments will vary in response to interest rate changes as described in "American AAdvantage Intermediate Bond Fund."

The Portfolio also may engage in dollar rolls or purchase or sell securities on a "when-issued" or "forward commitment" basis. The purchase or sale of when-issued securities enables an investor to hedge against anticipated changes in interest rates and prices by locking in an attractive price or yield. The price of when-issued securities is fixed at the time the commitment to purchase or sell is made, but delivery and payment for the when-issued securities take place at a later date, normally one to two months after the date of purchase. During the period between purchase and settlement, no payment is made by the purchaser to the issuer and no interest accrues to the purchaser. Such transactions therefore involve a risk of loss if the value of the security to be purchased declines prior to the settlement date or if the value of the security to be sold increases prior to the settlement date. A sale of a when-issued security also involves the risk that the other party will be unable to settle the transaction. Dollar rolls are a type of forward commitment transaction. Purchases and sales of securities on a forward commitment basis involve a commitment to purchase or sell securities with payment and delivery to take place at some future date, normally one to two months after the date of the transaction. As with when-issued securities, these transactions involve certain risks, but they also enable an investor to hedge against anticipated changes in interest rates and prices. Forward commitment transactions are executed for existing obligations, whereas in a when-issued transaction, the obligations have not yet been issued. When purchasing securities on a when-issued or forward commitment basis, a segregated account of liquid assets at least equal to the value of purchase commitments for such securities will be maintained until the settlement date.

The Portfolio's equity investments may consist of common stocks, preferred stocks and convertible securities, including foreign securities that are represented by U.S. dollar-denominated American Depository Receipts traded in the United States on exchanges and in the over-the-counter market. When purchasing equity securities, primary emphasis will be placed on undervalued securities with above average growth expectations. The Manager believes that purchasing securities which the investment advisers believe are undervalued in the market

and that have above average growth potential will outperform other investment styles over the longer term while minimizing volatility and downside risk. The Manager will recommend that, with respect to portfolio management of equity assets, the Trust retain only those investment advisers who, in the Manager's opinion, utilize such an approach.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.; BRANDYWINE ASSET MANAGEMENT, INC.; GSB INVESTMENT MANAGEMENT, INC.; HOTCHKIS AND WILEY; and INDEPENDENCE INVESTMENT ASSOCIATES, INC. currently manage the assets of the Balanced Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE GROWTH AND INCOME FUND -- This Fund's investment objective is to realize long-term capital appreciation and current income. This Fund seeks its investment objective by investing all of its investable assets in the Growth and Income Portfolio, which invests primarily in equity securities. Excluding collateral for securities loaned, ordinarily at least 80% of the Portfolio's assets will be invested in equity securities consisting of common stocks, preferred stocks, securities convertible into common stocks, and securities having common stock characteristics, such as rights and warrants, and foreign equity securities that are represented by U.S. dollar-denominated American Depository Receipts traded in the United States on exchanges and in the over-the-counter market. When purchasing equity securities, primary emphasis will be placed on undervalued securities with above average growth expectations. In order to seek either above average current income or capital appreciation when interest rates are expected to decline, the Portfolio may invest in debt securities which, at the time of purchase, are rated in one of the four highest rating categories by all Rating Organizations rating that security or, if unrated, are deemed to be of comparable quality by the applicable investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's debt allocation. See "American AAdvantage Balanced Fund" for a description of the risks involved with these obligations. See the SAI for definitions of the foregoing securities and for a description of debt ratings. The Portfolio also may invest in other investment companies or in cash and cash equivalents, including obligations that are permitted investments for the Money Market Portfolio. However, when its investment advisers deem that market conditions warrant, the Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents and investment grade short-term obligations. In addition, the Portfolio may purchase or sell securities on a "when-issued" or "forward commitment" basis. See "American AAdvantage Balanced Fund" for a description of these transactions.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.; BRANDYWINE ASSET MANAGEMENT, INC.; GSB INVESTMENT MANAGEMENT, INC.; HOTCHKIS AND WILEY; and INDEPENDENCE INVESTMENT ASSOCIATES, INC. currently manage the assets of the Growth and Income Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND -- This Fund's investment objective is to realize long-term capital appreciation. This Fund seeks its investment objective by investing all of its investable assets in the International Equity Portfolio, which invests primarily in equity securities of issuers based outside the United States. Ordinarily the Portfolio will invest at least 65% of its assets in common stocks and securities convertible into common stocks of issuers in at least three different countries located outside the United States. However, excluding collateral for securities loaned, the Portfolio generally invests in excess of 80% of its assets in such securities. The remainder of the Portfolio's assets will be invested in non-U.S. debt securities which, at the time of purchase, are rated in one of the three highest rating categories by any Rating Organization or, if unrated, are deemed to be of comparable quality by the applicable investment adviser and traded publicly on a world market, or in cash or cash equivalents, including obligations that are permitted investments for the Money Market Portfolio or in other investment companies. However, when its investment advisers deem that market conditions warrant, the Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents, other investment companies and investment grade short-term obligations.

The investment advisers select securities based upon a country's economic outlook, market valuation and potential changes in currency exchange rates. When purchasing equity securities, primary emphasis will be placed on undervalued securities with above average growth expectations.

Overseas investing carries potential risks not associated with domestic investments. Such risks include, but are not limited to: (1) political and financial instability abroad, including risk of nationalization or expropriation of assets and the risk of war; (2) less liquidity and greater volatility of foreign investments; (3) less public information regarding foreign companies; (4) less government regulation and supervision of foreign stock exchanges, brokers and listed companies; (5) lack of uniform accounting, auditing and financial reporting standards; (6) delays in transaction settlement in some foreign markets; (7) possible imposition of confiscatory foreign taxes; (8) possible limitation on the removal of securities or other assets of the Portfolio; (9) restrictions on foreign investments and repatriation of capital; (10) currency fluctuations; (11) cost and possible restrictions of currency conversion; (12) withholding taxes on dividends in foreign countries; and (13) possible higher commissions, custodial fees and management costs than in the U.S. market. These risks are often greater for investments in emerging or developing countries.

The Portfolio will limit its investments to those in countries which have been recommended by the Manager and which have been approved by the AMR Trust Board. Countries may be added or deleted with AMR Trust Board approval. In determining which countries will be approved, the AMR Trust Board will evaluate the risk factors set forth above and will particularly focus on the ability to repatriate funds, the size and liquidity aspects of a particular country's market and the investment climate for foreign investors. The current countries in which the Portfolio may invest are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland and the United Kingdom.

The Portfolio may trade forward foreign currency contracts ("forward contracts"), which are derivatives, to hedge currency fluctuations of underlying stock or bond positions, or in other circumstances permitted by the Commodity Futures Trading Commission ("CFTC"). Forward contracts to sell foreign currency may be used when the management of the Portfolio believes that the currency of a particular foreign country may suffer a decline against the U.S. dollar. Forward contracts are also entered into to set the exchange rate for a future transaction. In this manner, the Portfolio may protect itself against a possible loss resulting from an adverse change in the relationship between the U.S. dollar or other currency which is being used for the security purchase and the foreign currency in which the security is denominated during the period between the date on which the security is purchased or sold and the date on which payment is made or received. Forward contracts involve certain risks which include, but are not limited to: (1) imperfect correlation between the securities hedged and the contracts themselves; and (2) possible decrease in the total return of the Portfolio. Forward contracts are discussed in greater detail in the SAI.

The Portfolio also may trade currency futures for the same reasons as for entering into forward contracts as set forth above. Currency futures are traded on U.S. and foreign currency exchanges. The use of currency futures also entails certain risks which include, but are not limited to: (1) less liquidity due to daily limits on price fluctuation; (2) imperfect correlation between the securities hedged and the contracts themselves; (3) possible decrease in the total return of the Portfolio due to hedging; (4) possible reduction in value for both the contracts and the securities being hedged; and (5) potential losses in excess of the amounts invested in the currency futures contracts themselves. The Portfolio may not enter into currency futures contracts if the purchase or sale of such contract would cause the sum of the Portfolio's initial and any variation margin deposits to exceed 5% of its total assets. Currency futures contracts, which are derivatives, are discussed in greater detail in the SAI.

HOTCHKIS AND WILEY, MORGAN STANLEY ASSET MANAGEMENT INC. and TEMPLETON INVESTMENT COUNSEL, INC. currently serve as investment advisers to the International Equity Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE S&P 500 INDEX FUND -- This Fund's investment objective is to provide investment results that, before expenses, correspond to the total return (the combination of capital changes and income) of common stocks publicly traded in the United States, as represented by the S&P 500. This Fund seeks its investment objective by investing all of its investable assets in the Equity 500 Index Portfolio which invests in common stocks of companies that compose the S&P 500. The Fund offers investors a convenient means of diversifying their holdings of common stocks while relieving those investors of the administrative burdens typically associated with purchasing and holding these instruments.

The Portfolio is not managed according to traditional methods of "active" investment management, which involve the buying and selling of securities based upon economic, financial and market analyses and investment judgment. Instead, the Portfolio, utilizing a "passive" or "indexing" investment approach, attempts to replicate, before expenses, the performance of the S&P 500.

Under normal conditions, the Portfolio will invest at least 80% of its assets in common stocks of companies that compose the S&P 500. In seeking to replicate the performance of the S&P 500, BT, the Portfolio's investment adviser, will attempt over time to allocate the Portfolio's investments among common stocks in approximately the same weightings as the S&P 500, beginning with the heaviest-weighted stocks that make up a larger portion of the Index's value. Over the long term, BT normally seeks a correlation between the performance of the Portfolio, before expenses, and that of the S&P 500 of 0.98 or better. A figure of 1.00 would indicate perfect correlation. In the unlikely event that the correlation is not achieved, the Equity 500 Index Portfolio Board will consider alternative structures.

BT utilizes a two-stage sampling approach in seeking to obtain the objective. Stage one, which encompasses large capitalization stocks, maintains the stock holdings at or near their benchmark weights. Large capitalization stocks are defined as those securities that represent 0.10% or more of the Index. In stage two, smaller stocks are analyzed and selected using risk characteristics and industry weights in order to match the sector and risk characteristics of the smaller companies in the S&P 500. This approach helps to maximize portfolio liquidity while minimizing costs.

BT generally will seek to match the composition of the S&P 500, but usually will not invest the Portfolio's stock portfolio to mirror the Index exactly. Because of the difficulty and expense of executing relatively small stock transactions, the Portfolio may not always be invested in the less heavily weighted S&P 500 stocks and may at times have its portfolio weighted differently from the S&P 500. When the Portfolio's size is greater, BT expects to purchase more of the stocks in the S&P 500 and to match the relative weighting of the S&P 500 more closely and anticipates that the Portfolio will be able to mirror, before expenses, the performance of the S&P 500 with little variance. In addition, the Portfolio may omit or remove any S&P 500 stock from the Portfolio if, following objective criteria, BT judges the stock to be insufficiently liquid or believes the merit of the investment has been substantially impaired by extraordinary events or financial conditions. BT will not purchase the stock of Bankers Trust New York Corporation, which is included in the Index, and instead will overweight its holdings of companies engaged in similar businesses.

Under normal conditions, BT will attempt to invest as much of the Portfolio's assets as is practical in common stocks included in the S&P 500. However, the Portfolio may maintain up to 20% of its assets in short-term debt securities and money market instruments hedged with stock index futures and options to meet redemption requests or to facilitate the investment in common stocks.

When the Portfolio has cash from new investments in the Portfolio or holds a portion of its assets in money market instruments, it may enter into stock index futures or options to attempt to increase its exposure to the stock market. Strategies the Portfolio could use to accomplish this include purchasing futures contracts, writing put options, and purchasing call options. When the Portfolio wishes to sell securities, because of shareholder redemptions or otherwise, it may use stock index futures or options thereon to hedge against market risk until the sale can be completed. These strategies could include selling futures contracts, writing call options, and purchasing put options.

BT will choose among futures and options strategies based on its judgment of how best to meet the Portfolio's goals. In selecting futures and options, BT will assess such factors as current and anticipated stock prices, relative liquidity and price levels in the options and futures markets compared to the securities markets, and the Portfolio's cash flow and cash management needs. If BT judges these factors incorrectly, or if price changes in the Portfolio's futures and options positions are not well correlated with those of its other investments, the Portfolio could be hindered in the pursuit of the objective and could suffer losses. The Portfolio could also be

exposed to risks if it could not close out its futures or options positions because of an illiquid secondary market. BT will only use these strategies for cash management purposes. Futures and options will not be used to increase portfolio risk above the level that could be achieved using only traditional investment securities or to acquire exposure to changes in the value of assets or indices that by themselves would not be purchased for the Portfolio. Futures and options are discussed in greater detail in the SAI.

The Portfolio intends to stay invested in the securities described above to the extent practical in light of the objective and long-term investment perspective. However, the Portfolio's assets may be invested in short-term instruments with remaining maturities of 397 days or less to meet anticipated redemptions and expenses or for day-to-day operating purposes. Short-term instruments consist of (1) short-term obligations of the U.S. Government, its agencies, instrumentalities, authorities or political subdivisions; (2) other short-term debt securities rated Aa or higher by Moody's or AA or higher by S&P or, if unrated, of comparable quality in the opinion of BT; (3) commercial paper; (4) bank obligations, including negotiable certificates of deposit, time deposits and bankers' acceptances; and (5) repurchase agreements. At the time the Portfolio invests in commercial paper, bank obligations or repurchase agreements, the issuer or the issuer's parent must have outstanding debt rated

Aa or higher by Moody's or AA or higher by S&P or outstanding commercial paper or bank obligations rated Prime-1 by Moody's or A-1 by S&P; or, if no such ratings are available, the instrument must be of comparable quality in the opinion of BT.

The S&P 500 is a well-known stock market index that includes common stocks of 500 companies from several industrial sectors representing a significant portion of the market value of all common stocks publicly traded in the United States, most of which are listed on the New York Stock Exchange (the "Exchange"). Stocks in the S&P 500 are weighted according to their market capitalization (the number of shares outstanding multiplied by the stock's current price). BT believes that the performance of the S&P 500 is representative of the performance of publicly traded common stocks in general. The composition of the S&P 500 is determined by S&P and is based on such factors as the market capitalization and trading activity of each stock and its adequacy as a representation of stocks in a particular industry group, and may be changed from time to time. For more complete information about the Index, see the SAI.

The Fund and the Portfolio are not sponsored, endorsed, sold or promoted by S&P. S&P makes no representation or warranty, express or implied, to the owners of the Fund or the Portfolio or any member of the public regarding the advisability of investing in securities generally or in the Fund and the Portfolio particularly or the ability of the S&P 500 to track general stock market performance. S&P does not guarantee the accuracy and/or the completeness of the S&P 500 or any data included therein.

S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY THE FUND OR THE PORTFOLIO, OWNERS OF THE FUND OR THE PORTFOLIO, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500 OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES AND HEREBY EXPRESSLY DISCLAIMS ALL SUCH WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 OR ANY DATA INCLUDED THEREIN.

The ability of the Fund and the Portfolio to meet their investment objective depends to some extent on the cash flow experienced by the Fund and by the other investors in the Portfolio, since investments and redemptions by shareholders of the Fund generally will require the Portfolio to purchase or sell securities. BT will make investment changes to accommodate cash flow in an attempt to maintain the similarity of the Portfolio to the S&P 500. An investor should also be aware that the performance of the S&P 500 is a hypothetical number that does not take into account brokerage commissions and other costs of investing, unlike the Portfolio which must bear these costs. Finally, since the Portfolio seeks to track the S&P 500, BT generally will not attempt to judge the merits of any particular stock as an investment.

AMERICAN AADVANTAGE INTERMEDIATE BOND FUND -- This Fund's investment objective is to realize income and capital appreciation. As an investment policy, the Fund primarily seeks income and secondarily seeks capital appreciation.

The Fund seeks its investment objective by investing all of its investable assets in the Intermediate Bond Portfolio, which invests primarily in debt obligations. Permissible investments include securities of the U.S. Government and its agencies and instrumentalities, including STRIPS and other zero coupon obligations; corporate bonds, notes and debentures; non-convertible preferred stocks; mortgage-backed securities; asset-backed securities; domestic, Yankeedollar and Eurodollar certificates of deposit, bank deposit notes, and bank notes; other investment companies; and cash or cash equivalents including obligations that are permitted investments for the Money Market Portfolio. Such obligations may have a fixed, variable or floating rate of interest. At the time of purchase, all such securities will be rated in one of the four highest rating categories by all Rating Organizations rating such obligation or, if unrated, will be deemed to be of comparable quality by the Manager or the investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's total assets. See "American AAdvantage Balanced Fund" for a description of the risks involved with these obligations. The Portfolio, at the discretion of the Manager and the investment adviser, may retain a security which has been downgraded below the initial investment criteria. See the SAI for definitions of the foregoing securities and for a description of debt ratings.

Principal and/or interest payments for obligations of the U.S. Government's agencies or instrumentalities may or may not be backed by the full faith and credit of the U.S. Government.

Although investments will not be restricted by either maturity or duration of the securities purchased, under normal circumstances, the Portfolio will seek to maintain a dollar weighted average duration of three to seven years. Because the timing on return of principal for both asset-backed and mortgage-backed securities is uncertain, in calculating the average weighted duration of the Portfolio, the duration of these securities may be based on certain industry conventions.

Mortgage-backed securities are securities representing interests in "pools" of mortgages in which payments of both interest and principal on the securities are made monthly, in effect, "passing through" monthly payments made by the individual borrowers on the mortgage loans which underlie the securities (net of fees paid to the issuer or guarantor of the securities). Early repayment of principal on mortgage pass-through securities (arising from prepayments of principal due to sale of the underlying property, refinancing, or foreclosure, net of fees and costs which may be incurred) may expose the Portfolio to a lower rate of return upon reinvestment of principal. Also, if a security subject to prepayment has been purchased at a premium, in the event of prepayment, the value of the premium would be lost. Like other debt securities, when interest rates rise, the value of mortgage-related securities generally will decline; however, when interest rates decline, the value of mortgage-related securities with prepayment features may not increase as much as other debt securities.

Payment of principal and interest on some mortgage pass-through securities (but not the market value of the securities themselves) may be guaranteed by the full faith and credit of the U.S. Government (in the case of securities guaranteed by the Government National Mortgage Association ("GNMA")) or guaranteed by agencies or instrumentalities of the U.S. Government (in the case of securities guaranteed by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), which are supported only by the discretionary authority of the U.S. Government to purchase the agency's obligations). Mortgage pass-through securities created by non-governmental issuers (such as commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers) may be supported with various credit enhancements such as pool insurance, guarantees issued by governmental entities, a letter of credit from a bank or senior/subordinated structures.

Collateralized mortgage obligations ("CMOs") are hybrid instruments with characteristics of both mortgage-backed bonds and mortgage pass-through securities. Similar to a mortgage pass-through, interest and prepaid principal on a CMO are paid, in most cases, monthly. CMOs may be collateralized by whole mortgage loans but are more typically collateralized by portfolios of mortgage pass-through securities guaranteed by GNMA, FHLMC or FNMA. CMOs are structured in multiple classes, with each class bearing a different stated maturity or interest rate.

The Portfolio is permitted to invest in asset-backed securities, subject to the Portfolio's rating and quality requirements. Through the use of trusts and special purpose subsidiaries, various types of assets, primarily home equity loans, automobile and credit card receivables, and other types of receivables or other assets as well as

purchase contracts, financing leases and sales agreements entered into by municipalities, are securitized in pass-through structures similar to the mortgage pass-through structures described above. Consistent with the Fund's and the Portfolio's investment objective, policies and quality standards, the Portfolio may invest in these and other types of asset-backed securities which may be developed in the future.

Asset-backed securities involve certain risks that do not exist with mortgage-related securities, resulting mainly from the fact that asset-backed securities do not usually contain the benefit of a complete security interest in the related collateral. For example, credit card receivables generally are unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, some of which may reduce the ability to obtain full payment. In the case of automobile receivables, due to various legal and economic factors, proceeds from repossessed collateral may not always be sufficient to support payments on the securities. The risks associated with asset-backed securities are often reduced by the addition of credit enhancements, such as a letter of credit from a bank, excess collateral or a third-party guarantee.

Investments in Yankeedollar and Eurodollar bonds, notes and certificates of deposit involve risks that differ from investments in securities of domestic issuers. See "American AAdvantage Money Market Fund" for a description of these risks. The Portfolio also may engage in dollar rolls, or purchase or sell securities on a when-issued or forward commitment basis as described under "American AAdvantage Balanced Fund."

The market value of fixed rate securities, and thus the net asset value of this Portfolio's shares, is expected to vary inversely with movements in interest rates. The market value of variable and floating rate instruments should not vary as much due to the periodic adjustments in their interest rates. An adjustment which increases the interest rate of such securities should reduce or eliminate declines in market value resulting from a prior upward movement in interest rates, and an adjustment which decreases the interest rate of such securities should reduce or eliminate increases in market value resulting from a prior downward movement in interest rates.

The Manager and Barrow, Hanley, Mewhinney & Strauss, Inc. currently manage the assets of the Intermediate Bond Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE SHORT-TERM BOND FUND -- This Fund's investment objective is to realize income and capital appreciation. As an investment policy, the Fund primarily seeks income and secondarily seeks capital appreciation. The Fund seeks its investment objective by investing all of its investable assets in the Short-Term Bond Portfolio, which invests primarily in debt obligations. Permissible investments include securities of the U.S. Government and its agencies and instrumentalities, including STRIPS and other zero coupon obligations; corporate bonds, notes and debentures; non-convertible preferred stocks; mortgage-backed securities; asset-backed securities; domestic, Yankeedollar and Eurodollar certificates of deposit, bank deposit notes, and bank notes; other investment companies; and cash or cash equivalents including obligations that are permitted investments for the Money Market Portfolio. Such obligations may have a fixed, variable or floating rate of interest. At the time of purchase, all such securities will be rated in one of the four highest rating categories by all Rating Organizations rating such obligation or, if unrated, will be deemed to be of comparable quality by the Manager. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's total assets. See "American AAdvantage Balanced Fund" and "American AAdvantage Intermediate Bond Fund" for a description of the risks involved with these obligations. The Portfolio, at the discretion of the Manager, may retain a security which has been downgraded below the initial investment criteria. See the SAI for definitions of the foregoing securities and for a description of debt ratings. Principal and/or interest payments for obligations of the U.S. Government's agencies or instrumentalities may or may not be backed by the full faith and credit of the U.S. Government.

Investments in Yankeedollar and Eurodollar bonds, notes and certificates of deposit involve risks that differ from investments in securities of domestic issuers. See "American AAdvantage Money Market Fund" for a description of these risks. See "American AAdvantage Intermediate Bond Fund" for a description of the risks associated with investments in mortgage-backed securities, CMOs and asset-backed securities and for an explanation of how the value of the Portfolio's debt instruments will vary in response to interest rate changes. The Portfolio also may engage in dollar rolls and purchase or sell securities on a when issued or forward commitment basis as described under "American AAdvantage Balanced Fund."

Although investments will not be restricted by either maturity or duration of the securities purchased, under normal circumstances, the Portfolio will seek to maintain a dollar weighted average duration of one to three years. Because the timing on return of principal for both asset-backed and mortgage-backed securities is uncertain, in calculating the average weighted duration of the Portfolio, the duration of these securities may be based on certain industry conventions.

The Manager serves as the sole active investment adviser to the Short-Term Bond Portfolio.

MONEY MARKET FUNDS -- The investment objectives of the Money Market Funds are to seek current income, liquidity and the maintenance of a stable $1.00 price per share. The Money Market Funds seek to achieve these objectives by investing all of their investable assets in the Money Market Portfolios, which invest in high quality, U.S. dollar-denominated short-term obligations that have been determined by the Manager or the AMR Trust Board to present minimal credit risks. Portfolio investments are valued based on the amortized cost valuation technique pursuant to Rule 2a-7 under the Investment Company Act of 1940 ("1940 Act"). See the SAI for an explanation of the amortized cost valuation method. Obligations in which the Money Market Portfolios invest generally have remaining maturities of 397 days or less, although instruments subject to repurchase agreements and certain variable and floating rate obligations may bear longer final maturities. The average dollar-weighted portfolio maturity of each Money Market Portfolio will not exceed 90 days. The Manager serves as the sole investment adviser to the Money Market Funds. See "Management and Administration of the Trust."

AMERICAN AADVANTAGE MONEY MARKET FUND -- The Fund's corresponding Portfolio may invest in obligations permitted to be purchased under Rule 2a-7 of the 1940 Act including, but not limited to, (1) obligations of the U.S. Government or its agencies or instrumentalities; (2) loan participation interests, medium-term notes, funding agreements and asset-backed securities; (3) domestic, Yankeedollar and Eurodollar certificates of deposit, time deposits, bankers' acceptances, commercial paper, bank deposit notes and other promissory notes, including floating or variable rate obligations issued by U.S. or foreign bank holding companies and their bank subsidiaries, branches and agencies; and (4) repurchase agreements involving the obligations listed above. The Money Market Portfolio will invest only in issuers or instruments that at the time of purchase (1) have received the highest short-term rating by two Rating Organizations such as "A-1" by S&P and "P-1" by Moody's; (2) are single rated and have received the highest short-term rating by a Rating Organization; or (3) are unrated, but are determined to be of comparable quality by the Manager pursuant to guidelines approved by the AMR Trust Board and subject to ratification by the AMR Trust Board. See the SAI for definitions of the foregoing instruments and rating systems. The Portfolio may invest in other investment companies. The Portfolio also may purchase or sell securities on a when-issued or a forward commitment basis as described in "American AAdvantage Balanced Fund."

The Portfolio will invest more than 25% of its assets in obligations issued by the banking industry. However, for temporary defensive purposes during periods when the Manager believes that maintaining this concentration may be inconsistent with the best interest of shareholders, the Portfolio may not maintain this concentration.

Investments in Eurodollar (U.S. dollar obligations issued outside the United States by domestic or foreign entities) and Yankeedollar (U.S. dollar obligations issued inside the United States by foreign entities) obligations involve additional risks. Most notably, there generally is less publicly available information about foreign issuers; there may be less governmental regulation and supervision; foreign issuers may use different accounting and financial standards; and the adoption of foreign governmental restrictions may affect adversely the payment of principal and interest on foreign investments. In addition, not all foreign branches of United States banks are supervised or examined by regulatory authorities as are United States banks, and such branches may not be subject to reserve requirements.

Variable amount master demand notes in which the Portfolio may invest are unsecured demand notes that permit the indebtedness thereunder to vary, and provide for periodic adjustments in the interest rate. Because master demand notes are direct lending arrangements between the Portfolio and the issuer, they are not normally publicly traded. There is no secondary market for the notes; however, the period of time remaining until payment

of principal and accrued interest can be recovered under a variable amount master demand note generally will not exceed seven days. To the extent this period is exceeded, the note in question would be considered illiquid. Issuers of variable amount master demand notes must satisfy the same criteria as set forth for other promissory notes (e.g. commercial paper). The Portfolio will invest in variable amount master demand notes only when such notes are determined by the Manager, pursuant to guidelines established by the AMR Trust

Board, to be of comparable quality to rated issuers or instruments eligible for investment by the Portfolio. In determining average dollar weighted portfolio maturity, a variable amount master demand note will be deemed to have a maturity equal to the longer of the period of time remaining until the next readjustment of the interest rate or the period of time remaining until the principal amount can be recovered from the issuer on demand.

AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUND -- The Fund's corresponding Portfolio may invest in municipal obligations issued by or on behalf of the governments of states, territories, or possessions of the United States; the District of Columbia; and their political subdivisions, agencies and instrumentalities if the interest these obligations provide is generally exempt from federal income tax. The Municipal Money Market Portfolio will invest only in issuers or instruments that at the time of purchase (1) are guaranteed by the U.S. Government, its agencies, or instrumentalities; (2) are secured by letters of credit that are irrevocable and issued by banks which qualify as authorized issuers for the Money Market Portfolio (see "American AAdvantage Money Market Fund"); (3) are guaranteed by one or more municipal bond insurance policies that cannot be canceled and are issued by third-party guarantors possessing the highest claims-paying rating from a Rating Organization; (4) have received one of the two highest short-term ratings from at least two Rating Organizations; (5) are single rated and have received one of the two highest short-term ratings from that Rating Organization; (6) have no short-term rating but the instrument is comparable to the issuer's rated short-term debt; (7) have no short-term rating (or comparable rating) but have received one of the top two long-term ratings from all Rating Organizations rating the issuer or instrument; or (8) are unrated, but are determined to be of comparable quality by the Manager pursuant to guidelines approved by, and subject to the oversight of, the AMR Trust Board. The Portfolio also may invest in other investment companies. Ordinarily at least 80% of the Portfolio's net assets will be invested in municipal obligations, the interest from which is exempt from federal income tax. However, should market conditions warrant, the Portfolio may invest up to 20% (or for temporary defensive purposes, up to 100%) of its assets in eligible investments for the Money Market Portfolio which are subject to federal income tax.

The Portfolio may invest in certain municipal obligations which have rates of interest that are adjusted periodically according to formulas intended to minimize fluctuations in the values of these instruments. These instruments, commonly known as variable rate demand obligations, are long-term instruments which allow the purchaser, at its discretion, to redeem securities before their final maturity at par plus accrued interest upon notice (typically 7 to 30 days).

Municipal obligations may be backed by the full taxing power of a municipality ("general obligations"), or by the revenues from a specific project or the credit of a private organization ("revenue obligations"). Some municipal obligations are collateralized as to payment of principal and interest by an escrow of U.S. Government or federal agency obligations, while others are insured by private insurance companies, while still others may be supported by letters of credit furnished by domestic or foreign banks. The Portfolio's investments in municipal obligations may include fixed, variable, or floating rate general obligations and revenue obligations (including municipal lease obligations and resource recovery obligations); zero coupon and asset-backed obligations; variable rate auction and residual interest obligations; tax, revenue, or bond anticipation notes; tax-exempt commercial paper; and purchase obligations that are subject to restrictions on resale. See the SAI for a further discussion of the foregoing obligations. The Portfolio may purchase or sell obligations on a "when-issued" or "forward commitment" basis, as described under "American AAdvantage Balanced Fund."

The Portfolio may invest more than 25% of the value of its total assets in municipal obligations which are related in such a way that an economic, business or political development or change affecting one such security would also affect the other securities; for example, securities the interest of which is paid from revenues of similar types of projects, or securities whose issuers are located in the same state. As a result, the Portfolio may be subject to greater risk compared to a fund that does not follow this practice. However, the Manager believes this risk is

mitigated because it is anticipated that most of the Portfolio's assets will be insured or backed by bank letters of credit. Additionally, the Portfolio may invest more than 25% of the value of its total assets in industrial development bonds which, although issued by industrial development authorities, may be backed only by the assets and revenues of the non-governmental users.

The Portfolio also may invest in municipal obligations that constitute "private activity obligations." These include obligations that finance student loans, residential rental projects, and solid waste disposal facilities. To the extent the Portfolio earns interest income on private activity obligations, shareholders will be required to treat the portion of the Fund's distributions attributable to its share of such interest as a "tax preference item" for purposes of determining their liability for the federal alternative minimum tax ("AMT") and, as a result, may become subject to (or increase their liability for) the AMT. Shareholders should consult their own tax advisers to determine whether they may be subject to the AMT. The Portfolio may invest in private activity obligations without limitation and it is anticipated that a substantial portion of the Portfolio's assets will be invested in these obligations. As a result, a substantial portion of the Fund's distributions may be a tax preference item, which will reduce the net return from the Fund for taxpayers subject to the AMT. Interest on "qualified" private activity obligations is exempt from federal income tax.

AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUND -- The Fund's corresponding Portfolio will invest exclusively in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and repurchase agreements which are collateralized by such obligations. U.S. Government securities include direct obligations of the U.S. Treasury (such as Treasury bills, Treasury notes and Treasury bonds). The Fund may invest in securities issued by the Agency for International Development, Farmers Home Administration, Farm Credit Banks, Federal Home Loan Bank, Federal Intermediate Credit Bank, Federal Financing Bank, Federal Land Bank, FNMA, GNMA, General Services Administration, Rural Electrification Administration, Small Business Administration, Tennessee Valley Authority, and others. Some of these obligations, such as those issued by the Federal Home Loan Bank and FHLMC, are supported only by the credit of the agency or instrumentality issuing the obligation and the discretionary authority of the U.S. Government to purchase the agency's obligations. See the SAI for a further discussion of the foregoing obligations. Counterparties for repurchase agreements must be approved by the AMR Trust Board. The Portfolio may purchase or sell securities on a when-issued or forward commitment basis, as described under "American AAdvantage Balanced Fund."

OTHER INVESTMENT POLICIES -- In addition to the investment policies described previously, each Portfolio also may lend its securities, enter into fully collateralized repurchase agreements and invest in private placement offerings.

SECURITIES LENDING. Each Portfolio (except for the Equity 500 Index Portfolio) may lend securities to broker-dealers or other institutional investors pursuant to agreements requiring that the loans be continuously secured by any combination of cash, securities of the U.S. Government and its agencies and instrumentalities and approved bank letters of credit that at all times equal at least 100% of the market value of the loaned securities. Such loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by any Portfolio of the AMR Trust would exceed 33 1/3% of its total assets. A Portfolio continues to receive interest on the securities loaned and simultaneously earns either interest on the investment of the cash collateral or fee income if the loan is otherwise collateralized. Should the borrower of the securities fail financially, there is a risk of delay in recovery of the securities loaned or loss of rights in the collateral. However, the Portfolios seek to minimize this risk by making loans only to borrowers which are deemed by the Manager to be of good financial standing and which have been approved by the AMR Trust Board. For purposes of complying with each Portfolio's investment policies and restrictions, collateral received in connection with securities loans will be deemed an asset of a Portfolio to the extent required by law. Except for the Equity 500 Index Portfolio, the Manager will receive compensation for administrative and oversight functions with respect to securities lending. The amount of such compensation will depend on the income generated by the loan of each Portfolio's securities. The SEC has granted exemptive relief that permits the Portfolios to invest cash collateral received from securities lending transactions in shares of one or more private investment companies managed by the Manager. Subject to receipt of exemptive relief from the SEC, the Portfolios also may invest cash collateral received from securities lending transactions in shares of one or more registered investment companies managed by the Manager. See the SAI for further information regarding loan transactions.

REPURCHASE AGREEMENTS. A repurchase agreement is an agreement under which securities are acquired by a Portfolio from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Portfolio bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Portfolio is delayed or prevented from exercising its rights to dispose of the collateral securities. However, the investment advisers or the Manager attempt to minimize this risk by entering into repurchase agreements only with financial institutions which are deemed to be of good financial standing and which have been approved by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate. See the SAI for more information regarding repurchase agreements.

PRIVATE PLACEMENT OFFERINGS. Investments in private placement offerings are made in reliance on the "private placement" exemption from registration afforded by Section 4(2) of the Securities Act of 1933 (the "1933 Act"), and resold to qualified institutional buyers under Rule 144A under the 1933 Act ("Section 4(2) securities"). Section 4(2) securities are restricted as to disposition under the federal securities laws, and generally are sold to institutional investors, such as the Portfolios, that agree they are purchasing the securities for investment and not with an intention to distribute to the public. Any resale by the purchaser must be pursuant to an exempt transaction and may be accomplished in accordance with Rule 144A. Section 4(2) securities normally are resold to other institutional investors such as the Portfolios through or with the assistance of the issuer or dealers that make a market in the Section 4(2) securities, thus providing liquidity. The Money Market Portfolios will not invest more than 10% (and the Variable NAV Funds' respective Portfolios, no more than 15%) of their respective net assets in Section 4(2) securities and illiquid securities unless the applicable investment adviser determines, by continuous reference to the appropriate trading markets and pursuant to guidelines approved by the AMR Trust Board or the Equity 500 Index Portfolio Board, that any Section 4(2) securities held by such Portfolio in excess of this level are at all times liquid.

The AMR Trust Board, the Equity 500 Index Portfolio Board and the applicable investment adviser, pursuant to the guidelines approved by the respective Board, will carefully monitor the Portfolios' investments in Section 4(2) securities offered and sold under Rule 144A, focusing on such important factors, among others, as: valuation, liquidity, and availability of information. Investments in Section 4(2) securities could have the effect of reducing a Portfolio's liquidity to the extent that qualified institutional buyers no longer wish to purchase these restricted securities.

BROKERAGE PRACTICES AND PORTFOLIO TURNOVER -- Each investment adviser will place its own orders to execute securities transactions which are designed to implement the applicable Portfolio's investment objective and policies. In placing such orders, each investment adviser will seek the best available price and most favorable execution. The full range and quality of services offered by the executing broker or dealer will be considered when making these determinations. Pursuant to written guidelines approved by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate, an investment adviser of a Portfolio, or its affiliated broker-dealer, may execute portfolio transactions and receive usual and customary brokerage commissions (within the meaning of Rule 17e-1 of the 1940 Act) for doing so.

The Money Market Portfolios, the Intermediate Bond Portfolio and the Short-Term Bond Portfolio normally will not incur any brokerage commissions on their transactions because money market and debt instruments are generally traded on a "net" basis with dealers acting as principal for their own accounts and without a stated commission. The price of the obligation, however, usually includes a profit to the dealer. Obligations purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. No commissions or discounts are paid when securities are purchased directly from an issuer.

No Portfolio, other than the Short-Term Bond Portfolio, currently expects its portfolio turnover rate to exceed 100%. The portfolio turnover rate for the Short-Term Bond Portfolio for the fiscal year ended October 31, 1997 was %. A Portfolio's turnover rate, or the frequency of portfolio transactions, will vary from year to year depending on market conditions and the Portfolio's cash flows. High portfolio activity increases a Portfolio's transaction costs, including brokerage commissions and may result in a greater number of taxable transactions.

ADDITIONAL INFORMATION ABOUT THE PORTFOLIOS -- As previously described, investors should be aware that each Fund, unlike mutual funds that directly acquire and manage their own portfolios of securities, seeks to achieve its investment objective by investing all of its investable assets in a corresponding Portfolio of the AMR Trust, which is a separate investment company, or in the Equity 500 Index Portfolio, which is a separate investment company advised by BT. Since a Fund will invest only in its corresponding Portfolio, that Fund's shareholders will acquire only an indirect interest in the investments of the Portfolio.

The Manager expects, although it cannot guarantee, that the Trust will achieve economies of scale by investing in the AMR Trust and the Equity 500 Index Portfolio. In addition to selling their interests to the Funds, the Portfolios sell their interests to other non-affiliated investment companies and/or other institutional investors. All institutional investors in a Portfolio pay a proportionate share of the Portfolio's expenses and invest in that Portfolio on the same terms and conditions. However, other investment companies investing all of their assets in a Portfolio are not required to sell their shares at the same public offering price as a Fund and are allowed to charge different sales commissions. Therefore, investors in a Fund may experience different returns from investors in another investment company that invests exclusively in that Fund's corresponding Portfolio.

The Fund's investment in a Portfolio may be affected materially by the actions of large investors in that Portfolio, if any. For example, as with all open-end investment companies, if a large investor were to redeem its interest in a Portfolio, that Portfolio's remaining investors could experience higher pro rata operating expenses, thereby producing lower returns. As a result, that Portfolio's security holdings may become less diverse, resulting in increased risk. Institutional investors in a Portfolio that have a greater pro rata ownership interest in the Portfolio than the Fund could have effective voting control over the operation of that Portfolio. A change in a Portfolio's fundamental objective, policies and restrictions, that is not approved by the shareholders of its corresponding Fund could require that Fund to redeem its interest in the Portfolio. Any such redemption could result in a distribution in kind of portfolio securities (as opposed to a cash distribution) by the Portfolio. Should such a distribution occur, that Fund could incur brokerage fees or other transaction costs in converting such securities to cash. In addition, a distribution in kind could result in a less diversified portfolio of investments for that Fund and could affect its liquidity adversely.

The Portfolios' and their corresponding Funds' investment objectives and policies are described above. See "Investment Restrictions" for a description of their investment restrictions. The investment objective of a Fund can be changed only with shareholder approval. The approval of a Fund and of other investors in its corresponding Portfolio, if any, is not required to change the investment objective, policies or limitations of that Portfolio, unless otherwise specified. Written notice would be provided to shareholders of a Fund within thirty days prior to any changes in its corresponding Portfolio's investment objective. If the investment objective of a Portfolio changes and the shareholders of its corresponding Fund do not approve a parallel change in that Fund's investment objective, the Fund would seek an alternative investment vehicle or the Manager and the investment advisers would actively manage the Fund.

See "Management and Administration of the Trusts" for a complete description of the investment management fee and other expenses associated with a Fund's investment in its corresponding Portfolio. This Prospectus and the SAI contain more detailed information about each Fund and its corresponding Portfolio, including information related to (1) the investment objective, policies and restrictions of each Fund and its corresponding Portfolio, (2) the Board of Trustees and officers of the Trust, the AMR Trust and the Equity 500 Index Portfolio Board, (3) brokerage practices, (4) the Funds' shares, including the rights and liabilities of its shareholders, (5) additional performance information, including the method used to calculate yield and total return, and (6) the determination of the value of each Fund's shares.

INVESTMENT RESTRICTIONS

The following fundamental investment restrictions and the non-fundamental investment restriction are identical for each Fund and its corresponding Portfolio. Therefore, although the following discusses the investment restrictions of each Portfolio, it applies equally to each Fund. The following fundamental investment restrictions may be changed with respect to a particular Fund by the majority vote of that Fund's outstanding shares or with respect to a Portfolio by the majority vote of that Portfolio's interest holders. No Portfolio may:

- Invest more than 5% of its total assets (taken at market value) in securities of any one issuer, other than obligations issued by the U.S. Government, its agencies and instrumentalities, or purchase more than 10% of the voting securities of any one issuer, with respect to 75% of a Portfolio's total assets. In addition, although not a fundamental investment restriction and therefore subject to change without shareholder vote, the Money Market Portfolio and the U.S. Government Money Market Portfolio apply this restriction with respect to 100% of their assets.

- Invest more than 25% of its total assets in the securities of companies primarily engaged in any one industry, provided that: (i) this limitation does not apply to obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities; (ii) municipalities and their agencies and authorities are not deemed to be industries; and (iii) financial service companies are classified according to the end users of their services (for example, automobile finance, bank finance, and diversified finance will be considered separate industries). With respect to the Money Market Portfolio, this restriction does not apply to the banking industry.

The following non-fundamental investment restriction may be changed with respect to a particular Fund by a vote of a majority of the Board or with respect to a Portfolio by a vote of a majority of the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate: no Portfolio may invest more than 15% (or, with respect to any Money Market Portfolio, 10%) of its net assets in illiquid securities, including time deposits and repurchase agreements that mature in more than seven days.

The above percentage limits are based upon asset values at the time of the applicable transaction; accordingly, a subsequent change in asset values will not affect a transaction that was in compliance with the investment restrictions at the time such transaction was effected. See the SAI for other investment limitations.

YIELDS AND TOTAL RETURNS

From time to time each class of the Money Market Funds may advertise their "current yield" and "effective yield." Both yield figures are based on historical earnings and are not intended to indicate future performance. The current yield refers to the investment income generated over a seven calendar-day period (which period will be stated in the advertisement). This yield is then annualized by assuming the amount of investment income generated during that week is earned each week over a one-year period, and is shown as a percentage of the investment. The effective yield is calculated similarly but, when annualized, the investment income earned is assumed to be reinvested. The effective yield will be slightly higher than the current yield because of the compounding effect of this assumed reinvestment. The Municipal Money Market Fund also may quote "tax equivalent yields," which show the taxable yields a shareholder would have to earn before federal income taxes to equal this Fund's tax-exempt yields. The tax equivalent yield is calculated by dividing the Fund's tax-exempt yield by the result of one minus a stated federal income tax rate. If only a portion of the Fund's investment income was tax-exempt, only that portion is adjusted in the calculation. As stated earlier, the Fund considers interest on private activity obligations to be exempt from federal income tax. Each class of a Fund has different expenses which will impact its performance.

Advertised yields for the Institutional Class of the Variable NAV Funds will be computed by dividing the net investment income per share earned by the applicable class during the relevant time period by the maximum offering price per share for that class on the last day of the period. Additionally, each class of the Intermediate Bond Fund and the Short-Term Bond Fund may advertise a "monthly distribution rate." This rate is based on an annualized monthly dividend accrual rate per share compared with the month-end share price of each class of this Fund. Total return quotations advertised by the Funds may reflect the average annual compounded (or aggregate compounded) rate of return during the designated time period based on a hypothetical initial investment and the redeemable value of that investment at the end of the period. The Funds will at times compare their performance to applicable published indices, and also may disclose their performance as ranked by certain ranking entities. See the SAI for more information about the calculation of yields and total returns.

MANAGEMENT AND ADMINISTRATION OF THE TRUSTS

FUND MANAGEMENT AGREEMENT -- The Board has general supervisory responsibility over the Trust's affairs, while the business affairs of the AMR Trust and the Equity 500 Index Portfolio are subject to the supervision of their respective Boards. The Manager provides or oversees all administrative, investment advisory and portfolio management services for the Trust pursuant to a Management Agreement dated April 3, 1987, as amended July 25, 1997, together with the Administrative Services Agreement described below. The AMR Trust and the Manager also entered into a Management Agreement dated October 1, 1995, as amended July 25, 1997, that obligates the Manager to provide or oversee all administrative, investment advisory and portfolio management services for the AMR Trust. The Manager, located at 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155, is a wholly owned subsidiary of AMR Corporation ("AMR"), the parent company of American Airlines, Inc., and was organized in 1986 to provide investment management, advisory, administrative and asset management consulting services. The assets of the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio are allocated by the Manager among multiple investment advisers designated for that Portfolio. The assets of the Intermediate Bond Portfolio are allocated by the Manager between the Manager and another investment adviser. BT serves as investment adviser and administrator of, and provides custody and transfer agency services to, the Equity 500 Index Portfolio. See "Investment Advisers." The Manager serves as the sole active investment adviser to the Money Market Portfolios and the Short-Term Bond Portfolio. In addition, with the exception of the International Equity Portfolio and the Equity 500 Index Portfolio, if so requested by any investment adviser, the Manager will make the investment decisions with respect to assets allocated to that investment adviser which the investment adviser determines should be invested in short-term obligations of the type permitted for investment by the Money Market Portfolio. As of December 31, 1997, the Manager had assets under management totaling approximately $ billion including approximately $ billion under active management and $ billion as named fiduciary or fiduciary adviser. Of the total, approximately $ billion of assets are related to AMR. American Airlines, Inc. is not responsible for investments made in the American AAdvantage Funds.

The Manager provides the Trust and the AMR Trust with office space, office equipment and personnel necessary to manage and administer the Trusts' operations. This includes complying with reporting requirements; corresponding with shareholders; maintaining internal bookkeeping, accounting and auditing services and records; and supervising the provision of services to the Trusts by third parties. The Manager oversees each Portfolio's participation in securities lending activities and any actions taken by securities lending agents in connection with those activities to ensure compliance with all applicable regulatory and investment guidelines. The Manager also develops the investment programs for each Portfolio of the AMR Trust, selects and changes investment advisers (subject to approval by the AMR Trust Board and appropriate interest holders), allocates assets among investment advisers, monitors the investment advisers' investment programs and results, and coordinates the investment activities of the investment advisers to ensure compliance with regulatory restrictions.

The Manager bears the expense of providing the above services and pays the fees of the investment advisers of the Funds and the Portfolios of the AMR Trust. As compensation for paying the investment advisory fees and for providing the Portfolios with advisory and asset allocation services, the Manager receives from the AMR Trust an annualized advisory fee that is calculated and accrued daily, equal to the sum of (1) 0.15% of the net assets of the Money Market Portfolios, (2) 0.25% of the net assets of the Intermediate Bond Portfolio and the Short-Term Bond Portfolio, (3) 0.10% of the net assets of the other Portfolios of the AMR Trust, plus (4) all fees payable by the Manager to the investment advisers of the Balanced, the Growth and Income and the International Equity Portfolios, as described in "Investment Advisers." The advisory fee is payable quarterly in arrears. To the extent that a Fund invests all of its investable assets in its corresponding Portfolio, the Manager will not receive an advisory fee under its Management Agreement with the Trust. The Manager receives compensation in connection with securities lending activities. If a Portfolio lends its portfolio securities and receives cash collateral from the borrower, the Manager may receive up to 25% of the net annual interest income (the gross interest earned by the investment less the amount paid to the borrower as well as related expenses) received from the investment of such cash. If a borrower posts collateral other than cash, the borrower will pay to the lender a loan fee. The Manager may receive up to 25% of the loan fees posted by borrowers. Currently, the Manager receives 10% of the net annual interest income from the investment of cash collateral or 10% of the loan fees posted by borrowers. In addition, the Manager is compensated through the Administrative Services Agreement as described below for other services provided.

Each Management Agreement will continue in effect provided that annually such continuance is specifically approved by a vote of the Board and the AMR Trust Board, including the affirmative votes of a majority of the Trustees of each Board who are not parties to the Management Agreement or "interested persons" as defined in the 1940 Act of any such party ("Independent Trustees"), cast in person at a meeting called for the purpose of considering such approval, or by the vote of a Fund's shareholders or a Portfolio's interest holders. A Management Agreement may be terminated with respect to a Fund or a Portfolio at any time, without penalty, by a majority vote of outstanding Fund shares or Portfolio interests on sixty (60) days' written notice to the Manager, or by the Manager, on sixty (60) days' written notice to the Trust or the AMR Trust. A Management Agreement will automatically terminate in the event of its "assignment" as defined in the 1940 Act.

The Trust is responsible for expenses not otherwise assumed by the Manager, including: audits by independent auditors; transfer agency, custodian, dividend disbursing agent and shareholder recordkeeping services; taxes, if any, and the preparation of each Fund's tax returns; interest; costs of Trustee and shareholder meetings; printing and mailing prospectuses and reports to existing shareholders; fees for filing reports with regulatory bodies and the maintenance of the Funds' existence; legal fees; fees to federal and state authorities for the registration of shares; fees and expenses of Independent Trustees; insurance and fidelity bond premiums; and any extraordinary expenses of a nonrecurring nature.

A majority of the Independent Trustees of the Board have adopted written procedures reasonably appropriate to deal with potential conflicts of interest between the Trust and the AMR Trust.

FUND ADVISORY AGREEMENTS -- Each investment adviser, except BT, has entered into a separate investment advisory agreement with the Manager to provide investment advisory services to the Funds and the Portfolios of the AMR Trust. To the extent that a Fund invests all of its investable assets in a corresponding Portfolio, however, an investment adviser will receive an advisory fee only on behalf of the Portfolio and not on behalf of its corresponding Fund. As described below, the assets of the Balanced, the Growth and Income and the International Equity Portfolios are allocated among the investment advisers designated for each Portfolio and the assets of the Intermediate Bond Portfolio are allocated between the Manager and another investment adviser. The Manager is permitted to enter into new or modified advisory agreements with existing or new investment advisers without approval of Fund shareholders or Portfolio interest holders, but subject to approval of the Board and the AMR Trust Board. The Securities and Exchange Commission issued an exemptive order which eliminates the need for shareholder/interest holder approval subject to compliance with certain conditions. These conditions include the requirement that within 90 days of hiring a new adviser or implementing a material change with respect to an advisory contract, the applicable Fund send a notice to shareholders containing information about the change that would be included in a proxy statement. The Manager recommends investment advisers to the Board and the AMR Trust Board based upon its continuing quantitative and qualitative evaluation of the investment advisers' skill in managing assets using specific investment styles and strategies. The allocation of assets among investment advisers may be changed at any time by the Manager. Allocations among investment advisers will vary based upon a variety of factors, including the overall investment performance of each investment adviser, the Portfolio's cash flow needs and market conditions. The Manager need not allocate assets to each investment adviser designated for a Portfolio. The investment advisers can be terminated without penalty to the AMR Trust by the Manager, the AMR Trust Board or the interest holders of the applicable Portfolio. Short-term investment performance, by itself, is not a significant factor in selecting or terminating an investment adviser, and the Manager does not expect to recommend frequent changes of investment advisers. The Prospectus will be supplemented if additional investment advisers are retained or the contract with any existing investment adviser is terminated.

Each investment adviser has discretion to purchase and sell securities for its segment of a Portfolio's assets in accordance with that Portfolio's objectives, policies and restrictions and the more specific strategies provided by the Manager. Although the investment advisers are subject to general supervision by the AMR Trust Board, the Equity 500 Index Portfolio Board and the Manager, these parties do not evaluate the investment merits of specific securities transactions. As compensation for its services, each investment adviser, except BT, is paid a fee by the Manager out of the proceeds of the management fee received by the Manager from the AMR Trust.

ADMINISTRATIVE SERVICES AGREEMENTS -- The Manager and the Trust entered into an Administrative Services Agreement which obligates the Manager to provide the Funds those administrative and management services (other than investment advisory services) described in the Management Agreement. As compensation for these services, the Manager receives an annualized fee of 0.25% of the net assets of the Institutional Class of the Variable NAV Funds and 0.05% of the net assets of the Institutional Class of the Money Market Funds. The fee is payable quarterly in arrears.

BT serves as the administrator to the Equity 500 Index Portfolio. Under an Administration and Services Agreement with the Portfolio, BT calculates the value of the assets of the Portfolio and generally assists the Equity 500 Index Portfolio Board in all aspects of the administration and operation of the Portfolio. The Administration and Services Agreement provides for the Portfolio to pay BT a fee, computed daily and paid monthly, at the rate of 0.05% of the average daily net assets of the Portfolio. Under the Administration and Services Agreement, BT may delegate one or more of its responsibilities to others, including Federated Services Company, at BT's expense.

DISTRIBUTION OF TRUST SHARES -- Shares are distributed through the Funds' principal underwriter, BTS. BTS is compensated by the Manager, and not the Trust. The Trust does not incur any direct distribution expenses related to Institutional Class shares. However, the Trust has adopted a Distribution Plan in accordance with Rule 12b-1 under the 1940 Act which authorizes the use of any fees received by the Manager in accordance with the Administrative Services and Management Agreements and any fees received by the investment advisers pursuant to their Advisory Agreements with the Manager, to be used for distribution purposes.

ALLOCATION OF FUND EXPENSES -- Expenses of each Fund generally are allocated equally among the shares of that Fund, regardless of class. However, certain expenses approved by the Board will be allocated solely to the class to which they relate.

PRINCIPAL UNDERWRITER -- BROKERS TRANSACTION SERVICES, INC. ("BTS"), 7001 Preston Road, Dallas, Texas 75205, serves as the principal underwriter of the Trust.

CUSTODIAN -- STATE STREET BANK & TRUST COMPANY ("State Street"), Boston, Massachusetts, serves as custodian for the Portfolios of the AMR Trust and the Funds. BANKERS TRUST COMPANY, New York, New York, serves as custodian and transfer agent for the assets of the Equity 500 Index Portfolio.

TRANSFER AGENT -- State Street serves as transfer agent and provides transfer agency services for Fund shareholders through its affiliate NATIONAL FINANCIAL DATA SERVICES, ("NFDS"), Kansas City, Missouri.

INDEPENDENT AUDITOR -- The independent auditor for the Funds and the AMR Trust is ERNST & YOUNG LLP, Dallas, Texas. The independent auditor for the S&P 500 Index Fund and the Equity 500 Index Portfolio is COOPERS & LYBRAND L.L.P., Kansas City, Missouri.

INVESTMENT ADVISERS

Set forth below is a brief description of the investment advisers for each Fund and its corresponding Portfolio, except for the Money Market Funds and their corresponding Portfolios, whose sole investment adviser is the Manager. References to the investment advisers retained by a Portfolio also apply to the corresponding

Fund. Except for the Manager and BT, none of the investment advisers provides any services to the Funds or the Portfolios except for portfolio investment management and related recordkeeping services, or has any affiliation with the Trust, the AMR Trust, the Equity 500 Index Portfolio or the Manager. BT provides investment advisory, administrative and other services to the Equity 500 Index Portfolio. See "Bankers Trust Company" below for a discussion of those services.

William F. Quinn has served as President of the Manager since it was founded in 1986 and Nancy A. Eckl serves as Vice President-Trust Investments of the Manager. Ms. Eckl previously served as Vice President-Finance and Compliance of the Manager from December 1990 to May 1995. In these capacities, Mr. Quinn and Ms. Eckl have primary responsibility for the day-to-day operations of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, the Intermediate Bond Fund and their corresponding Portfolios. These responsibilities include oversight of the investment advisers, regular review of each investment adviser's performance and asset allocations among them.

Michael W. Fields is responsible for the portfolio management oversight of the Short-Term Bond Fund and its corresponding Portfolio. Mr. Fields has been with the Manager since it was founded in 1986 and serves as Vice President-Fixed Income Investments. Benjamin L. Mayer is responsible for the day-to-day portfolio management of the Short-Term Bond Portfolio. Mr. Mayer has served as Senior Portfolio Manager of the Manager since May 1995. Prior to that time, he was a Vice President of Institutional Fixed Income Sales at Merrill Lynch, Pierce, Fenner & Smith from January 1994 to April 1995 and Vice President, Regional Senior Strategist from April 1989 to January 1994.

Mr. Fields also is responsible for the portfolio management oversight of the portion of the Intermediate Bond Fund and its corresponding Portfolio, allocated to the Manager. Mr. Mayer is responsible for its day-to-day portfolio management.

Frank Salerno, Managing Director of BT, is responsible for the day-to-day management of the Equity 500 Index Portfolio. Mr. Salerno has been employed by BT since prior to 1989 and has managed the Equity 500 Index Portfolio's assets since the Portfolio commenced operations December 31, 1992.

BANKERS TRUST COMPANY, 280 Park Avenue, New York, New York 10017, is a New York banking corporation and is a wholly owned subsidiary of Bankers Trust New York Corporation. BT conducts a variety of general banking and trust activities and is a major wholesale supplier of financial services to the international and domestic institutional market, with a global network of over 120 offices in more than 40 countries. As of September 30, 1997, Bankers Trust New York Corporation was the seventh largest bank holding company in the United States with total assets of approximately $ billion and approximately $ billion in assets under management globally. Of that total, approximately $ billion are in U.S. equity index assets alone. BT serves as investment adviser and administrator to the Equity 500 Index Portfolio. For its services, BT receives a fee from the Equity 500 Index Portfolio, computed daily and paid monthly, at the annual rate of 0.08% of the average daily net assets of the Portfolio.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC. ("Barrow"), 3232 McKinney Avenue, 15th Floor, Dallas, Texas 75204, is a professional investment counseling firm which has been providing investment advisory services since 1979. The firm is wholly owned by United Asset Management Corporation, a Delaware corporation. As of December 31, 1997, Barrow had discretionary investment management authority with respect to approximately $ billion of assets, including approximately $ billion of assets of AMR and its subsidiaries and affiliated entities. Barrow serves as an investment adviser to the Balanced

Portfolio, the Growth and Income Portfolio, the Intermediate Bond Portfolios and the Short-Term Bond Portfolio, although the Manager does not presently intend to allocate any of the assets in the Short-Term Bond Portfolio to Barrow. The Manager pays Barrow an annualized fee equal to .30% on the first $200 million in AMR Trust assets under its discretionary management, .20% on the next $300 million, .15% on the next $500 million, and .125% on assets over $1 billion.

BRANDYWINE ASSET MANAGEMENT, INC. ("Brandywine"), 201 North Walnut Street, Wilmington, Delaware 19801, is a professional investment counseling firm founded in 1986. Brandywine is a wholly owned subsidiary of Legg Mason, Inc. As of December 31, 1997, Brandywine had assets under management totaling approximately $ billion, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. Brandywine serves as an investment adviser to the Balanced and the Growth and Income Portfolios. The Manager pays Brandywine an annualized fee equal to .225% of assets in the Balanced Portfolio and .25% of assets in the Growth and Income Portfolio of the first $500 million of AMR Trust assets under its discretionary management, .225% of the next $100 million on all assets and .20% on all excess assets.

GSB INVESTMENT MANAGEMENT, INC. ("GSB"), 301 Commerce Street, Fort Worth, Texas 76102, is a professional investment management firm which was founded in 1987 by Frank P. Ganucheau, Mark J. Stupfel, and Lyle E. Brumley. GSB is wholly owned by United Asset Management Corporation, a Delaware corporation. As of December 31, 1997, GSB managed approximately $ billion of assets, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. GSB serves as an investment adviser to the Balanced Portfolio and the Growth and Income Portfolio. The Manager pays GSB an annualized fee equal to .30% of the first $100 million in AMR Trust assets under its discretionary management, .25% of the next $100 million, .20% of the next $100 million and .15% on all excess assets.

HOTCHKIS AND WILEY, 800 West Sixth Street, 5th Floor, Los Angeles, California 90017, is a professional investment counseling firm which was founded in 1980 by John F. Hotchkis and George Wiley. Hotchkis and Wiley is a division of Merrill Lynch Capital Management Group, a wholly owned subsidiary of Merrill Lynch & Co., Inc. Assets under management as of December 31, 1997 were approximately $ billion, which included approximately $ billion of assets of AMR and its subsidiaries and affiliated entities. Hotchkis and Wiley serves as an investment adviser to the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio. The Manager pays Hotchkis and Wiley an annualized fee equal to .60% of the first $10 million of AMR Trust assets under its discretionary management, .50% of the next $140 million of assets, .30% of the next $50 million of assets, .20% of the next $800 million of assets and .15% of all excess assets.

INDEPENDENCE INVESTMENT ASSOCIATES, INC. ("IIA"), 53 State Street, Boston, Massachusetts 02109, is a professional investment counseling firm which was founded in 1982. The firm is a wholly owned subsidiary of John Hancock Mutual Life Insurance Company. Assets under management as of December 31, 1997, including funds managed for its parent company, were approximately $ billion, which included approximately $ million of assets of AMR and its subsidiaries and affiliated entities. IIA serves as an investment adviser to the Balanced Portfolio and the Growth and Income Portfolio. The Manager pays IIA an annualized fee equal to .50% of the first $30 million of AMR Trust assets under its discretionary management, .25% of the next $70 million of assets, and .20% of all excess assets.

MORGAN STANLEY ASSET MANAGEMENT INC. ("MSAM"), 25 Cabot Square, London, United Kingdom E14 4QA, is a wholly owned subsidiary of Morgan Stanley, Dean Witter, Discover & Co. MSAM provides portfolio management and named fiduciary services to taxable and nontaxable institutions, international organizations and individuals investing in United States and international equity and debt securities. As of September 30, 1997, MSAM had assets under management totaling approximately $ billion, including approximately $ billion under active management and $ billion as named fiduciary or fiduciary adviser. As of December 31, 1997, MSAM had investment authority over approximately $ million of assets of AMR and its subsidiaries and affiliated entities. MSAM serves as an investment adviser to the International Equity Portfolio. The Manager pays MSAM an annual fee equal to .80% of the first $25 million of AMR Trust assets under its discretionary management, .60% of the next $25 million in assets, .50% of the next $25 million in assets and .40% on all excess assets.

TEMPLETON INVESTMENT COUNSEL, INC. ("Templeton"), 500 East Broward Blvd., Suite 2100, Fort Lauderdale, Florida 33394-3091, is a professional investment counseling firm which has been providing investment services since 1979. Templeton is indirectly owned by Franklin Resources, Inc. As of December 31, 1997, Templeton had discretionary investment management authority with respect to approximately $ billion of assets, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. Templeton serves as

an investment adviser to the International Equity Portfolio. The Manager pays Templeton an annualized fee equal to .50% of the first $100 million of AMR Trust assets under its discretionary management, .35% of the next $50 million in assets, .30% of the next $250 million in assets and .25% on assets over $400 million.

Solely for the purpose of determining the applicable percentage rates when calculating the fees for each investment adviser other than MSAM and BT, there shall be included all other assets or trust assets of American Airlines, Inc. also under management by each respective investment adviser (except assets managed by Barrow under the HALO Bond Program). For the purpose of determining the applicable percentage rates when calculating MSAM's fees, all equity account assets managed by MSAM on behalf of American Airlines, Inc. shall be included. The inclusion of any such assets will result in lower overall fee rates being applied to the applicable Portfolio.

PURCHASE, REDEMPTION AND VALUATION OF SHARES

PURCHASING SHARES OF THE TRUST -- Institutional Class shares are offered without a sales charge to institutions -- including bank trust departments acting on behalf of their clients (such as employee benefit plans, personal trusts and other accounts for which the bank acts as agent or fiduciary); endowment funds and charitable foundations; employee welfare plans which are tax-exempt under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended ("Code"); qualified pension and profit sharing plans, and cash or deferred arrangements under Section 401(k) of the Code; corporations; and other institutional investors who make an initial investment of at least $2 million. The Manager may allow a reasonable period of time after opening an account for an investor to meet the initial investment requirement. The Manager may waive the minimum investment requirement for certain individuals associated with AMR or the Manager, as more fully described in the SAI. In addition, for investors such as investment advisors, trust companies and financial advisors who make investments for a group of clients, the minimum initial investment can be met through an aggregated purchase order for more than one client. Shares purchased through financial intermediaries may be subject to transaction fees.

Trust shares are sold without a sales charge at the net asset value next determined after the acceptance of a purchase order. Shares of the Variable NAV Funds are offered and purchase orders accepted until the close of the New York Stock Exchange, generally 4:00 p.m. Eastern time, on each day on which the Exchange is open for trading which excludes the following business holidays: New Year's Day, Martin Luther King's Birthday, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day ("Business Day"). Shares of the Money Market Fund are offered and orders accepted until 3:00 p.m. Eastern time, or the close of the Exchange (whichever comes first) on each day on which the Exchange is open for business except for Columbus Day and Veteran's Day ("Money Market Business Day") and during which federal funds become available to the Fund. Shares are offered and orders are accepted for the Municipal Money Market Fund until 12:00 p.m. Eastern time, or the close of the Exchange (whichever comes first) and for the U.S. Government Money Market Fund until 2:00 p.m. Eastern time, or the close of the Exchange (whichever comes first) on each Money Market Business Day. The Trust reserves the right to reject any order for the purchase of shares and to limit or suspend, without prior notice, the offering of shares.

Institutional Class shares may be purchased and redeemed as follows:

BY WIRE -- Purchases may be made by wiring funds. If opening a new account, an investor should first forward a completed new account application to the Manager at P.O. Box 619003, MD 5645, DFW Airport, TX 75261-9003 or by facsimile to (817) 967-0768. To ensure prompt receipt of a transmission by wire, the investor should: telephone NFDS at (800) 658-5811 and specify the Fund whose shares are to be purchased; provide the name, address, telephone number and account number of the investor; and identify the amount being wired and by which bank. NFDS will provide the investor with an account number. The investor should instruct its bank to designate the account number and transmit the federal funds to: State Street Bank & Trust Co., ABA Routing #0110-00028; Account #9905-342-3; Attention: American AAdvantage Funds and reference the specific Fund.

BY DEPOSITING SECURITIES -- Shares of a Fund may be purchased in exchange for an investor's securities if the securities are acceptable to that Fund's corresponding Portfolio and satisfy applicable investment objectives and policies.

Investors interested in exchanging securities must first contact the Manager and acquire instructions regarding submission of a written description of the securities which the investor wishes to exchange. The investor must represent that all such securities offered to any Fund are not subject to any sale restrictions. Within five business days after receipt of the written description, the Manager will advise the investor whether the securities to be exchanged are acceptable. There is no charge for this review by the Manager. Securities accepted by a Fund must have a readily ascertainable value as evidenced by a listing on the Exchange, American Stock Exchange or The Nasdaq Stock Market. Securities are valued in the manner described for valuing Portfolio assets in the section entitled "Valuation of Shares." Acceptance of such orders may occur on any day during the five-day period afforded the Manager to review the acceptability of the securities. Upon notice of acceptance of such orders, the securities must be delivered in fully negotiable form within three days. The Manager will provide delivery instructions at the time of acceptance. A gain or loss for federal income tax purposes may be realized by the investor upon the securities exchange, depending upon the adjusted tax basis and value of the securities tendered. A Fund will accept securities in this manner only for purposes of investment by its corresponding Portfolio, and not for resale.

BY MAIL -- Share purchases of any Fund may be made by mail by sending a check or other negotiable bank draft payable to American AAdvantage Funds to: "American AAdvantage Funds, P.O. Box 419643, Kansas City, MO, 64141-6643." An additional purchase of shares should be accompanied by the shareholder's account number. Purchase checks are accepted subject to collection at full face value in U.S. funds and must be drawn in U.S. dollars on a U.S. bank.

REDEMPTION OF SHARES -- Shares of the Funds may be redeemed by telephone or by mail on any Business Day for the Variable NAV Funds and on any Money Market Business Day for the Money Market Funds.

BY TELEPHONE -- Shares may be redeemed by telephone. Proceeds from redemption orders placed by the following deadlines generally will be transmitted to shareholders on the same day: 2:00 p.m. Eastern time for the Money Market Fund and the U.S. Government Money Market Fund, and 12:00 p.m. Eastern time for the Municipal Money Market Fund. Proceeds from redemption orders received by 4:00 p.m. Eastern Time for the Variable NAV Funds generally will be transmitted to shareholders the next Business Day.

BY MAIL -- Variable NAV Fund shares may be redeemed on any Business Day by writing directly to the Funds at the address above under "Purchasing Shares of the Trust -- By Mail." Shares of the Money Market Funds may be redeemed on any Money Market Business Day by writing to the same address. The redemption price will be the net asset value per share next determined after receipt by the transfer agent of all required documents in good order. "Good order" means that the request must include a letter of instruction or stock assignment specifying (1) the account number and Fund name; (2) the number of shares or dollar amount to be redeemed; (3) signature of an authorized signatory for the owners of the shares in the exact names in which they appear on the account; (4) other supporting legal documents, if required, in the case of estates, trusts, guardianships, custodians, corporations, IRAs and welfare, pension and profit-sharing plans; and (5) any share certificates being redeemed must be returned duly endorsed or accompanied by a stock assignment with signatures guaranteed by a bank, trust company or member of a recognized stock exchange. Shares redeemed through financial intermediaries may be subject to transaction fees.

Payment for redeemed shares will be made in cash within seven days after the receipt of a redemption request in good order. However, the Fund reserves the right to suspend redemptions or postpone the date of payment (a) for any periods during which the Exchange is closed (other than for customary weekend and holiday closings), or when trading on the Exchange is restricted, (b) at such time as an emergency exists as determined by the Securities and Exchange Commission so that disposal of a Fund's investments or determination of its net asset value is not reasonably practicable, or (c) for such other periods as the Securities and Exchange Commission by order may permit for protection of the Funds' shareholders. Shares purchased by check may not be redeemed until the funds have cleared, which may take up to 15 days. Although the Funds intend to redeem shares in cash, each Fund reserves the right to pay the redemption price in whole or in part by a distribution of readily marketable

securities held by the applicable Fund's corresponding Portfolio. See the SAI for further information concerning redemptions in kind.

FULL REDEMPTIONS -- Unpaid dividends credited to an account up to the date of redemption of all shares of a Money Market Fund generally will be paid at the time of redemption.

VALUATION OF SHARES -- The net asset value of each share (share price) of the Variable NAV Funds is determined as of the close of the Exchange, generally 4:00 p.m. Eastern time, on each Business Day and the net asset value of each share of the Money Market Funds is determined as of the close of the Exchange, generally 4:00 p.m. Eastern time, on each Money Market Business Day. The net asset value of all outstanding shares of a Fund will be determined by computing the Fund's total assets (which is the value of the Fund's investment in its corresponding Portfolio), subtracting all of the Fund's liabilities, and dividing the result by the total number of Fund shares outstanding at such time. The net asset value of shares of the Institutional Class will be determined based on a pro rata allocation of the value of the Fund's corresponding Portfolio's investment income, expenses and total capital gains and losses. The allocation will be based on comparative net asset value at the beginning of the day except for expenses related solely to one class of shares ("Class Expenses") which will be borne only by the appropriate class of shares. Because of the Class Expenses, the net income attributable to and the dividends payable for each class of shares may be different. Additionally, the Variable NAV Funds may compute differing share prices as a result of Class Expenses.

Equity securities listed on securities exchanges, including all but United Kingdom securities of the International Equity Portfolio, are valued at the last quoted sales price on a designated exchange prior to the close of trading on the Exchange or, lacking any sales, on the basis of the last current bid price prior to the close of trading on the Exchange. Securities of the United Kingdom held in the International Equity Portfolio are priced at the last jobber price (mid of the bid and offer prices quoted by the leading stock jobber in the security) prior to close of trading on the Exchange. Trading in foreign markets is usually completed each day prior to the close of the Exchange. However, events may occur which affect the values of such securities and the exchange rates between the time of valuation and the close of the Exchange. Should events materially affect the value of such securities during this period, the securities are priced at fair value, as determined in good faith and pursuant to procedures approved by the Board. 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) will normally 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 AMR Trust Board for the AMR Trust Portfolios. Assets and liabilities denominated in foreign currencies and forward currency contracts are translated into U.S. dollar equivalents based on prevailing market rates. Portfolio obligations held by the Money Market Portfolios are valued in accordance with the amortized cost method, which is designed to enable those Portfolios and their corresponding Funds to maintain a consistent $1.00 per share net asset value. Investment grade short-term obligations with 60 days or less to maturity held by all other Portfolios also are valued using the amortized cost method as described in the SAI.

DIVIDENDS, OTHER DISTRIBUTIONS AND TAX MATTERS

DIVIDENDS AND OTHER DISTRIBUTIONS -- Dividends and other distributions paid on each class of a Fund's shares are calculated at the same time and in the same manner. Dividends from the net investment income of the Balanced Fund, the Growth and Income Fund and the International Equity Fund normally are declared annually. Dividends consisting of substantially all of the net investment income of the Intermediate Bond Fund and the Short-Term Bond Fund, which are paid monthly, normally are declared on each Business Day immediately prior to the determination of the net asset value and are payable to shareholders of record as of the close of business on the day on which declared. The S&P 500 Index Fund distributes income dividends on the first Business Day in April,

July and October. In December, the S&P 500 Index Fund will distribute another income dividend, plus any capital gains. Each Fund may make an additional dividend or other distribution, if necessary, to avoid a 4% excise tax on certain undistributed income and gain. A Fund's net investment income attributable to the Institutional Class consists of that class's pro rata share of the Fund's share of dividends and interest (including discount) accrued on the securities held by its corresponding Portfolio, less applicable expenses of the Fund and the Portfolio attributable to the Institutional Class. Distributions of a Fund's share of its corresponding Portfolio's realized net short-term capital gain, net capital gain (the excess of net long-term capital gain over net short-term capital loss), and net gains from foreign currency transactions, if any, normally will be made annually.

All of each Money Market Fund's net investment income and net short-term capital gain, if any, generally is declared as dividends on each Money Market Business Day immediately prior to the determination of the net asset value. Dividends generally will be paid on the first day of the following month. Each Money Market Fund's net investment income attributable to the Institutional Class will consist of (1) that class' pro rata share of the Fund's share of interest accrued and discount earned on its corresponding Portfolio's securities, less amortization of premium and expenses of both the Portfolio and (2) the Fund's expenses attributable to the Institutional Class. The Money Market Portfolios do not expect to realize net capital gain and, therefore, the Money Market Funds do not foresee paying any capital gain distributions. If any Money Market Fund (either directly or indirectly through its corresponding Portfolio) incurs or anticipates any unusual expenses, loss or depreciation that would affect its net asset value or income for a particular period adversely, the Board would at that time consider whether to adhere to the dividend policy described above or to revise it in the light of the then prevailing circumstances.

Unless a shareholder elects otherwise on the account application, all dividends and other distributions on a Fund's Institutional Class shares will be automatically paid in additional Institutional Class shares of that Fund. However, a shareholder may choose to have distributions of net capital gain (and, if applicable, net foreign currency gains) paid in shares and dividends paid in cash or to have all such distributions and dividends paid in cash. An election may be changed at any time by delivering written notice that is received by the transfer agent at least ten days prior to the payment date for a dividend or other distribution.

TAX INFORMATION -- Each Fund is treated as a separate corporation for federal income tax purposes and intends to qualify or to continue to qualify for treatment as a regulated investment company under the Code. In each taxable year that a Fund so qualifies, the Fund (but not its shareholders) will be relieved of federal income tax on that part of its investment company taxable income (generally, net investment income plus any net short-term capital gain and gains from certain foreign currency transactions) and net capital gain that it distributes to its shareholders. However, a Fund will be subject to a nondeductible 4% excise tax to the extent that it fails to distribute by the end of any calendar year substantially all of its ordinary income for that calendar year and its capital gain net income for the one-year period ending on October 31 of that year, plus certain other amounts. For these and other purposes, dividends and other distributions declared by a Fund in October, November or December of any year and payable to shareholders of record on a date in one of those months will be deemed to have been paid by the Fund and received by the shareholders on December 31 of that year if they are paid by the Fund during the following January. Each Portfolio received a ruling from the Internal Revenue Service or an opinion of counsel that it is or should be classified for federal income tax purposes as a partnership; accordingly, no Portfolio is subject to federal income tax.

Dividends from a Fund's investment company taxable income are taxable to its shareholders as ordinary income to the extent of the Fund's earnings and profits, whether received in cash or paid in additional Fund shares. Distributions of a Fund's net capital gain (whether received in cash or paid in additional Fund shares), when designated as such, generally are taxable to its shareholders as long-term capital gain, regardless of how long they have held their Fund shares. A capital gain distribution from a Fund also may be offset by capital losses from other sources. Under the Taxpayer Relief Act of 1997, different maximum tax rates apply to a noncorporate taxpayer's net capital gain depending on the taxpayer's holding period and marginal rate of federal income tax -- generally, 28% for gain recognized on securities held for more than one year but not more than 18 months and 20% (10% for taxpayers in the 15% marginal tax bracket) for gain recognized on securities held for more than 18 months. Pursuant to an Internal Revenue Service notice, the Fund may divide each net capital gain distribution

into a 28% rate gain distribution and a 20% rate gain distribution (in accordance with the Fund's holding periods for the securities it sold that generated the distributed gain) and its shareholders must treat those portions accordingly.

Some foreign countries may impose income or withholding taxes on certain dividends payable to the International Equity Portfolio. The International Equity Fund's share of any such withheld taxes may be treated by that Fund as a deduction or, if it satisfies certain requirements, it may elect to flow the tax through to its shareholders, who in turn may either deduct the taxes or use them in calculating credits against their federal income tax.

A portion of the income dividends paid by the Balanced Fund, the Growth and Income Fund and the S&P 500 Index Fund is eligible for the dividends-received deduction allowed to corporations. The eligible portion may not exceed the respective Fund's aggregate dividends received from U.S. corporations. However, dividends received by a corporate shareholder and deducted by it pursuant to the dividends-received deduction may be subject indirectly to the AMT. The International Equity Fund's dividends most likely will not qualify for the dividends-received deduction because none of the dividends received by that Fund are expected to be paid by U.S. corporations.

Distributions by the Municipal Money Market Fund that it designates as "exempt-interest dividends" generally may be excluded from gross income by its shareholders. If the Municipal Money Market Portfolio earns taxable income from any of its investments, the Municipal Money Market Fund's share of income will be distributed to its shareholders as a taxable dividend. To the extent that Portfolio invests in private activity obligations, that Fund's shareholders will be required to treat a portion of its dividends as a "tax preference item" in determining their liability for the AMT. Exempt-interest dividends also may be subject to income tax under state and local tax laws. Because some states exempt from income tax the interest on their own obligations and obligations of governmental agencies and municipalities in the state, shareholders will receive tax information each year regarding the Municipal Money Market Fund's exempt-interest income by state. Interest on indebtedness incurred or continued by a shareholder to purchase or carry shares of that Fund is not deductible.

Redemption of Fund shares (other than shares of the Money Market Funds) may result in taxable gain or loss to the redeeming shareholder, depending upon whether the redemption proceeds exceed or are less than the shareholder's adjusted basis for the redeemed shares. If shares of a Fund are redeemed at a loss after being held for six months or less, the loss will be treated as long-term, instead of short-term, capital loss to the extent of any capital gain distributions received on those shares.

If shares are purchased shortly before the record date for a dividend (other than an exempt-interest dividend) or other distribution, the investor will pay full price for the shares and receive some portion of the price back as a taxable distribution.

Each Fund notifies its shareholders following the end of each calendar year of the amounts of dividends and capital gain distributions paid (or deemed paid) (and for the International Equity Fund, if it satisfies the requirements and makes the election referred to above, their share of that Fund's share of any foreign taxes paid by the International Equity Portfolio) that year and of any portion of those dividends that qualifies for the corporate dividends-received deduction. The information regarding capital gain distributions designates the portions thereof subject to the different maximum rates of tax applicable to noncorporate taxpayers' net capital gain indicated above. The notice sent by the Municipal Money Market Fund specifies the amounts of exempt-interest dividends (and the portion thereof, if any, that is a tax preference item for purposes of the AMT) and any taxable dividends.

Each Fund is required to withhold 31% of all taxable dividends, and, for all Funds other than the Money Market Funds, capital gain distributions and redemption proceeds payable to any individuals and certain other non-corporate shareholders who do not provide the Fund with a correct taxpayer identification number or (except with respect to redemption proceeds) who otherwise are subject to back-up withholding.

The foregoing is only a summary of some of the important tax considerations generally affecting the Funds and their shareholders. Prospective investors are urged to consult their own tax advisers regarding specific

questions as to the effect of federal, state or local income taxes on any investment in the Trust. For further tax information, see the SAI.

GENERAL INFORMATION

The Trust currently is comprised of ten separate investment portfolios. Each Fund included in this Prospectus is comprised of three classes of shares, which can be issued in an unlimited number. Each share represents an equal proportionate beneficial interest in that Fund and is entitled to one vote. Only shares of a particular class may vote on matters affecting that class. Only shares of a particular Fund may vote on matters affecting that Fund. All shares of the Trust vote on matters affecting the Trust as a whole. Share voting rights are not cumulative, and shares have no preemptive or conversion rights. Shares of the Trust are nontransferable. Each series in the Trust will not be involved in any vote involving a Portfolio in which it does not invest its assets. Shareholders of all of the series of the Trust, however, will vote together to elect Trustees of the Trust and for certain other matters. Under certain circumstances, the shareholders of one or more series could control the outcome of these votes.

On most issues subjected to a vote of a Portfolio's interest holders, as required by the 1940 Act, its corresponding Fund will solicit proxies from its shareholders and will vote its interest in the Portfolio in proportion to the votes cast by that Fund's shareholders. Because a Portfolio interest holder's votes are proportionate to its percentage interests in that Portfolio, one or more other Portfolio investors could, in certain instances, approve an action against which a majority of the outstanding voting securities of its corresponding Fund had voted. This could result in that Fund's redeeming its investment in its corresponding Portfolio, which could result in increased expenses for that Fund. Whenever the shareholders of a Fund are called to vote on matters related to its corresponding Portfolio, the Board shall vote shares for which they receive no voting instructions in the same proportion as the shares for which they do receive voting instructions. Any information received from a Portfolio in the Portfolio's report to shareholders will be provided to the shareholders of its corresponding Fund.

As a Massachusetts business trust, the Trust is not obligated to conduct annual shareholder meetings. However, the Trust will hold special shareholder meetings whenever required to do so under the federal securities laws or the Trust's Declaration of Trust or By-Laws. Trustees can be removed by a shareholder vote at special shareholder meetings.

As more fully described in the SAI, the following persons may be deemed to control certain Funds by virtue of their ownership of more than 25% of the outstanding shares of a Fund as of January 31, 1998:

AMERICAN AADVANTAGE BALANCED FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%
AMERICAN AADVANTAGE GROWTH AND INCOME FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%
AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%
AMERICAN AADVANTAGE INTERMEDIATE BOND FUND	
Retirement Advisors of America	%
AMERICAN AADVANTAGE SHORT-TERM BOND FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%

SHAREHOLDER COMMUNICATIONS

Shareholders will receive periodic reports, including annual and semi-annual reports which will include financial statements showing the results of the Funds' operations and other information. The financial statements of the Funds will be audited by the independent auditors at least annually. Shareholder inquiries and requests for information regarding the other investment companies which also invest in the AMR Trust should be made in writing to the Funds at P.O. Box 619003, MD 5645, Dallas/Fort Worth Airport, Texas 75261-9003, or by calling (800) 388-3344. Shareholder inquiries and requests for information regarding the other investment companies that also invest in the Equity 500 Index Portfolio should be made by calling (800) 730-1313.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IN SALES LITERATURE SPECIFICALLY APPROVED BY OFFICERS OF THE TRUST FOR USE IN CONNECTION WITH THE OFFER OF ANY INSTITUTIONAL CLASS SHARES, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUNDS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, SUCH OFFERING MAY NOT LAWFULLY BE MADE.

American AAdvantage Funds is a registered service mark of AMR Corporation. PlanAhead Class is a registered service mark, and Platinum Class, American AAdvantage Balanced Fund, American AAdvantage Growth and Income Fund, American AAdvantage International Equity Fund, American AAdvantage Intermediate Bond Fund, American AAdvantage Short Term Bond Fund, American AAdvantage Money Market Fund, American AAdvantage Municipal Money Market Fund and American AAdvantage U.S. Government Money Market Fund are service marks of AMR Investment Services, Inc.

American Advantage Funds(R) Logo

- INSTITUTIONAL CLASS -
P.O. Box 619003
Dallas/Fort Worth Airport, Texas
75261-9003

(800) 967-9009

- PLANAHEAD CLASS(R) -
P.O. Box 419643
Kansas City, MO 64141-6643
(800) 388-3344

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

THIS PROSPECTUS contains important information about the PLANAHEAD CLASS OF THE AMERICAN AADVANTAGE FUNDS ("Trust"), an open-end management investment company which consists of multiple investment portfolios. This Prospectus pertains only to the nine funds listed on this cover page (individually referred to as a "Fund" and, collectively, the "Funds"). EACH FUND, EXCEPT THE S&P 500 INDEX FUND, SEEKS ITS INVESTMENT OBJECTIVE BY INVESTING ALL OF ITS INVESTABLE ASSETS IN A CORRESPONDING PORTFOLIO OF THE AMR INVESTMENT SERVICES TRUST ("AMR TRUST"). THE S&P 500 INDEX FUND INVESTS ALL OF ITS INVESTABLE ASSETS IN THE EQUITY 500 INDEX PORTFOLIO. (THE EQUITY 500 INDEX PORTFOLIO AND THE PORTFOLIOS OF THE AMR TRUST ARE REFERRED TO HEREIN AS A "PORTFOLIO" AND, COLLECTIVELY, THE "PORTFOLIOS.") EACH PORTFOLIO HAS AN INVESTMENT OBJECTIVE IDENTICAL TO THE INVESTING FUND. The investment experience of each Fund will correspond directly with the investment experience of each Portfolio. Each Fund consists of multiple classes of shares designed to meet the needs of different groups of investors. PlanAhead Class shares are available to all investors, including smaller institutional investors, investors using intermediary organizations such as discount brokers or plan sponsors, individual retirement accounts, and self-employed individual retirement plans. Prospective PlanAhead Class investors should read this Prospectus carefully before making an investment decision and retain it for future reference.

IN ADDITION TO THIS PROSPECTUS, a Statement of Additional Information ("SAI") dated March 1, 1998 has been filed with the Securities and Exchange Commission and is incorporated herein by reference. The SAI contains more detailed information about the Funds. For a free copy of the SAI, call 800-388-3344. For further information about the PlanAhead Class or for information on the other classes of shares, please refer to the appropriate address and phone number on the back cover of this Prospectus.

The Securities and Exchange Commission maintains a Web Site (http://www.sec.gov) that contains the SAI, material incorporated by reference and other information regarding the Funds and the Portfolios.

AN INVESTMENT IN THE MONEY MARKET FUNDS IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT AND THERE CAN BE NO ASSURANCE THAT THEY WILL BE ABLE TO MAINTAIN A STABLE PRICE OF $1.00 PER SHARE.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PROSPECTUS
March 1, 1998
[AMERICAN AADVANTAGE LOGO]
- PlanAhead Class -

BALANCED FUND
GROWTH AND INCOME FUND
INTERNATIONAL EQUITY FUND
S&P 500 INDEX FUND
INTERMEDIATE BOND FUND
SHORT-TERM BOND FUND
MONEY MARKET FUND
MUNICIPAL MONEY MARKET FUND
U.S. GOVERNMENT MONEY MARKET FUND
Managed by AMR Investment Services, Inc.

The AMERICAN AADVANTAGE BALANCED FUND(SM) ("Balanced Fund") seeks income and capital appreciation by investing all of its investable assets in the Balanced Portfolio of the AMR Trust ("Balanced Portfolio") which in turn primarily invests in equity and debt securities (such as stocks and bonds).

The AMERICAN AADVANTAGE GROWTH AND INCOME FUND(SM) ("Growth and Income Fund") seeks long-term capital appreciation and current income by investing all of its investable assets in the Growth and Income Portfolio of the AMR Trust ("Growth and Income Portfolio") which in turn primarily invests in equity securities (such as stocks).

The AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND(SM) ("International Equity Fund") seeks long-term capital appreciation by investing all of its investable assets in the International Equity Portfolio of the AMR Trust ("International Equity Portfolio") which in turn primarily invests in equity securities of issuers based outside the United States (such as foreign stocks).

The AMERICAN AADVANTAGE S&P INDEX FUND(1) ("S&P 500 Index Fund") seeks to provide investment results that, before expenses, correspond to the total return of common stocks publicly traded in the United States, as represented by the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500" or "Index"), by investing all of its investable assets in the Equity 500 Index Portfolio which in turn invests in common stocks of companies that compose the S&P 500.

The AMERICAN AADVANTAGE INTERMEDIATE BOND FUND(SM) ("Intermediate Bond Fund") seeks income and capital appreciation by investing all of its investable assets in the Intermediate Bond Portfolio of the AMR Trust ("Intermediate Bond Portfolio"), which in turn primarily invests in debt obligations and seeks to maintain a dollar weighted average duration of three to seven years.

The AMERICAN AADVANTAGE SHORT-TERM BOND FUND(SM) ("Short-Term Bond Fund," formerly the "American AAdvantage Limited-Term Income Fund") seeks income and capital appreciation by investing all of its investable assets in the Short-Term Bond Portfolio of the AMR Trust ("Short-Term Bond Portfolio," formerly the "Limited-Term Income Portfolio") which in turn primarily invests in debt obligations and seeks to maintain a dollar weighted average duration of one to three years.

The AMERICAN AADVANTAGE MONEY MARKET FUND(SM) ("Money Market Fund"), AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUND(SM) ("Municipal Money Market Fund") and AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUND(SM) ("U.S. Government Money Market Fund") (collectively, the "Money Market Funds") each seeks current income, liquidity, and the maintenance of a stable price per share of $1.00 by investing all of its investable assets in the Money Market Portfolio of the AMR Trust ("Money Market Portfolio"), the Municipal Money Market Portfolio of the AMR Trust ("Municipal Money Market Portfolio") and the U.S. Government Money Market Portfolio of the AMR Trust ("U.S. Government Money Market Portfolio"), respectively (collectively the "Money Market Portfolios"), which in turn invest in high quality, short-term obligations. The Municipal Money Market Portfolio invests primarily in municipal obligations and the U.S. Government Money Market Portfolio invests exclusively in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and in repurchase agreements that are collateralized by such obligations.

Under a master-feeder operating structure, each Fund seeks its investment objective by investing all of its investable assets in a corresponding Portfolio as described above. Each Portfolio's investment objective is identical to that of its corresponding Fund. Whenever the phrase "all of the Fund's investable assets" is used, it means that the only investment securities that will be held by a Fund will be that Fund's interest in its corresponding Portfolio. AMR Investment Services, Inc. ("Manager") provides investment management and administrative services to the Portfolios, except for the Equity 500 Index Portfolio, and administrative services to the Funds. Bankers Trust Company ("BT") provides investment advisory, administrative and other services to the Equity 500 Index Portfolio. This master-feeder operating structure is different from that of many other investment companies which directly acquire and manage their own portfolios of securities. Accordingly, investors should carefully consider this investment approach. See "Investment Objectives, Policies and Risks -- Additional Information

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(1) S&P is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use. "Standard and Poor's(R)," "S&P(R)," "Standard & Poor's 500," "S&P(R)" and "500" are all trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by Bankers Trust Company. The S&P 500 Index Fund is not sponsored, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in

that Fund.

About the Portfolios." A Fund may withdraw its investment in a corresponding Portfolio at any time if the Trust's Board of Trustees ("Board") determines that it would be in the best interest of that Fund and its shareholders to do so. Upon any such withdrawal, that Fund's assets would be invested in accordance with the investment policies and restrictions described in this Prospectus and the SAI.

<TABLE>

</TABLE>

TABLE OF FEES AND EXPENSES

Annual Operating Expenses (as a percentage of average net assets):

<TABLE>
<CAPTION>

	BALANCED FUND	GROWTH AND INCOME FUND	INTER-NATIONAL EQUITY FUND	S&P 500 INDEX FUND(1)	INTER-MEDIATE BOND FUND(1)	SHORT-TERM BOND FUND	MONEY MARKET FUND	MUNICIPAL MONEY MARKET FUND	U.S. GOVERNMENT MONEY MARKET FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Management Fees	0.33%	0.33%	0.48%	%	%	0.25%	0.15%	0.15%	0.15%
12b-1 Fees	0.00	0.00	0.00			0.00	0.00	0.00	0.00
Other Expenses (after fee waivers)(2)	0.64	0.63	0.69			0.60	0.43	0.52	0.52
Total Operating Expenses (after fee waivers)(3)	0.97%	0.96%	1.17%	%	%	0.85%	0.58%	0.67%	0.67%

</TABLE>

(1) Because the S&P 500 Index Fund and the Intermediate Bond Fund shares were not offered for sale prior to March 1, 1998, their Annual Operating Expenses are based on estimates.

(2) "Other Expenses" before fee waivers are estimated to be 0.69% for the PlanAhead Class of Short-Term Bond Fund.

(3) "Total Operating Expenses" before fee waivers are estimated to be 0.94% for the PlanAhead Class of Short-Term Bond Fund.

The above expenses reflect the expenses of each Fund and the Portfolio in which it invests. The Board believes that the aggregate per share expenses of each Fund and its corresponding Portfolio will be approximately equal to the expenses that the Fund would incur if its assets were invested directly in the type of securities held by the Portfolio.

EXAMPLES

A PlanAhead Class investor in each Fund would directly or indirectly pay on a cumulative basis the following expenses on a $1,000 investment assuming a 5% annual return:

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Balanced Fund	$10	$31	$54	$119
Growth and Income Fund	10	31	53	118
International Equity Fund	12	37	64	142
S&P 500 Index Fund				
Intermediate Bond Fund				
Short-Term Bond Fund	9	27	47	105
Money Market Fund	6	19	32	73
Municipal Money Market Fund	7	21	37	83
U.S. Government Money Market Fund	7	21	37	83

The purpose of the table above is to assist a potential investor in understanding the various costs and expenses to be incurred directly or indirectly as a shareholder in the PlanAhead Class of a Fund. Additional information may be found under "Management and Administration of the Trusts" and "Investment Advisers."

THE FOREGOING EXAMPLES SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR PERFORMANCE. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN AND PERFORMANCE MAY BE BETTER OR WORSE THAN THE 5% ANNUAL RETURN ASSUMED IN THE EXAMPLES.

FINANCIAL HIGHLIGHTS

The financial highlights in the following tables have been derived from financial statements of the Trust. The information has been audited by Ernst & Young LLP, independent auditors. Such information should be read in conjunction with the financial statements and the report of the independent auditors appearing in the Annual Report incorporated by reference in the SAI, which contains further information about performance of the Funds and can be obtained by investors without charge. Financial highlights are not available for the S&P 500 Index Fund and the Intermediate Bond Fund because they had not commenced operations as of October 31, 1997.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

BALANCED FUND

	PLANAHEAD CLASS				INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,	YEAR ENDED OCTOBER 31,			
	1997	1996(5)(6)	1995(4)(5)	1994(1)(3)	1994(3)	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$	$13.90	$12.35	$12.35	$13.23	$11.99	$11.60	$9.87
Income from investment operations:								
Net investment income		0.57(7)	0.54	0.12	0.57	0.49	0.55	0.58
Net gains (losses) on securities (both realized and unrealized)		1.56(7)	1.67	(0.12)	(0.54)	1.57	0.41	1.79
Total from investment operations		2.13	2.21	0.00	0.03	2.06	0.96	2.37
Less distributions:								
Dividends from net investment income		(0.56)	(0.52)	--	(0.56)	(0.52)	(0.56)	(0.64)
Distributions from net realized gains on securities		(0.44)	(0.14)	--	(0.34)	(0.30)	(0.01)	--
Total distributions		(1.00)	(0.66)	--	(0.90)	(0.82)	(0.57)	(0.64)
Net asset value, end of period	$	$15.03	$13.90	$12.35	$12.36	$13.23	$11.99	$11.60
Total return (annualized)(8)	%	16.01%	19.06%	(0.16%)(9)	(0.08%)	19.19%	8.75%	25.35%
Ratios/supplemental data:								
Net assets, end of period (in thousands)	$	$18,000	$5,450	$528	$222,873	$532,543	$370,087	$311,906
Ratios to average net assets(10)(11)(12)(13):								
Expenses	%	0.97%(7)	0.99%	0.92%	0.36%	0.34%	0.35%	0.37%
Net investment income	%	3.64%(7)	3.70%	4.04%	4.77%	4.91%	5.31%	6.06%
Portfolio turnover rate(14)	%	76%	73%	48%	48%	83%	80%	55%
Average commission rate paid(14)	$	$0.0409	--	--	--	--	--	--

<CAPTION>

	BALANCED FUND		
	INSTITUTIONAL CLASS		
	YEAR ENDED OCTOBER 31,		
	1990(2)	1989	1988
<S>	<C>	<C>	<C>
Net asset value, beginning of period	$11.05	$10.13	$9.08
Income from investment operations:			
Net investment income	0.57	0.53	0.56
Net gains (losses) on securities (both realized and unrealized)	(1.18)	0.90	0.73
Total from investment operations	(0.61)	1.43	1.29
Less distributions:			
Dividends from net investment income	(0.51)	(0.51)	(0.24)
Distributions from net realized gains on securities	(0.06)	--	--
Total distributions	(0.57)	(0.51)	(0.24)
Net asset value, end of period	$9.87	$11.05	$10.13
Total return (annualized)(8)	(5.24%)	15.49%	14.63%
Ratios/supplemental data:			
Net assets, end of period (in thousands)	$233,702	$210,119	$147,581
Ratios to average net assets(10)(11)(12)(13):			
Expenses	0.44%	0.47%	0.52%

Net investment income	6.50%	6.32%	6.25%
Portfolio turnover rate(14)	62%	78%	77%
Average commission rate paid(14)	--	--	--

</TABLE>

(1) The Balanced Fund commenced active operations on July 17, 1987. The PlanAhead Class commenced active operations on August 1, 1994 and at that time, existing shares of the Balanced Fund were designated as Institutional Class shares.

(2) Penmark Investments, Inc. was replaced by Independence Investment Associates, Inc. as an investment adviser to the Fund as of the close of business on February 28, 1990.

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

(4) GSB Investment Management, Inc. was added as an investment adviser to the Balanced Fund on January 1, 1995.

(5) 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.

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

(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 Balanced Portfolio.

(8) 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 0.30% (for periods prior to August 1, 1994) and a sale at net asset value on the last day of each period reported.

(9) Total return 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 for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return for the PlanAhead Class would vary from the results shown had it been in operation for the entire year.

(10) 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, which amounted to approximately $.01 per share in each period on an annualized basis.

(11) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.

(12) Operating results of the PlanAhead Class exclude fees waived by the Manager. Had the PlanAhead Class paid such fees during the period, the ratio of expenses and net investment income to average net assets would have been 0.99% and 3.97%, respectively, for the period ended October 31, 1994 and 1.09% and 3.60%, respectively, for the year ended October 31, 1995.

(13) Annualized.

(14) On November 1, 1995, the Balanced Fund began investing all of its investable assets in the Balanced Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the Balanced Portfolio. Calculation and disclosure of the average commission rate paid was not required prior to 1996.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

GROWTH AND INCOME FUND

	PLANAHEAD CLASS				INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,	YEAR ENDED OCTOBER 31,			
	1997	1996(5)(6)	1995(5)	1994(1)(4)	1994(4)	1993	1992(3)	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$	$15.81	$14.17	$13.99	$14.63	$12.79	$12.10	$9.47
Income from investment operations:								
Net investment income		0.39(7)	0.40	0.05	0.43	0.36	0.39	0.42
Net gains (losses) on securities (both realized and unrealized)		3.10(7)	2.22	0.13	0.08	2.21	0.77	2.70
Total from investment operations		3.49	2.62	0.18	0.51	2.57	1.16	3.12
Less distributions:								
Dividends from net investment income		(0.40)	(0.44)	--	(0.41)	(0.37)	(0.39)	(0.49)
Distributions from net realized gains on securities		(0.57)	(0.54)	--	(0.54)	(0.36)	(0.08)	--
Total distributions		(0.97)	(0.98)	--	(0.95)	(0.73)	(0.47)	(0.49)
Net asset value, end of period	$	$18.33	$15.81	$14.17	$14.19	$14.63	$12.79	$12.10
Total return (annualized)(8)	%	22.98%	20.14%	3.21%(9)	3.36%	21.49%	10.00%	33.83%
Ratios/supplemental data:								
Net assets, end of period (in thousands)	$	$16,084	$4,821	$56	$22,737	$477,088	$339,739	$264,628
Ratios to average net assets(10)(11)(12)(13):								
Expenses	%	0.94%(7)	0.99%	0.95%	0.33%	0.34%	0.36%	0.37%
Net investment income	%	2.16%(7)	2.23%	1.50%	3.28%	3.12%	3.57%	4.19%
Portfolio turnover rate(14)	%	40%	26%	23%	23%	30%	35%	52%
Average commission rate paid(14)	$	$0.0412	--	--	--	--	--	--

<CAPTION>

	GROWTH AND INCOME FUND		
	INSTITUTIONAL CLASS		
	YEAR ENDED OCTOBER 31,		
	1990(2)	1989	1988
<S>	<C>	<C>	<C>
Net asset value, beginning of period	$11.59	$9.96	$8.30
Income from investment operations:			
Net investment income	0.42	0.42	0.42
Net gains (losses) on securities (both realized and unrealized)	(1.94)	1.59	1.40
Total from investment operations	(1.52)	2.01	1.82
Less distributions:			
Dividends from net investment income	(0.43)	(0.38)	(0.16)
Distributions from net realized gains on securities	(0.17)	--	--
Total distributions	(0.60)	(0.38)	(0.16)
Net asset value, end of period	$9.47	$11.59	$9.96
Total return (annualized)(8)	(13.52%)	20.94%	22.20%
Ratios/supplemental data:			
Net assets, end of period (in thousands)	$182,430	$187,869	$140,073
Ratios to average net assets(10)(11)(12)(13):			
Expenses	0.45%	0.45%	0.53%

Net investment income	4.49%	4.40%	4.20%
Portfolio turnover rate(14)	41%	50%	56%
Average commission rate paid(14)	--	--	--

</TABLE>

(1) The Growth and Income Fund commenced active operations on July 17, 1987. The PlanAhead Class commenced active operations on August 1, 1994 and at that time, existing shares of the Growth and Income Fund were designated as Institutional Class shares.

(2) GSB Investment Management, Inc. was added as an investment adviser to the Growth and Income Fund on April 10, 1990.

(3) 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.

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

(5) 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.

(6) 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.

(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 Growth and Income Portfolio.

(8) 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 0.30% (for periods prior to August 1, 1994) and a sale at net asset value on the last day of each period reported.

(9) Total return 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 for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return for the PlanAhead Class would vary from the results shown had it been in operation for the entire year.

(10) 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, which amounted to less than $.01 per share in each period on an annualized basis.

(11) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.

(12) Operating results of the PlanAhead Class exclude fees waived by the Manager. Had the PlanAhead Class paid such fees during the period, the ratio of expenses and net investment income to average net assets would have been 1.05% and 1.40%, respectively, for the period ended October 31, 1994, 1.08% and 2.14%, respectively, for the year ended October 31, 1995, and 0.96% and 2.14%, respectively, for the year ended October 31, 1996.

(13) Annualized.

(14) On November 1, 1995 the Growth and Income Fund began investing all of its investable assets in the Growth and Income Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the Growth and Income Portfolio. Calculation and disclosure of the average commission rate paid was not required prior to 1996.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	INTERNATIONAL EQUITY FUND							
	PLANAHEAD CLASS				INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,
	1997	1996(5)	1995(5)	1994(1)(3)(4)	1994(3)(4)	1993(2)	1992	1991(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$	$13.20	$12.85	$12.61	$12.07	$8.93	$10.13	$10.00
Income from investment operations:								
Net investment income		0.26(6)	0.24	0.06	0.32	0.17	0.12	--
Net gains (losses) on securities (both realized and unrealized)		1.92(6)	0.64	0.18	1.10	3.09	(1.31)	0.13
Total from investment operations		2.18	0.88	0.24	1.42	3.26	(1.19)	0.13
Less distributions:								
Dividends from net investment income		(0.24)	(0.21)	--	(0.17)	(0.12)	(0.01)	--
Distributions from net realized gains on securities		(0.24)	(0.32)	--	(0.45)	--	--	--
Total distributions		(0.48)	(0.53)	--	(0.62)	(0.12)	(0.01)	--
Net asset value, end of period	$	$14.90	$13.20	$12.85	$12.87	$12.07	$8.93	$10.13
Total return (annualized)(7)	%	16.95%	7.37%	11.60%(8)	11.77%	36.56%	(12.07%)	5.69%
Ratios/supplemental data:								
Net assets, end of period (in thousands)	$	$7,138	$1,456	$375	$23,115	$66,652	$38,837	$10,536
Ratios to average net assets(9)(10)(11):								
Expenses	%	1.17%(6)	1.33%	1.25%	0.61%	0.78%	1.17%	1.90%(12)
Net investment income	%	1.76%(6)	2.08%	1.86%	2.74%	2.00%	2.04%	0.38%(12)
Portfolio turnover rate(13)	%	19%	21%	37%	37%	61%	21%	2%
Average commission rate paid(13)	$	$0.0192	--	--	--	--	--	--

</TABLE>

(1) The International Equity Fund commenced active operations on August 7, 1991. The PlanAhead Class commenced active operations on August 1, 1994 and at that time, existing shares of the International Equity Fund were designated as Institutional Class shares.

(2) 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.

(3) Morgan Stanley Asset Management Inc. was added as an investment adviser to the International Equity Fund as of August 1, 1994.

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

(5) Net investment income per share was calculated by subtracting class expenses per share from net investment income per share for the Fund before class expenses.

(6) 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 International Equity Portfolio.

(7) 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 0.30% (for periods prior to August 1, 1994) and a sale at net asset value on the last day of each period reported.

(8) Total return 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 for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return for the PlanAhead Class would vary from the results shown had it been in operation for the entire year.

(9) 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 and were waived by the Manager for the period ended October 31, 1991.

(10) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.

(11) Annualized.

(12) Estimated based on expected annual expenses and actual average net assets.

(13) On November 1, 1995 the International Equity Fund began investing all of its investable assets in the International Equity Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the International Equity Portfolio. Calculation and disclosure of the average commission rate paid was not required prior to 1996.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	SHORT-TERM BOND FUND						
	PLANAHEAD CLASS				INSTITUTIONAL CLASS		
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,	YEAR ENDED OCTOBER 31,		
	1997	1996	1995	1994(1)(3)	1994(3)	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$	$9.82	$9.68	$9.78	$10.23	$10.13	$10.07
Income from investment operations:							
Net investment income		0.60(4)	0.59	0.13	0.52	0.58	0.75
Net gains (losses) on securities (both realized and unrealized)		(0.14)(4)	0.14	(0.10)	(0.46)	0.15	0.06
Total from investment operations		0.46	0.73	0.03	0.06	0.73	0.81
Less distributions:							
Dividends from net investment income		(0.60)	(0.59)	(0.13)	(0.52)	(0.58)	(0.75)
Distributions from net realized gains on securities		--	--	--	(0.10)	(0.05)	--
Total distributions		(0.60)	(0.59)	(0.13)	(0.62)	(0.63)	(0.75)
Net asset value, end of period	$	$9.68	$9.82	$9.68	$9.67	$10.23	$10.13
Total return (annualized)(5)(6)	%	4.83%	7.83%	0.45%(6)	0.42%	7.20%	7.94%
Ratios/supplemental data:							
Net assets, end of period (in thousands)	$	$3,399	$1,576	$403	$112,141	$238,874	$209,928
Ratios to average net assets(7)(8)(9)(10):							
Expenses	%	0.85%(4)	0.83%	0.79%	0.31%	0.26%	0.27%
Net investment income	%	6.11%(4)	6.16%	5.10%	5.26%	5.76%	7.40%
Portfolio turnover rate(11)	%	304%	183%	94%	94%	176%	133%

<CAPTION>

	SHORT-TERM BOND FUND			
	INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,
	1991(2)	1990	1989	1988(1)
<S>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$9.76	$9.94	$10.12	$10.00
Income from investment operations:				
Net investment income	0.83	0.92	0.96	0.64
Net gains (losses) on securities (both realized and unrealized)	0.31	(0.18)	(0.12)	0.05

Total from investment operations	1.14	0.74	0.84	0.69
Less distributions:				
Dividends from net investment income	(0.83)	(0.92)	(1.02)	(0.57)
Distributions from net realized gains on securities	--	--	--	--
Total distributions	(0.83)	(0.92)	(1.02)	(0.57)
Net asset value, end of period	$10.07	$9.76	$9.94	$10.12
Total return (annualized)(5)(6)	11.87%	7.51%	7.62%	7.41%
Ratios/supplemental data:				
Net assets, end of period (in thousands)	$141,629	$83,265	$60,507	$40,855
Ratios to average net assets(7)(8)(9)(10):				
Expenses	0.35%	0.48%	0.59%	0.50%
Net investment income	8.42%	9.44%	9.77%	8.01%
Portfolio turnover rate(11)	165%	156%	158%	127%

</TABLE>

(1) The Short-Term Bond Fund commenced active operations on December 3, 1987. Prior to March 1, 1998, the Short-Term Bond Fund was known as the Limited-Term Income Fund. The PlanAhead Class commenced active operations on August 1, 1994 and at that time existing shares of the Short-Term Bond Fund were designated as Institutional Class shares.

(2) AMR Investment Services, Inc. began portfolio management of the Short-Term Bond Fund on March 1, 1991 replacing Brown Brothers, Harriman & Co. and Barrow, Hanley, Mewhinney & Strauss, Inc.

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

(4) 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 Limited-Term Income Portfolio.

(5) 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 0.30% (for periods prior to August 1, 1994) and a sale at net asset value on the last day of each period reported.

(6) Total return 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 for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return for the PlanAhead Class would vary from the results shown had it been in operation for the entire year.

(7) 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.

(8) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.

(9) Operating results of the PlanAhead Class exclude fees waived by the Manager. Had the PlanAhead Class paid such fees during the period, the ratio of expenses and net investment income to average net assets would have been 1.00% and 4.89%, respectively, for the period ended October 31, 1994, 1.06% and 5.94%, respectively, for the year ended October 31, 1995, and 0.94% and 6.02%, respectively, for the year ended October 31, 1996.

(10) Annualized.

(11) On November 1, 1995 the Short-Term Bond Fund began investing all of its investable assets in the Short-Term Bond Portfolio. Portfolio turnover rate for the years ended October 31, 1996 and 1997 is that of the Short-Term Bond Portfolio.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	MONEY MARKET FUND							
	PLANAHEAD CLASS				INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,	YEAR ENDED OCTOBER 31,			
	1997	1996	1995	1994(1)(2)	1994(2)	1993	1992	1991
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Net investment income		0.05(3)	0.05	0.01	0.04	0.03	0.04	0.07
Less dividends from net investment income		(0.05)	(0.05)	(0.01)	(0.04)	(0.03)	(0.04)	(0.07)
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Total return (annualized)	%	5.21%	5.60%	3.73%(4)	3.85%	3.31%	4.41%	7.18%
Ratios/supplemental data:								
Net assets, end of period (in thousands)	$	$106,890	$41,989	$25	$1,893,144	$2,882,974	$2,223,829	$715,280
Ratios to average net assets(5)(6)(7):								
Expenses	%	0.58%(3)	0.55%	0.70%	0.21%	0.23%	0.26%	0.24%
Net investment income	%	5.06%(3)	5.56%	4.42%	3.63%	3.23%	4.06%	6.93%

<CAPTION>

	MONEY MARKET FUND		
	INSTITUTIONAL CLASS		
	YEAR ENDED OCTOBER 31,		
	1990	1989	1988
Net asset value, beginning of period	$1.00	$1.00	$1.00
Net investment income	0.08	0.09	0.08
Less dividends from net investment income	(0.08)	(0.09)	(0.08)
Net asset value, end of period	$1.00	$1.00	$1.00
Total return (annualized)	8.50%	9.45%	7.54%
Ratios/supplemental data:			
Net assets, end of period (in thousands)	$745,405	$385,916	$330,230
Ratios to average net assets(5)(6)(7):			
Expenses	0.20%	0.22%	0.28%
Net investment income	8.19%	9.11%	7.54%

</TABLE>

(1) The Money Market Fund commenced active operations on September 1, 1987 and on November 1, 1991, the existing shares of the Fund were designated as Institutional Class shares. The PlanAhead Class commenced active operations on August 1, 1994.

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

(3) 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 Money Market Portfolio.

(4) Total return 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 for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return for the PlanAhead Class would vary from the

results shown had it been in operation for the entire year.

(5) The method of determining average net assets was changed from a monthly average to a daily average starting with the year ended October 31, 1992.

(6) Effective October 1, 1990, 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, which amounted to less than $.01 per share in each period on an annualized basis.

(7) Annualized.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	MUNICIPAL MONEY MARKET FUND					U.S. GOVERNMENT MONEY MARKET FUND			
	PLANAHEAD CLASS				INSTIT. CLASS	PLANAHEAD CLASS			
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,	PERIOD ENDED OCTOBER 31,	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,
	1997	1996	1995	1994(1)	1994(1)	1997	1996	1995	1994(1)(2)
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Net investment income		0.03(3)	0.03	0.01	0.02		0.05(3)	0.05	0.01
Less dividends from net investment income		(0.03)	(0.03)	(0.01)	(0.02)		(0.05)	(0.05)	(0.01)
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Total return (annualized)	%	3.27%	3.39%	2.35%(4)	2.44%	%	4.94%	5.19%	3.58%(4)
Ratios/supplemental data:									
Net assets, end of period (in thousands)	$	$2,340	$129	$0	$9,736	$	$1,822	$530	$0
Ratios to average net assets(5)(6)(7):									
Expenses	%	0.62%(3)	0.72%	0.77%	0.30%	%	0.67%(3)	0.76%	0.75%
Net investment income	%	3.12%(3)	3.32%	2.49%	2.38%	%	4.74%(3)	5.19%	3.94%

<CAPTION>

	U.S. GOVERNMENT MONEY MARKET FUND		
	INSTITUTIONAL CLASS		
	YEAR ENDED OCTOBER 31,		PERIOD ENDED OCTOBER 31,
	1994(2)	1993	1992(1)
Net asset value, beginning of period	$1.00	$1.00	$1.00
Net investment income	0.04	0.03	0.02
Less dividends from net investment income	(0.04)	(0.03)	(0.02)
Net asset value, end of period	$1.00	$1.00	$1.00
Total return (annualized)	3.70%	3.07%	3.61%
Ratios/supplemental data:			
Net assets, end of period (in thousands)	$67,607	$136,813	$91,453
Ratios to average net assets(5)(6)(7):			
Expenses	0.25%	0.23%	0.27%(8)
Net investment income	3.44%	2.96%	3.46%(8)

</TABLE>

(1) The U.S. Government Money Market Fund commenced active operations on March 2, 1992. The PlanAhead Class of the U.S. Government Money Market Fund commenced active operations on August 1, 1994. The Institutional Class of the Municipal Money Market Fund commenced active operations on November 10, 1993 and the PlanAhead Class commenced active operations on August 1, 1994.

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

(3) 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 Fund's corresponding Portfolio.

(4) Total return for the period ended October 31, 1994 reflects Institutional Class returns from the beginning of the period through July 31, 1994 and returns of the PlanAhead Class for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total return for the PlanAhead Class would vary from the results shown had it been in operation for the entire year.

(5) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.

(6) Annualized.

(7) Operating results for 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 would have been 0.97% and 2.29%, respectively, for the period ended October 31, 1994, 0.92% and 3.12%, respectively, for the year ended October 31, 1995, and 0.67% and 3.07%, respectively, for the year ending October 31, 1996 for the PlanAhead Class, and 0.50% and 2.18%, respectively, for the Institutional Class for the period ended October 31, 1994.

(8) Estimated based on expected annual expenses and actual average net assets.

INTRODUCTION

The Trust is an open-end, diversified management investment company organized as a Massachusetts business trust on January 16, 1987. The Funds are nine of the several investment portfolios of the Trust. Each Fund has a distinctive investment objective and investment policies. Each Fund, except the S&P 500 Index Fund, invests all of its investable assets in a corresponding Portfolio of the AMR Trust which has an identical investment objective. The S&P 500 Index Fund invests all of its investable assets in the Equity 500 Index Portfolio, which is a separate investment company, advised by BT with an identical investment objective. The Manager provides the Portfolios, except the Equity 500 Index Portfolio, with business and asset management services, including the evaluation and monitoring of the investment advisers, and it provides the Funds with administrative services. BT provides the Equity 500 Index Portfolio with investment advisory, administrative and other services. The Balanced Fund, the Growth and Income Fund, the International Equity Fund, the S&P 500 Index Fund, the Intermediate Bond Fund and the Short-Term Bond Fund (collectively, the "Variable NAV Funds") currently consist of three classes of shares, including the "PlanAhead Class" which is available to all investors, including smaller institutional investors, investors using intermediary organizations such as discount brokers or plan sponsors, individual retirement accounts ("IRAs"), and self-employed individual retirement plans ("HR-10 Plans" or "Keogh Plans") and the "Institutional Class," which is primarily for large institutional investors investing at least $2 million in the Funds. The Money Market Funds also consist of three classes of shares, including the PlanAhead Class, the Institutional Class and the "Platinum Class" which is available to customers of certain broker-dealers as an investment for cash balances in their brokerage accounts. For further information about the Institutional Class and the Platinum Class, including eligibility requirements, call (800) 967-9009.

Although each class of shares is designed to meet the needs of different categories of investors, all classes of each Fund share the same portfolio of investments and a common investment objective. See "Investment Objectives, Policies and Risks." There is no guarantee that a Fund will achieve its investment objective. Based on its value, a share of a Fund, regardless of class, will receive a proportionate share of the investment income and the gains (losses) earned (or incurred) by the Fund. It also will bear its proportionate share of expenses that are allocated to the Fund as a whole. However, certain expenses are allocated separately to each class of shares.

The assets of the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio are allocated by the Manager among investment advisers designated for each of those Portfolios. BT serves as the investment adviser to the Equity 500 Index Portfolio. The assets of the Intermediate Bond Portfolio are allocated by the Manager between the Manager and another investment adviser. Investment decisions for the Short-Term Bond Portfolio and the Money Market Portfolios are made directly by the Manager. With the exception of the S&P 500 Index Fund, each investment adviser has discretion to purchase and sell portfolio securities in accordance with the investment objectives, policies and restrictions described in this Prospectus, the SAI, and specific investment strategies developed by the Manager. See "Investment Advisers."

PlanAhead Class shares are offered without a sales charge at the net asset value next determined after an investment is received and accepted. Shares will be redeemed at the next share price calculated after receipt of a redemption order. See "How to Purchase Shares" and "How to Redeem Shares."

INVESTMENT OBJECTIVES, POLICIES AND RISKS

The investment objective and policies of each Fund and its corresponding Portfolio are described below. Except as otherwise indicated, the investment policies of any Fund may be changed at any time by the Board to the extent that such changes are consistent with the investment objective of the applicable Fund. However, each Fund's investment objective may not be changed without a majority vote of that Fund's outstanding shares, which is defined as the lesser of (a) 67% of the shares of the applicable Fund present or represented if the holders of more than 50% of the shares are present or represented at the shareholders' meeting, or (b) more than 50% of the shares of the applicable Fund (hereinafter, "majority vote"). Except for the Equity 500 Index Portfolio, a Portfolio's investment objective may not be changed without a majority vote of that Portfolio's interest holders.

The investment objective of the Equity 500 Index Portfolio is not a fundamental policy. Shareholders of the S&P 500 Index Fund will receive thirty days' prior written notice with respect to any change in the investment objective of the Equity 500 Index Portfolio.

Each Fund has a fundamental investment policy which allows it to invest all of its investable assets in its corresponding Portfolio. All other fundamental investment policies and the non-fundamental investment policies of each Fund and its corresponding Portfolio are identical. Therefore, although the following discusses the investment policies of each Portfolio, the AMR Trust's Board of Trustees ("AMR Trust Board") and the Equity 500 Index Portfolio's Board of Trustees ("Equity 500 Index Portfolio Board"), it applies equally to each Fund and each Board.

AMERICAN AADVANTAGE BALANCED FUND -- This Fund's investment objective is to realize both income and capital appreciation. This Fund seeks its investment objective by investing all of its investable assets in the Balanced Portfolio, which invests primarily in equity and debt securities. Although equity securities (such as stocks) will be purchased primarily for capital appreciation and debt securities (such as bonds) will be purchased primarily for income purposes, income and capital appreciation potential will be considered in connection with all such investments. Excluding collateral for securities loaned, ordinarily the Portfolio will have a minimum of 30% and a maximum of 70% of its assets invested in equity securities and a minimum of 30% and a maximum of 70% of its assets invested in debt securities which, at the time of purchase, are rated in one of the four highest rating categories by all nationally recognized statistical rating organizations ("Rating Organizations") rating that security such as Standard & Poor's ("S&P") or Moody's Investor Services, Inc. ("Moody's") or, if unrated, are deemed to be of comparable quality by the applicable investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's debt allocation. Obligations rated in the BBB or Baa categories by any Rating Organization have speculative characteristics and thus changes in economic conditions or other circumstances are more likely to lead to a weakened capacity to make principal and interest payments than is the case with higher grade bonds. See the SAI for a description of debt ratings. The Portfolio, at the discretion of the investment advisers, may retain a security that has been downgraded below the initial investment criteria. The Portfolio usually invests between 50% and 65% of its assets in equity securities and between 35% and 50% of its assets in debt securities. The remainder of the Portfolio's assets may be invested in cash or cash equivalents, including obligations that are permitted investments for the Money Market Portfolio and in other investment companies. However, when its investment advisers deem that market conditions warrant, the Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents and investment grade short-term obligations.

The Portfolio's investments in debt securities may include investments in obligations of the U.S. Government and its agencies and instrumentalities, including separately traded registered interest and principal securities ("STRIPS") and other zero coupon obligations; corporate bonds, notes and debentures; non-convertible preferred stocks; mortgage-backed securities; asset-backed securities; and domestic, Yankeedollar and Eurodollar bank deposit notes, certificates of deposit, bonds and notes. Such obligations may have a fixed, variable or floating rate of interest. See the SAI for a further description of the foregoing securities. The value of the Portfolio's debt investments will vary in response to interest rate changes as described in "American AAdvantage Intermediate Bond Fund."

The Portfolio also may engage in dollar rolls or purchase or sell securities on a "when-issued" or "forward commitment" basis. The purchase or sale of when-issued securities enables an investor to hedge against anticipated changes in interest rates and prices by locking in an attractive price or yield. The price of when-issued securities is fixed at the time the commitment to purchase or sell is made, but delivery and payment for the when-issued securities take place at a later date, normally one to two months after the date of purchase. During the period between purchase and settlement, no payment is made by the purchaser to the issuer and no interest accrues to the purchaser. Such transactions therefore involve a risk of loss if the value of the security to be purchased declines prior to the settlement date or if the value of the security to be sold increases prior to the settlement date. A sale of a when-issued security also involves the risk that the other party will be unable to settle

the transaction. Dollar rolls are a type of forward commitment transaction. Purchases and sales of securities on a forward commitment basis involve a commitment to purchase or sell securities with payment and delivery to take place at some future date, normally one to two months after the date of the transaction. As with when-issued securities, these transactions involve certain risks, but they also enable an investor to hedge against anticipated changes in interest rates and prices. Forward commitment transactions are executed for existing obligations, whereas in a when-issued transaction, the obligations have not yet been issued. When purchasing securities on a when-issued or forward commitment basis, a segregated account of liquid assets at least equal to the value of purchase commitments for such securities will be maintained until the settlement date.

The Portfolio's equity investments may consist of common stocks, preferred stocks and convertible securities, including foreign securities that are represented by U.S. dollar-denominated American Depository Receipts traded in the United States on exchanges and in the over-the-counter market. When purchasing equity securities, primary emphasis will be placed on undervalued securities with above average growth expectations. The Manager believes that purchasing securities which the investment advisers believe are undervalued in the market and that have above average growth potential will outperform other investment styles over the longer term while minimizing volatility and downside risk. The Manager will recommend that, with respect to portfolio management of equity assets, the Trust retain only those investment advisers who, in the Manager's opinion, utilize such an approach.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.; BRANDYWINE ASSET MANAGEMENT, INC.; GSB INVESTMENT MANAGEMENT, INC.; HOTCHKIS AND WILEY; and INDEPENDENCE INVESTMENT ASSOCIATES, INC. currently manage the assets of the Balanced Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE GROWTH AND INCOME FUND -- This Fund's investment objective is to realize long-term capital appreciation and current income. This Fund seeks its investment objective by investing all of its investable assets in the Growth and Income Portfolio, which invests primarily in equity securities. Excluding collateral for securities loaned, ordinarily at least 80% of the Portfolio's assets will be invested in equity securities consisting of common stocks, preferred stocks, securities convertible into common stocks, and securities having common stock characteristics, such as rights and warrants, and foreign equity securities that are represented by U.S. dollar-denominated American Depository Receipts traded in the United States on exchanges and in the over-the-counter market. When purchasing equity securities, primary emphasis will be placed on undervalued securities with above average growth expectations. In order to seek either above average current income or capital appreciation when interest rates are expected to decline, the Portfolio may invest in debt securities which, at the time of purchase, are rated in one of the four highest rating categories by all Rating Organizations rating that security or, if unrated, are deemed to be of comparable quality by the applicable investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's debt allocation. See "American AAdvantage Balanced Fund" for a description of the risks involved with these obligations. See the SAI for definitions of the foregoing securities and for a description of debt ratings. The Portfolio also may invest in other investment companies or in cash and cash equivalents, including obligations that are permitted investments for the Money Market Portfolio. However, when its investment advisers deem that market conditions warrant, the Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents and investment grade short-term obligations. In addition, the Portfolio may purchase or sell securities on a when-issued or forward commitment basis. See "American AAdvantage Balanced Fund" for a description of these transactions.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.; BRANDYWINE ASSET MANAGEMENT, INC.; GSB INVESTMENT MANAGEMENT, INC.; HOTCHKIS AND WILEY; and INDEPENDENCE INVESTMENT ASSOCIATES, INC. currently manage the assets of the Growth and Income Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND -- This Fund's investment objective is to realize long-term capital appreciation. This Fund seeks its investment objective by investing all of its investable assets in the International Equity Portfolio, which invests primarily in equity securities of issuers based outside the United States. Ordinarily the Portfolio will invest at least 65% of its assets in common stocks and securities convertible into common stocks of issuers in at least three different countries located outside the United States. However, excluding

collateral for securities loaned, the Portfolio generally invests in excess of 80% of its assets in such securities. The remainder of the Portfolio's assets will be invested in non-U.S. debt securities which, at the time of purchase, are rated in one of the three highest rating categories by any Rating Organization or, if unrated, are deemed to be of comparable quality by the applicable investment adviser and traded publicly on a world market, or in cash or cash equivalents, including obligations that are permitted investments for the Money Market Portfolio or in other investment companies. However, when its investment advisers deem that market conditions warrant, the Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents, other investment companies and investment grade short-term obligations.

The investment advisers select securities based upon a country's economic outlook, market valuation and potential changes in currency exchange rates. When purchasing equity securities, primary emphasis will be placed on undervalued securities with above average growth expectations.

Overseas investing carries potential risks not associated with domestic investments. Such risks include, but are not limited to: (1) political and financial instability abroad, including risk of nationalization or expropriation of assets and the risk of war; (2) less liquidity and greater volatility of foreign investments; (3) less public information regarding foreign companies; (4) less government regulation and supervision of foreign stock exchanges, brokers and listed companies; (5) lack of uniform accounting, auditing and financial reporting standards; (6) delays in transaction settlement in some foreign markets; (7) possible imposition of confiscatory foreign taxes; (8) possible limitation on the removal of securities or other assets of the Portfolio; (9) restrictions on foreign investments and repatriation of capital; (10) currency fluctuations; (11) cost and possible restrictions of currency conversion; (12) withholding taxes on dividends in foreign countries; and (13) possible higher commissions, custodial fees and management costs than in the U.S. market. These risks are often greater for investments in emerging or developing countries.

The Portfolio will limit its investments to those in countries which have been recommended by the Manager and which have been approved by the AMR Trust Board. Countries may be added or deleted with AMR Trust Board approval. In determining which countries will be approved, the AMR Trust Board will evaluate the risk factors set forth above and will particularly focus on the ability to repatriate funds, the size and liquidity aspects of a particular country's market and the investment climate for foreign investors. The current countries in which the Portfolio may invest are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland and the United Kingdom.

The Portfolio may trade forward foreign currency contracts ("forward contracts"), which are derivatives, to hedge currency fluctuations of underlying stock or bond positions, or in other circumstances permitted by the Commodity Futures Trading Commission ("CFTC"). Forward contracts to sell foreign currency may be used when the management of the Portfolio believes that the currency of a particular foreign country may suffer a decline against the U.S. dollar. Forward contracts also are entered into to set the exchange rate for a future transaction. In this manner, the Portfolio may protect itself against a possible loss resulting from an adverse change in the relationship between the U.S. dollar or other currency which is being used for the security purchase and the foreign currency in which the security is denominated during the period between the date on which the security is purchased or sold and the date on which payment is made or received. Forward contracts involve certain risks which include, but are not limited to: (1) imperfect correlation between the securities hedged and the contracts themselves; and (2) possible decrease in the total return of the Portfolio. Forward contracts are discussed in greater detail in the SAI.

The Portfolio also may trade currency futures for the same reasons as for entering into forward contracts as set forth above. Currency futures are traded on U.S. and foreign currency exchanges. The use of currency futures also entails certain risks which include, but are not limited to: (1) less liquidity due to daily limits on price fluctuation; (2) imperfect correlation between the securities hedged and the contracts themselves; (3) possible decrease in the total return of the Portfolio due to hedging; (4) possible reduction in value for both the contracts

and the securities being hedged; and (5) potential losses in excess of the amounts invested in the currency futures contracts themselves. The Portfolio may not enter into currency futures contracts if the purchase or sale of such contract would cause the sum of the Portfolio's initial and any variation margin deposits to exceed 5% of its total assets. Currency futures contracts, which are derivatives, are discussed in greater detail in the SAI.

HOTCHKIS AND WILEY, MORGAN STANLEY ASSET MANAGEMENT INC. and TEMPLETON INVESTMENT COUNSEL, INC. currently serve as investment advisers to the International Equity Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE S&P 500 INDEX FUND -- This Fund's investment objective is to provide investment results that, before expenses, correspond to the total return (the combination of capital changes and income) of common stocks publicly traded in the United States, as represented by the S&P 500. This Fund seeks its investment objective by investing all of its investable assets in the Equity 500 Index Portfolio which invests in common stocks of companies that compose the S&P 500. The Fund offers investors a convenient means of diversifying their holdings of common stocks while relieving those investors of the administrative burdens typically associated with purchasing and holding these instruments.

The Portfolio is not managed according to traditional methods of "active" investment management, which involve the buying and selling of securities based upon economic, financial and market analyses and investment judgment. Instead, the Portfolio, utilizing a "passive" or "indexing" investment approach, attempts to replicate, before expenses, the performance of the S&P 500.

Under normal conditions, the Portfolio will invest at least 80% of its assets in common stocks of companies that compose the S&P 500. In seeking to replicate the performance of the S&P 500, BT, the Portfolio's investment adviser, will attempt over time to allocate the Portfolio's investments among common stocks in approximately the same weightings as the S&P 500, beginning with the heaviest-weighted stocks that make up a larger portion of the Index's value. Over the long term, BT normally seeks a correlation between the performance of the Portfolio, before expenses, and that of the S&P 500 of 0.98 or better. A figure of 1.00 would indicate perfect correlation. In the unlikely event that the correlation is not achieved, the Equity 500 Index Portfolio Board will consider alternative structures.

BT utilizes a two-stage sampling approach in seeking to obtain the objective. Stage one, which encompasses large capitalization stocks, maintains the stock holdings at or near their benchmark weights. Large capitalization stocks are defined as those securities that represent 0.10% or more of the Index. In stage two, smaller stocks are analyzed and selected using risk characteristics and industry weights in order to match the sector and risk characteristics of the smaller companies in the S&P 500. This approach helps to maximize portfolio liquidity while minimizing costs.

BT generally will seek to match the composition of the S&P 500, but usually will not invest the Portfolio's stock portfolio to mirror the Index exactly. Because of the difficulty and expense of executing relatively small stock transactions, the Portfolio may not always be invested in the less heavily weighted S&P 500 stocks and may at times have its portfolio weighted differently from the S&P 500. When the Portfolio's size is greater, BT expects to purchase more of the stocks in the S&P 500 and to match the relative weighting of the S&P 500 more closely and anticipates that the Portfolio will be able to mirror, before expenses, the performance of the S&P 500 with little variance. In addition, the Portfolio may omit or remove any S&P 500 stock from the Portfolio if, following objective criteria, BT judges the stock to be insufficiently liquid or believes the merit of the investment has been substantially impaired by extraordinary events or financial conditions. BT will not purchase the stock of Bankers Trust New York Corporation, which is included in the Index, and instead will overweight its holdings of companies engaged in similar businesses.

Under normal conditions, BT will attempt to invest as much of the Portfolio's assets as is practical in common stocks included in the S&P 500. However, the Portfolio may maintain up to 20% of its assets in short-

term debt securities and money market instruments hedged with stock index futures and options to meet redemption requests or to facilitate the investment in common stocks.

When the Portfolio has cash from new investments in the Portfolio or holds a portion of its assets in money market instruments, it may enter into stock index futures or options to attempt to increase its exposure to the stock market. Strategies the Portfolio could use to accomplish this include purchasing futures contracts, writing put options, and purchasing call options. When the Portfolio wishes to sell securities, because of shareholder redemptions or otherwise, it may use stock index futures or options thereon to hedge against market risk until the sale can be completed. These strategies could include selling futures contracts, writing call options, and purchasing put options.

BT will choose among futures and options strategies based on its judgment of how best to meet the Portfolio's goals. In selecting futures and options, BT will assess such factors as current and anticipated stock prices, relative liquidity and price levels in the options and futures markets compared to the securities markets, and the Portfolio's cash flow and cash management needs. If BT judges these factors incorrectly, or if price changes in the Portfolio's futures and options positions are not well correlated with those of its other investments, the Portfolio could be hindered in the pursuit of the objective and could suffer losses. The Portfolio could also be exposed to risks if it could not close out its futures or options positions because of an illiquid secondary market. BT will only use these strategies for cash management purposes. Futures and options will not be used to increase portfolio risk above the level that could be achieved using only traditional investment securities or to acquire exposure to changes in the value of assets or indices that by themselves would not be purchased for the Portfolio. Futures and options are discussed in greater detail in the SAI.

The Portfolio intends to stay invested in the securities described above to the extent practical in light of the objective and long-term investment perspective. However, the Portfolio's assets may be invested in short-term instruments with remaining maturities of 397 days or less to meet anticipated redemptions and expenses or for day-to-day operating purposes. Short-term instruments consist of (1) short-term obligations of the U.S. Government, its agencies, instrumentalities, authorities or political subdivisions; (2) other short-term debt securities rated Aa or higher by Moody's or AA or higher by S&P

or, if unrated, of comparable quality in the opinion of BT; (3) commercial paper; (4) bank obligations, including negotiable certificates of deposit, time deposits and bankers' acceptances; and (5) repurchase agreements. At the time the Portfolio invests in commercial paper, bank obligations or repurchase agreements, the issuer or the issuer's parent must have outstanding debt rated Aa or higher by Moody's or AA or higher by S&P or outstanding commercial paper or bank obligations rated Prime-1 by Moody's or A-1 by S&P; or, if no such ratings are available, the instrument must be of comparable quality in the opinion of BT.

The S&P 500 is a well-known stock market index that includes common stocks of 500 companies from several industrial sectors representing a significant portion of the market value of all common stocks publicly traded in the United States, most of which are listed on the New York Stock Exchange (the "Exchange"). Stocks in the S&P 500 are weighted according to their market capitalization (the number of shares outstanding multiplied by the stock's current price). BT believes that the performance of the S&P 500 is representative of the performance of publicly traded common stocks in general. The composition of the S&P 500 is determined by S&P and is based on such factors as the market capitalization and trading activity of each stock and its adequacy as a representation of stocks in a particular industry group, and may be changed from time to time. For more complete information about the Index, see the SAI.

The Fund and the Portfolio are not sponsored, endorsed, sold or promoted by S&P. S&P makes no representation or warranty, express or implied, to the owners of the Fund or the Portfolio or any member of the public regarding the advisability of investing in securities generally or in the Fund and the Portfolio particularly or the ability of the S&P 500 to track general stock market performance. S&P does not guarantee the accuracy and/or the completeness of the S&P 500 or any data included therein.

S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY THE FUND OR THE PORTFOLIO, OWNERS OF THE FUND OR THE PORTFOLIO, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500 OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES AND HEREBY EXPRESSLY DISCLAIMS ALL SUCH WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 OR ANY DATA INCLUDED THEREIN.

The ability of the Fund and the Portfolio to meet their investment objective depends to some extent on the cash flow experienced by the Fund and by the other investors in the Portfolio, since investments and redemptions by shareholders of the Fund generally will require the Portfolio to purchase or sell securities. BT will make investment changes to accommodate cash flow in an attempt to maintain the similarity of the Portfolio to the S&P 500. An investor should also be aware that the performance of the S&P 500 is a hypothetical number that does not take into account brokerage commissions and other costs of investing, unlike the Portfolio which must bear these costs. Finally, since the Portfolio seeks to track the S&P 500, BT generally will not attempt to judge the merits of any particular stock as an investment.

AMERICAN AADVANTAGE INTERMEDIATE BOND FUND -- This Fund's investment objective is to realize income and capital appreciation. As an investment policy, the Fund primarily seeks income and secondarily seeks capital appreciation. The Fund seeks its investment objective by investing all of its investable assets in the Intermediate Bond Portfolio, which invests primarily in debt obligations. Permissible investments include securities of the U.S. Government and its agencies and instrumentalities, including STRIPS and other zero coupon obligations; corporate bonds, notes and debentures; non-convertible preferred stocks; mortgage-backed securities; asset-backed securities; domestic, Yankeedollar and Eurodollar certificates of deposit, bank deposit notes, and bank notes; other investment companies; and cash or cash equivalents including obligations that are permitted investments for the Money Market Portfolio. Such obligations may have a fixed, variable or floating rate of interest. At the time of purchase, all such securities will be rated in one of the four highest rating categories by all Rating Organizations rating such obligation or, if unrated, will be deemed to be of comparable quality by the Manager or the investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's total assets. See "American AAdvantage Balanced Fund" for a description of the risks involved with these obligations. The Portfolio, at the discretion of the Manager and the investment adviser, may retain a security which has been downgraded below the initial investment criteria. See the SAI for definitions of the foregoing securities and for a description of debt ratings. Principal and/or interest payments for obligations of the U.S. Government's agencies or instrumentalities may or may not be backed by the full faith and credit of the U.S. Government.

Although investments will not be restricted by either maturity or duration of the securities purchased, under normal circumstances, the Portfolio will seek to maintain a dollar weighted average duration of three to seven years. Because the timing on return of principal for both asset-backed and mortgage-backed securities is uncertain, in calculating the average weighted duration of the Portfolio, the duration of these securities may be based on certain industry conventions.

Mortgage-backed securities are securities representing interests in "pools" of mortgages in which payments of both interest and principal on the securities are made monthly, in effect, "passing through" monthly payments made by the individual borrowers on the mortgage loans which underlie the securities (net of fees paid to the issuer or guarantor of the securities). Early repayment of principal on mortgage pass-through securities (arising from prepayments of principal due to sale of the underlying property, refinancing, or foreclosure, net of fees and costs which may be incurred) may expose the Portfolio to a lower rate of return upon reinvestment of principal. Also, if a security subject to prepayment has been purchased at a premium, in the event of prepayment, the value of the premium would be lost. Like other debt securities, when interest rates rise, the value of mortgage-related securities generally will decline; however, when interest rates decline, the value of mortgage-related securities with prepayment features may not increase as much as other debt securities.

Payment of principal and interest on some mortgage pass-through securities (but not the market value of the securities themselves) may be guaranteed by the full faith and credit of the U.S. Government (in the case of

securities guaranteed by the Government National Mortgage Association ("GNMA")) or guaranteed by agencies or instrumentalities of the U.S. Government (in the case of securities guaranteed by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), which are supported only by the discretionary authority of the U.S. Government to purchase the agency's obligations). Mortgage pass-through securities created by non-governmental issuers (such as commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers) may be supported with various credit enhancements such as pool insurance, guarantees issued by governmental entities, a letter of credit from a bank or senior/subordinated structures.

Collateralized mortgage obligations ("CMOs") are hybrid instruments with characteristics of both mortgage-backed bonds and mortgage pass-through securities. Similar to a mortgage pass-through, interest and prepaid principal on a CMO are paid, in most cases, monthly. CMOs may be collateralized by whole mortgage loans but are more typically collateralized by portfolios of mortgage pass-through securities guaranteed by GNMA, FHLMC or FNMA. CMOs are structured in multiple classes, with each class bearing a different stated maturity or interest rate.

The Portfolio is permitted to invest in asset-backed securities, subject to the Portfolio's rating and quality requirements. Through the use of trusts and special purpose subsidiaries, various types of assets, primarily home equity loans, automobile and credit card receivables, and other types of receivables or other assets as well as purchase contracts, financing leases and sales agreements entered into by municipalities, are securitized in pass-through structures similar to the mortgage pass-through structures described above. Consistent with the Fund's and the Portfolio's investment objective, policies and quality standards, the Portfolio may invest in these and other types of asset-backed securities which may be developed in the future.

Asset-backed securities involve certain risks that do not exist with mortgage-related securities, resulting mainly from the fact that asset-backed securities do not usually contain the benefit of a complete security interest in the related collateral. For example, credit card receivables generally are unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, some of which may reduce the ability to obtain full payment. In the case of automobile receivables, due to various legal and economic factors, proceeds from repossessed collateral may not always be sufficient to support payments on the securities. The risks associated with asset-backed securities are often reduced by the addition of credit enhancements, such as a letter of credit from a bank, excess collateral or a third-party guarantee.

Investments in Yankeedollar and Eurodollar bonds, notes and certificates of deposit involve risks that differ from investments in securities of domestic issuers. See "American AAdvantage Money Market Fund" for a description of these risks. The Portfolio also may engage in dollar rolls, or purchase or sell securities on a when-issued or forward commitment basis as described under "American AAdvantage Balanced Fund."

The market value of fixed rate securities, and thus the net asset value of this Portfolio's shares, is expected to vary inversely with movements in interest rates. The market value of variable and floating rate instruments should not vary as much due to the periodic adjustments in their interest rates. An adjustment which increases the interest rate of such securities should reduce or eliminate declines in market value resulting from a prior upward movement in interest rates, and an adjustment which decreases the interest rate of such securities should reduce or eliminate increases in market value resulting from a prior downward movement in interest rates.

The Manager and Barrow, Hanley, Mewhinney & Strauss, Inc. currently manage the assets of the Intermediate Bond Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE SHORT-TERM BOND FUND -- This Fund's investment objective is to realize income and capital appreciation. As an investment policy, the Fund primarily seeks income and secondarily seeks capital appreciation. The Fund seeks its investment objective by investing all of its investable assets in the Short-Term Bond Portfolio, which invests primarily in debt obligations. Permissible investments include securities of the U.S. Government and

its agencies and instrumentalities, including STRIPS and other zero coupon obligations; corporate bonds, notes and debentures; non-convertible preferred stocks; mortgage-backed securities; asset-backed securities; domestic, Yankeedollar and Eurodollar certificates of deposit, bank deposit notes, and bank notes; other investment companies; and cash or cash equivalents including obligations that are permitted investments for the Money Market Portfolio. Such obligations may have a fixed, variable or floating rate of interest. At the time of purchase, all such securities will be rated in one of the four highest rating categories by all Rating Organizations rating such obligation or, if unrated, will be deemed to be of comparable quality by the Manager. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's total assets. See "American AAdvantage Balanced Fund" and "American AAdvantage Intermediate Bond Fund" for a description of the risks involved with these obligations. The Portfolio, at the discretion of the Manager, may retain a security which has been downgraded below the initial investment criteria. See the SAI for definitions of the foregoing securities and for a description of debt ratings. Principal and/or interest payments for obligations of the U.S. Government's agencies or instrumentalities may or may not be backed by the full faith and credit of the U.S. Government.

Investments in Yankeedollar and Eurodollar bonds, notes and certificates of deposit involve risks that differ from investments in securities of domestic issuers. See "American AAdvantage Money Market Fund" for a description of these risks. See "American AAdvantage Intermediate Bond Fund" for a description of the risks associated with investments in mortgage-backed securities, CMOs and asset-backed securities and for an explanation of how the value of the Portfolio's debt instruments will vary in response to interest rate changes. The Portfolio also may engage in dollar rolls and purchase or sell securities on a when issued or forward commitment basis as described under "American AAdvantage Balanced Fund."

Although investments will not be restricted by either maturity or duration of the securities purchased, under normal circumstances, the Portfolio will seek to maintain a dollar weighted average duration of one to three years. Because the timing on return of principal for both asset-backed and mortgage-backed securities is uncertain, in calculating the average weighted duration of the

Portfolio, the duration of these securities may be based on certain industry conventions.

The Manager serves as the sole active investment adviser to the Short-Term Bond Portfolio.

MONEY MARKET FUNDS -- The investment objectives of the Money Market Funds are to seek current income, liquidity and the maintenance of a stable $1.00 price per share. The Money Market Funds seek to achieve these objectives by investing all of their investable assets in the Money Market Portfolios, which invest in high quality, U.S. dollar-denominated short-term obligations that have been determined by the Manager or the AMR Trust Board to present minimal credit risks. Portfolio investments are valued based on the amortized cost valuation technique pursuant to Rule 2a-7 under the Investment Company Act of 1940 ("1940 Act"). See the SAI for an explanation of the amortized cost valuation method. Obligations in which the Money Market Portfolios invest generally have remaining maturities of 397 days or less, although instruments subject to repurchase agreements and certain variable and floating rate obligations may bear longer final maturities. The average dollar-weighted portfolio maturity of each Money Market Portfolio will not exceed 90 days. The Manager serves as the sole investment adviser to the Money Market Funds. See "Management and Administration of the Trust."

AMERICAN AADVANTAGE MONEY MARKET FUND -- The Fund's corresponding Portfolio may invest in obligations permitted to be purchased under Rule 2a-7 of the 1940 Act including, but not limited to, (1) obligations of the U.S. Government or its agencies or instrumentalities; (2) loan participation interests, medium-term notes, funding agreements and asset-backed securities; (3) domestic, Yankeedollar and Eurodollar certificates of deposit, time deposits, bankers' acceptances, commercial paper, bank deposit notes and other promissory notes, including floating or variable rate obligations issued by U.S. or foreign bank holding companies and their bank subsidiaries, branches and agencies; and (4) repurchase agreements involving the obligations listed above. The Money Market Portfolio will invest only in issuers or instruments that at the time of purchase (1) have received the highest short-term rating by two Rating Organizations such as "A-1" by S&P and "P-1" by Moody's; (2) are single rated and have received the highest short-term rating by a Rating Organization; or (3) are unrated, but are

determined to be of comparable quality by the Manager pursuant to guidelines approved by the AMR Trust Board and subject to ratification by the AMR Trust Board. See the SAI for definitions of the foregoing instruments and rating systems. The Portfolio may invest in other investment companies. The Portfolio also may purchase or sell securities on a when-issued or forward commitment basis as described under "American AAdvantage Balanced Fund."

The Portfolio will invest more than 25% of its assets in obligations issued by the banking industry. However, for temporary defensive purposes during periods when the Manager believes that maintaining this concentration may be inconsistent with the best interest of shareholders, the Portfolio may not maintain this concentration.

Investments in Eurodollar (U.S. dollar obligations issued outside the United States by domestic or foreign entities) and Yankeedollar (U.S. dollar obligations issued inside the United States by foreign entities) obligations involve additional risks. Most notably, there generally is less publicly available information about foreign issuers; there may be less governmental regulation and supervision; foreign issuers may use different accounting and financial standards; and the adoption of foreign governmental restrictions may affect adversely the payment of principal and interest on foreign investments. In addition, not all foreign branches of United States banks are supervised or examined by regulatory authorities as are United States banks, and such branches may not be subject to reserve requirements.

Variable amount master demand notes in which the Portfolio may invest are unsecured demand notes that permit the indebtedness thereunder to vary, and provide for periodic adjustments in the interest rate. Because master demand notes are direct lending arrangements between the Portfolio and the issuer, they are not normally publicly traded. There is no secondary market for the notes; however, the period of time remaining until payment of principal and accrued interest can be recovered under a variable amount master demand note generally will not exceed seven days. To the extent this period is exceeded, the note in question would be considered illiquid. Issuers of variable amount master demand notes must satisfy the same criteria as set forth for other promissory notes (e.g. commercial paper). The Portfolio will invest in variable amount master demand notes only when such notes are determined by the Manager, pursuant to guidelines established by the AMR Trust Board, to be of comparable quality to rated issuers or instruments eligible for investment by the Portfolio. In determining average dollar weighted portfolio maturity, a variable amount master demand note will be deemed to have a maturity equal to the longer of the period of time remaining until the next readjustment of the interest rate or the period of time remaining until the principal amount can be recovered from the issuer on demand.

AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUND -- The Fund's corresponding Portfolio may invest in municipal obligations issued by or on behalf of the governments of states, territories, or possessions of the United States; the District of Columbia; and their political subdivisions, agencies and instrumentalities if the interest these obligations provide is generally exempt from federal income tax. The Municipal Money Market Portfolio will invest only in issuers or instruments that at the time of purchase (1) are guaranteed by the U.S. Government, its agencies, or instrumentalities; (2) are secured by letters of credit that are irrevocable and issued by banks which qualify as authorized issuers for the Money Market Portfolio (see "American AAdvantage Money Market Fund"); (3) are guaranteed by one or more municipal bond insurance policies that cannot be canceled and are issued by third-party guarantors possessing the highest claims- paying rating from a Rating Organization; (4) have received one of the two highest short-term ratings from at least two Rating Organizations; (5) are single rated and have received one of the two highest short-term ratings from that Rating Organization; (6) have no short-term rating but the instrument is comparable to the issuer's rated short-term debt; (7) have no short-term rating (or comparable rating) but have received one of the top two long-term ratings from all Rating Organizations rating the issuer or instrument; or (8) are unrated, but are determined to be of comparable quality by the Manager pursuant to guidelines approved by, and subject to the oversight of, the AMR Trust Board. The Portfolio also may invest in other investment companies. Ordinarily at least 80% of the Portfolio's net assets will be invested in municipal obligations the interest from which is exempt from federal income tax. However, should market conditions warrant, the Portfolio may invest up to 20% (or for temporary defensive purposes, up to 100%) of its assets in eligible investments for the Money Market Portfolio which are subject to federal income tax.

The Portfolio may invest in certain municipal obligations which have rates of interest that are adjusted periodically according to formulas intended to minimize fluctuations in the values of these instruments. These instruments, commonly known as variable rate demand obligations, are long-term instruments which allow the purchaser, at its discretion, to redeem securities before their final maturity at par plus accrued interest upon notice (typically 7 to 30 days).

Municipal obligations may be backed by the full taxing power of a municipality ("general obligations"), or by the revenues from a specific project or the credit of a private organization ("revenue obligations"). Some municipal obligations are collateralized as to payment of principal and interest by an escrow of U.S. Government or federal agency obligations, while others are insured by private insurance companies, while still others may be supported by letters of credit furnished by domestic or foreign banks. The Portfolio's investments in municipal obligations may include fixed, variable, or floating rate general obligations and revenue obligations (including municipal lease obligations and resource recovery obligations); zero coupon and asset-backed obligations; variable rate auction and residual interest obligations; tax, revenue, or bond anticipation notes; tax-exempt commercial paper; and purchase obligations that are subject to restrictions on resale. See the SAI for a further discussion of the foregoing obligations. The Portfolio may purchase or sell obligations on a when-issued or forward commitment basis, as described under "American AAdvantage Balanced Fund."

The Portfolio may invest more than 25% of the value of its total assets in municipal obligations which are related in such a way that an economic, business or political development or change affecting one such security would also affect the other securities; for example, securities the interest of which is paid from revenues of similar types of projects, or securities whose issuers are located in the same state. As a result, the Portfolio may be subject to greater risk compared to a fund that does not follow this practice. However, the Manager believes this risk is mitigated because it is anticipated that most of the Portfolio's assets will be insured or backed by bank letters of credit. Additionally, the Portfolio may invest more than 25% of the value of its total assets in industrial development bonds which, although issued by industrial development authorities, may be backed only by the assets and revenues of the non-governmental users.

The Portfolio also may invest in municipal obligations that constitute "private activity obligations." These include obligations that finance student loans, residential rental projects, and solid waste disposal facilities. To the extent the Portfolio earns interest income on private activity obligations, shareholders will be required to treat the portion of the Fund's distributions attributable to its share of such interest as a "tax preference item" for purposes of determining their liability for the federal alternative minimum tax ("AMT") and, as a result, may become subject to (or increase their liability for) the AMT. Shareholders should consult their own tax advisers to determine whether they may be subject to the AMT. The Portfolio may invest in private activity obligations without limitation and it is anticipated that a substantial portion of the Portfolio's assets will be invested in these obligations. As a result, a substantial portion of the Fund's distributions may be a tax preference item, which will reduce the net return from the Fund for taxpayers subject to the AMT. Interest on "qualified" private activity obligations is exempt from federal income tax.

AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUND -- The Fund's corresponding Portfolio will invest exclusively in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and repurchase agreements which are collateralized by such obligations. U.S. Government securities include direct obligations of the U.S. Treasury (such as Treasury bills, Treasury notes and Treasury bonds). The Fund may invest in securities issued by the Agency for International Development, Farmers Home Administration, Farm Credit Banks, Federal Home Loan Bank, Federal Intermediate Credit Bank, Federal Financing Bank, Federal Land Bank, FNMA, GNMA, General Services Administration, Rural Electrification Administration, Small Business Administration, Tennessee Valley Authority, and others. Some of these obligations, such as those issued by the Federal Home Loan Bank and FHLMC, are supported only by the credit of the agency or instrumentality issuing the obligation and the discretionary authority of the U.S. Government to purchase the agency's obligations. See the SAI for a further discussion of the foregoing obligations. Counterparties for repurchase agreements must be approved by the

AMR Trust Board. The Portfolio may purchase or sell securities on a "when-issued" or "forward commitment" basis, as described under "American AAdvantage Balanced Fund."

OTHER INVESTMENT POLICIES -- In addition to the investment policies described previously, each Portfolio also may lend its securities, enter into fully collateralized repurchase agreements and invest in private placement offerings.

SECURITIES LENDING. Each Portfolio (except for the Equity 500 Index Portfolio) may lend securities to broker-dealers or other institutional investors pursuant to agreements requiring that the loans be continuously secured by any combination of cash, securities of the U.S. Government and its agencies and instrumentalities and approved bank letters of credit that at all times equal at least 100% of the market value of the loaned securities. Such loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by any Portfolio of the AMR Trust would exceed 33 1/3% of its total assets. A Portfolio continues to receive interest on the securities loaned and simultaneously earns either interest on the investment of the cash collateral or fee income if the loan is otherwise collateralized. Should the borrower of the securities fail financially, there is a risk of delay in recovery of the securities loaned or loss of rights in the collateral. However, the Portfolios seek to minimize this risk by making loans only to borrowers which are deemed by the Manager to be of good financial standing and which have been approved by the AMR Trust Board. For purposes of complying with each Portfolio's investment policies and restrictions, collateral received in connection with securities loans will be deemed an asset of a Portfolio to the extent required by law. Except for the Equity 500 Index Portfolio, the Manager will receive compensation for administrative and oversight functions with respect to securities lending. The amount of such compensation will depend on the income generated by the loan of each Portfolio's securities. The SEC has granted exemptive relief that permits the Portfolios to invest cash collateral received from securities lending transactions in shares of one or more private investment companies managed by the Manager. Subject to receipt of exemptive relief from the SEC, the Portfolios also may invest cash collateral received from securities lending transactions in shares of one or more registered investment companies managed by the Manager. See the SAI for further information regarding loan transactions.

REPURCHASE AGREEMENTS. A repurchase agreement is an agreement under which securities are acquired by a Portfolio from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Portfolio bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Portfolio is delayed or prevented from exercising its rights to dispose of the collateral securities. However, the investment advisers or the Manager attempt to minimize this risk by entering into repurchase agreements only with financial institutions which are deemed to be of good financial standing and which have been approved by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate. See the SAI for more information regarding repurchase agreements.

PRIVATE PLACEMENT OFFERINGS. Investments in private placement offerings are made in reliance on the "private placement" exemption from registration afforded by Section 4(2) of the Securities Act of 1933 (the "1933 Act"), and resold to qualified institutional buyers under Rule 144A under the 1933 Act ("Section 4(2) securities"). Section 4(2) securities are restricted as to disposition under the federal securities laws, and generally are sold to institutional investors, such as the Portfolios, that agree they are purchasing the securities for investment and not with an intention to distribute to the public. Any resale by the purchaser must be pursuant to an exempt transaction and may be accomplished in accordance with Rule 144A. Section 4(2) securities normally are resold to other institutional investors such as the Portfolios through or with the assistance of the issuer or dealers that make a market in the Section 4(2) securities, thus providing liquidity. The Money Market Portfolios will not invest more than 10% (and the Variable NAV Funds' respective Portfolios, no more than 15%) of their respective net assets in Section 4(2) securities and illiquid securities unless the applicable investment adviser determines, by continuous reference to the appropriate trading markets and pursuant to guidelines approved by the AMR Trust Board or the Equity 500 Index Portfolio Board that any Section 4(2) securities held by such Portfolio in excess of this level are at all times liquid.

The AMR Trust Board or the Equity 500 Index Portfolio Board and the applicable investment adviser, pursuant to the guidelines approved by their Boards, will carefully monitor the Portfolios' investments in

Section 4(2) securities offered and sold under Rule 144A, focusing on such important factors, among others, as: valuation, liquidity, and availability of information. Investments in Section 4(2) securities could have the effect of reducing a Portfolio's liquidity to the extent that qualified institutional buyers no longer wish to purchase these restricted securities.

BROKERAGE PRACTICES AND PORTFOLIO TURNOVER -- Each investment adviser will place its own orders to execute securities transactions which are designed to implement the applicable Portfolio's investment objective and policies. In placing such orders, each investment adviser will seek the best available price and most favorable execution. The full range and quality of services offered by the executing broker or dealer will be considered when making these determinations. Pursuant to written guidelines approved by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate, an investment adviser of a Portfolio, or its affiliated broker-dealer, may execute portfolio transactions and receive usual and customary brokerage commissions (within the meaning of Rule 17e-1 under the 1940 Act) for doing so.

The Money Market Portfolios, the Intermediate Bond Portfolio and the Short-Term Bond Portfolio normally will not incur any brokerage commissions on their transactions because money market and debt instruments are generally traded on a "net" basis with dealers acting as principal for their own accounts and without a stated commission. The price of the obligation, however, usually includes a profit to the dealer. Obligations purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. No commissions or discounts are paid when securities are purchased directly from an issuer.

No Portfolio, other than the Short-Term Bond Portfolio, currently expects its portfolio turnover rate to exceed 100%. The portfolio turnover rate for the Limited-Term Income Fund for the fiscal year ended October 31, 1997 was %. A Portfolio's turnover rate, or the frequency of portfolio transactions, will vary from year to year depending on market conditions and the Portfolio's cash flows. High portfolio activity increases a Portfolio's transaction costs, including brokerage commissions and may result in a greater number of taxable transactions.

ADDITIONAL INFORMATION ABOUT THE PORTFOLIOS -- As previously described, investors should be aware that each Fund, unlike mutual funds that directly acquire and manage their own portfolios of securities, seeks to achieve its investment objective by investing all of its investable assets in a corresponding Portfolio of the AMR Trust, which is a separate investment company, or in the Equity 500 Index Portfolio, which is a separate investment company advised by BT. Since a Fund will invest only in its corresponding Portfolio, that Fund's shareholders will acquire only an indirect interest in the investments of the Portfolio.

The Manager expects, although it cannot guarantee, that the Trust will achieve economies of scale by investing in the AMR Trust and the Equity 500 Index Portfolio. In addition to selling their interests to the Funds, the Portfolios sell their interests to other non-affiliated investment companies and/or other institutional investors. All institutional investors in a Portfolio pay a proportionate share of the Portfolio's expenses and invest in that Portfolio on the same terms and conditions. However, other investment companies investing all of their assets in a Portfolio are not required to sell their shares at the same public offering price as a Fund and are allowed to charge different sales commissions. Therefore, investors in a Fund may experience different returns from investors in another investment company that invests exclusively in that Fund's corresponding Portfolio.

The Fund's investment in a Portfolio may be affected materially by the actions of large investors in that Portfolio, if any. For example, as with all open-end investment companies, if a large investor were to redeem its interest in a Portfolio, that Portfolio's remaining investors could experience higher pro rata operating expenses, thereby producing lower returns. As a result, that Portfolio's security holdings may become less diverse, resulting in increased risk. Institutional investors in a Portfolio that have a greater pro rata ownership interest in the Portfolio than the Fund could have effective voting control over the operation of that Portfolio. A change in a Portfolio's fundamental objective, policies and restrictions, that is not approved by the shareholders of its corresponding Fund could require that Fund to redeem its interest in the Portfolio. Any such redemption could

result in a distribution in kind of portfolio securities (as opposed to a cash distribution) by the Portfolio. Should such a distribution occur, that Fund could incur brokerage fees or other transaction costs in converting such securities to cash. In addition, a distribution in kind could result in a less diversified portfolio of investments for that Fund and could affect its liquidity adversely.

The Portfolios' and their corresponding Funds' investment objectives and policies are described above. See "Investment Restrictions" for a description of their investment restrictions. The investment objective of a Fund can be changed only with shareholder approval. The approval of a Fund and of other investors in its corresponding Portfolio, if any, is not required to change the investment objective, policies or limitations of that Portfolio, unless otherwise specified. Written notice will be provided to shareholders of a Fund within thirty days prior to any changes in its corresponding Portfolio's investment objective. If the investment objective of a Portfolio changes and the shareholders of its corresponding Fund do not approve a parallel change in that Fund's investment objective, the Fund would seek an alternative investment vehicle or the Manager and the investment advisers would actively manage the Fund.

See "Management and Administration of the Trusts" for a complete description of the investment management fee and other expenses associated with the Fund's investment in its corresponding Portfolio. This Prospectus and the SAI contain more detailed information about each Fund and its corresponding Portfolio, including information related to (1) the investment objective, policies and restrictions of each Fund and its corresponding Portfolio, (2) the Board of Trustees and officers of the Trust, the AMR Trust and the Equity 500 Index Portfolio Board, (3) brokerage practices, (4) the Funds' shares, including the rights and liabilities of its shareholders, (5) additional performance information, including the method used to calculate yield and total return, and (6) the determination of the value of each Fund's shares.

INVESTMENT RESTRICTIONS

The following fundamental investment restrictions and the non-fundamental investment restriction are identical for each Fund and its corresponding Portfolio. Therefore, although the following discusses the investment restrictions of each Portfolio, it applies equally to each Fund. The following fundamental investment restrictions may be changed with respect to a particular Fund by the majority vote of that Fund's outstanding shares or with respect to a Portfolio by the majority vote of that Portfolio's interest holders. No Portfolio may:

- Invest more than 5% of its total assets (taken at market value) in securities of any one issuer, other than obligations issued by the U.S. Government, its agencies and instrumentalities, or purchase more than 10% of the voting securities of any one issuer, with respect to 75% of a Portfolio's total assets. In addition, although not a fundamental investment restriction and therefore subject to change without shareholder vote, the Money Market Portfolio and the U.S. Government Money Market Portfolio apply this restriction with respect to 100% of their assets.

- Invest more than 25% of its total assets in the securities of companies primarily engaged in any one industry, provided that: (i) this limitation does not apply to obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities; (ii) municipalities and their agencies and authorities are not deemed to be industries; and (iii) financial service companies are classified according to the end users of their services (for example, automobile finance, bank finance, and diversified finance will be considered separate industries). With respect to the Money Market Portfolio, this restriction does not apply to the banking industry.

The following non-fundamental investment restriction may be changed with respect to a particular Fund by a vote of a majority of the Board or with respect to a Portfolio by a vote of a majority of the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate: no Portfolio may invest more than 15% (or, with respect to any Money Market Portfolio, 10%) of its net assets in illiquid securities, including time deposits and repurchase agreements that mature in more than seven days.

The above percentage limits are based upon asset values at the time of the applicable transaction; accordingly, a subsequent change in asset values will not affect a transaction that was in compliance with the investment restrictions at the time such transaction was effected. See the SAI for other investment limitations.

YIELDS AND TOTAL RETURNS

From time to time each class of the Money Market Funds may advertise their "current yield" and "effective yield." Both yield figures are based on historical earnings and are not intended to indicate future performance. The current yield refers to the investment income generated over a seven calendar-day period (which period will be stated in the advertisement). This yield is then annualized by assuming the amount of investment income generated during that week is earned each week over a one-year period and is shown as a percentage of the investment. The effective yield is calculated similarly but, when annualized, the investment income earned is assumed to be reinvested. The effective yield will be slightly higher than the current yield because of the compounding effect of this assumed reinvestment. The Municipal Money Market Fund also may quote "tax equivalent yields," which show the taxable yields a shareholder would have to earn before federal income taxes to equal this Fund's tax-exempt yields. The tax equivalent yield is calculated by dividing the Fund's tax-exempt yield by the result of one minus a stated federal income tax rate. If only a portion of the Fund's income was tax-exempt, only that portion is adjusted in the calculation. As stated earlier, the Fund considers interest on private activity obligations to be exempt from federal income tax. Each class of a Fund has different expenses which will impact its performance.

Advertised yields for the PlanAhead Class of the Variable NAV Funds will be computed by dividing the net investment income per share earned by the applicable class during the relevant time period by the maximum offering price per share for that class on the last day of the period. Additionally, each class of the Intermediate Bond Fund and the Short-Term Bond Fund may advertise a "monthly distribution rate." This rate is based on an annualized monthly dividend accrual rate per share compared with the month-end share price of each class of this Fund. Total return quotations advertised by the Funds may reflect the average annual compounded (or aggregate compounded) rate of return during the designated time period based on a hypothetical initial investment and the redeemable value of that investment at the end of the period. The Funds will at times compare their performance to applicable published indices, and also may disclose their performance as ranked by certain ranking entities. See the SAI for more information about the calculation of yields and total returns.

MANAGEMENT AND ADMINISTRATION OF THE TRUSTS

FUND MANAGEMENT AGREEMENT -- The Board has general supervisory responsibility over the Trust's affairs, while the business affairs of the AMR Trust and the Equity 500 Index Portfolio are subject to the supervision of their respective Board of Trustees. The Manager provides or oversees all administrative, investment advisory and portfolio management services for the Trust pursuant to a Management Agreement dated April 3, 1987, as amended July 25, 1997, together with the Administrative Services Agreement described below. The AMR Trust and the Manager also entered into a Management Agreement dated October 1, 1995, as amended July 25, 1997, that obligates the Manager to provide or oversee all administrative, investment advisory and portfolio management services for the AMR Trust. The Manager, located at 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155, is a wholly owned subsidiary of AMR Corporation ("AMR"), the parent company of American Airlines, Inc., and was organized in 1986 to provide investment management, advisory, administrative and asset management consulting services. The assets of the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio are allocated by the Manager among multiple investment advisers designated for that Portfolio. The assets of the Intermediate Bond Portfolio are allocated by the Manager between the Manager and another investment adviser. BT serves as investment adviser and administrator of, and provides custody and transfer agency services to, the Equity 500 Index Portfolio. See "Investment Advisers." The Manager serves as the sole active investment adviser to the Money Market Portfolios and the Short-Term Bond Portfolio. In addition, with the exception of the International Equity Portfolio and the Equity 500 Index Portfolio, if so requested by any investment adviser, the Manager will make the investment decisions with respect to assets allocated to that

investment adviser which the investment adviser determines should be invested in short-term obligations of the type permitted for investment by the Money Market Portfolio. As of December 31, 1996, the Manager had assets under management totaling approximately $ billion including approximately $ billion under active management and $ billion as named fiduciary or fiduciary adviser. Of the total, approximately $ billion of assets are related to AMR. American Airlines, Inc. is not responsible for investments made in the American AAdvantage Funds.

The Manager provides the Trusts with office space, office equipment and personnel necessary to manage and administer the Trusts' operations. This includes complying with reporting requirements; corresponding with shareholders; maintaining internal bookkeeping, accounting and auditing services and records; and supervising the provision of services to the Trusts by third parties. The Manager oversees each Portfolio's participation in securities lending activities and any actions taken by securities lending agents in connection with those activities to ensure compliance with all applicable regulatory and investment guidelines. The Manager also develops the investment programs for each Portfolio of the AMR Trust, selects and changes investment advisers (subject to approval by the AMR Trust Board and appropriate interest holders), allocates assets among investment advisers, monitors the investment advisers' investment programs and results, and coordinates the investment activities of the investment advisers to ensure compliance with regulatory restrictions.

The Manager bears the expense of providing the above services and pays the fees of the investment advisers of the Funds and the Portfolios of the AMR Trust. As compensation for paying the investment advisory fees and for providing the Portfolios with advisory and asset allocation services, the Manager receives from the AMR Trust an annualized advisory fee that is calculated and accrued daily, equal to the sum of (1) 0.15% of the net assets of the Money Market Portfolios, (2) 0.25% of the net assets of the Intermediate Bond Portfolio and the Short-Term Bond Portfolio, (3) 0.10% of the net assets of the other Portfolios of the AMR Trust, plus (4) all fees payable by the Manager to the investment advisers of the Balanced, the Growth and Income and the International Equity Portfolios as described in "Investment Advisers." The advisory fee is payable quarterly in arrears. To the extent that a Fund invests all of its investable assets in its corresponding Portfolio, the Manager will not receive an advisory fee under its Management Agreement with the Trust. The Manager receives compensation in connection with securities lending activities. If a Portfolio lends its portfolio securities and receives cash collateral from the borrower, the Manager may receive up to 25% of the net annual interest income (the gross interest earned by the investment less the amount paid to the borrower as well as related expenses) received from the investment of such cash. If a borrower posts collateral other than cash, the borrower will pay to the lender a loan fee. The Manager may receive up to 25% of the loan fees posted by borrowers. Currently, the Manager receives 10% of the net annual interest income from the investment of cash collateral or 10% of the loan fees posted by borrowers. In addition, the Manager is compensated through the Administrative Services Agreement as described below for other services provided.

Each Management Agreement will continue in effect provided that annually such continuance is specifically approved by a vote of the Board and the AMR Trust Board, including the affirmative votes of a majority of the Trustees of each Board who are not parties to the Management Agreement or "interested persons" as defined in the 1940 Act of any such party ("Independent Trustees"), cast in person at a meeting called for the purpose of considering such approval, or by the vote of a Fund's shareholders or a Portfolio's interest holders. A Management Agreement may be terminated with respect to a Fund or a Portfolio at any time, without penalty, by a majority vote of outstanding Fund shares or Portfolio interests on sixty (60) days' written notice to the Manager, or by the Manager, on sixty (60) days' written notice to the Trust or the AMR Trust. A Management Agreement will automatically terminate in the event of its "assignment" as defined in the 1940 Act.

The Trust is responsible for the following expenses not otherwise assumed by the Manager, including: audits by independent auditors; transfer agency, custodian, dividend disbursing agent and shareholder recordkeeping services; taxes, if any, and the preparation of each Fund's tax returns; interest; costs of Trustee and shareholder meetings; printing and mailing prospectuses and reports to existing shareholders; fees for filing reports with regulatory bodies and the maintenance of the Funds' existence; legal fees; fees to federal and state authorities for

the registration of shares; fees and expenses of Independent Trustees; insurance and fidelity bond premiums; and any extraordinary expenses of a nonrecurring nature.

A majority of the Independent Trustees of the Board have adopted written procedures reasonably appropriate to deal with potential conflicts of interest between the Trust and the AMR Trust.

FUND ADVISORY AGREEMENTS -- Each investment adviser, except BT, has entered into a separate investment advisory agreement with the Manager to provide investment advisory services to the Funds and the Portfolios of the AMR Trust. To the extent that a Fund invests all of its investable assets in a corresponding Portfolio, however, an investment adviser will receive an advisory fee only on behalf of the Portfolio and not on behalf of its corresponding Fund. As described below, the assets of the Balanced, the Growth and Income and the International Equity Portfolios are allocated among the investment advisers designated for each Portfolio and the assets of the Intermediate Bond Portfolio are allocated between the Manager and another investment adviser. The Manager is permitted to enter into new or modified advisory agreements with existing or new investment advisers without the approval of Fund shareholders or Portfolio interest holders, but subject to approval of the Board and the AMR Trust Board. The Securities and Exchange Commission issued an exemptive order which eliminates the need for shareholder/interest holder approval, subject to compliance with certain conditions. These conditions include the requirement that within 90 days of hiring a new adviser or implementing a material change with respect to an advisory contract, the applicable Fund send a notice to shareholders containing information about the change that would be included in a proxy statement. The Manager recommends investment advisers to the Board and the AMR Trust Board based upon its continuing quantitative and qualitative evaluation of the investment advisers' skill in managing assets using specific investment styles and strategies. The allocation of assets among investment advisers may be changed at any time by the Manager. Allocations among investment advisers will vary based upon a variety of factors, including the overall investment performance of each investment adviser, the Portfolio's cash flow needs and market conditions. The Manager need not allocate assets to each investment adviser designated for a Portfolio. The investment advisers can be terminated without penalty to the AMR Trust by the Manager, the AMR Trust Board or the interest holders of the applicable Portfolio. Short-term investment performance, by itself, is not a significant factor in selecting or terminating an investment adviser, and the Manager does not expect to recommend frequent changes of investment advisers. The Prospectus will be supplemented if additional investment advisers are retained or the contract with any existing investment adviser is terminated.

Each investment adviser has discretion to purchase and sell securities for its segment of a Portfolio's assets in accordance with that Portfolio's objectives, policies and restrictions and the more specific strategies provided by the Manager. Although the investment advisers are subject to general supervision by the AMR Trust Board, the Equity 500 Index Portfolio Board and the Manager, as appropriate, these parties do not evaluate the investment merits of specific securities transactions. As compensation for its services, each investment adviser, except BT, is paid a fee by the Manager out of the proceeds of the management fee received by the Manager from the AMR Trust.

ADMINISTRATIVE SERVICES AGREEMENT -- The Manager and the Trust entered into an Administrative Services Agreement which obligates the Manager to provide the Funds those administrative and management services (other than investment advisory services) described in the Management Agreement. As compensation for these services, the Manager receives an annualized fee of 0.25% of the net assets of the PlanAhead Class of the Variable NAV Funds and 0.05% of the net assets of the PlanAhead Class of the Money Market Funds. The fee is payable quarterly in arrears.

BT serves as the administrator to the Equity 500 Index Portfolio. Under an Administration and Services Agreement with the Portfolio, BT calculates the value of the assets of the Portfolio and generally assists the Equity 500 Index Portfolio Board in all aspects of the administration and operation of the Portfolio. The Administration and Services Agreement provides for the Portfolio to pay BT a fee, computed daily and paid monthly, at the rate of 0.05% of the average daily net assets of the Portfolio. Under the Administration and

Services Agreement, BT may delegate one or more of its responsibilities to others, including Federated Services Company, at BT's expense.

DISTRIBUTION OF TRUST SHARES -- Shares are distributed through the Funds' principal underwriter, BTS. BTS is compensated by the Manager, and not the Trust. The Trust does not incur any direct distribution expenses relating to the PlanAhead Class. However, the Trust has adopted a Distribution Plan in accordance with Rule 12b-1 under the 1940 Act which authorizes the use of any fees received by the Manager in accordance with the Administrative Services and the Management Agreements and any fees received by the investment advisers pursuant to their Advisory Agreements with the Manager, to be used for distribution purposes.

SERVICE PLAN -- The PlanAhead Class has adopted a service plan ("Service Plan") which provides that each Fund's PlanAhead Class will pay 0.25% per annum of its average daily net assets to the Manager (or another entity approved by the Board). The Manager or these approved entities may spend such amounts on any activities or expenses primarily intended to result in or relate to the servicing of PlanAhead Class shares including but not limited to payment of shareholder service fees and transfer agency or sub-transfer agency expenses. The fee, which is included as part of a Fund's "Other Expenses" in the Table of Fees and Expenses of this Prospectus, will be payable monthly in arrears without regard to whether the amount of the fee is more or less than the actual expenses incurred in a particular month by the entity for the services provided pursuant to the Service Plan. The primary expenses expected to be incurred under the Service Plan are transfer agency fees and servicing fees paid to financial intermediaries such as plan sponsors and discount brokers.

The Service Plan will continue in effect so long as its continuance is approved at least annually by a majority of the Trustees, including the affirmative votes of a majority of the Trustees of the Board who are not parties to the Service Plan or "interested persons" (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of considering such approval, or by the vote of shareholders. The Service Plan may be terminated with respect to a particular PlanAhead Class at any time, without the payment of any penalty, by a vote of a majority of the Independent Trustees or by a vote of a majority of the outstanding voting securities of the applicable Fund's PlanAhead Class.

ALLOCATION OF FUND EXPENSES -- Expenses of each Fund generally are allocated equally among the shares of that Fund, regardless of class. However, certain expenses approved by the Board will be allocated solely to the class to which they relate.

PRINCIPAL UNDERWRITER -- BROKERS TRANSACTION SERVICES, INC. ("BTS"), 7001 Preston Road, Dallas, Texas 75205, serves as the principal underwriter of the Trust.

CUSTODIAN -- STATE STREET BANK & TRUST COMPANY ("State Street"), Boston, Massachusetts, serves as custodian for the Portfolios of the AMR Trust and the Funds. BANKERS TRUST COMPANY, New York, New York, serves as custodian and transfer agent for the assets of the Equity 500 Index Portfolio.

TRANSFER AGENT -- State Street serves as transfer agent and provides transfer agency services for Fund shareholders through its affiliate NATIONAL FINANCIAL DATA SERVICES, ("NFDS"), Kansas City, Missouri.

INDEPENDENT AUDITOR -- The independent auditor for the Funds except the S&P 500 Index Fund and the AMR Trust is ERNST & YOUNG LLP, Dallas, Texas. The independent auditor for the S&P 500 Index Fund and the Equity 500 Index Portfolio is COOPERS & LYBRAND L.L.P., Kansas City, Missouri.

INVESTMENT ADVISERS

Set forth below is a brief description of the investment advisers for each Fund and its corresponding Portfolio, except for the Money Market Funds and their corresponding Portfolios, whose sole investment adviser is the Manager. References to the investment advisers retained by a Portfolio also apply to the corresponding

Fund. Except for the Manager and BT, none of the investment advisers provides any services to the Funds or the Portfolios except for portfolio investment management and related recordkeeping services, or has any affiliation with the Trust, the AMR Trust, the Equity 500 Index Portfolio or the Manager. BT provides investment advisory, administrative and other services to the Equity 500 Index Portfolio. See "Bankers Trust Company" below for a discussion of those services.

William F. Quinn has served as President of the Manager since it was founded in 1986, and Nancy A. Eckl serves as Vice President - Trust Investments of the Manager. Ms. Eckl previously served as Vice President - Finance and Compliance of the Manager from December 1990 to May 1995. In these capacities, Mr. Quinn and Ms. Eckl have primary responsibility for the day-to-day operations of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, the Intermediate Bond Fund and their corresponding Portfolios. These responsibilities include oversight of the investment advisers, regular review of each investment adviser's performance and asset allocations among them.

Michael W. Fields is responsible for the portfolio management oversight of the Short-Term Bond Fund and its corresponding Portfolio. Mr. Fields has been with the Manager since it was founded in 1986 and serves as Vice President-Fixed Income Investments. Benjamin L. Mayer is responsible for the day-to-day portfolio management of the Short-Term Bond Portfolio. Mr. Mayer has served as Senior Portfolio Manager of the Manager since May 1995. Prior to that time, he was a Vice President of Institutional Fixed Income Sales at Merrill, Lynch, Pierce, Fenner & Smith from January 1994 to April 1995 and Vice President, Regional Senior Strategist from April 1989 to January 1994.

Mr. Fields also is responsible for the portfolio management oversight of the portion of the Intermediate Bond Fund and its corresponding Portfolio, allocated to the Manager. Mr. Mayer is responsible for its day-to-day portfolio management.

Frank Salerno, Managing Director of BT, is responsible for the day-to-day management of the Equity 500 Index Portfolio. Mr. Salerno has been employed by BT since prior to 1989 and has managed the Equity 500 Index Portfolio's assets since the Portfolio commenced operations December 31, 1992.

BANKERS TRUST COMPANY, 280 Park Avenue, New York, New York 10017, is a New York banking corporation and is a wholly owned subsidiary of Bankers Trust New York Corporation. BT conducts a variety of general banking and trust activities and is a major wholesale supplier of financial services to the international and domestic institutional market, with a global network of over 120 offices in more than 40 countries. As of September 30, 1997, Bankers Trust New York Corporation was the seventh largest bank holding company in the United States with total assets of approximately $ billion and approximately $ billion in assets under management globally. Of that total, approximately $ billion are in U.S. equity index assets alone. BT serves as investment adviser and administrator to the Equity 500 Index Portfolio. For its services, BT receives a fee from the Equity 500 Index Portfolio, computed daily and paid monthly, at the annual rate of 0.08% of the average daily net assets of the Portfolio.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC. ("Barrow"), 3232 McKinney Avenue, 15th Floor, Dallas, Texas 75204, is a professional investment counseling firm which has been providing investment advisory services since 1979. The firm is wholly owned by United Asset Management Corporation, a Delaware corporation. As of December 31, 1997, Barrow had discretionary investment management authority with respect to approximately $ billion of assets, including approximately $ billion of assets of AMR and its subsidiaries and affiliated entities. Barrow serves as an investment adviser to the Balanced Portfolio, the Growth and Income Portfolio, the Intermediate Bond Portfolio and the Short-Term Bond Portfolio, although the Manager does not presently intend to allocate any of the assets in the Short-Term Bond Portfolio to Barrow. The Manager pays Barrow an annualized fee equal to .30% on the first $200 million in AMR Trust assets under its discretionary management, .20% on the next $300 million, .15% on the next $500 million and .125% on assets over $1 billion.

BRANDYWINE ASSET MANAGEMENT, INC., ("Brandywine"), 201 North Walnut Street, Wilmington, Delaware 19801, is a professional investment counseling firm founded in 1986. Brandywine is a wholly owned subsidiary of Legg Mason, Inc. As of December 31, 1997, Brandywine had assets under management totaling approximately $ billion, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. Brandywine serves as an investment adviser to the Balanced and the Growth and Income Portfolios. The Manager pays Brandywine an annualized fee equal to .225% of assets in the Balanced Portfolio and .25% of assets in the Growth and Income Portfolio of the first $500 million of AMR Trust assets under its discretionary management, .225% of the next $100 million on all assets and .20% on all excess assets.

GSB INVESTMENT MANAGEMENT, INC. ("GSB"), 301 Commerce Street, Fort Worth, Texas 76102, is a professional investment management firm which was founded in 1987 by Frank P. Ganucheau, Mark J. Stupfel, and Lyle E. Brumley. GSB is wholly owned by United Asset Management Corporation, a Delaware corporation. As of December 31, 1997, GSB managed approximately $ billion of assets, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. GSB serves as an investment adviser to the Balanced Portfolio and the Growth and Income Portfolio. The Manager pays GSB an annualized fee equal to .30% of the first $100 million in AMR Trust assets under its discretionary management, .25% of the next $100 million, .20% of the next $100 million and .15% on all excess assets.

HOTCHKIS AND WILEY, 800 West Sixth Street, 5th Floor, Los Angeles, California 90017, is a professional investment counseling firm which was founded in 1980 by John F. Hotchkis and George Wiley. Hotchkis and Wiley is a division of Merrill Lynch Capital Management Group, a wholly owned subsidiary of Merrill Lynch & Co., Inc. Assets under management as of December 31, 1997 were approximately $ billion, which included approximately $ billion of assets of AMR and its subsidiaries and affiliated entities. Hotchkis and Wiley serves as an investment adviser to the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio. The Manager pays Hotchkis and

Wiley an annualized fee equal to .60% of the first $10 million of AMR Trust assets under its discretionary management, .50% of the next $140 million of assets, .30% on the next $50 million of assets, .20% of the next $800 million of assets and .15% of all excess assets.

INDEPENDENCE INVESTMENT ASSOCIATES, INC. ("IIA"), 53 State Street, Boston, Massachusetts 02109, is a professional investment counseling firm which was founded in 1982. The firm is a wholly owned subsidiary of John Hancock Mutual Life Insurance Company. Assets under management as of December 31, 1997, including funds managed for its parent company, were approximately $ billion, which included approximately $ million of assets of AMR and its subsidiaries and affiliated entities. IIA serves as an investment adviser to the Balanced Portfolio and the Growth and Income Portfolio. The Manager pays IIA an annualized fee equal to .50% of the first $30 million of AMR Trust assets under its discretionary management, .25% of the next $70 million of assets and .20% of all excess assets.

MORGAN STANLEY ASSET MANAGEMENT INC. ("MSAM"), 25 Cabot Square, London, United Kingdom, E14 4QA, is a wholly owned subsidiary of Morgan Stanley, Dean Witter, Discover & Co. MSAM provides portfolio management and named fiduciary services to taxable and nontaxable institutions, international organizations and individuals investing in United States and international equity and debt securities. At September 30, 1997, MSAM had assets under management totaling approximately $ billion, including approximately $ billion under active management and $ billion as named fiduciary or fiduciary adviser. As of December 31, 1997, MSAM had investment authority over approximately $ million of assets of AMR and its subsidiaries and affiliated entities. MSAM serves as an investment adviser to the International Equity Portfolio. The Manager pays MSAM an annual fee equal to .80% of the first $25 million of AMR Trust assets under its discretionary management, .60% of the next $25 million in assets, .50% of the next $25 million in assets and .40% on all excess assets.

TEMPLETON INVESTMENT COUNSEL, INC. ("Templeton"), 500 East Broward Blvd., Suite 2100, Fort Lauderdale, Florida 33394-3091, is a professional investment counseling firm which has been providing investment services since 1979. Templeton is indirectly owned by Franklin Resources, Inc. As of December 31, 1997, Templeton had

discretionary investment management authority with respect to approximately $ billion of assets, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. Templeton serves as an investment adviser to the International Equity Portfolio. The Manager pays Templeton an annualized fee equal to .50% of the first $100 million of AMR Trust assets under its discretionary management, .35% of the next $50 million of assets, .30% of the next $250 million of assets and .25% on assets over $400 million.

Solely for the purpose of determining the applicable percentage rates when calculating the fees for each investment adviser other than MSAM and BT, there shall be included all other assets or trust assets of American Airlines, Inc. also under management by each respective investment adviser (except assets managed by Barrow under the HALO Bond Program). For the purpose of determining the applicable percentage rates when calculating MSAM's fees, all equity account assets managed by MSAM on behalf of American Airlines, Inc. shall be included. The inclusion of any such assets will result in lower overall fee rates being applied to the applicable Portfolio.

HOW TO PURCHASE SHARES

Shares are offered on a continuous basis. Purchase orders should be directed to NFDS either by mail, by pre-authorized investment or by wire as described below. The minimum initial purchase for each Fund is $2,500, except for IRA accounts for which a $2,000 minimum applies. The Funds have no obligation to accept purchase requests or maintain accounts which do not meet minimum purchase requirements. Accounts opened through financial intermediaries may be subject to lower or higher minimums. The minimum for subsequent purchases is $50, except for wire purchases for which a $500 minimum applies. Shares purchased through financial intermediaries may be subject to transaction fees. The management of the Fund reserves the right to waive or change the minimum investment requirements and to charge an annual fee of $12 (to offset the costs of servicing accounts with low balances) if an account balance falls below certain asset levels.

An order to purchase shares of a Variable NAV Fund will be executed at the next share price calculated Monday through Friday on each day on which the Exchange is open for trading, which excludes the following business holidays: New Year's Day, Martin Luther King's Birthday, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day ("Business Day"). Shares of the Variable NAV Funds are offered and purchase orders are accepted until the close of the Exchange, generally 4:00 p.m. Eastern time, on each Business Day. An order to purchase shares of the Money Market Funds will be executed at the Fund's next determined net asset value per share on any day on which the Exchange is open for business except for Columbus Day and Veteran's Day ("Money Market Business Day") and during which federal funds become available to the Fund. Shares are offered and orders are accepted for the Municipal Money Market Fund until 12:00 p.m. Eastern time, or the close of the Exchange (whichever comes first) and for the U.S. Government Money Market Fund until 2:00 p.m. Eastern time, or the close of the Exchange (whichever comes first) and for the Money Market Fund until 3:00 p.m. Eastern time, or the close of the Exchange (whichever comes first), on each Money Market Business Day. The Trust reserves the right to reject any order for the purchase of shares and to limit or suspend, without prior notice, the offering of shares. "Federal funds" are funds deposited by a commercial bank in an account at a federal reserve bank that can be transferred to a similar account of another bank in one day and thus may be made immediately available to a Money Market Fund through its custodian.

OPENING AN ACCOUNT -- A completed and signed PlanAhead Class application is required for each new account opened, regardless of the method chosen for making an initial investment. If assistance is required in filling out the application, or if extra applications are required, call (800) 388-3344. See "Retirement Accounts" for information on opening retirement accounts.

PURCHASING BY MAIL -- To open an account by mail, complete the application form, include a check payable to the American AAdvantage Funds ($2,500 minimum) and mail both to:

American AAdvantage Funds

c/o NFDS

P.O. Box 419643

Kansas City, MO 64141-6643

Purchase checks are accepted subject to collection at full face value in U.S. funds and must be drawn in U.S. dollars on a U.S. bank. For subsequent purchases by mail make your check payable to the American AAdvantage Funds ($50 minimum) and include your account number on your check. Mail to the address printed above. Include either the detachable form from your account statement, the deposit slips from your checkbook (if you have a Money Market account and opted for checking) or a letter with the account name and number.

SUBSEQUENT PURCHASES BY PRE-AUTHORIZED AUTOMATIC INVESTMENT -- Pre-Authorized Automatic Investment allows you to make regular, automatic transfers ($50 minimum) from your bank account to purchase shares in the Fund of your choice after an account has been open. To establish this option, provide the appropriate information on the application form and attach a voided check from your bank account. Funds will be transferred automatically from your bank account via Automated Clearing House ("ACH") on the 5th day of each month.

PURCHASES BY WIRE -- A completed application form must precede an initial purchase by wire. Call (800) 388-3344 to wire funds. Federal funds ($2,500 for initial purchases and $500 for subsequent purchases) should be wired to:

State Street Bank & Trust Co.

ABA Routing #0110-0002-8, Account #9905-342-3

Attention: American AAdvantage Funds, and specify the Fund to be purchased.

You will be responsible for any charges assessed by your bank to handle wire transfers.

HOW TO REDEEM SHARES

Shares of the Variable NAV Funds may be redeemed by telephone, by pre-authorized automatic redemption or by mail on any Business Day. Shares of the Money Market Funds may be redeemed by telephone, by writing a check, by pre-authorized automatic redemption or by mail on any Money Market Business Day. Shares will be redeemed at the net asset value next calculated after the applicable Fund has received and accepted the redemption request. Proceeds from a redemption of shares purchased by check or pre-authorized automatic purchase may be withheld until the funds have cleared, which may take up to 15 days. Although the Funds intend to redeem shares in cash, each Fund reserves the right to pay the redemption price in whole or in part by a distribution of readily marketable securities held by the applicable Fund's corresponding Portfolio. See the SAI for further information concerning redemptions in kind.

Redemption proceeds generally will be sent within one Business Day or Money Market Business Day, as applicable. However, if making immediate payment could affect a Fund adversely, it may take up to seven days to send payment.

A minimum of $2,500 is required in order to maintain an account in a Fund. Otherwise, a Fund may give a shareholder 60 days' notice to increase the account balance to this level in order to avoid the imposition of an account fee or account closure. If a shareholder does not increase the account balance to $2,500 within the 60 day period, the Fund is entitled to close the account and mail the proceeds to the address of record.

To ensure timely acceptance of a redemption request, please adhere to the following procedures.

REDEEMING BY TELEPHONE -- Shares may be redeemed by telephone if your account application reflects that option. Telephone redemptions in any 30 day period shall not exceed $25,000 without the express written consent of the

Trust. In order to redeem by telephone, you should call NFDS at (800) 388-3344. Redemption proceeds will be mailed only to the address of record or mailed or wired to a commercial bank account designated on the account application.

By establishing the telephone redemption service, you authorize the Funds or their agent to act upon verbal instructions to redeem shares for any account for which such service has been authorized. In an effort to prevent unauthorized or fraudulent redemption requests by telephone, the transfer agent will employ reasonable procedures specified by the Funds to confirm that such instructions are genuine. For instance, all telephone redemption requests will be recorded and proceeds of telephone redemption requests will be sent only to the address or account designated in the application. Neither the Funds, the Trusts, the Equity 500 Index Portfolio, the Manager, NFDS, or their trustees, directors or officers will be liable for any unauthorized or fraudulent redemption instructions received by telephone. If reasonable procedures as described above are not implemented, these parties may be liable for any loss due to unauthorized or fraudulent transactions. Due to the volume of calls or other unusual circumstances, telephone redemptions may be difficult to implement during certain time periods. This service may be amended or terminated at any time by the transfer agent or the Trust without prior notice.

REDEEMING BY CHECK -- If you elect so on the application, shares of the Money Market Funds may be redeemed through the check writing feature. There is no limit on the number of checks written per month and no check redemption fees. Checks must be written in amounts of $100 or more. Check drafts however, are not returned to you. If copies of drafts are required, a service charge of $2 per check will be assessed to you.

PRE-AUTHORIZED AUTOMATIC REDEMPTIONS -- You can arrange to have a pre-authorized amount ($100 or more) redeemed from your account and automatically deposited into a bank account, via ACH, on the 15th day of each month. For more information regarding pre-authorized automatic redemptions, contact NFDS at (800) 388-3344.

REDEEMING BY MAIL -- Except for certain intermediary accounts, a letter of instruction may be mailed to American AAdvantage Funds -- PlanAhead Class, c/o NFDS, P.O. Box 419643, Kansas City, MO 64141-6643. It should specify the Fund (Balanced, Growth and Income, International Equity, S&P 500 Index, Intermediate Bond, Short-Term Bond, Money Market, Municipal Money Market or U.S. Government Money Market Fund), the number of shares or dollar amount to be redeemed, the shareholder's name and account number. The letter of instruction must be signed by all persons required to sign for the account, exactly as it is registered. For redemptions over $25,000, authorization to send redemption proceeds to an address other than the address of record or to a commercial bank account other than the account designated on the application, or redemptions on an account whose address of record has been changed within thirty days, the letter of instruction must be accompanied by a signature guarantee by a financial institution satisfying the standards established by State Street.

REDEEMING BY WIRE -- In order to redeem shares by wire you must sign up for this option before using it. Redemption proceeds will be transmitted directly to your predesignated account at a domestic bank upon request, for amounts of at least $500. To verify that this option is in place, call (800) 388-3344. Your account will be charged $12 for wire redemptions to cover transaction costs.

FULL REDEMPTIONS -- Unpaid dividends credited to an account up to the date of redemption of all shares of a Money Market Fund generally will be paid at the time of redemption.

RETIREMENT ACCOUNTS

Individual retirement accounts, including SEPs and Keoghs, are eligible investors in the PlanAhead Class. State Street generally serves as custodian for retirement accounts in the PlanAhead Class. A special retirement account application is required in order to open this type of account. Each shareholder is charged an administrative fee of $12.00 per year for each retirement account regardless of the number of Funds. To receive a retirement account application, or if you have any questions about establishing this type of account, call NFDS at (800) 388-3344.

EXCHANGE PRIVILEGE

PlanAhead Class shares which have been registered in a shareholder's name for at least 15 days may be exchanged into shares of the PlanAhead Class of another Fund. A minimum exchange of $50 is required into existing accounts. If a shareholder wishes to establish a new account in the PlanAhead Class of another Fund by making an exchange, a $2,500 minimum is required.

Except for certain intermediary accounts, shareholders may exchange shares by sending the Funds a written request or by calling NFDS at (800) 388-3344. The exchange will be processed at the next share price calculated after the request is received in good order by the Funds. In establishing a telephone exchange service, shareholders authorize the Funds or their agent to act upon verbal instructions to exchange shares from any account for which such service is authorized to any identically registered PlanAhead Class account(s). NFDS will use reasonable procedures specified by the Funds to confirm that such instructions are genuine such as the recording of all telephone exchange requests. If reasonable procedures as described above are implemented, neither the Funds, the Trusts, the Equity 500 Index Portfolio, the Manager, NFDS, nor their trustees, directors or officers will be liable for any unauthorized or fraudulent instructions.

The general redemption policies apply to redemptions by telephone exchange. The exchange privilege may be modified or terminated at any time by the Funds. The Funds reserve the right to limit the number of exchanges an investor may exercise.

VALUATION OF SHARES

The net asset value of each share (share price) of the Variable NAV Funds is determined as of the close of the Exchange, generally 4:00 p.m. Eastern time, on each Business Day and the net asset value of each share of the Money Market Funds is determined as of the close of the Exchange, generally 4:00 p.m. Eastern time, on each Money Market Business Day. The net asset value of all outstanding shares of a Fund will be determined by computing the Fund's total assets (which is the value of the Fund's investment in its corresponding Portfolio), subtracting all of the Fund's liabilities, and dividing the result by the total number of Fund shares outstanding at such time. The net asset value of shares of the PlanAhead Class will be determined based on a pro rata allocation of the value of the Fund's corresponding Portfolio's investment income, expenses and total capital gains and losses. The allocation will be based on comparative net asset value at the beginning of the day except for expenses related solely to one class of shares ("Class Expenses") which will be borne only by the appropriate class of shares. Because of the Class Expenses, the net income attributable to and the dividends payable may be different for each class of shares. Additionally, the Variable NAV Funds may compute differing share prices as a result of Class Expenses.

Equity securities listed on securities exchanges, including all but United Kingdom securities of the International Equity Portfolio, are valued at the last quoted sales price on a designated exchange prior to the close of trading on the Exchange or, lacking any sales, on the basis of the last current bid price prior to the close of trading on the Exchange. Securities of the United Kingdom held in the International Equity Portfolio are priced at the last jobber price (mid of the bid and offer prices quoted by the leading stock jobber in the security) prior to close of trading on the Exchange. Trading in foreign markets is usually completed each day prior to the close of the Exchange. However, events may occur which affect the values of such securities and the exchange rates between the time of valuation and the close of the Exchange. Should events materially affect the value of such securities during this period, the securities are priced at fair value, as determined in good faith and pursuant to procedures approved by the AMR Board. 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) will normally 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 AMR Trust Board for the AMR Trust Portfolios. Assets and liabilities denominated in foreign currencies and forward currency contracts are translated into U.S. dollar equivalents based on prevailing market rates. Portfolio obligations held by the Money Market Portfolios are valued in accordance with the amortized cost method, which is designed to enable those Portfolios and their corresponding Funds to maintain a consistent $1.00 per share net asset value. Investment grade short-term obligations with 60 days or less to maturity held by all other Portfolios also are valued using the amortized cost method as described in the SAI.

DIVIDENDS, OTHER DISTRIBUTIONS AND TAX MATTERS

DIVIDENDS AND OTHER DISTRIBUTIONS -- Dividends and other distributions paid on each class of a Fund's shares are calculated at the same time and in the same manner. Dividends from the net investment income of the Balanced Fund, the

Growth and Income Fund and the International Equity Fund normally are declared annually. Dividends consisting of substantially all of the net investment income of the Intermediate Bond Fund and the Short-Term Bond Fund, which are paid monthly, normally are declared on each Business Day immediately prior to the determination of the net asset value and are payable to shareholders of record as of the close of business on the day on which declared. The S&P 500 Index Fund distributes income dividends on the first Business Day in April, July and October. In December, the S&P 500 Index Fund will distribute another income dividend, plus any capital gains. Each Fund may make an additional dividend or other distribution, if necessary, to avoid a 4% excise tax on certain undistributed income and gain. A Fund's net investment income attributable to the PlanAhead Class consists of that class's pro rata share of the Fund's share of dividends and interest (including discount) accrued on its corresponding Portfolio's securities, less applicable expenses of the Fund and the Portfolio attributable to the PlanAhead Class. Distributions of a Fund's share of its corresponding Portfolio's realized net short-term capital gain, net capital gain (the excess of net long-term capital gain over net short-term capital loss), and net gains from foreign currency transactions, if any, normally will be made annually.

All of each Money Market Fund's net investment income and net short-term capital gain, if any, generally is declared as dividends on each Money Market Business Day immediately prior to the determination of the net asset value. Dividends generally will be paid on the first day of the following month. Each Money Market Fund's net investment income attributable to the PlanAhead Class will consist of (1) that class' pro rata share of the Fund's share of interest accrued and discount earned on its corresponding Portfolio's securities less amortization of premium and expenses of both the Portfolio and (2) the Fund's expenses attributable to the PlanAhead Class. The Money Market Portfolios do not expect to realize net capital gain, and, therefore, the Money Market Funds do not foresee paying any capital gain distributions. If any Money Market Fund (either directly or indirectly through its corresponding portfolio) incurs or anticipates any unusual expenses, loss or depreciation that would affect its net asset value or income for a particular period adversely, the Board would at that time consider whether to adhere to the dividend policy described above or to revise it in the light of the then prevailing circumstances.

Unless a shareholder elects otherwise on the account application, all dividends and other distributions on a Fund's PlanAhead Class shares will be automatically paid in additional PlanAhead Class shares of that Fund. However, a shareholder may choose to have distributions of net capital gain (and, if applicable, net foreign currency gains) paid in shares and dividends paid in cash or to have all such distributions and dividends paid in cash. An election may be changed at any time by delivering written notice that is received by the transfer agent at least ten days prior to the payment date for a dividend or other distribution.

TAX INFORMATION -- Each Fund is treated as a separate corporation for federal income tax purposes and intends to qualify or to continue to qualify for treatment as a regulated investment company under the Internal Revenue Code of 1986, as amended. In each taxable year that a Fund so qualifies, the Fund (but not its shareholders) will be relieved of federal income tax on that part of its investment company taxable income (generally, net investment income plus any net short-term capital gain and gains from certain foreign currency transactions) and net capital gain that it distributes to its shareholders. However, a Fund will be subject to a nondeductible 4% excise tax to the extent that it fails to distribute by the end of any calendar year substantially all of its ordinary income for that

calendar year and its capital gain net income for the one-year period ending on October 31 of that year, plus certain other amounts. For these and other purposes, dividends and other distributions declared by a Fund in October, November or December of any year and payable to shareholders of record on a date in one of those months will be deemed to have been paid by the Fund and received by the shareholders on December 31 of that year if they are paid by the Fund during the following January. Each Portfolio has received a ruling from the Internal Revenue Service or an opinion of counsel that it is or should be classified for federal income tax purposes as a partnership; accordingly, no Portfolio is subject to federal income tax.

Dividends from a Fund's investment company taxable income are taxable to its shareholders as ordinary income to the extent of the Fund's earnings and profits, whether received in cash or paid in additional Fund shares. Distributions of a Fund's net capital gain (whether received in cash or paid in additional Fund shares), when designated as such, generally are taxable to its shareholders as long-term capital gain, regardless of how long they have held their Fund shares. A capital gain distribution from a Fund also may be offset by capital losses from other sources. Under the Taxpayer Relief Act of 1997, different maximum tax rates apply to a noncorporate taxpayer's net capital gain depending on the taxpayer's holding period and marginal rate of federal income tax -- generally, 28% for gain recognized on securities held for more than one year but not more than 18 months and 20% (10% for taxpayers in the 15% marginal tax bracket) for gain recognized on securities held for more than 18 months. Pursuant to an Internal Revenue Service notice, the Fund may divide each net capital gain distribution into a 28% rate gain distribution and a 20% rate gain distribution (in accordance with the Fund's holding periods for the securities it sold that generated the distributed gain) and its shareholders must treat those portions accordingly.

Some foreign countries may impose income or withholding taxes on certain dividends payable to the International Equity Portfolio. The International Equity Fund's share of any such withheld taxes may be treated by that Fund as a deduction or, if it satisfies certain requirements, it may elect to flow the tax through to its shareholders, who in turn may deduct the taxes or use them in calculating credits against their federal income tax.

A portion of the income dividends paid by the Balanced Fund, the Growth and Income Fund and the S&P 500 Index Fund is eligible for the dividends-received deduction allowed to corporations. The eligible portion may not exceed the respective Fund's aggregate dividends received from U.S. corporations. However, dividends received by a corporate shareholder and deducted by it pursuant to the dividends-received deduction may be subject indirectly to the AMT. The International Equity Fund's dividends most likely will not qualify for the dividends-received deduction because none of the dividends received by that Fund are expected to be paid by U.S. corporations.

Distributions by the Municipal Money Market Fund that it designates as "exempt-interest dividends" generally may be excluded from gross income by its shareholders. If the Municipal Money Market Portfolio earns taxable income from any of its investments, the Municipal Money Market Fund's share of income will be distributed to its shareholders as a taxable dividend. To the extent that Portfolio invests in certain private activity obligations, that Fund's shareholders will be required to treat a portion of its dividends as a "tax preference item" in determining their liability for the AMT. Exempt-interest dividends also may be subject to state and local income tax laws. Because some states exempt from income tax the interest on their own obligations and obligations of governmental agencies of and municipalities in the state, shareholders will receive tax information each year regarding the Municipal Money Market Fund's exempt-interest income by state. Interest on indebtedness incurred or continued by a shareholder to purchase or carry shares of that Fund is not deductible.

Redemption of Fund shares (other than shares of the Money Market Funds) may result in taxable gain or loss to the redeeming shareholder, depending upon whether the redemption proceeds exceed or are less than the shareholder's adjusted basis for the redeemed shares. An exchange of shares of a Fund for shares of any other Fund (see "Exchange Privileges") generally will have similar tax consequences. If shares of a Fund are sold at a loss after

being held for six months or less, the loss will be treated as long-term, instead of short-term, capital loss to the extent of any capital gain distributions received on those shares.

If shares are purchased shortly before the record date for a dividend (other than an exempt-interest dividend) or other distribution, the investor will pay full price for the shares and receive some portion of the price back as a taxable distribution.

Each Fund notifies its shareholders following the end of each calendar year of the amounts of dividends and capital gain distributions paid (or deemed paid) (and for the International Equity Fund, if it satisfies the requirements and makes the election referred to above, their share of that Fund's share of any foreign taxes paid by the International Equity Portfolio) that year and of any portion of those dividends that qualifies for the corporate dividends-received deduction. The information regarding capital gain distributions designates the portions thereof subject to the different maximum rates of tax applicable to noncorporate taxpayers' net capital gain indicated above. The notice sent by the Municipal Money Market Fund specifies the amounts of exempt-interest dividends (and the portion thereof, if any, that is a tax preference item for purposes of the AMT) and any taxable dividends.

Each Fund is required to withhold 31% of all taxable dividends, and, for all Funds other than the Money Market Funds, capital gain distributions and redemption proceeds payable to any individuals and certain other non-corporate shareholders who do not provide the Fund with a correct taxpayer identification number or (except with respect to redemption proceeds) who otherwise are subject to back-up withholding.

The foregoing is only a summary of some of the important tax considerations generally affecting the Funds and their shareholders. Prospective investors are urged to consult their own tax advisers regarding specific questions as to the effect of federal, state or local income taxes on any investment in the Trust. For further tax information, see the SAI.

GENERAL INFORMATION

The Trust currently is comprised of ten separate investment portfolios. Each Fund included in this Prospectus is comprised of three classes of shares, which can be issued in an unlimited number. Each share represents an equal proportionate beneficial interest in that Fund and is entitled to one vote. Only shares of a particular class may vote on matters affecting that class. Only shares of a particular Fund may vote on matters affecting that Fund. All shares of the Trust vote on matters affecting the Trust as a whole. Share voting rights are not cumulative, and shares have no preemptive or conversion rights. Shares of the Trust are nontransferable. Each series in the Trust will not be involved in any vote involving a Portfolio in which it does not invest its assets. Shareholders of all of the series of the Trust, however, will vote together to elect Trustees of the Trust and for certain other matters. Under certain circumstances, the shareholders of one or more series could control the outcome of these votes.

On most issues subjected to a vote of a Portfolio's interest holders, as required by the 1940 Act, its corresponding Fund will solicit proxies from its shareholders and will vote its interest in the Portfolio in proportion to the votes cast by that Fund's shareholders. Because a Portfolio interest holder's votes are proportionate to its percentage interests in that Portfolio, one or more other Portfolio investors could, in certain instances, approve an action against which a majority of the outstanding voting securities of its corresponding Fund had voted. This could result in that Fund's redeeming its investment in its corresponding Portfolio, which could result in increased expenses for that Fund. Whenever the shareholders of a Fund are called to vote on matters related to its corresponding Portfolio, the Board shall vote shares for which they receive no voting instructions in the same proportion as the shares for which they do receive voting instructions. Any information received from a Portfolio in the Portfolio's report to shareholders will be provided to the shareholders of its corresponding Fund.

As a Massachusetts business trust, the Trust is not obligated to conduct annual shareholder meetings. However, the Trust will hold special shareholder meetings whenever required to do so under the federal securities laws or the Trust's Declaration of Trust or By-Laws. Trustees can be removed by a shareholder vote at special shareholder meetings.

As more fully described in the SAI, the following persons may be deemed to control certain Funds by virtue of their ownership of more than 25% of the outstanding shares of a Fund as of January 31, 1998:

<TABLE>

<S>	<C>
AMERICAN AADVANTAGE BALANCED FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%
AMERICAN AADVANTAGE GROWTH AND INCOME FUND	
AMR Corporation and subsidiary companies and Employee	

Benefit Trusts thereof	%
AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%
AMERICAN AADVANTAGE SHORT-TERM BOND FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%

</TABLE>

SHAREHOLDER COMMUNICATIONS

Shareholders will receive periodic reports, including annual and semi-annual reports which will include financial statements showing the results of the Funds' operations and other information. The financial statements of the Funds will be audited by the independent auditors at least annually. Shareholder inquiries and requests for information regarding the other investment companies which also invest in the AMR Trust should be made in writing to the Funds at P.O. Box 619003, MD5645, Dallas/Fort Worth Airport, Texas 75261-9003, or by calling (800) 388-3344. Shareholder inquiries and requests for information regarding the other investment companies that also invest in the Equity 500 Index Portfolio should be made by calling (800) 730-1313.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IN SALES LITERATURE SPECIFICALLY APPROVED BY OFFICERS OF THE TRUST FOR USE IN CONNECTION WITH THE OFFER OF ANY PLANAHEAD CLASS SHARES, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUNDS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, SUCH OFFERING MAY NOT LAWFULLY BE MADE.

American AAdvantage Funds is a registered service mark of AMR Corporation. PlanAhead Class is a registered service mark and Platinum Class, American AAdvantage Balanced Fund, American AAdvantage Growth and Income Fund, American AAdvantage International Equity Fund, American AAdvantage Intermediate Bond Fund, American AAdvantage Short-Term Bond Fund, American AAdvantage Money Market Fund, American AAdvantage Municipal Money Market Fund and American AAdvantage U.S. Government Money Market Fund are service marks of AMR Investment Services, Inc.

-- NOTES --

American Advantage Funds(R) Logo

- PLANAHEAD CLASS(R) -
P.O. Box 419643
Kansas City, MO 64141-6643
(800) 388-3344

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

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

THIS PROSPECTUS contains important information about the AMR Class of the AMERICAN AADVANTAGE FUNDS ("Trust"), an open-end management investment company, which consists of multiple investment portfolios. This Prospectus pertains only to the six funds listed on this cover page (individually referred to as a "Fund" and, collectively, the "Funds"). EACH FUND, EXCEPT THE S&P 500 INDEX FUND, SEEKS ITS INVESTMENT OBJECTIVE BY INVESTING ALL OF ITS INVESTABLE ASSETS IN A CORRESPONDING PORTFOLIO OF THE AMR INVESTMENT SERVICES TRUST ("AMR TRUST"). THE S&P 500 INDEX FUND INVESTS ALL OF ITS INVESTABLE ASSETS IN THE EQUITY 500 INDEX PORTFOLIO. (THE EQUITY 500 INDEX PORTFOLIO AND THE PORTFOLIOS OF THE AMR TRUST ARE REFERRED TO HEREIN INDIVIDUALLY AS A "PORTFOLIO" AND, COLLECTIVELY, THE "PORTFOLIOS.") EACH PORTFOLIO HAS AN INVESTMENT OBJECTIVE

IDENTICAL TO THE INVESTING FUND. The investment experience of each Fund will correspond directly with the investment experience of each Portfolio. Each Fund offers the AMR Class of shares to tax exempt retirement and benefit plans of AMR Corporation and its affiliates. Prospective AMR Class investors should read this Prospectus carefully before making an investment decision and retain it for future reference.

IN ADDITION TO THIS PROSPECTUS, a Statement of Additional Information ("SAI") dated March 1, 1998 has been filed with the Securities and Exchange Commission and is incorporated herein by reference. The SAI contains more detailed information about the Funds. For a free copy of the SAI, call 817-967-3509. For further information about the AMR Class or for information on the other classes of shares, please refer to the appropriate address and phone number on the back cover of this Prospectus.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PROSPECTUS
March 1, 1998

[AMERICAN AADVANTAGE LOGO]

- AMR Class -

BALANCED FUND
GROWTH AND INCOME FUND
INTERNATIONAL EQUITY FUND
S&P 500 INDEX FUND
INTERMEDIATE BOND FUND
SHORT-TERM BOND FUND
Managed by AMR Investment Services, Inc.

The AMERICAN AADVANTAGE BALANCED FUND(SM) ("Balanced Fund") seeks income and capital appreciation by investing all of its investable assets in the Balanced Portfolio of the AMR Trust ("Balanced Portfolio") which in turn primarily invests in equity and debt securities (such as stocks and bonds).

The AMERICAN AADVANTAGE GROWTH AND INCOME FUND(SM) ("Growth and Income Fund") seeks long-term capital appreciation and current income by investing all of its investable assets in the Growth and Income Portfolio of the AMR Trust ("Growth and Income Portfolio") which in turn primarily invests in equity securities (such as stocks).

The AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND(SM) ("International Equity Fund") seeks long-term capital appreciation by investing all of its investable assets in the International Equity Portfolio of the AMR Trust ("International Equity Portfolio") which in turn primarily invests in equity securities of issuers based outside the United States (such as foreign stocks).

The AMERICAN AADVANTAGE S&P 500 INDEX FUND(1) ("S&P 500 Index Fund") seeks to provide investment results that, before expenses, correspond to the total return of common stocks publicly traded in the United States, as represented by the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500" or "Index"), by investing all of its investable assets in the Equity 500 Index Portfolio which in turn invests in common stocks of companies that compose the S&P 500.

The AMERICAN AADVANTAGE INTERMEDIATE BOND FUND(SM) ("Intermediate Bond Fund") seeks income and capital appreciation by investing all of its investable assets in the Intermediate Bond Portfolio of the AMR Trust ("Intermediate Bond Portfolio"), which in turn primarily invests in debt obligations and seeks to maintain a dollar weighted average duration of three to seven years.

The AMERICAN AADVANTAGE SHORT-TERM BOND FUND(SM) ("Short-Term Bond Fund," formerly the American AAdvantage Limited-Term Income Fund) seeks income and capital appreciation by investing all of its investable assets in the Short-Term Bond Portfolio of the AMR Trust ("Short-Term Bond Portfolio," formerly the Limited-Term Income Portfolio) which in turn primarily invests in debt obligations and seeks to maintain a dollar weighted average duration of one to three years.

Under a master-feeder operating structure, each Fund seeks its investment objective by investing all of its investable assets in a corresponding Portfolio as described above. Each Portfolio's investment objective is identical to that of its corresponding Fund. Whenever the phrase "all of the Fund's investable assets" is used, it means that the only investment securities that will be held by a Fund will be that Fund's interest in its corresponding Portfolio. AMR Investment Services, Inc. ("Manager") provides investment management and administrative services to the

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(1) S&P is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use. "Standard & Poor's(R)", "S&P(R)", "Standard & Poor's 500", "S&P 500(R)", and "500" are all trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by Bankers Trust Company. The S&P 500 Index Fund is not sponsored, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in that Fund.

Portfolios, except for the Equity 500 Index Portfolio, and administrative services to the Funds. Bankers Trust Company ("BT") provides investment advisory, administrative and other services to the Equity 500 Index Portfolio. This master-feeder structure is different from that of many other investment companies which directly acquire and manage their own portfolios of securities. Accordingly, investors should carefully consider this investment approach. See "Investment Objectives, Policies and Risks -- Additional Information About the Portfolios." A Fund may withdraw its investment in a corresponding Portfolio at any time if the Trust's Board of Trustees ("Board") determines that it would be in the best interest of that Fund and its shareholders to do so. Upon any such withdrawal, that Fund's assets would be invested in accordance with the investment policies and restrictions described in this Prospectus and the SAI.

<TABLE>

</TABLE>

TABLE OF FEES AND EXPENSES

Annual Operating Expenses (as a percentage of average net assets) of the AMR Class:

<TABLE>
<CAPTION>

	BALANCED FUND	GROWTH AND INCOME FUND	INTERNATIONAL EQUITY FUND	INTERMEDIATE BOND FUND(1)	SHORT-TERM BOND FUND	S&P 500 INDEX FUND
Management Fees (net of waiver)	0.33%	0.33%	0.48%	0.25%	0.25%	0.08%(2)
12b-1 Fees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Expenses (net of waiver)	0.04%	0.03%	0.09%	0.13%	0.08%	0.12%(3)
Total Operating Expenses (net of waiver)	0.37%	0.36%	0.57%	0.38%	0.33%	0.20%(4)

</TABLE>

(1) Because the Intermediate Bond Fund had not commenced active operations prior to October 31, 1997, its Annual Operating Expenses are based on estimates.

(2) The investment adviser has voluntarily agreed to waive a portion of its investment advisory fee. Without such waiver, the "Management Fee" would be equal to 0.10%.

(3) "Other Expenses" before fee waivers are 0.14%.

(4) "Total Operating Expenses" before fee waivers are 0.24%.

The above expenses reflect the expenses of each Fund and the Portfolio in which it invests. The Board believes that the aggregate per share expenses of each Fund and its corresponding Portfolio will be approximately equal to the expenses that the Fund would incur if its assets were invested directly in the type of securities held by the Portfolio.

EXAMPLES

An AMR Class investor in each Fund would directly or indirectly pay on a cumulative basis the following expenses on a $1,000 investment assuming a 5% annual return:

<TABLE>
<CAPTION>

<S>	1 YEAR <C>	3 YEARS <C>	5 YEARS <C>	10 YEARS <C>
Balanced Fund	$4	$12	$ 21	$ 47
Growth and Income Fund	4	12	20	46
International Equity Fund	6	18	32	71
Intermediate Bond Fund	4	12	21	48
Short-Term Bond Fund	3	11	19	42
S&P 500 Index Fund	2	6	11	26

</TABLE>

The purpose of the table above is to assist a potential investor in understanding the various costs and expenses to be incurred directly or indirectly as a shareholder in the AMR Class of a Fund. Additional information may be found under "Management and Administration of the Trusts" and "Investment Advisers."

THE FOREGOING EXAMPLES SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR PERFORMANCE. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN AND PERFORMANCE MAY BE BETTER OR WORSE THAN THE 5% ANNUAL RETURN ASSUMED IN THE EXAMPLES.

FINANCIAL HIGHLIGHTS

The financial highlights in the following tables have been derived from financial statements of the Trust. The financial highlights for each Fund except the S&P 500 Index Fund and the Intermediate Bond Fund, have been audited by Ernst & Young LLP, independent auditors. The financial highlights of the S&P 500 Index Fund have been audited by Coopers & Lybrand, L.L.P., independent auditors. Such information should be read in conjunction with the financial statements and the report of the independent auditors appearing in the Annual Report incorporated by reference in the SAI, which contains further information about performance of the Funds and can be obtained by investors without charge. Financial highlights are not available for the Intermediate Bond Fund because as of October 31, 1997 it had not commenced active operations.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	Balanced Fund						
	AMR Class				Institutional Class		
	Year Ended October 31,			Period Ended October 31,	Year Ended October 31,		
	1997	1996(5)(6)	1995(4)(5)	1994 (1)(3)	1994(3)	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period		$ 13.98	$ 12.36	$ 12.35	$ 13.23	$ 11.99	$ 11.60
Income from investment operations:							
Net investment income		0.63(7)	0.58	0.14	0.57	0.49	0.55
Net gains (losses) on securities (both realized and unrealized)		1.61(7)	1.71	(0.13)	(0.54)	1.57	0.41
Total from investment operations		2.24	2.29	0.01	0.03	2.06	0.96
Less distributions:							
Dividends from net investment income		(0.60)	(0.53)	--	(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		(1.04)	(0.67)	--	(0.90)	(0.82)	(0.57)
Net asset value, end of period		$ 15.18	$ 13.98	$ 12.36	$ 12.36	$ 13.23	$ 11.99
Total return (annualized)(8)		16.77%	19.77%	(0.08)%(9)	(0.08)%	19.19%	8.75%
Ratios/supplemental data:							
Net assets, end of period (in thousands)		$576,673	$542,619	$393,504	$222,873	$532,543	$370,087
Ratios to average net assets(10)(11)(12):							
Expenses		0.37%(7)	0.38%	0.36%	0.36%	0.34%	0.35%
Net investment income		4.26%(7)	4.54%	4.65%	4.77%	4.91%	5.31%
Portfolio turnover rate(13)		76%	73%	48%	48%	83%	80%
Average commission rate paid(13)		$ 0.0409	--	--	--	--	--

<CAPTION>

	Balanced Fund			
	Institutional Class			
	Year Ended October 31,			
	1991	1990(2)	1989	1988
<S>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$ 9.87	$ 11.05	$ 10.13	$ 9.08
Income from investment operations:				
Net investment income	0.58	0.57	0.53	0.56
Net gains (losses) on securities (both realized and unrealized)	1.79	(1.18)	0.90	0.73
Total from investment operations	2.37	(0.61)	1.43	1.29
Less distributions:				
Dividends from net investment income	(0.64)	(0.51)	(0.51)	(0.24)
Distributions from net realized gains on securities	--	(0.06)	--	--
Total distributions	(0.64)	(0.57)	(0.51)	(0.24)
Net asset value, end of period	$ 11.60	$ 9.87	$ 11.05	$ 10.13
Total return (annualized)(8)	25.35%	(5.24)%	15.49%	14.63%
Ratios/supplemental data:				

Net assets, end of period (in thousands)	$311,906	$233,702	$210,119	$147,581
Ratios to average net assets(10)(11)(12):				
Expenses	0.37%	0.44%	0.47%	0.52%
Net investment income	6.06%	6.50%	6.32%	6.25%
Portfolio turnover rate(13)	55%	62%	78%	77%
Average commission rate paid(13)	--	--	--	--

</TABLE>

(1) The Balanced Fund commenced active operations on July 17, 1987. The AMR Class commenced active operations on August 1, 1994 and at that time existing shares of the Balanced Fund were designated as Institutional Class shares.
(2) Penmark Investments, Inc. was replaced by Independence Investment Associates, Inc. as an investment adviser to the Fund as of the close of business on February 28, 1990.
(3) Average shares outstanding for the period rather than end of period shares were used to compute net investment income per share.
(4) GSB Investment Management, Inc. was added as an investment adviser to the Balanced Fund on January 1, 1995.
(5) 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.
(6) Capital Guardian Trust Company was replaced by Brandywine Asset Management, Inc. as an investment adviser to the Balanced Fund on April 1, 1996.
(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 Balanced Portfolio.
(8) 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.
(9) Total return for the AMR Class for the period ended October 31, 1994 reflects Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the AMR Class for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total returns for the AMR Class would vary from the results shown had it been in operation for the entire year.
(10) 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, which amounted to approximately $.01 per share in each period on an annualized basis.
(11) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.
(12) Annualized.

(13) On November 1, 1995 the Balanced Fund began investing all of its investable assets in the Balanced Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the Balanced Portfolio. Calculation and disclosure of the average commission rate paid was not required prior to 1996.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	Growth and Income Fund							
	AMR Class				Institutional Class			
	Year Ended October 31,			Period Ended October 31,	Year Ended October 31,			
	1997	1996(5)(6)	1995(5)	1994(1)(4)	1994(4)	1993	1992(3)	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period		$ 15.95	$ 14.20	$ 13.99	$ 14.63	$ 12.79	$ 12.10	$ 9.47
	-----	-----	----	-------	------	----	----	----
Income from investment operations:								
Net investment income		0.47(7)	0.44	0.11	0.43	0.36	0.39	0.42

Net gains (losses) on securities (both realized and unrealized)		3.15(7)	2.30	0.10	0.08	2.21	0.77	2.70
Total from investment operations		3.62	2.74	0.21	0.51	2.57	1.16	3.12
Less distributions:								
Dividends from net investment income		(0.44)	(0.45)	--	(0.41)	(0.37)	(0.39)	(0.49)
Distributions from net realized gains on securities		(0.57)	(0.54)	--	(0.54)	(0.36)	(0.08)	--
Total distributions		(1.01)	(0.99)	--	(0.95)	(0.73)	(0.47)	(0.49)
Net asset value, end of period		$ 18.56	$ 15.95	$ 14.20	$ 14.19	$ 14.63	$ 12.79	$ 12.10
Total return (annualized)(8)		23.66%	21.03%	3.43%(9)	3.36%	21.49%	10.00%	33.83%
Ratios/supplemental data:								
Net assets, end of period (in thousands)		$1,008,518	$706,884	$505,892	$ 22,737	$477,088	$339,739	$264,628
Ratios to average net assets(10)(11)(12):								
Expenses		0.36%(7)	0.38%	0.37%	0.33%	0.34%	0.36%	0.37%
Net investment income		2.80%(7)	3.20%	3.18%	3.28%	3.12%	3.57%	4.19%
Portfolio turnover rate(13)		40%	26%	23%	23%	30%	35%	52%
Average commission rate paid(13)		$ 0.0412	--	--	--	--	--	--

<CAPTION>

	Growth and Income Fund		
	Institutional Class		
	Year Ended October 31,		
	1990(2)	1989	1988
<S>	<C>	<C>	<C>
Net asset value, beginning of period	$ 11.59	$ 9.96	$ 8.30
Income from investment operations:			
Net investment income	0.42	0.42	0.42
Net gains (losses) on securities (both realized and unrealized)	(1.94)	1.59	1.40
Total from investment operations	(1.52)	2.01	1.82
Less distributions:			
Dividends from net investment income	(0.43)	(0.38)	(0.16)
Distributions from net realized gains on securities	(0.17)	--	--
Total distributions	(0.60)	(0.38)	(0.16)
Net asset value, end of period	$ 9.47	$ 11.59	$ 9.96
Total return (annualized)(8)	(13.52)%	20.94%	22.20%
Ratios/supplemental data:			
Net assets, end of period (in thousands)	$182,430	$187,869	$140,073
Ratios to average net assets(10)(11)(12):			
Expenses	0.45%	0.45%	0.53%
Net investment income	4.49%	4.40%	4.20%
Portfolio turnover rate(13)	41%	50%	56%
Average commission rate paid(13)	--	--	--

</TABLE>

(1) The Growth and Income Fund commenced active operations on July 17, 1987. The AMR Class commenced active operations on August 1, 1994 and at that time existing shares of the Growth and Income Fund were designated as Institutional Class shares.

(2) GSB Investment Management, Inc. was added as an investment adviser to the Growth and Income Fund on April 10, 1990.

(3) 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.
(4) Average shares outstanding for the period rather than end of period shares were used to compute net investment income per share.
(5) 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.
(6) 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.
(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 Growth and Income Portfolio.
(8) 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.
(9) Total return for the AMR Class for the period ended October 31, 1994 reflects Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the AMR Class for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total returns for the AMR Class would vary from the results shown had it been in operation for the entire year.
(10) 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, which amounted to less than $.01 per share in each period on an annualized basis.
(11) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.
(12) Annualized.

(13) On November 1, 1995 the Growth and Income Fund began investing all of its investable assets in the Growth and Income Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the Growth and Income Portfolio. Calculation and disclosure of the average commission rate paid was not required prior to 1996.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	INTERNATIONAL EQUITY FUND			
	AMR CLASS			
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,
	1997	1996(5)	1995(5)	1994(1)(3)(4)
<S>	<C>	<C>	<C>	<C>
Net asset value, beginning of period		$ 13.31	$ 12.87	$ 12.61
Income from investment operations:				
Net investment income		0.31(6)	0.30	0.05
Net gains (losses) on securities (both realized and unrealized)		1.98(6)	0.68	0.21
Total from investment operations		2.29	0.98	0.26
Less distributions:				
Dividends from net investment income		(0.30)	(0.22)	--
Distributions from net realized gains on securities		(0.24)	(0.32)	--
Total distributions		(0.54)	(0.54)	--
Net asset value, end of period		$ 15.06	$ 13.31	$ 12.87
Total return (annualized)(7)		17.72%	8.18%	11.77%

	=====	=====	=====	========
Ratios/supplemental data:				
Net assets, end of period (in thousands)		$330,898	$227,939	$165,524
Ratios to average net assets(9)(10)(11):				
Expenses		0.57%(6)	0.60%	0.63%
Net investment income		2.49%(6)	2.65%	1.41%
Portfolio turnover rate(13)		19%	21%	37%
Average commission rate paid(13)		$ 0.0192	--	--

<CAPTION>

	INTERNATIONAL EQUITY FUND				S&P 500 INDEX FUND
	INSTITUTIONAL CLASS				AMR CLASS
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,	YEAR ENDED DECEMBER 31,
	1994(3)(4)	1993(2)	1992	1991(1)	1997(1)
<S>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$ 12.07	$ 8.93	$ 10.13	$ 10.00	$
	------	----	----	-------	-------
Income from investment operations:					
Net investment income	0.32	0.17	0.12	--	
Net gains (losses) on securities (both realized and unrealized)	1.10	3.09	(1.31)	0.13	
	------	----	----	-------	
Total from investment operations	1.42	3.26	(1.19)	0.13	
	------	----	----	-------	-------
Less distributions:					
Dividends from net investment income	(0.17)	(0.12)	(0.01)	--	
Distributions from net realized gains on securities	(0.45)	--	--	--	
	------	----	----	-------	-------
Total distributions	(0.62)	(0.12)	(0.01)	--	
	------	----	----	-------	-------
Net asset value, end of period	$ 12.87	$ 12.07	$ 8.93	$ 10.13	$
	======	====	====	=======	=======
Total return (annualized)(7)	11.77%(8)	36.56%	(12.07)%	5.69%	%
	======	====	====	=======	=======
Ratios/supplemental data:					
Net assets, end of period (in thousands)	$23,115	$66,652	$38,837	$10,536	
Ratios to average net assets(9)(10)(11):					
Expenses	0.61%	0.78%	1.17%	1.90%(12)	
Net investment income	2.74%	2.00%	2.04%	0.38%(12)	
Portfolio turnover rate(13)	37%	61%	21%	2%	
Average commission rate paid(13)	--	--	--	--	$

</TABLE>

(1) The International Equity Fund commenced active operations on August 7, 1991. The AMR Class commenced active operations on August 1, 1994 and at that time existing shares of the International Equity Fund were designated as Institutional Class shares.

(2) HD International Limited was replaced by Hotchkis and Wiley as an investment adviser to the International Equity Fund as of May 21, 1993.

(3) Morgan Stanley Asset Management Inc. was added as an investment adviser to the International Equity Fund as of August 1, 1994.

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

(5) 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.

(6) 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 International Equity Portfolio.

(7) 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.

(8) Total return for the AMR Class for the period ended October 31, 1994 reflects Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the AMR Class for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different expense structures between the classes, total returns for the AMR Class would vary from the results shown had it been in operation for the entire year.

(9) 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 and were waived by the Manager for the period ended October 31, 1991.

(10) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.

(11) Annualized.

(12) Estimated based on expected annual expenses and actual average net assets.

(13) On November 1, 1995 the International Equity Fund began investing all of its investable assets in the International Equity Portfolio. Portfolio turnover rate and average commission rate paid for the years ended October 31, 1996 and 1997 are those of the International Equity Portfolio. Calculation and disclosure of the average commission rate paid was not required prior to 1996.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	SHORT-TERM BOND FUND						
	AMR CLASS				INSTITUTIONAL CLASS		
	YEAR ENDED OCTOBER 31,			PERIOD ENDED OCTOBER 31,	YEAR ENDED OCTOBER 31,		
	1997	1996	1995	1994(1)(3)	1994(3)	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$	$ 9.81	$ 9.68	$ 9.78	$ 10.23	$ 10.13	$ 10.07
Income from investment operations:							
Net investment income		0.65(4)	0.64	0.14	0.52	0.58	0.75
Net gains (losses) on securities (both realized and unrealized)		(0.14)(4)	0.13	(0.10)	(0.46)	0.15	0.06
Total from investment operations		0.51	0.77	0.04	0.06	0.73	0.81
Less distributions:							
Dividends from net investment income		(0.65)	(0.64)	(0.14)	(0.52)	(0.58)	(0.75)
Distributions from net realized gains on securities		--	--	--	(0.10)	(0.05)	--
Total distributions		(0.65)	(0.64)	(0.14)	(0.62)	(0.63)	(0.75)
Net asset value, end of period	$	$ 9.67	$ 9.81	$ 9.68	$ 9.67	$ 10.23	$ 10.13
Total return (annualized)(5)	%	5.38%	8.22%	0.59%(6)	0.42%	7.20%	7.94%
Ratios/supplemental data:							
Net assets, end of period (in thousands)	$	$59,526	$64,595	$53,445	$112,141	$238,874	$209,928
Ratios to average net assets(7)(8)(9):							
Expenses	%	0.33%(4)	0.36%	0.33%	0.31%	0.26%	0.27%

Net investment income	%	6.66%(4)	6.60%	5.77%	5.26%	5.76%	7.40%
Portfolio turnover rate(10)	%	304%	183%	94%	94%	176%	133%

<CAPTION>

SHORT-TERM BOND FUND

INSTITUTIONAL CLASS

<S>	YEAR ENDED OCTOBER 31, 1991(2) <C>	1990 <C>	1989 <C>	PERIOD ENDED OCTOBER 31, 1988(1) <C>
Net asset value, beginning of period	$ 9.76	$ 9.94	$ 10.12	$ 10.00
Income from investment operations:				
Net investment income	0.83	0.92	0.96	0.64
Net gains (losses) on securities (both realized and unrealized)	0.31	(0.18)	(0.12)	0.05
Total from investment operations	1.14	0.74	0.84	0.69
Less distributions:				
Dividends from net investment income	(0.83)	(0.92)	(1.02)	(0.57)
Distributions from net realized gains on securities	--	--	--	--
Total distributions	(0.83)	(0.92)	(1.02)	(0.57)
Net asset value, end of period	$ 10.07	$ 9.76	$ 9.94	$ 10.12
Total return (annualized)(5)	11.87%	7.51%	7.62%	7.41%
Ratios/supplemental data:				
Net assets, end of period (in thousands)	$141,629	$83,265	$60,507	$40,855
Ratios to average net assets(7)(8)(9):				
Expenses	0.35%	0.48%	0.59%	0.50%
Net investment income	8.42%	9.44%	9.77%	8.01%
Portfolio turnover rate(10)	165%	156%	158%	127%

</TABLE>

(1) The Short-Term Bond Fund commenced active operations on December 3, 1987. Prior to March 1, 1998, the Short-Term Bond Fund was known as the Limited-Term Income Fund. The AMR Class commenced active operations on August 1, 1994 and at that time existing shares of the Short-Term Bond Fund were designated as Institutional Class shares.

(2) AMR Investment Services, Inc. began portfolio management of the Short-Term Bond Fund on March 1, 1991 replacing Brown Brothers, Harriman & Co. and Barrow, Hanley, Mewhinney & Strauss, Inc.

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

(4) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expense of the Short-Term Bond Portfolio.

(5) 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.

(6) Total return for the AMR Class for the period ended October 31, 1994 reflects Institutional Class returns from November 1, 1993 through July 31, 1994 and returns of the AMR Class for the period August 1, 1994 (commencement of operations) through October 31, 1994. Due to the different

expense structures between the classes, total returns for the AMR Class would vary from the results shown had it been in operation for the entire year.

(7) 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.

(8) The method of determining average net assets was changed from a monthly average to a daily average starting with the periods ended October 31, 1994.

(9) Annualized.

(10) On November 1, 1995 the Short-Term Bond Fund began investing all of its investable assets in the Limited-Term Portfolio. Portfolio turnover rate for the years ended October 31, 1996 and 1997 is that of the Limited-Term Income Portfolio.

INTRODUCTION

The Trust is an open-end, diversified management investment company organized as a Massachusetts business trust on January 16, 1987. The Funds are six of the several investment portfolios of the Trust. Each Fund has a distinctive investment objective and investment policies. Each Fund, except the S&P 500 Index Fund, invests all of its investable assets in a corresponding Portfolio of the AMR Trust that has an identical investment objective. The S&P 500 Index Fund invests all of its investable assets in the Equity 500 Index Portfolio, which is a separate investment company, advised by BT, that has an identical investment objective. The Manager provides the Portfolios, except the Equity 500 Index Portfolio, with business and asset management services, including the evaluation and monitoring of the investment advisers, and it provides the Funds with administrative services. BT provides the Equity 500 Index Portfolio with investment advisory, administrative and other services.

The Funds are comprised of three classes of shares, including the "AMR Class," for tax-exempt retirement and benefit plans of AMR Corporation and its affiliates, the "PlanAhead Class" which is available to all investors, including smaller institutional investors, investors using intermediary organizations such as discount brokers or plan sponsors, individual retirement accounts ("IRAs"), and self-employed individual retirement plans ("HR-10 Plans" or "Keogh Plans"), and the "Institutional Class" which is available to large institutional investors investing at least $2 million in the Funds. For further information about the Institutional Class call (800) 967-9009 and for the PlanAhead Class call (800) 388-3344.

Although each class of shares is designed to meet the needs of different categories of investors, all classes of each Fund share the same portfolio of investments and a common investment objective. See "Investment Objectives, Policies and Risks." There is no guarantee that a Fund will achieve its investment objective. Based on its value, a share of a Fund, regardless of class, will receive a proportionate share of the investment income and the gains (losses) earned (or incurred) by the Fund. It also will bear its proportionate share of expenses that are allocated to the Fund as a whole. However, certain expenses are allocated separately to each class of shares.

The assets of the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio are allocated by the Manager among investment advisers designated for each of those Portfolios. BT serves as the investment adviser to the Equity 500 Index Portfolio. The assets of the Intermediate Bond Portfolio are allocated by the Manager between the Manager and another investment adviser. Investment decisions for the Short-Term Bond Portfolio are made directly by the Manager. With the exception of the S&P 500 Index Fund, each investment adviser has discretion to purchase and sell portfolio securities in accordance with the investment objectives, policies and restrictions described in this Prospectus and in the SAI and by specific investment strategies developed by the Manager. See "Investment Advisers."

AMR Class shares are offered without sales charge at the net asset value next determined after an investment is received and accepted. Shares will be redeemed at the net asset value next determined after receipt of a redemption order. See "Purchase, Redemption and Valuation of Shares."

INVESTMENT OBJECTIVES, POLICIES AND RISKS

The investment objective and policies of each Fund and its corresponding Portfolio are described below. Except as otherwise indicated, the investment policies of any Fund may be changed at any time by the Board to the extent that such changes are consistent with the investment objective of the applicable Fund. However, each Fund's investment objective may not be changed without a majority vote of that Fund's outstanding shares, which is defined as the lesser of (a) 67% of the shares of the applicable Fund present or represented if the holders of more than 50% of the shares are present or represented at the shareholders' meeting, or (b) more than 50% of the shares of the applicable Fund (hereinafter, "majority vote"). Except for the Equity 500 Index Portfolio, a Portfolio's investment objective may not be changed without a majority vote of that Portfolio's interest holders. The investment objective of the Equity 500 Index Portfolio is not a fundamental policy. Shareholders of the S&P 500 Index Fund will receive thirty days' prior written notice with respect to any change in the investment objective of the Equity 500 Index Portfolio.

Each Fund has a fundamental investment policy which allows it to invest all of its investable assets in its corresponding Portfolio. All other fundamental investment policies and the non-fundamental investment policies of each Fund and its corresponding Portfolio are identical. Therefore, although the following discusses the investment policies of each Portfolio, the AMR Trust's Board of Trustees ("AMR Trust Board") and the Equity 500 Index Portfolio's Board of Trustees ("Equity 500 Index Portfolio Board"), it applies equally to each Fund and each Board.

AMERICAN AADVANTAGE BALANCED FUND -- This Fund's investment objective is to realize both income and capital appreciation. This Fund seeks its investment objective by investing all of its investable assets in the Balanced Portfolio, which invests primarily in equity and debt securities. Although equity securities (such as stocks) will be purchased primarily for capital appreciation and debt securities (such as bonds) will be purchased primarily for income purposes, income and capital appreciation potential will be considered in connection with all such investments. Excluding collateral for securities loaned, ordinarily the Portfolio will have a minimum of 30% and a maximum of 70% of its assets invested in equity securities and a minimum of 30% and a maximum of 70% of its assets invested in debt securities which, at the time of purchase, are rated in one of the four highest rating categories by all nationally recognized statistical rating organizations ("Rating Organizations") rating that security such as Standard & Poor's ("S&P") or Moody's Investor Services, Inc. ("Moody's") or, if unrated, are deemed to be of comparable quality by the applicable investment adviser. Obligations

rated in the fourth highest rating category are limited to 25% of the Portfolio's debt allocation. Obligations rated in the BBB or Baa categories by any Rating Organization have speculative characteristics and thus changes in economic conditions or other circumstances are more likely to lead to a weakened capacity to make principal and interest payments than is the case with higher grade bonds. See the SAI for a description of debt ratings. The Portfolio, at the discretion of the investment advisers, may retain a security that has been downgraded below the initial investment criteria. The Portfolio usually invests between 50% and 65% of its assets in equity securities and between 35% and 50% of its assets in debt securities. The remainder of the Portfolio's assets may be invested in other investment companies and in cash or cash equivalents, including investment-grade short-term obligations. However, when its investment advisers deem that market conditions warrant, the Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents and investment grade short-term obligations.

The Portfolio's investments in debt securities may include investments in obligations of the U.S. Government and its agencies and instrumentalities, including separately traded registered interest and principal securities ("STRIPS") and other zero coupon obligations; corporate bonds, notes and debentures; non-convertible preferred stocks; mortgage-backed securities; asset-backed securities; and domestic, Yankeedollar and Eurodollar bank deposit notes, certificates of deposit, bonds and notes. Such obligations may have a fixed, variable or floating rate of interest. See the SAI for a further description of the foregoing securities. The value of the Portfolio's debt investments will vary in response to interest rate changes as described in "American AAdvantage Intermediate Bond Fund."

The Portfolio also may engage in dollar rolls or purchase or sell securities on a "when-issued" or "forward commitment" basis. The purchase or sale of when-issued securities enables an investor to hedge against anticipated changes in interest rates and prices by locking in an attractive price or yield. The price of when-issued securities is fixed at the time the commitment to purchase or sell is made, but delivery and payment for the when-issued securities take place at a later date, normally one to two months after the date of purchase. During the period between purchase and settlement, no payment is made by the purchaser to the issuer and no interest accrues to the purchaser. Such transactions therefore involve a risk of loss if the value of the security to be purchased declines prior to the settlement date or if the value of the security to be sold increases prior to the settlement date. A sale of a when-issued security also involves the risk that the other party will be unable to settle the transaction. Dollar rolls are a type of forward commitment transaction. Purchases and sales of securities on a forward commitment basis involve a commitment to purchase or sell securities with payment and delivery to take place at some future date, normally one to two months after the date of the transaction. As with when-issued securities, these transactions involve certain risks, but they also enable an investor to hedge against anticipated changes in interest rates and prices. Forward commitment transactions are executed for

existing obligations, whereas in a when-issued transaction, the obligations have not yet been issued. When purchasing securities on a when-issued or on a forward commitment basis, a segregated account of liquid assets at least equal to the value of purchase commitments for such securities will be maintained until the settlement date.

The Portfolio's equity investments may consist of common stocks, preferred stocks and convertible securities, including foreign securities that are represented by U.S. dollar-denominated American Depository Receipts traded in the United States on exchanges and in the over-the-counter market. When purchasing equity securities, emphasis will be placed on undervalued securities with above average growth expectations. The Manager believes that purchasing securities which the investment advisers believe are undervalued in the market and that have above average growth potential will outperform other investment styles over the longer term while minimizing volatility and downside risk. The Manager will recommend that, with respect to portfolio management of equity assets, the Trust retain only those investment advisers who, in the Manager's opinion, utilize such an approach.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.; BRANDYWINE ASSET MANAGEMENT, INC.; GSB INVESTMENT MANAGEMENT, INC.; HOTCHKIS AND WILEY; and INDEPENDENCE INVESTMENT ASSOCIATES, INC. currently manage the assets of the Balanced Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE GROWTH AND INCOME FUND -- This Fund's investment objective is to realize long-term capital appreciation and current income. This Fund seeks its investment objective by investing all of its investable assets in the Growth and Income Portfolio, which invests primarily in equity securities. Excluding collateral for securities loaned, ordinarily at least 80% of the Portfolio's assets will be invested in equity securities consisting of common stocks, preferred stocks, securities convertible into common stocks, and securities having common stock characteristics, such as rights and warrants, and foreign equity securities that are represented by U.S. dollar-denominated American Depository Receipts traded in the United States on exchanges and in the over-the-counter market. When purchasing equity securities, primary emphasis will be placed on undervalued securities with above average growth expectations. In order to seek either above average current income or capital appreciation when interest rates are expected to decline, the Portfolio may invest in debt securities which, at the time of purchase, are rated in one of the four highest rating categories by all Rating Organizations rating that security or, if unrated, are deemed to be of comparable quality by the applicable investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's debt allocation. See "American AAdvantage Balanced Fund" for a description of the risks involved with these obligations. See the SAI for definitions of the foregoing securities and for a description of debt ratings. The Portfolio also may invest in other investment companies or in cash and cash equivalents, including investment grade short-term obligations. However, when its investment advisers deem that market conditions warrant, the Portfolio may,

for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents and investment grade short-term obligations. In addition, the Portfolio may purchase or sell securities on a "when-issued" or "forward commitment" basis. See "American AAdvantage Balanced Fund" for a description of these transactions.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.; BRANDYWINE ASSET MANAGEMENT, INC.; GSB INVESTMENT MANAGEMENT, INC.; HOTCHKIS AND WILEY; and INDEPENDENCE INVESTMENT ASSOCIATES, INC. currently manage the assets of the Growth and Income Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND -- This Fund's investment objective is to realize long-term capital appreciation. This Fund seeks its investment objective by investing all of its investable assets in the International Equity Portfolio, which invests primarily in equity securities of issuers based outside the United States. Ordinarily the Portfolio will invest at least 65% of its assets in common stocks and securities convertible into common stocks of issuers in at least three different countries located outside the United States. However, excluding collateral for securities loaned, the Portfolio generally invests in excess of 80% of its assets in such securities. The remainder of the Portfolio's assets will be invested in non-U.S. debt securities which, at the time of purchase, are rated in one of the three highest rating categories by any Rating Organization or, if unrated, are deemed to be of comparable quality by the applicable investment adviser and traded publicly on a world market, or in cash or cash equivalents, including investment grade short-term obligations, or in other investment companies. However, when its investment advisers deem that market conditions warrant, the Portfolio may, for temporary defensive purposes, invest up to 100% of its assets in cash, cash equivalents, other investment companies and investment grade short-term obligations.

The investment advisers select securities based upon a country's economic outlook, market valuation and potential changes in currency exchange rates. When purchasing equity securities, primary emphasis will be placed on undervalued securities with above average growth expectations.

Overseas investing carries potential risks not associated with domestic investments. Such risks include but are not limited to: (1) political and financial instability abroad, including risk of nationalization or expropriation of assets and the risk of war; (2) less liquidity and greater volatility of foreign investments; (3) less public information regarding foreign companies; (4) less government regulation and supervision of foreign stock exchanges, brokers and listed companies; (5) lack of uniform accounting, auditing and financial reporting standards; (6) delays in transaction settlement in some foreign markets; (7) possible imposition of confiscatory foreign taxes; (8) possible limitation on the removal of securities or other assets of the Portfolio; (9) restrictions on foreign investments and repatriation of capital; (10) currency fluctuations; (11) cost and possible restrictions of currency conversion; (12) withholding taxes on dividends

in foreign countries; and (13) possible higher commissions, custodial fees and management costs than in the U.S. market. These risks are often greater for investments in emerging or developing countries.

The Portfolio will limit its investments to those in countries which have been recommended by the Manager and which have been approved by the AMR Trust Board. Countries may be added or deleted with AMR Trust Board approval. In determining which countries will be approved, the AMR Trust Board will evaluate the risk factors set forth above and will particularly focus on the ability to repatriate funds, the size and liquidity aspects of a particular country's market and the investment climate for foreign investors. The current countries in which the Portfolio may invest are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland and the United Kingdom.

The Portfolio may trade forward foreign currency contracts ("forward contracts"), which are derivatives, to hedge currency fluctuations of underlying stock or bond positions or in other circumstances permitted by the Commodity Futures Trading Commission ("CFTC"). Forward contracts to sell foreign currency may be used when the management of the Portfolio believes that the currency of a particular foreign country may suffer a decline against the U.S. dollar. Forward contracts are also entered into to set the exchange rate for a future transaction. In this manner, the Portfolio may protect itself against a possible loss resulting from an adverse change in the relationship between the U.S. dollar or other currency which is being used for the security purchase and the foreign currency in which the security is denominated during the period between the date on which the security is purchased or sold and the date on which payment is made or received. Forward contracts involve certain risks which include, but are not limited to: (1) imperfect correlation between the securities hedged and the contracts themselves; and (2) possible decrease in the total return of the Portfolio. Forward contracts are discussed in greater detail in the SAI.

The Portfolio also may trade currency futures for the same reasons as for entering into forward contracts as set forth above. Currency futures are traded on U.S. and foreign currency exchanges. The use of currency futures also entails certain risks which include, but are not limited to: (1) less liquidity due to daily limits on price fluctuation; (2) imperfect correlation between the securities hedged and the contracts themselves; (3) possible decrease in the total return of the Portfolio due to hedging; (4) possible reduction in value for both the contracts and the securities being hedged; and (5) potential losses in excess of the amounts invested in the currency futures contracts themselves. The Portfolio may not enter into currency futures contracts if the purchase or sale of such contract would cause the sum of the Portfolio's initial and any variation margin deposits to exceed 5% of its total assets. Currency futures contracts, which are derivatives, are discussed in greater detail in the SAI.

HOTCHKIS AND WILEY, MORGAN STANLEY ASSET MANAGEMENT INC. and TEMPLETON INVESTMENT COUNSEL, INC. currently serve as investment advisers to the International Equity Portfolio.

AMERICAN AADVANTAGE S&P 500 INDEX FUND -- This Fund's investment objective is to provide investment results that, before expenses, correspond to the total return (the combination of capital changes and income) of common stocks publicly traded in the United States, as represented by the S&P 500. This Fund seeks its investment objective by investing all of its investable assets in the Equity 500 Index Portfolio which invests in common stocks of companies that compose the S&P 500. The Fund offers investors a convenient means of diversifying their holdings of common stocks while relieving those investors of the administrative burdens typically associated with purchasing and holding these instruments.

The Portfolio is not managed according to traditional methods of "active" investment management, which involve the buying and selling of securities based upon economic, financial and market analyses and investment judgment. Instead, the Portfolio, utilizing a "passive" or "indexing" investment approach, attempts to replicate, before expenses, the performance of the S&P 500.

Under normal conditions, the Portfolio will invest at least 80% of its assets in common stocks of companies that compose the S&P 500. In seeking to replicate the performance of the S&P 500, BT, the Portfolio's investment adviser, will attempt over time to allocate the Portfolio's investments among common stocks in approximately the same weightings as the S&P 500, beginning with the heaviest-weighted stocks that make up a larger portion of the Index's value. Over the long term, BT normally seeks a correlation between the performance of the Portfolio, before expenses, and that of the S&P 500 of 0.98 or better. A figure of 1.00 would indicate perfect correlation. In the unlikely event that the correlation is not achieved, the Equity 500 Index Portfolio Board will consider alternative structures.

BT utilizes a two-stage sampling approach in seeking to obtain the objective. Stage one, which encompasses large capitalization stocks, maintains the stock holdings at or near their benchmark weights. Large capitalization stocks are defined as those securities that represent 0.10% or more of the Index. In stage two, smaller stocks are analyzed and selected using risk characteristics and industry weights in order to match the sector and risk characteristics of the smaller companies in the S&P 500. This approach helps to maximize portfolio liquidity while minimizing costs.

BT generally will seek to match the composition of the S&P 500, but usually will not invest the Portfolio's stock portfolio to mirror the Index exactly. Because of the difficulty and expense of executing relatively small stock transactions, the Portfolio may not always be invested in the less heavily weighted S&P 500 stocks and may at times have its portfolio weighted differently from the S&P 500. When the Portfolio's size is

greater, BT expects to purchase more of the stocks in the S&P 500 and to match the relative weighting of the S&P 500 more closely and anticipates that the Portfolio will be able to mirror, before expenses, the performance of the S&P 500 with little variance. In addition, the Portfolio may omit or remove any S&P 500 stock from the Portfolio if, following objective criteria, BT judges the stock to be insufficiently liquid or believes the merit of the investment has been substantially impaired by extraordinary events or financial conditions. BT will not purchase the stock of Bankers Trust New York Corporation, which is included in the Index, and instead will overweight its holdings of companies engaged in similar businesses.

Under normal conditions, BT will attempt to invest as much of the Portfolio's assets as is practical in common stocks included in the S&P 500. However, the Portfolio may maintain up to 20% of its assets in short-term debt securities and money market instruments hedged with stock index futures and options to meet redemption requests or to facilitate the investment in common stocks.

When the Portfolio has cash from new investments in the Portfolio or holds a portion of its assets in money market instruments, it may enter into stock index futures or options to attempt to increase its exposure to the stock market. Strategies the Portfolio could use to accomplish this include purchasing futures contracts, writing put options, and purchasing call options. When the Portfolio wishes to sell securities, because of shareholder redemptions or otherwise, it may use stock index futures or options thereon to hedge against market risk until the sale can be completed. These strategies could include selling futures contracts, writing call options, and purchasing put options.

BT will choose among futures and options strategies based on its judgment of how best to meet the Portfolio's goals. In selecting futures and options, BT will assess such factors as current and anticipated stock prices, relative liquidity and price levels in the options and futures markets compared to the securities markets, and the Portfolio's cash flow and cash management needs. If BT judges these factors incorrectly, or if price changes in the Portfolio's futures and options positions are not well correlated with those of its other investments, the Portfolio could be hindered in the pursuit of the objective and could suffer losses. The Portfolio could also be exposed to risks if it could not close out its futures or options positions because of an illiquid secondary market. BT will only use these strategies for cash management purposes. Futures and options will not be used to increase portfolio risk above the level that could be achieved using only traditional investment securities or to acquire exposure to changes in the value of assets or indices that by themselves would not be purchased for the Portfolio. Futures and options are discussed in greater detail in the SAI.

The Portfolio intends to stay invested in the securities described above to the extent practical in light of the objective and long-term investment perspective. However, the Portfolio's assets may be invested in short-term instruments with

remaining maturities of 397 days or less to meet anticipated redemptions and expenses or for day-to-day operating purposes. Short-term instruments consist of (1) short-term obligations of the U.S. Government, its agencies, instrumentalities, authorities or political subdivisions; (2) other short-term debt securities rated Aa or higher by Moody's or AA or higher by S&P or, if unrated, of comparable quality in the opinion of BT; (3) commercial paper; (4) bank obligations, including negotiable certificates of deposit, time deposits and bankers' acceptances; and (5) repurchase agreements. At the time the Portfolio invests in commercial paper, bank obligations or repurchase agreements, the issuer or the issuer's parent must have outstanding debt rated Aa or higher by Moody's or AA or higher by S&P or outstanding commercial paper or bank obligations rated Prime-1 by Moody's or A-1 by S&P; or, if no such ratings are available, the instrument must be of comparable quality in the opinion of BT.

The S&P 500 is a well-known stock market index that includes common stocks of 500 companies from several industrial sectors representing a significant portion of the market value of all common stocks publicly traded in the United States, most of which are listed on the New York Stock Exchange (the "Exchange"). Stocks in the S&P 500 are weighted according to their market capitalization (the number of shares outstanding multiplied by the stock's current price). BT believes that the performance of the S&P 500 is representative of the performance of publicly traded common stocks in general. The composition of the S&P 500 is determined by S&P and is based on such factors as the market capitalization and trading activity of each stock and its adequacy as a representation of stocks in a particular industry group, and may be changed from time to time. For more complete information about the Index, see the SAI.

The Fund and the Portfolio are not sponsored, endorsed, sold or promoted by S&P. S&P makes no representation or warranty, express or implied, to the owners of the Fund or the Portfolio or any member of the public regarding the advisability of investing in securities generally or in the Fund and the Portfolio particularly or the ability of the S&P 500 to track general stock market performance. S&P does not guarantee the accuracy and/or the completeness of the S&P 500 or any data included therein.

S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY THE FUND OR THE PORTFOLIO, OWNERS OF THE FUND OR THE PORTFOLIO, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500 OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES AND HEREBY EXPRESSLY DISCLAIMS ALL SUCH WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 OR ANY DATA INCLUDED THEREIN.

The ability of the Fund and the Portfolio to meet their investment objective depends to some extent on the cash flow experienced by the Fund and by the other

investors in the Portfolio, since investments and redemptions by shareholders of the Fund generally will require the Portfolio to purchase or sell securities. BT will make investment changes to accommodate cash flow in an attempt to maintain the similarity of the Portfolio to the S&P 500. An investor should also be aware that the performance of the S&P 500 is a hypothetical number that does not take into account brokerage commissions and other costs of investing, unlike the Portfolio which must bear these costs. Finally, since the Portfolio seeks to track the S&P 500, BT generally will not attempt to judge the merits of any particular stock as an investment.

AMERICAN AADVANTAGE INTERMEDIATE BOND FUND -- This Fund's investment objective is to realize income and capital appreciation. As an investment policy, the Fund primarily seeks income and secondarily seeks capital appreciation. The Fund seeks its investment objective by investing all of its investable assets in the Intermediate Bond Portfolio, which invests primarily in debt obligations. Permissible investments include securities of the U.S. Government and its agencies and instrumentalities, including STRIPS and other zero coupon obligations; corporate bonds, notes and debentures; nonconvertible preferred stocks; mortgage-backed securities; asset-backed securities; domestic, Yankeedollar and Eurodollar certificates of deposit, bank deposit notes, and bank notes; other investment companies; and cash or cash equivalents including investment grade short-term obligations. Such obligations may have a fixed, variable or floating rate of interest. At the time of purchase, all such securities will be rated in one of the four highest rating categories by all Rating Organizations rating such obligation or, if unrated, will be deemed to be of comparable quality by the Manager or the investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's total assets. See "American AAdvantage Balanced Fund" for a description of the risks involved with these obligations. The Portfolio, at the discretion of the Manager and the investment adviser, may retain a security which has been downgraded below the initial investment criteria. See the SAI for definitions of the foregoing securities and for a description of debt ratings. Principal and/or interest payments for obligations of the U.S. Government's agencies or instrumentalities may or may not be backed by the full faith and credit of the U.S. Government.

Although investments will not be restricted by either maturity or duration of the securities purchased, under normal circumstances, the Portfolio will seek to maintain a dollar weighted average duration of three to seven years. Because the timing on return of principal for both asset-backed and mortgage-backed securities is uncertain, in calculating the average weighted duration of the Portfolio, the duration of these securities may be based on certain industry conventions.

Mortgage-backed securities are securities representing interests in "pools" of mortgages in which payments of both interest and principal on the securities are made monthly, in effect, "passing through" monthly payments made by the individual borrowers on the mortgage loans which underlie the securities (net of fees paid to the issuer or guarantor of the securities). Early repayment of principal on mortgage pass-

through securities (arising from prepayments of principal due to sale of the underlying property, refinancing, or foreclosure, net of fees and costs which may be incurred) may expose the Portfolio to a lower rate of return upon reinvestment of principal. Also, if a security subject to prepayment has been purchased at a premium, in the event of prepayment, the value of the premium would be lost. Like other debt securities, when interest rates rise, the value of mortgage-related securities generally will decline; however, when interest rates decline, the value of mortgage-related securities with prepayment features may not increase as much as other debt securities.

Payment of principal and interest on some mortgage pass-through securities (but not the market value of the securities themselves) may be guaranteed by the full faith and credit of the U.S. Government (in the case of securities guaranteed by the Government National Mortgage Association ("GNMA")) or guaranteed by agencies or instrumentalities of the U.S. Government (in the case of securities guaranteed by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), which are supported only by the discretionary authority of the U.S. Government to purchase the agency's obligations). Mortgage pass-through securities created by non-governmental issuers (such as commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers) may be supported with various credit enhancements such as pool insurance, guarantees issued by governmental entities, a letter of credit from a bank or senior/subordinated structures.

Collateralized mortgage obligations ("CMOs") are hybrid instruments with characteristics of both mortgage-backed bonds and mortgage pass-through securities. Similar to a mortgage pass-through, interest and prepaid principal on a CMO are paid, in most cases, monthly. CMOs may be collateralized by whole mortgage loans but are more typically collateralized by portfolios of mortgage pass-through securities guaranteed by GNMA, FHLMC or FNMA. CMOs are structured in multiple classes, with each class bearing a different stated maturity or interest rate.

The Portfolio is permitted to invest in asset-backed securities, subject to the Portfolio's rating and quality requirements. Through the use of trusts and special purpose subsidiaries, various types of assets, primarily home equity loans, automobile and credit card receivables, and other types of receivables or other assets as well as purchase contracts, financing leases and sales agreements entered into by municipalities, are securitized in pass-through structures similar to the mortgage pass-through structures described above. Consistent with the Fund's and the Portfolio's investment objective, policies and quality standards, the Portfolio may invest in these and other types of asset-backed securities which may be developed in the future.

Asset-backed securities involve certain risks that do not exist with mortgage-related securities, resulting mainly from the fact that asset-backed securities do not usually contain the benefit of a complete security interest in the related collateral. For

example, credit card receivables generally are unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, some of which may reduce the ability to obtain full payment. In the case of automobile receivables, due to various legal and economic factors, proceeds from repossessed collateral may not always be sufficient to support payments on the securities. The risks associated with asset-backed securities are often reduced by the addition of credit enhancements such as a letter of credit from a bank, excess collateral or a third-party guarantee.

Investments in Eurodollar (U.S. dollar obligations issued outside the United States by domestic or foreign entities) and Yankeedollar (U.S. dollar obligations issued inside the United States by foreign entities) obligations involve additional risks. Most notably, there generally is less publicly available information about foreign issuers; there may be less governmental regulation and supervision; foreign issuers may use different accounting and financial standards; and the adoption of foreign governmental restrictions may affect adversely the payment of principal and interest on foreign investments. In addition, not all foreign branches of United States banks are supervised or examined by regulatory authorities as are United States banks, and such branches may not be subject to reserve requirements. The Portfolio also may engage in dollar rolls or purchase or sell securities on a when-issued or forward commitment basis as described under "American AAdvantage Balanced Fund."

The market value of fixed rate securities, and thus the net asset value of this Portfolio's shares, is expected to vary inversely with movements in interest rates. The market value of variable and floating rate instruments will not vary as much due to the periodic adjustments in their interest rates. An adjustment which increases the interest rate of such securities should reduce or eliminate declines in market value resulting from a prior upward movement in interest rates, and an adjustment which decreases the interest rate of such securities should reduce or eliminate increases in market value resulting from a prior downward movement in interest rates.

The Manager and Barrow, Hanley, Mewhinney & Strauss, Inc. currently manage the assets of the Intermediate Bond Portfolio. See "Investment Advisers."

AMERICAN AADVANTAGE SHORT-TERM BOND FUND -- This Fund's investment objective is to realize income and capital appreciation. As an investment policy, the Fund primarily seeks income and secondarily seeks capital appreciation. The Fund seeks its investment objective by investing all of its investable assets in the Short-Term Bond Portfolio, which invests primarily in debt obligations. Permissible investments include securities of the U.S. Government and its agencies and instrumentalities, including STRIPS and other zero coupon obligations; corporate bonds, notes and debentures; nonconvertible preferred stocks; mortgage-backed securities; assets-backed securities; domestic, Yankeedollar and Eurodollar certificates of deposit, bank deposit notes, and bank notes; other investment companies; and cash or cash equivalents including investment grade short-term obligations. Such obligations may have a fixed, variable or floating

rate of interest. At the time of purchase, all such securities will be rated in one of the four highest rating categories by all Rating Organizations rating such obligation or, if unrated, will be deemed to be of comparable quality by the investment adviser. Obligations rated in the fourth highest rating category are limited to 25% of the Portfolio's total assets. See "American AAdvantage Balanced Fund" for a description of the risks involved with these obligations. The Portfolio, at the discretion of the Manager, may retain a security which has been downgraded below the initial investment criteria. See the SAI for definitions of the foregoing securities and for a description of debt ratings. Principal and/or interest payments for obligations of the U.S. Government's agencies or instrumentalities may or may not be backed by the full faith and credit of the U.S. Government.

Investments in Yankeedollar and Eurodollar bonds, notes and certificates of deposit involve risks that differ from investments in securities of domestic issuers. See "American AAdvantage Intermediate Bond Fund" for a description of these risks and of the risks associated with investments in mortgage-backed securities, CMOs and asset-backed securities. The value of the Portfolio's debt instruments will vary in response to interest rate changes as described in "American AAdvantage Intermediate Bond Fund." The Portfolio also may engage in dollar rolls and purchase or sell securities on a "when issued" or "forward commitment" basis as described "American AAdvantage Balanced Fund."

Although investments will not be restricted by either maturity or duration of the securities purchased, under normal circumstances, the Portfolio will seek to maintain a dollar weighted average duration of one to three years. Because the timing on return of principal for both asset-backed and mortgage-backed securities is uncertain, in calculating the average weighted duration of the Portfolio, the duration of these securities may be based on certain industry conventions.

The Manager serves as the sole active investment adviser to the Short-Term Bond Portfolio.

OTHER INVESTMENT POLICIES -- In addition to the investment policies described previously, each Portfolio also may lend its securities, enter into fully collateralized repurchase agreements and invest in private placement offerings.

SECURITIES LENDING. Each Portfolio (except for the Equity 500 Index Portfolio) may lend securities to broker-dealers or other institutional investors pursuant to agreements requiring that the loans be continuously secured by any combination of cash, securities of the U.S. Government and its agencies and instrumentalities and approved bank letters of credit that at all times equal at least 100% of the market value of the loaned securities. Such loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by any Portfolio of the AMR Trust would exceed 33 1/3% of its total assets. A Portfolio continues to receive interest on the securities loaned and

simultaneously earns either interest on the investment of the cash collateral or fee income if the loan is otherwise collateralized. Should the borrower of the securities fail financially, there is a risk of delay in recovery of the securities loaned or loss of rights in the collateral. However, the Portfolios seek to minimize this risk by making loans only to borrowers which are deemed by the Manager to be of good financial standing and which have been approved by the AMR Trust Board. For purposes of complying with each Portfolio's investment policies and restrictions, collateral received in connection with securities loans will be deemed an asset of a Portfolio to the extent required by law. Except for the Equity 500 Index Portfolio, the Manager will receive compensation for administrative and oversight functions with respect to securities lending. The amount of such compensation will depend on the income generated by the loan of each Portfolio's securities. The SEC has granted exemptive relief that permits the Portfolios to invest cash collateral received from securities lending transactions in shares of one or more private investment companies managed by the Manager. Subject to receipt of exemptive relief from the SEC, the Portfolios also may invest cash collateral received from securities lending transactions in shares of one or more registered investment companies managed by the Manager. See the SAI for further information regarding loan transactions.

REPURCHASE AGREEMENTS. A repurchase agreement is an agreement under which securities are acquired by a Portfolio from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Portfolio bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Portfolio is delayed or prevented from exercising its rights to dispose of the collateral securities. However, the investment advisers or the Manager attempt to minimize this risk by entering into repurchase agreements only with financial institutions which are deemed to be of good financial standing and which have been approved by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate. See the SAI for more information regarding repurchase agreements.

PRIVATE PLACEMENT OFFERINGS. Investments in private placement offerings are made in reliance on the "private placement" exemption from registration afforded by Section 4(2) of the Securities Act of 1933 (the "1933 Act"), and resold to qualified institutional buyers under Rule 144A under the 1933 Act ("Section 4(2) securities"). Section 4(2) securities are restricted as to disposition under the federal securities laws and generally are sold to institutional investors, such as the Portfolios, that agree they are purchasing the securities for investment and not with an intention to distribute to the public. Any resale by the purchaser must be pursuant to an exempt transaction and may be accomplished in accordance with Rule 144A. Section 4(2) securities normally are resold to other institutional investors such as the Portfolios through or with the assistance of the issuer or dealers that make a market in the Section 4(2) securities, thus providing liquidity. The Portfolios will not invest more than 15% of their respective net assets in Section 4(2) securities and illiquid securities unless the applicable investment adviser determines, by continuous reference to the appropriate trading markets and pursuant to guidelines approved by the AMR Trust Board or the Equity 500 Index Portfolio Board that any Section 4(2) securities held by such Portfolio in excess of this level are at all times liquid.

The AMR Trust Board, the Equity 500 Index Portfolio Board and the applicable investment adviser, pursuant to the guidelines approved by the respective Boards, will carefully monitor the respective Portfolios' investments in Section 4(2) securities offered and sold under Rule 144A, focusing on such important factors, among others, as: valuation, liquidity, and availability of information. Investments in Section 4(2) securities could have the effect of reducing a Portfolio's liquidity to the extent that qualified institutional buyers no longer wish to purchase these restricted securities.

BROKERAGE PRACTICES AND PORTFOLIO TURNOVER -- Each investment adviser will place its own orders to execute securities transactions which are designed to implement the applicable Portfolio's investment objective and policies. In placing such orders, each investment adviser will seek the best available price and most favorable execution. The full range and quality of services offered by the executing broker or dealer will be considered when making these determinations. Pursuant to written guidelines approved by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate, an investment adviser of a Portfolio, or its affiliated broker-dealer, may execute portfolio transactions and receive usual and customary brokerage commissions (within the meaning of Rule 17e-1 under the Investment Company Act of 1940, as amended ("1940 Act")) for doing so.

The Intermediate Bond Portfolio and the Short-Term Bond Portfolio normally will not incur any brokerage commissions on their transactions because debt instruments are generally traded on a "net" basis with dealers acting as principal for their own accounts and without a stated commission. The price of the obligation, however, usually includes a profit to the dealer. Obligations purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. No commissions or discounts are paid when securities are purchased directly from an issuer.

No Portfolio, other than the Short-Term Bond Portfolio, currently expects its portfolio turnover rate to exceed 100%. The portfolio turnover rate for the Short-Term Bond Portfolio for the fiscal year ended October 31, 1997 was %. A Portfolio's turnover rate, or the frequency of portfolio transactions, will vary from year to year depending on market conditions and the Portfolio's cash flows. High portfolio activity increases a Portfolio's transaction costs, including brokerage commissions, and may result in a greater number of taxable transactions.

ADDITIONAL INFORMATION ABOUT THE PORTFOLIOS -- As previously described, investors should be aware that each Fund, unlike mutual funds that directly acquire and manage their own portfolios of securities, seeks to achieve its investment objective by investing all of its

investable assets in a corresponding Portfolio of the AMR Trust, which is a separate investment company managed by the Manager, or in the Equity 500 Index Portfolio, which is a separate investment company advised by BT. Since a Fund will invest only in its corresponding Portfolio, that Fund's shareholders will acquire only an indirect interest in the investments of the Portfolio.

The Manager expects, although it cannot guarantee, that the Trust will achieve economies of scale by investing in the AMR Trust and the Equity 500 Index Portfolio. In addition to selling their interests to the Funds, the Portfolios sell their interests to other nonaffiliated investment companies and/or other institutional investors. All institutional investors in a Portfolio pay a proportionate share of the Portfolio's expenses and invest in that

Portfolio on the same terms and conditions. However, other investment companies investing all of their assets in a Portfolio are not required to sell their shares at the same public offering price as a Fund and are allowed to charge different sales commissions. Therefore, investors in a Fund may experience different returns from investors in another investment company that invests exclusively in that Fund's corresponding Portfolio.

The Fund's investment in a Portfolio may be affected materially by the actions of large investors in that Portfolio, if any. For example, as with all open-end investment companies, if a large investor were to redeem its interest in a Portfolio, that Portfolio's remaining investors could experience higher pro rata operating expenses, thereby producing lower returns. As a result, that Portfolio's security holdings may become less diverse, resulting in increased risk. Institutional investors in a Portfolio that have a greater pro rata ownership interest in the Portfolio than the Fund could have effective voting control over the operation of that Portfolio. A change in a Portfolio's fundamental objective, policies and restrictions, that is not approved by the shareholders of its corresponding Fund could require that Fund to redeem its interest in the Portfolio. Any such redemption could result in a distribution "in kind" of portfolio securities (as opposed to a cash distribution) by the Portfolio. Should such a distribution occur, that Fund could incur brokerage fees or other transaction costs in converting such securities to cash. In addition, a distribution "in kind" could result in a less diversified portfolio of investments for that Fund and could affect its liquidity adversely.

The Portfolios' and their corresponding Funds' investment objectives and policies are described above. See "Investment Restrictions" for a description of their investment restrictions. The investment objective of a Fund can be changed only with shareholder approval. The approval of a Fund and of other investors in its corresponding Portfolio, if any, is not required to change the investment objective, policies or limitations of that Portfolio, unless otherwise specified. Written notice will be provided to shareholders of a Fund within thirty days prior to any changes in its corresponding Portfolio's investment objective. If the investment objective of a Portfolio changes and the shareholders of its corresponding Fund do not approve a parallel change in that Fund's

investment objective, the Fund would seek an alternative investment vehicle or the Manager and the investment advisers would actively manage the Fund.

See "Management and Administration of the Trusts" for a complete description of the investment management fee and other expenses associated with a Fund's investment in its corresponding Portfolio. This Prospectus and the SAI contain more detailed information about each Fund and its corresponding Portfolio, including information related to (1) the investment objective, policies and restrictions of each Fund and its corresponding Portfolio, (2) the Board of Trustees and officers of the Trust, the AMR Trust, and the Equity 500 Index Portfolio Board, (3) brokerage practices, (4) the Funds' shares, including the rights and liabilities of its shareholders, (5) additional performance information, including the method used to calculate yield and total return, and (6) the determination of the value each Fund's shares.

INVESTMENT RESTRICTIONS

The following fundamental investment restrictions and the non-fundamental investment restriction are identical for each Fund and its corresponding Portfolio. Therefore, although the following discusses the investment restrictions of each Portfolio, the AMR Trust Board and the Equity 500 Index Portfolio, it applies equally to each Fund and Board. The following fundamental investment restrictions may be changed with respect to a particular Fund by the majority vote of that Fund's outstanding shares or with respect to a Portfolio by the majority vote of that Portfolio's interest holders. No Portfolio may:

- Invest more than 5% of its total assets (taken at market value) in securities of any one issuer, other than obligations issued by the U.S. Government, its agencies and instrumentalities, or purchase more than 10% of the voting securities of any one issuer, with respect to 75% of a Portfolio's total assets.

- Invest more than 25% of its total assets in the securities of companies primarily engaged in any one industry other than the U.S. Government, its agencies and instrumentalities, provided that: (i) this limitation does not apply to obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities; (ii) municipalities and their agencies and authorities are not deemed to be industries; and (iii) financial service companies are classified according to the end users of their services (for example, automobile finance, bank finance, and diversified finance will be considered separate industries).

The following non-fundamental investment restriction may be changed with respect to a particular Fund by a vote of a majority of the Board or with respect to a Portfolio by a vote of a majority of the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate: no Portfolio may invest more than 15% of its net assets in

illiquid securities, including time deposits and repurchase agreements that mature in more than seven days.

The above percentage limits are based upon asset values at the time of the applicable transaction; accordingly, a subsequent change in asset values will not affect a transaction that was in compliance with the investment restrictions at the time such transaction was effected. See the SAI for other investment limitations.

YIELDS AND TOTAL RETURNS

Yields for the AMR Class of the Funds will be computed by dividing the net investment income earned per AMR Class share during the relevant time period by the maximum offering price per AMR Class share on the last day of the period. Total return quotations for the AMR Class of the Funds may reflect the average annual compounded (or aggregate compounded) rate of return during the designated time period based on a hypothetical initial investment and the redeemable value of that investment at the end of the period. Additionally, the AMR Class of the Intermediate Bond Fund and the Short-Term Bond Fund may advertise a "monthly distribution rate." This rate is based on an annualized monthly dividend accrual rate per share compared with the month-end share price of the AMR Class of this Fund. The Funds will at times compare their performance to applicable published indices, and also may disclose their performance as ranked by certain ranking entities. Each class of a Fund has different expenses which will impact its performance. See the SAI for more information about the calculation of yields and total returns.

MANAGEMENT AND ADMINISTRATION OF THE TRUSTS

FUND MANAGEMENT AGREEMENT -- The Board has general supervisory responsibility over the Trust's affairs, while the business affairs of the AMR Trust and the Equity 500 Index Portfolio are subject to the supervision of their respective Board of Trustees. The Manager provides or oversees all administrative, investment advisory and portfolio management services for the Trust pursuant to a Management Agreement dated April 3, 1987, as amended July 25, 1997, together with the Administrative Services Agreement described below. The AMR Trust and the Manager also entered into a Management Agreement dated October 1, 1995, as amended July 25, 1997, that obligates the Manager to provide or oversee all administrative, investment advisory and portfolio management services for the AMR Trust. The Manager, located at 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155, is a wholly owned subsidiary of AMR Corporation ("AMR"), the parent company of American Airlines, Inc., and was organized in 1986 to provide investment management, advisory, administrative and asset management consulting services. The assets of the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio are allocated by the Manager among multiple investment advisers designated for that Portfolio. The assets of the Intermediate Bond Portfolio are allocated by the Manager

between the Manager and another investment adviser. See "Investment Advisers." BT serves as investment adviser and administrator of, and provides custody and transfer agency services to, the Equity 500 Index Portfolio. The Manager serves as the sole active investment adviser to the Short-Term Bond Portfolio. In addition, with the exception of the International Equity Portfolio and the Equity 500 Index Portfolio, if so requested by any of its investment advisers, the Manager will make the investment decisions with respect to assets allocated to that investment adviser which the investment adviser determines should be invested in investment grade short-term obligations. As of December 31, 1997, the Manager had assets under management totaling approximately $ billion, including approximately $ billion under active management and $ billion as named fiduciary or fiduciary adviser. Of the total, approximately $ billion of assets are related to AMR. American Airlines, Inc. is not responsible for investments made in the American AAdvantage Funds.

The Manager provides the Trust and the AMR Trust with office space, office equipment and personnel necessary to manage and administer the Trusts' operations. This includes complying with reporting requirements; corresponding with shareholders; maintaining internal bookkeeping, accounting and auditing services and records; and supervising the provision of services to the Trusts by third parties. The Manager also oversees each Portfolio's participation in securities lending activities and any actions taken by securities lending agents in connection with those activities to ensure compliance with all applicable regulatory and investment guidelines. The Manager also develops the investment programs for each Portfolio of the AMR Trust, selects and changes investment advisers (subject to approval by the AMR Trust Board and appropriate interest holders), allocates assets among investment advisers, monitors the investment advisers' investment programs and results, and coordinates the investment activities of the investment advisers to ensure compliance with regulatory restrictions.

The Manager bears the expense of providing the above services and pays the fees of the investment advisers of the Funds and the Portfolios of the AMR Trust. As compensation for paying the investment advisory fees and for providing the Portfolios with advisory and asset allocation services, the Manager receives from the AMR Trust an annualized advisory fee that is calculated and accrued daily, equal to the sum of (1) 0.25% of the net assets of the Intermediate Bond Portfolio and the Short-Term Bond Portfolio, (2) 0.10% of the net assets of the other Portfolios of the AMR Trust, plus (3) all fees payable by the Manager to the AMR Trust's investment advisers as described in "Investment Advisers." The advisory fee is payable quarterly in arrears. To the extent that a Fund invests all of its investable assets in its corresponding Portfolio, the Manager will not receive an advisory fee under its Management Agreement with the Trust. The Manager receives compensation in connection with securities lending activities. If a Portfolio lends its portfolio securities and receives cash collateral from the borrower, the Manager may receive up to 25% of the net annual interest income (the gross interest earned by the investment less the amount paid to the borrower as

well as related expenses) received from the investment of such cash. If a borrower posts collateral other than cash, the borrower will pay to the lender a loan fee. The Manager may receive up to 25% of the loan fees posted by borrowers. Currently, the Manager receives 10% of the net annual interest income from the investment of cash collateral or 10% of the loan fees posted by borrowers. In addition, the manager is compensated through the Administrative Services Agreement described below for other services provided.

Each Management Agreement will continue in effect provided that annually such continuance is specifically approved by a vote of the Board and the AMR Trust Board, including the affirmative votes of a majority of the Trustees of each Board who are not parties to the Management Agreement or "interested persons" as defined in the 1940 Act of any such party ("Independent Trustees"), cast in person at a meeting called for the purpose of considering such approval, or by the vote of a Fund's shareholders or a Portfolio's interest holders. A Management Agreement may be terminated with respect to a Fund or a Portfolio at any time, without penalty, by a majority vote of outstanding Fund shares or Portfolio interests on sixty (60) days' written notice to the Manager, or by the Manager, on sixty (60) days' written notice to the Trust or the AMR Trust. A Management Agreement will automatically terminate in the event of its "assignment" as defined in the 1940 Act.

The Trust is responsible for expenses not otherwise assumed by the Manager, including the following expenses: audits by independent auditors; transfer agency, custodian, dividend disbursing agent and shareholder recordkeeping services; taxes, if any, and the preparation of each Fund's tax returns; interest; costs of Trustee and shareholder meetings; printing and mailing prospectuses and reports to existing shareholders; fees for filing reports with regulatory bodies and the maintenance of the Funds' existence; legal fees; fees to federal and state authorities for the registration of shares; fees and expenses of Independent Trustees; insurance and fidelity bond premiums; and any extraordinary expenses of a nonrecurring nature.

A majority of the Independent Trustees of the Board have adopted written procedures reasonably appropriate to deal with potential conflicts of interest between the Trust and the AMR Trust, including creating a separate Board of Trustees of the AMR Trust.

FUND ADVISORY AGREEMENTS -- Each investment adviser, except BT, has entered into a separate investment advisory agreement with the Manager to provide investment advisory services to the Funds and Portfolios of the AMR Trust. To the extent that a Fund invests all of its investable assets in a corresponding Portfolio, however, an investment adviser will receive an advisory fee only on behalf of the Portfolio and not on behalf of its corresponding Fund. As described below, the assets of the Balanced, the Growth and Income and the International Equity Portfolios are allocated among the investment advisers designated for each Portfolio and the assets of the Intermediate

Bond Portfolio are allocated between the Manager and another investment adviser. The Manager is permitted to enter into new or modified advisory agreements with existing or new investment advisers without approval of Fund shareholders or Portfolio interest holders, but subject to approval of the Board and the AMR Trust Board. The Securities and Exchange Commission issued an exemptive order which eliminates the need for shareholder/interest holder approval, subject to compliance with certain conditions. These conditions include the requirement that within 90 days of hiring a new adviser or implementing a material change with respect to an advisory contract, the applicable Fund send a notice to shareholders containing information about the change that would be included in a proxy statement. The Manager recommends investment advisers to the Board and the AMR Trust Board based upon its continuing quantitative and qualitative evaluation of the investment advisers' skill in managing assets using specific investment styles and strategies. The allocation of assets among investment advisers may be changed at any time by the Manager. Allocations among advisers will vary based upon a variety of factors, including the overall investment performance of each investment adviser, the Portfolio's cash flow needs and market conditions. The Manager need not allocate assets to each investment adviser designated for a Portfolio. The investment advisers can be terminated without penalty to the AMR Trust by the Manager, the AMR Trust Board or the interest holders of the applicable Portfolio. Short-term investment performance, by itself, is not a significant factor in selecting or terminating an investment adviser, and the Manager does not expect to recommend frequent changes of investment advisers. The Prospectus will be supplemented if additional investment advisers are retained or the contract with any existing investment adviser is terminated.

Each investment adviser has discretion to purchase and sell securities for its segment of a Portfolio's assets in accordance with that Portfolio's objective, policies and restrictions and the more specific strategies provided by the Manager. Although the investment advisers are subject to general supervision by the AMR Trust Board, the Equity 500 Index Portfolio Board and the Manager, as appropriate, these parties do not evaluate the investment merits of specific securities transactions. As compensation for its services, each investment adviser, except BT, is paid a fee by the Manager out of the proceeds of the management fee received by the Manager from the AMR Trust.

ADMINISTRATIVE SERVICES AGREEMENTS -- The Manager and the Trust entered into an Administrative Services Agreement which obligates the Manager to provide the Funds those administrative and management services (other than investment advisory services) described in the Management Agreement. To the extent that a Fund invests all of its investable assets in a corresponding Portfolio, however, the Manager will receive no fee under this Agreement.

BT serves as the administrator to the Equity 500 Index Portfolio. Under an Administration and Services Agreement with the Portfolio, BT calculates the value of the assets of the Portfolio and generally assists the Equity 500 Index Portfolio Board

in all aspects of the administration and operation of the Portfolio. The Administration and Services Agreement provides for the Portfolio to pay BT a fee, computed daily and paid monthly, at the rate of 0.05% of the average daily net assets of the Portfolio. Under the Administration and Services Agreement, BT may delegate one or more of its responsibilities to others, including Federated Services Company, at BT's expense.

DISTRIBUTION OF TRUST SHARES -- Shares are distributed through the Funds' principal underwriter, BTS. BTS is compensated by the Manager, and not the Trust. The Trust does not incur any direct distribution expenses related to AMR Class shares. However, the Trust has adopted a Distribution Plan in accordance with Rule 12b-1 under the 1940 Act which authorizes the use of any fees received by the Manager in accordance with the Administrative Services and the Management Agreements and any fees received by the investment advisers pursuant to their Advisory Agreements with the Manager, to be used for distribution purposes.

ALLOCATION OF FUND EXPENSES -- Expenses of each Fund generally are allocated equally among the shares of that Fund, regardless of class. However, certain expenses approved by the Board will be allocated solely to the class to which they relate.

PRINCIPAL UNDERWRITER -- BROKERS TRANSACTION SERVICES, INC. ("BTS"), 7001 Preston Road, Dallas, Texas, 75205 serves as the principal underwriter of the Trust.

CUSTODIAN AND TRANSFER AGENT -- STATE STREET BANK & TRUST COMPANY, Boston, Massachusetts, serves as custodian for the Portfolios of the AMR Trust and the Funds as transfer agent for the AMR Class. BANKERS TRUST COMPANY, New York, New York, serves as custodian and transfer agent for the assets of the Equity 500 Index Portfolio.

INDEPENDENT AUDITOR -- The independent auditor for the Funds, except the S&P 500 Index Fund, and the AMR Trust is ERNST & YOUNG LLP, Dallas, Texas. The independent auditor for the S&P 500 Index Fund and the Equity 500 Index Portfolio is COOPERS & LYBRAND L.L.P., Kansas City, Missouri.

INVESTMENT ADVISERS

Set forth below is a brief description of the investment advisers for each Fund and its corresponding Portfolio. References to the investment advisers retained by a Portfolio also apply to the corresponding Fund. Except for the Manager and BT, the investment advisers do not provide any services to the Funds or the Portfolios except for portfolio investment management and related recordkeeping services, or has any affiliation with the Trust, the AMR Trust, the Equity 500 Index Portfolio or the Manager. BT provides investment advisory, administrative and other services to the Equity 500 Index Portfolio. See "Bankers Trust Company" below for a discussion of those services.

William F. Quinn has served as President of the Manager since it was founded in 1986 and Nancy A. Eckl serves as Vice President - Trust Investments of the Manager. Ms. Eckl previously served as Vice President - Finance and Compliance of the Manager from December 1990 to May 1995. In these capacities, Mr. Quinn and Ms. Eckl have primary responsibility for the day-to-day operations of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, the Intermediate Bond Fund and their corresponding Portfolios. These responsibilities include oversight of the investment advisers to these Funds, regular review of their performance and asset allocations among them.

Michael W. Fields is responsible for the portfolio management oversight of the Short-Term Bond Fund and its corresponding Portfolio. Mr. Fields has been with the Manager since it was founded in 1986 and serves as Vice President - Fixed Income Investments. Benjamin L. Mayer is responsible for the day-to-day portfolio management of the Short-Term Bond Portfolio. Mr. Mayer has served as Senior Portfolio Manager of the Manager since May 1995. Prior to that time, he was a Vice President, Institutional Fixed Income Sales at Merrill, Lynch, Pierce, Fenner & Smith from January 1994 to April 1995 and Vice President, Regional Senior Strategist from April 1989 to January 1994.

Mr. Fields also is responsible for the portfolio management oversight of the portion of the Intermediate Bond Fund and its corresponding Portfolio, allocated to the Manager. Mr. Mayer is responsible for its day-to-day portfolio management.

Frank Salerno, Managing Director of BT, is responsible for the day-to-day management of the Equity 500 Index Portfolio. Mr. Salerno has been employed by BT since prior to 1989 and has managed the Equity 500 Index Portfolio's assets since the Portfolio commenced operations December 31, 1992.

BANKERS TRUST COMPANY, 280 Park Avenue, New York, New York 10017, is a New York banking corporation and is a wholly owned subsidiary of Bankers Trust New York Corporation. BT conducts a variety of general banking and trust activities and is a major wholesale supplier of financial services to the international and domestic institutional market, with a global network of over 120 offices in more than 40 countries. As of September 30, 1997, Bankers Trust New York Corporation was the seventh largest bank holding company in the United States with total assets of approximately $ billion and approximately $ billion in assets under management globally. Of that total, approximately $ billion are in U.S. equity index assets alone. BT serves as investment adviser and administrator to the Equity 500 Index Portfolio. For its services, BT receives a fee from the Equity 500 Index Portfolio, computed daily and paid monthly, at the annual rate of 0.08% of the average daily net assets of the Portfolio.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC. ("Barrow"), 3232 McKinney Avenue, 15th Floor, Dallas, Texas 75204, is a professional investment counseling firm which has been providing investment advisory services since 1979. The firm is wholly owned by United Asset Management Corporation, a Delaware corporation. As of December 31, 1997, Barrow had discretionary investment management authority with respect to approximately $ billion of assets, including approximately $ billion of assets of AMR and its subsidiaries and affiliated entities. Barrow serves as an investment adviser to the Balanced Portfolio, the Growth and Income Portfolio, the Intermediate Bond Portfolio and the Short-Term Bond Portfolio, although the Manager does not presently intend to allocate any of the assets in the Short-Term Bond Portfolio to Barrow. The Manager pays Barrow an annualized fee equal to .30% on the first $200 million in AMR Trust assets under its discretionary management, .20% on the next $300 million, .15% on the next $500 million, and .125% on assets over $1 billion.

BRANDYWINE ASSET MANAGEMENT, INC. ("Brandywine"), 201 North Walnut Street, Wilmington, Delaware 19801, is a professional investment counseling firm founded in 1986. Brandywine is a wholly owned subsidiary of Legg Mason, Inc. As of December 31, 1997, Brandywine had assets under management totaling approximately $ billion, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. Brandywine serves as an investment adviser to the Balanced Portfolio and the Growth and Income Portfolio. The Manager pays Brandywine an annualized fee equal to .225% of assets in the Balanced Portfolio and .25% of assets in the Growth and Income Portfolio of the first $500 million of AMR Trust assets under its discretionary management, .225% of the next $100 million on all assets and .20% on all excess assets.

GSB INVESTMENT MANAGEMENT, INC. ("GSB"), 301 Commerce Street, Fort Worth, Texas 76102, is a professional investment management firm which was founded in 1987 by Frank P. Ganucheau, Mark J. Stupfel, and Lyle E. Brumley. GSB is wholly owned by United Asset Management Corporation, a Delaware corporation. As of December 31, 1997, GSB managed approximately $ billion of assets, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. GSB serves as an investment adviser to the Balanced Portfolio and the Growth and Income Portfolio. The Manager pays GSB an annualized fee equal to .30% of the first $100 million in AMR Trust assets under its discretionary management, .25% of the next $100 million, .20% of the next $100 million, and .15% of all excess assets.

HOTCHKIS AND WILEY, 800 West Sixth Street, 5th Floor, Los Angeles, California 90017, is a professional investment counseling firm which was founded in 1980 by John F. Hotchkis and George Wiley. Hotchkis and Wiley is a division of Merrill Lynch Capital Management Group, a wholly owned subsidiary of Merrill Lynch & Co., Inc. Assets under management as of December 31, 1997 were approximately $ billion, which included approximately $ billion of assets of AMR and its subsidiaries and affiliated entities. Hotchkis and Wiley serves as an investment adviser to the Balanced Portfolio, the Growth and Income Portfolio and the International Equity Portfolio. The Manager pays Hotchkis and Wiley an annualized fee equal to .60% of the first $10 million of AMR Trust assets under its discretionary management, .50% of the next $140 million of assets, .30% of the next $50 million of assets, .20% of the next $800 million of assets and .15% of all excess assets.

INDEPENDENCE INVESTMENT ASSOCIATES, INC. ("IIA"), 53 State Street, Boston, Massachusetts 02109, is a professional investment counseling firm which was founded in 1982. The firm is a wholly owned subsidiary of John Hancock Mutual Life Insurance Company. Assets under management as of December 31, 1997, including funds managed for its parent company, were approximately $ billion, which included approximately $ million of assets of AMR and its subsidiaries and affiliated entities. IIA serves as an investment adviser to the Balanced Portfolio and the Growth and Income Portfolio. The Manager pays IIA an annualized fee equal to .50% of the first $30 million of AMR Trust assets under its discretionary management, .25% of the next $70 million of assets, and .20% of all excess assets.

MORGAN STANLEY ASSET MANAGEMENT INC. ("MSAM"), 25 Cabot Square, London, United Kingdom, E14 4QA, is a wholly owned subsidiary of Morgan Stanley, Dean Witter, Discover & Co. MSAM provides portfolio management and named fiduciary services to taxable and nontaxable institutions, international organizations and individuals investing in United States and international equity and debt securities. As of September 30, 1997, MSAM had assets under management totaling approximately $ billion, including approximately $ billion under active management and $ billion as named fiduciary or fiduciary adviser. As of September 30, 1997, MSAM had investment authority over approximately $ million of assets of AMR and its subsidiaries and affiliated entities. MSAM serves as an investment adviser to the International Equity Portfolio. The Manager pays MSAM an annual fee equal to .80% of the first $25 million of AMR Trust assets under its discretionary management, .60% of the next $25 million in assets, .50% of the next $25 million in assets and .40% of all excess assets.

TEMPLETON INVESTMENT COUNSEL, INC. ("Templeton"), 500 East Broward Blvd., Suite 2100, Fort Lauderdale, Florida 33394-3091, is a professional investment counseling firm which has been providing investment services since 1979. Templeton is indirectly owned by Franklin Resources, Inc. As of December 31, 1997, Templeton had discretionary investment management authority with respect to approximately $ billion of assets, including approximately $ million of assets of AMR and its subsidiaries and affiliated entities. Templeton serves as an investment adviser to the International Equity Portfolio. The Manager pays Templeton an annualized fee equal to .50% of the first $100 million of AMR Trust assets under its discretionary management, .35% of the next $50 million in assets, .30% of the next $250 million in assets and .25% on assets over $400 million.

Solely for the purpose of determining the applicable percentage rates when calculating the fees for each investment adviser other than MSAM and BT, there shall be included all other assets or trust assets of American Airlines, Inc. also under management by each respective investment adviser (except assets managed by Barrow under the HALO Bond Program). For the purpose of determining the applicable percentage rates when calculating MSAM's fees, all equity account assets managed by MSAM on behalf of American Airlines, Inc. shall be included. The inclusion of any such assets will result in lower overall fee rates being applied to the applicable Portfolio.

PURCHASE, REDEMPTION AND VALUATION OF SHARES

PURCHASING SHARES OF THE TRUST -- AMR Class shares are offered to tax-exempt retirement and benefit plans of AMR Corporation and its affiliates. Shares are sold without a sales charge at the next share price calculated after the acceptance of a purchase order. AMR Class shares are offered and orders accepted until the close of the Exchange, generally 4:00 p.m. Eastern time on each day on which the Exchange is open for trading, which excludes the following business holidays: New Year's Day, Martin Luther King's Birthday, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day ("Business Day"). The Trust reserves the right to reject any order for the purchase of shares and to limit or suspend, without prior notice, the offering of shares.

AMR Class shares may be purchased and redeemed as follows:

BY WIRE -- Purchases may be made by wiring funds. To ensure prompt receipt of a transmission by wire, the investor should: telephone the transfer agent at (800) 492-9063 and specify the Fund whose shares are to be purchased; provide the name, address, telephone number and account number of the investor; and identify the amount being wired and by which bank. If you are opening a new account, the transfer agent will provide you with an account number. You should instruct your bank to designate the account number which the transfer agent has assigned to you and to transmit the federal funds to: State Street Bank & Trust Co., ABA Routing #0110-0002-8, Account No. 0002-888-6, reference American AAdvantage Funds.

BY DEPOSITING SECURITIES -- Shares of a Fund may be purchased in exchange for an investor's securities if the securities are acceptable to its corresponding Portfolio and satisfy applicable investment objectives and policies. If you are interested in exchanging securities you must first contact the Manager and acquire instructions regarding submission of a written description of the securities which you wish to exchange. You must represent that all such securities offered to any Fund are not subject to any sale restrictions. Within five business days after receipt of the written description, the Manager will advise you whether the securities to be exchanged are acceptable. There is no charge for this review by the Manager. Securities accepted by a Fund must have a

readily ascertainable value as evidenced by a listing on the Exchange, the American Stock Exchange or The Nasdaq Stock Market. Securities are valued in the manner described for valuing Portfolio assets in the section entitled "Valuation of Shares." Acceptance of such orders may occur on any day during the five-day period afforded the Manager to review the acceptability of the securities. Upon notice of acceptance of such orders, the securities must be delivered in fully negotiable form within three days. The Manager will provide delivery instructions at the time of acceptance. You may realize gain or loss for federal income tax purposes upon the securities exchange, depending upon the adjusted tax basis and value of the securities tendered. A Fund will accept securities in this manner only for investment by its corresponding Portfolio, and not for resale.

BY MAIL -- Share purchases of any Fund may be made by mail by sending a check or other negotiable bank draft payable to the applicable Fund to "State Street Bank & Trust Co., P.O. Box 1978, Boston, MA 02105-1978, Attn.: American AAdvantage Funds -- AMR Class." An additional purchase of shares should be accompanied by your account number. Purchase checks are accepted subject to collection at full face value in U.S. funds and must be drawn in U.S. dollars on a U.S. bank. Courier and overnight deliveries should be addressed to State Street Bank & Trust Co., Transfer Agency Operations, One Heritage Drive, MSP-5 South, North Quincy, MA, 02171.

REDEMPTION OF SHARES -- Shares of the Funds may be redeemed by telephone or by mail on any Business Day.

BY TELEPHONE -- Shares may be redeemed by telephone. Proceeds from redemption orders received by 4:00 p.m. Eastern Time generally will be transmitted to shareholders the next Business Day.

BY MAIL -- Fund shares may be redeemed on any Business Day by writing directly to State Street Bank & Trust Co. at the address above under "Purchasing Shares of the Trust -- By Mail." The redemption price will be the net asset value per share next determined after receipt by State Street Bank & Trust Co. of all required documents in good order. "Good order" means that the request must include a letter of instruction or stock assignment specifying (1) the account number and Fund name; (2) the number of shares or dollar amount to be redeemed; (3) signature of an authorized signatory for the owners of the shares in the exact names in which they appear on the account; (4) other supporting legal documents, if required, in the case of estates, trusts, guardianships, custodians, corporations, IRAs and welfare, pension and profit-sharing plans; and (5) any share certificates being redeemed must be returned duly endorsed or accompanied by a stock assignment with signatures guaranteed by a bank, trust company or member of a recognized stock exchange.

Payment for redeemed shares will be made in cash within seven days after the receipt of a redemption request in good order. However, the Fund reserves the right to

suspend redemptions or postpone the date of payment (a) for any periods during which the Exchange is closed (other than for customary weekend and holiday closings), or when trading on the Exchange is restricted, (b) at such time as an emergency exists as determined by the Securities and Exchange Commission so that disposal of a Fund's investments or determination of its net asset value is not reasonably practicable, or (c) for such other periods as the Securities and Exchange Commission by order may permit for protection of the Funds' shareholders. Shares purchased by check may not be redeemed until the funds have cleared, which may take up to 15 days. Although each Fund intends to redeem shares in cash, each reserves the right to pay the redemption price in whole or in part by a distribution of readily marketable securities held by the applicable Fund's corresponding Portfolio. See the SAI for further information concerning redemptions in kind.

VALUATION OF SHARES -- The net asset value of each share (share price) of the Funds is determined as of the close of the Exchange, generally 4:00 p.m. Eastern time on each Business Day. The net asset value of all outstanding shares of all classes will be determined based on a pro rata allocation of the value of the Fund's corresponding Portfolio's investment income, expenses and total capital gains and losses. The allocation will be based on comparative net asset value at the beginning of the day except for expenses related solely to one class of shares ("Class Expenses") which will be borne only by the appropriate class of shares. Because of the Class Expenses, the net income attributable to and the dividends payable for each class of shares may be different. Additionally, the Funds may compute differing share prices as a result of Class Expenses.

Equity securities listed on securities exchanges, including all but United Kingdom securities of the International Equity Portfolio, are valued at the last quoted sales price on a designated exchange prior to the close of trading on the Exchange or, lacking any sales, on the basis of the last current bid price prior to the close of trading on the Exchange. Securities of the United Kingdom held in the International Equity Portfolio are priced at the last jobber price (mid of the bid and offer prices quoted by the leading stock jobber in the security) prior to close of trading on the Exchange. Trading in foreign markets is usually completed each day prior to the close of the Exchange. However, events may occur which affect the values of such securities and the exchange rates between the time of valuation and the close of the Exchange. Should events materially affect the value of such securities during this period, the securities are priced at fair value, as determined in good faith and pursuant to procedures approved by the AMR Board. 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) will normally 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 AMR Trust Board for the AMR Trust Portfolios. Assets and liabilities denominated in foreign currencies and forward currency contracts are translated into U.S. dollar equivalents based on prevailing market rates. Investment grade short-term obligations with 60 days or less to maturity held by the Portfolios are valued using the amortized cost method as described in the SAI.

DIVIDENDS, OTHER DISTRIBUTIONS AND TAX MATTERS

DIVIDENDS AND OTHER DISTRIBUTIONS -- Dividends and other distributions paid on each class of a Fund's shares are calculated at the same time and in the same manner. Dividends from the net investment income of the Balanced Fund, the Growth and Income Fund and the International Equity Fund normally are declared annually. Dividends consisting of substantially all of the net investment income of the Intermediate Bond Fund and the Short-Term Bond Fund, which are paid monthly, normally are declared on each Business Day immediately prior to the determination of the net asset value, and are payable to shareholders of record as of the close of business on the day on which declared. The S&P 500 Index Fund distributes income dividends on the first Business Day in April, July and October. In December, the S&P 500 Index Fund will distribute another income dividend, plus any capital gains. Each Fund may make an additional dividend or other distribution, if necessary, to avoid a 4% excise tax on certain undistributed income and gain. A Fund's net investment income attributable to the AMR Class consists of that class's share of the Fund's share of dividends and interest (including discount) accrued on its corresponding Portfolio's securities, less expenses of the Fund and the Portfolio attributable to the AMR Class. Distributions of a Fund's share of its corresponding Portfolio's realized net short-term capital gain, net capital gain (the excess of net long-term capital gain over net short-term capital loss), and net gains from foreign currency transactions, if any, normally will be made annually.

Unless a shareholder elects otherwise on the account application, all dividends and other distributions on a Fund's AMR Class shares will be automatically paid in additional AMR Class shares of that Fund. However, a shareholder may choose to have distributions of net capital gain (and, if applicable, net foreign currency gains) paid in shares and dividends paid in cash or to have all such distributions and dividends paid in cash. An election may be changed at any time by delivering written notice that is received by the transfer agent at least ten days prior to the payment date for a dividend or other distribution.

TAX INFORMATION -- Each Fund is treated as a separate corporation for federal income tax purposes and intends to qualify or to continue to qualify for treatment as a regulated investment company under the Internal Revenue Code of 1986, as amended. In each taxable year that a Fund so qualifies, the Fund (but not its shareholders) will be

relieved of federal income tax on that part of its investment company taxable income (generally, taxable net investment income plus any net short-term capital gain and gains from certain foreign currency transactions) and net capital gain that it distributes to its shareholders. However, a Fund will be subject to a nondeductible 4% excise tax to the extent that it fails to distribute by the end of any calendar year substantially all of its ordinary income for that calendar year and its capital gain net income for the one-year period ending on October 31 of that year, plus certain other amounts. For these and other purposes, dividends and other distributions declared by a Fund in October, November or December of any year and payable to shareholders of record on a date in one of those months will be deemed to have been paid by the Fund and received by the shareholders on December 31 of that year if they are paid by the Fund during the following January. Each Portfolio has received a ruling from the Internal Revenue Service that it is classified for federal income tax purposes as a partnership; accordingly, no Portfolio is subject to federal income tax.

The qualified retirement and benefit plans of AMR Corporation and its affiliates ("Plans"), which are the AMR Class shareholders, pay no federal income tax. Individual participants in the Plans should consult the Plans' governing documents and their own tax advisers for information on the tax consequences associated with participating in the Plans.

The foregoing is only a summary of some of the important tax considerations generally affecting the Funds and their shareholders. Prospective investors are urged to consult their own tax advisers regarding specific questions as to the effect of federal, state or local income taxes on any investment in the Trust. For further tax information, see the SAI.

GENERAL INFORMATION

The Trust currently is comprised of ten separate investment portfolios. Each Fund in this Prospectus is comprised of three classes of shares, which can be issued in an unlimited number. Each share represents an equal proportionate beneficial interest in that Fund and is entitled to one vote. Only shares of a particular class may vote on matters affecting that class. Only shares of a particular Fund may vote on matters affecting that Fund. All shares of the Trust vote on matters affecting the Trust as a whole. Share voting rights are not cumulative, and shares have no preemptive or conversion rights. Shares of the Trust are nontransferable. Each series in the Trust will not be involved in any vote involving a Portfolio in which it does not invest its assets. Shareholders of all of the series of the Trust, however, will vote together to elect Trustees of the Trust and for certain other matters. Under certain circumstances, the shareholders of one or more series could control the outcome of these votes.

On most issues subjected to a vote of a Portfolio's interest holders, as required by the 1940 Act, its corresponding Fund will solicit proxies from its shareholders and

will vote its interest in the Portfolio in proportion to the votes cast by that Fund's shareholders. Because a Portfolio interest holder's votes are proportionate to its percentage interests in that Portfolio, one or more other Portfolio investors could, in certain instances, approve an action against which a majority of the outstanding voting securities of its corresponding Fund had voted. This could result in that Fund's redeeming its investment in its corresponding Portfolio, which could result in increased expenses for that Fund. Whenever the shareholders of a Fund are called to vote on matters related to its corresponding Portfolio, the Board shall vote shares for which they receive no voting instructions in the same proportion as the shares for which they do receive voting instructions. Any information received from a Portfolio in the Portfolio's report to shareholders will be provided to the shareholders of its corresponding Fund.

As a Massachusetts business trust, the Trust is not obligated to conduct annual shareholder meetings. However, the Trust will hold special shareholder meetings whenever required to do so under the federal securities laws or the Trust's Declaration of Trust or By-Laws. Trustees can be removed by a shareholder vote at special shareholder meetings.

As more fully described in the SAI, the following persons may be deemed to control certain Funds by virtue of their ownership of more than 25% of the outstanding shares of a Fund as of January 31, 1998:

AMERICAN AADVANTAGE BALANCED FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%
AMERICAN AADVANTAGE GROWTH AND INCOME FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%
AMERICAN AADVANTAGE INTERNATIONAL EQUITY FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%
AMERICAN AADVANTAGE INTERMEDIATE BOND FUND	
Retirement Advisors of America, Inc.	%
AMERICAN AADVANTAGE SHORT-TERM BOND FUND	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof	%

SHAREHOLDER COMMUNICATIONS

Shareholders will receive periodic reports, including annual and semi-annual reports which will include financial statements showing the results of the Funds' operations and other information. The financial statements of the Funds will be audited by independent auditors at least annually. Shareholder inquiries and requests for information regarding the other investment companies which also invest in the AMR Trust should be made in writing to the Funds at P.O. Box 619003, MD 5645, Dallas/Fort Worth Airport, Texas 75261-9003 or by calling (800) 388-3344. Shareholder inquiries and requests for information regarding the other investment companies that also invest in the Equity 500 Index Portfolio should be made by calling (800) 730-1313.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IN SALES LITERATURE SPECIFICALLY APPROVED BY OFFICERS OF THE TRUST FOR USE IN CONNECTION WITH THE OFFER OF ANY AMR CLASS SHARES, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUNDS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, SUCH OFFERING MAY NOT LAWFULLY BE MADE.

American AAdvantage Funds is a registered service mark of AMR Corporation. American AAdvantage Balanced Fund, American AAdvantage Growth and Income Fund, American AAdvantage International Equity Fund, American AAdvantage Intermediate Bond Fund and American AAdvantage Short-Term Bond Fund are service marks and PlanAhead Class is a registered service mark of AMR Investment Services, Inc.

PROSPECTUS

American Advantage Funds(R)

- AMR CLASS -

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

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

- PLANAHEAD CLASS(R) -

P.O. Box 419643

Kansas City, MO 64141-6643

(800) 388-3344

THIS PROSPECTUS contains important information about the Platinum Class of the AMERICAN AADVANTAGE FUNDS ("AAdvantage Trust") and the AMERICAN AADVANTAGE MILEAGE FUNDS ("Mileage Trust"), each an open-end management investment company which consists of multiple investment portfolios. This Prospectus pertains only to the four funds listed on this cover page (individually referred to as a "Fund" and, collectively, the "Funds"). EACH FUND SEEKS ITS INVESTMENT OBJECTIVE BY INVESTING ALL OF ITS INVESTABLE ASSETS IN A CORRESPONDING PORTFOLIO (INDIVIDUALLY REFERRED TO AS A "PORTFOLIO" AND, COLLECTIVELY, "PORTFOLIOS") OF THE AMR INVESTMENT SERVICES TRUST ("AMR TRUST") WHICH HAS AN INVESTMENT OBJECTIVE IDENTICAL TO THE INVESTING FUND. The investment experience of each Fund will correspond directly with the investment experience of each Portfolio. Each Fund consists of multiple classes of shares designed to meet the needs of different groups of investors. Platinum Class shares are offered exclusively to customers of certain broker-dealers. Prospective Platinum Class investors should read this Prospectus carefully before making an investment decision and retain it for future reference.

IN ADDITION TO THIS PROSPECTUS, a Statement of Additional Information ("SAI") for the Platinum Class dated March 1, 1998 has been filed with the Securities and Exchange Commission and is incorporated herein by reference. The SAI contains more detailed information about the Funds. For a free copy of the SAI, call 800-973-7977. For further information on the Funds, refer to the address and phone number on the back cover.

AN INVESTMENT IN THE FUNDS IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT AND THERE CAN BE NO ASSURANCE THAT THEY WILL BE ABLE TO MAINTAIN A

STABLE PRICE OF $1.00 PER SHARE.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospectus
March 1, 1998
[AMERICAN AADVANTAGE FUNDS LOGO]
Platinum Class
MONEY MARKET FUND
MUNICIPAL MONEY MARKET FUND
U.S. GOVERNMENT MONEY MARKET FUND
[AMERICAN AADVANTAGE MILEAGE FUNDS LOGO]
MONEY MARKET MILEAGE FUND

Available through

[SOUTHWEST SECURITIES LOGO]

The AMERICAN AADVANTAGE MONEY MARKET FUNDSM ("Money Market Fund"), AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUNDSM ("Municipal Money Market Fund") and AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUNDSM ("U.S. Government Money Market Fund") (collectively, "AAdvantage Funds") and the AMERICAN AADVANTAGE MONEY MARKET MILEAGE FUNDSM ("Mileage Fund") each seeks current income, liquidity, and the maintenance of a stable price per share of $1.00. The Money Market Fund and the Mileage Fund each seeks its investment objective by investing all of its investable assets in the Money Market Portfolio of the AMR Trust ("Money Market Portfolio"); the Municipal Money Market Fund seeks its investment objective by investing all of its investable assets in the Municipal Money Market Portfolio of the AMR Trust ("Municipal Money Market Portfolio"); and the U.S. Government Money Market Fund seeks its investment objective by investing all of its investable assets in the U.S. Government Money Market Portfolio of the AMR Trust ("U.S. Government Money Market Portfolio"), (collectively, the "Portfolios"), which in turn invest in high quality, short-term obligations. The Municipal Money Market Portfolio invests primarily in municipal obligations and the U.S. Government Money Market Portfolio invests exclusively in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and in repurchase agreements that are collateralized by such obligations.

Under a master-feeder operating structure, each Fund seeks its investment objective by investing all of its investable assets in a corresponding Portfolio as described above. Each Portfolio's investment objective is identical to that of its corresponding Fund. Whenever the phrase "all of the Fund's investable assets" is used, it means that the only investment securities that will be held by a Fund will be that Fund's interest in its corresponding Portfolio. AMR Investment Services, Inc. ("Manager") provides investment management and administrative services to the Portfolios and administrative services to the Funds. This master-feeder operating structure is different from that of many other investment companies which directly acquire and manage their own portfolios of securities. Accordingly, investors should carefully consider this investment approach. See "Investment Objectives, Policies and Risks -- Additional Information About the Portfolios." An AAdvantage Fund or the Mileage Fund may withdraw its investment in a corresponding Portfolio at any time if the applicable Trust's Board of Trustees ("Board") determines that it would be in the best interest of that Fund and its shareholders to do so. Upon any such withdrawal, that Fund's assets would be invested in accordance with the investment policies and restrictions described in this Prospectus and the SAI.

<TABLE>

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TABLE OF FEES AND EXPENSES

Annual Operating Expenses (as a percentage of average net assets):

	MONEY MARKET FUND	MUNICIPAL MONEY MARKET FUND	U.S. GOVERNMENT MONEY MARKET FUND	MONEY MARKET MILEAGE FUND
Management Fees	0.15%	0.15%	0.15%	0.15%
12b-1 Fees	0.25%	0.25%	0.25%	0.25%(1)
Other Expenses	0.53%	0.65%	0.60%	0.69%
Total Operating Expenses	0.93%	1.05%	1.00%	1.09%

(1) The Mileage Trust anticipates that a portion of the "12b-1 Fees" charged for the current fiscal year will be used to pay for AAdvantage miles. See "AAdvantage Miles." The Manager anticipates waiving a portion of the 12b-1 fees of the Mileage Fund.

The above expenses reflect the expenses of each Fund and the Portfolio in which it invests. The Board believes that the aggregate per share expenses of each Fund and its corresponding Portfolio will be approximately equal to the expenses that the Fund would incur if its assets were invested directly in the type of securities held by the Portfolio.

EXAMPLES

A Platinum Class investor in each Fund would directly or indirectly pay on a cumulative basis the following expenses on a $1,000 investment assuming a 5% annual return:

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Money Market Fund	9	30	51	114
Municipal Money Market Fund	11	33	58	128
U.S. Government Money Market Fund	10	32	55	122
Money Market Mileage Fund	11	35	60	133

The purpose of the table above is to assist a potential investor in understanding the various costs and expenses expected to be incurred directly or indirectly as a Platinum Class shareholder in a Fund. Additional information may be found under "Management and Administration of the Trusts."

THE FOREGOING EXAMPLES SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR PERFORMANCE. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN AND PERFORMANCE MAY BE BETTER OR WORSE THAN THE 5% ANNUAL RETURN ASSUMED IN THE EXAMPLES.

FINANCIAL HIGHLIGHTS

The financial highlights in the following tables for the AAdvantage Funds and the Mileage Fund have been derived from financial statements of the AAdvantage Trust and the Mileage Trust, respectively. The information has been audited by

Ernst & Young LLP, independent auditor. Such information should be read in conjunction with the financial statements and the report of the independent auditor appearing in the Annual Report of the AAdvantage Trust and the Mileage Trust incorporated by reference in the SAI, which contains further information about performance of the Funds and can be obtained by investors without charge.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
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	MONEY MARKET FUND						
	PLATINUM CLASS		INSTITUTIONAL CLASS				
			YEAR ENDED OCTOBER 31,				
	YEAR ENDED OCT. 31, 1997	PERIOD ENDED OCT. 31, 1996(1)	1996	1995	1994(2)	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income		0.05(3)	0.05(3)	0.06	0.04	0.03	0.04
Less dividends from net investment income		(0.05)	(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	$ 1.00	$ 1.00
Total return (annualized)	%	4.85%(4)	5.57%	5.96%	3.85%	3.31%	4.41%
Ratios/supplemental data:							
Net assets, end of period (in thousands)		$119,981	$1,406,939	$1,206,041	$1,893,144	$2,882,947	$2,223,829
Ratios to average net assets (annualized)(5)(6):							
Expenses		0.94%(3)	0.24%(3)	0.23%	0.21%	0.23%	0.26%
Net investment income		4.63%(3)	5.41%(3)	5.79%	3.63%	3.23%	4.06%

<CAPTION>

	MONEY MARKET FUND			
	INSTITUTIONAL CLASS			
	YEAR ENDED OCTOBER 31,			
	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income	0.07	0.08	0.09	0.08
Less dividends from net investment income	(0.07)	(0.08)	(0.09)	(0.08)
Net asset value, end of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Total return (annualized)	7.18%	8.50%	9.45%	7.54%
Ratios/supplemental data:				
Net assets, end of period (in thousands)	$715,280	$745,405	$385,916	$330,230
Ratios to average net assets (annualized)(5)(6):				
Expenses	0.24%	0.20%	0.22%	0.28%
Net investment income	6.93%	8.19%	9.11%	7.54%

</TABLE>

(1) The Money Market Fund commenced active operations on September 1, 1987. The Platinum Class commenced active operations on November 7, 1995.

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

(3) 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 Money Market Portfolio.

(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 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 method of determining average net assets was changed from a monthly average to a daily average starting with the year ended October 31, 1992.

(6) Effective October 1, 1990, 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, which amounted to less than $.01 per share in each period on an annualized basis.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	MUNICIPAL MONEY MARKET FUND				
	PLATINUM CLASS		INSTITUTIONAL CLASS		
	YEAR ENDED OCT. 31, 1997	PERIOD ENDED OCT. 31, 1996(1)	YEAR ENDED OCT. 31, 1996	YEAR ENDED OCT. 31, 1995	PERIOD ENDED OCT. 31, 1994(1)
<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		0.03(2)	0.04(3)	0.04	0.02
Less dividends from net investment income		(0.03)	(0.04)	(0.04)	(0.02)
Net asset value, end of period	$1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Total return (annualized)	%	2.88%(3)	3.59%	3.75%	2.44%
Ratios/supplemental data:					
Net assets, end of period (in thousands)		$49,862	$ 6	$ 7	$9,736
Ratios to average net assets (annualized)(4)(5):					
Expenses		0.97%(2)	0.27%(2)	0.35%	0.30%
Net investment income		2.72%(2)	3.49%(2)	3.70%	2.38%

</TABLE>

(1) The Municipal Money Market Fund commenced active operations on November 10, 1993. The Platinum Class commenced active operations on November 7, 1995.

(2) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of its corresponding Portfolio.

(3) 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 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.

(4) Operating results of the Municipal Money Market Fund exclude management and administrative services fees waived by the Manager. Had the Fund paid such fees, the ratio of expenses and net investment income to average net assets of the Institutional Class would have been 0.50% and 2.18%, respectively for the period ended October 31, 1994; 0.55% and 3.50%, respectively, for the year ended October 31, 1995, and 0.33% and 3.43%, respectively for the year ended October 31, 1996. The ratio of expenses and net investment income to average net assets of the Platinum Class would have been 1.02% and 2.67%, respectively for the period ended October 31, 1996.

(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.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	U.S. GOVERNMENT MONEY MARKET FUND						
	PLATINUM CLASS		INSTITUTIONAL CLASS				
	YEAR ENDED OCT. 31, 1997	PERIOD ENDED OCT. 31, 1996(1)	YEAR ENDED OCTOBER 31, 1996	1995	1994(2)	1993	PERIOD ENDED OCT. 31, 1992(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income		0.04(3)	0.05(3)	0.06	0.04	0.03	0.02
Less dividends from net investment income		(0.04)	(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	$ 1.00	$ 1.00
Total return (annualized)	%	4.58%(4)	5.29%	5.67%	3.70%	3.07%	3.61%
Ratios/supplemental data:							
Net assets, end of period (in thousands)		$52,153	$25,595	$ 47,184	$67,607	$136,813	$91,453
Ratios to average net assets (annualized)(5)(6):							
Expenses		1.00%(3)	0.32%(3)	0.32%	0.25%	0.23%	0.27%(7)
Net investment income		4.35%(3)	5.16%(3)	5.49%	3.44%	2.96%	3.46%(7)

</TABLE>

(1) Prior to March 1, 1997 the U.S. Government Money Market Fund was known as the American AAdvantage U.S. Treasury Money Market Fund and operated under different investment policies. The American AAdvantage U.S. Treasury Money Market Fund commenced active operations on March 2, 1992. The Platinum Class commenced active operations on November 7, 1995.

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

(3) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of its corresponding Portfolio.

(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 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) Operating results of the Municipal Money Market Fund exclude management and administrative services fees waived by the Manager. Had the Fund paid such fees, the ratio of expenses and net investment income to average net assets of the Institutional Class would have been 0.50% and 2.18%, respectively for the period ended October 31, 1994; 0.55% and 3.50%, respectively, for the year ended October 31, 1995, and 0.33% and 3.43%, respectively for the year ended October 31, 1996. The ratio of expenses and net investment income to average net assets of the Platinum Class would have been 1.02% and 2.67%, respectively for the period ended October 31, 1996.

(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) Estimated based on expected annual expenses and actual average net assets.

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	MONEY MARKET MILEAGE FUND		
	PLATINUM CLASS		MILEAGE CLASS
	YEAR ENDED OCTOBER 31, 1997(1)	PERIOD ENDED OCTOBER 31, 1996(1)	YEAR ENDED OCTOBER 31, 1996
<S>	<C>	<C>	<C>
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00
Net investment income		0.03	0.05
Less dividends from net investment income		(0.03)	(0.05)
Net asset value, end of period	$ 1.00	$ 1.00	$ 1.00
Total return (annualized)	%	4.78%(2)	5.12%
Ratios/supplemental data:			
Net assets, end of period (in thousands)		$15,429	$106,709
Ratios to average net assets (annualized)(3)(4):			
Expenses		1.09%	0.67%
Net investment income		4.48%	5.02%

</TABLE>

(1) The Platinum Class of the Money Market Mileage Fund commenced active operations on January 29, 1996, and at that time the existing shares of the Fund were designated as Mileage Class shares.

(2) Total return for the Platinum Class for the period ended October 31, 1996, reflects Mileage Class returns from November 1, 1995 through January 27, 1996 and returns of the Platinum Class 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) The per share amounts reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the Money Market Portfolio.

(4) Operating results exclude expenses reimbursed by the Manager. Had the Fund paid such fees, the ratio of expenses and net investment income to average net assets would have been 1.24% and 4.33%, respectively for the Platinum Class for the period ended October 31, 1996 and 0.78% and 4.91%, respectively for the Mileage Class for the year ended October 31, 1996.

INTRODUCTION

The AAdvantage Trust and the Mileage Trust are open-end, diversified management investment companies, organized as Massachusetts business trusts on January 16, 1987 and February 22, 1995, respectively. The AAdvantage Funds are three of the several investment portfolios of the AAdvantage Trust and the Mileage Fund is a separate investment portfolio of the Mileage Trust. Each Fund has the same investment objective but may have different investment policies. Each Fund invests all of its investable assets in a corresponding Portfolio of the AMR Trust with an identical investment objective. Each AAdvantage Fund currently consists of three classes of shares, including: the "Platinum Class," which is available to customers of certain broker-dealers as an investment for cash balances in their brokerage accounts; the "Institutional Class," which is available to institutional investors investing at least $2 million in the Funds; and the "PlanAhead Class," which is available to all investors, including smaller institutional investors, investors using intermediary organizations such as discount brokers or plan sponsors, individual retirement accounts and self-employed individual retirement plans. The Money Market Mileage Fund currently consists of two classes of shares: the "Platinum Class," as described above; and the "Mileage Class." The Money Market Mileage Fund is available only to individuals and certain grantor trusts. Qualified retirement plans (i.e, IRAs, Keogh, profit sharing plans) and institutional investors are not eligible to invest in the Money Market Mileage Fund. This Prospectus relates only to the Platinum Class. For further information about the other classes, or to obtain a prospectus free of charge, call (800) 967-9009 or write to P.O. Box 619003, MD 5645, Dallas/Ft. Worth Airport, Texas 75261.

Although each class of shares is designed to meet the needs of different categories of investors, all classes of each Fund share the same portfolio of investments and a common investment objective. See "Investment Objectives, Policies and Risks." There is no guarantee that a Fund will achieve its investment objective. Based on its value, a share of a Fund, regardless of class, will receive a proportionate share of the investment income and the gains (or losses) earned (or incurred) by the Fund. It also will bear its proportionate share of expenses that are allocated to the Fund as a whole. However, certain expenses are allocated separately to each class of shares.

The Manager provides the Funds and their corresponding Portfolios with investment advisory and administrative services. Investment decisions for the Portfolios are made by the Manager in accordance with the investment objectives, policies and restrictions described in this Prospectus and in the SAI.

Shares are sold without a sales charge at the next share price calculated after an investment is received and accepted. Shares will be redeemed at the next share price calculated after receipt of a redemption order. See "How to Purchase Shares" and "How to Redeem Shares."

Each shareholder in the Mileage Fund will receive American Airlines(R) AAdvantage(R) travel awards program ("AAdvantage") miles.((1)) AAdvantage miles will be posted monthly to each shareholder's AAdvantage account at an annual rate of one mile for every $10 invested in the Fund. See "AAdvantage Miles."

INVESTMENT OBJECTIVES, POLICIES AND RISKS

The investment objective and policies of each Fund and its corresponding Portfolio are described below. Except as otherwise indicated, the investment policies of any Fund may be changed at any time by the applicable Board to the extent that such changes are consistent with the investment objective of the applicable Fund. However, each Fund's investment objective may not be changed without a majority vote of that Fund's outstanding shares, which is defined as the lesser of (a) 67% of the shares of the applicable Fund present or represented if the holders of more than 50% of the shares are present or represented at the shareholders' meeting, or (b) more than 50% of the shares of the applicable Fund (hereinafter, "majority vote"). A Portfolio's investment objective may not be changed without a majority vote of that Portfolio's interest holders.

Each Fund has a fundamental investment policy which allows it to invest all of its investable assets in its corresponding Portfolio. All other fundamental investment policies and the non-fundamental investment policies of each Fund and its corresponding Portfolio are identical. Therefore, although the following discusses the investment policies of each Portfolio and the AMR Trust's Board of Trustees ("AMR Trust Board"), it applies equally to each Fund and the applicable Board.

INVESTMENT OBJECTIVE OF THE FUNDS -- The investment objective of each of the Funds is to seek current income, liquidity and the maintenance of a stable $1.00 price per share. The Funds seek to achieve this objective by investing all of their investable assets in their corresponding Portfolios, which invest in high quality, U.S. dollar-denominated short-term obligations that have been determined by the Manager or the AMR Trust Board to present minimal credit risks. Portfolio investments are valued based on the amortized cost valuation technique pursuant to Rule 2a-7 under the Investment Company Act of 1940 ("1940 Act"). See the SAI for an explanation of amortized cost. Obligations in which the Portfolios invest generally have remaining maturities of 397 days or less, although instruments subject to repurchase agreements and certain variable and floating rate obligations may bear longer final maturities. The average dollar-weighted portfolio maturity of each Portfolio will not exceed 90 days.

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(1) American Airlines and AAdvantage are registered trademarks of American Airlines, Inc.

AMERICAN AADVANTAGE MONEY MARKET FUND AND AMERICAN AADVANTAGE MONEY MARKET MILEAGE FUND -- The Funds' corresponding Portfolio may invest in obligations permitted to be purchased under Rule 2a-7 of the 1940 Act including, but not limited to, (1) obligations of the U.S. Government or its agencies or instrumentalities; (2) loan participation interests, medium-term notes, funding agreements and asset-backed securities; (3) domestic, Yankeedollar and Eurodollar certificates of deposit, time deposits, bankers' acceptances, commercial paper, bank deposit notes and other promissory notes including floating or variable rate obligations issued by U.S. or foreign bank holding companies and their bank subsidiaries, branches and agencies; and (4) repurchase agreements involving the obligations listed above. The Money Market Portfolio will invest only in issuers or instruments that at the time of purchase (1) have received the highest short-term rating by two nationally recognized statistical rating organizations ("Rating Organizations") such as "A-1" by Standard & Poor's and "P-1" by Moody's Investor Services, Inc.; (2) are single rated and have received the highest short-term rating by a Rating Organization; or (3) are unrated, but are determined to be of comparable quality by the Manager pursuant to guidelines approved by the AMR Trust Board and subject to ratification by the AMR Trust Board. See the SAI for definitions of the foregoing instruments and rating systems. The Portfolio may invest in other investment companies.

The Portfolio will invest more than 25% of its assets in obligations issued by the banking industry. However, for temporary defensive purposes during periods when the Manager believes that maintaining this concentration may be inconsistent with the best interests of shareholders, the Portfolio may not maintain this concentration.

Investments in Eurodollar (U.S. dollar obligations issued outside the United States by domestic or foreign entities) and Yankeedollar (U.S. dollar obligations issued inside the United States by foreign entities) obligations involve additional risks. Most notably, there generally is less publicly available information about foreign issuers; there may be less governmental regulation and supervision; foreign issuers may use different accounting and financial standards; and the adoption of foreign governmental restrictions may affect adversely the payment of principal and interest on foreign investments. In addition, not all foreign branches of United States banks are supervised or examined by regulatory authorities as are United States banks, and such branches may not be subject to reserve requirements.

Variable amount master demand notes in which the Portfolio may invest are unsecured demand notes that permit the indebtedness thereunder to vary, and provide for periodic adjustments in the interest rate. Because master demand notes are direct lending arrangements between the Portfolio and the issuer, they are not normally traded. There is no secondary market for the notes; however, the period of time remaining until payment of principal and accrued interest can be recovered under a variable amount master demand note generally will not exceed seven days. To the extent this period is exceeded, the note in question would be considered illiquid. Issuers of

variable amount master demand notes must satisfy the same criteria as set forth for other promissory notes (e.g. commercial paper). The Portfolio will invest in variable amount master demand notes only when such notes are determined by the Manager, pursuant to guidelines established by the AMR Trust Board, to be of comparable quality to rated issuers or instruments eligible for investment by the Portfolio. In determining average dollar-weighted portfolio maturity, a variable amount master demand note will be deemed to have a maturity equal to the longer of the period of time remaining until the next readjustment of the interest rate or the period of time remaining until the principal amount can be recovered from the issuer on demand.

The Portfolio also may engage in dollar rolls or purchase or sell securities on a "when-issued" or "forward commitment" basis. The purchase or sale of when-issued securities enables an investor to hedge against anticipated changes in interest rates and prices by locking in an attractive price or yield. The price of when-issued securities is fixed at the time the commitment to purchase or sell is made, but delivery and payment for the when-issued securities take place at a later date, normally one to two months after the date of purchase. During the period between purchase and settlement, no payment is made by the purchaser to the issuer and no interest accrues to the purchaser. Such transactions therefore involve a risk of loss if the value of the security to be purchased declines prior to the settlement date or if the value of the security to be sold increases prior to the settlement date. A sale of a when-issued security also involves the risk that the other party will be unable to settle the transaction. Dollar rolls are a type of forward commitment transaction. Purchases and sales of securities on a forward commitment basis involve a commitment to purchase or sell securities with payment and delivery to take place at some future date, normally one to two months after the date of the transaction. As with when-issued securities, these transactions involve certain risks, but they also enable an investor to hedge against anticipated changes in interest rates and prices. Forward commitment transactions are executed for existing obligations, whereas in a when-issued transaction, the obligations have not yet been issued. When purchasing securities on a when-issued or forward commitment basis, a segregated account of liquid assets at least equal to the value of purchase commitments for such securities will be maintained until the settlement date.

AMERICAN AADVANTAGE MUNICIPAL MONEY MARKET FUND -- The Fund's corresponding Portfolio may invest in municipal obligations issued by or on behalf of the governments of states, territories, or possessions of the United States; the District of Columbia; and their political subdivisions, agencies and instrumentalities if the interest these obligations provide is generally exempt from federal income tax. The Municipal Money Market Portfolio will invest only in issuers or instruments that at the time of purchase (1) are guaranteed by the U.S. Government, its agencies, or instrumentalities; (2) are secured by letters of credit that are irrevocable and issued by banks which qualify as authorized issuers for the Money Market Portfolio (see "American AAdvantage Money Market Fund"); (3) are guaranteed by one or more municipal bond insurance policies that cannot be canceled and are issued by third-party guarantors possessing the

highest claims-paying rating from a Rating Organization; (4) have received one of the two highest short-term ratings from at least two Rating Organizations; (5) are single rated and have received one of the two highest short-term ratings from that Rating Organization; (6) have no short-term rating but the instrument is comparable to the issuer's rated short-term debt; (7) have no short-term rating (or comparable rating) but have received one of the top two long-term ratings from all Rating Organizations rating the issuer or instrument; or (8) are unrated, but are determined to be of comparable quality by the Manager pursuant to guidelines approved by, and subject to the oversight of, the AMR Trust Board. The Portfolio also may invest in other investment companies. Ordinarily at least 80% of the Portfolio's net assets will be invested in municipal obligations, the interest from which is exempt from federal income tax. However, should market conditions warrant, the Portfolio may invest up to 20% (or for temporary defensive purposes, up to 100%) of its assets in eligible investments for the Money Market Portfolio which are subject to federal income tax.

The Portfolio may invest in certain municipal obligations which have rates of interest that are adjusted periodically according to formulas intended to minimize fluctuations in the values of these instruments. These instruments, commonly known as variable rate demand obligations, are long-term instruments which allow the purchaser, at its discretion, to redeem securities before their final maturity at par plus accrued interest upon notice (typically 7 to 30 days).

Municipal obligations may be backed by the full taxing power of a municipality ("general obligations"), or by the revenues from a specific project or the credit of a private organization ("revenue obligations"). Some municipal obligations are collateralized as to payment of principal and interest by an escrow of U.S. Government or federal agency obligations, while others are insured by private insurance companies, while still others may be supported by letters of credit furnished by domestic or foreign banks. The Portfolio's investments in municipal obligations may include fixed, variable, or floating rate general obligations and revenue obligations (including municipal lease obligations and resource recovery obligations); zero coupon and asset-backed obligations; variable rate auction and residual interest obligations; tax, revenue, or bond anticipation notes; and tax-exempt commercial paper. See the SAI for a further discussion of the foregoing obligations. The Portfolio may purchase or sell securities on a when-issued or forward commitment basis as described under "American AAdvantage Money Market Fund and American AAdvantage

Money Market Mileage Fund."

The Portfolio may invest more than 25% of the value of its total assets in municipal obligations which are related in such a way that an economic, business or political development or change affecting one such security would also affect the other securities; for example, securities the interest of which is paid from revenues of similar types of projects, or securities whose issuers are located in the same state. As a result, the Portfolio may be subject to greater risk compared to a fund that does not follow

this practice. However, this risk is mitigated because it is anticipated that most of the Portfolio's assets will be insured or backed by bank letters of credit. Additionally, the Portfolio may invest more than 25% of the value of its total assets in industrial development bonds which, although issued by industrial development authorities, may be backed only by the assets and revenues of the non-governmental users.

The Portfolio also may invest in municipal obligations that constitute "private activity obligations." These include obligations that finance student loans, residential rental projects, and solid waste disposal facilities. To the extent the Portfolio earns interest income on private activity obligations, shareholders will be required to treat the portion of the Fund's distributions attributable to its share of such interest as a "tax preference item" for purposes of determining their liability for the federal alternative minimum tax ("AMT") and, as a result, may become subject to (or increase their liability for) the AMT. Shareholders should consult their own tax advisers to determine whether they may be subject to the AMT. The Portfolio may invest in private activity obligations without limitation and it is anticipated that a substantial portion of the Portfolio's assets will be invested in these obligations. As a result, a substantial portion of the Fund's distributions may be a tax preference item, which will reduce the net return from the Fund for taxpayers subject to the AMT. Interest on "qualified" private activity obligations is exempt from federal income tax.

AMERICAN AADVANTAGE U.S. GOVERNMENT MONEY MARKET FUND -- The Fund's corresponding Portfolio will invest exclusively in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and repurchase agreements which are collateralized by such obligations. U.S. Government securities include direct obligations of the U.S. Treasury (such as Treasury bills, Treasury notes and Treasury bonds). The Fund may invest in securities issued by the Agency for International Development, Farmers Home Administration, Farm Credit Banks, Federal Home Loan Bank, Federal Intermediate Credit Bank, Federal Financing Bank, Federal Land Bank, FNMA, GNMA, General Services Administration, Rural Electrification Administration, Small Business Administration, Tennessee Valley Authority and others. Some of these obligations, such as those issued by the Federal Home Loan Bank and FHLMC, are supported only by the credit of the agency or instrumentality issuing the obligation and the discretionary authority of the U.S. Government to purchase the agency's obligations. See the SAI for a further discussion of the foregoing obligations. Counterparties for repurchase agreements must be approved by the AMR Trust Board. The Portfolio may purchase or sell securities on a when-issued or forward commitment basis as described under "American AAdvantage Money Market Fund and American AAdvantage Money Market Mileage Fund."

OTHER INVESTMENT POLICIES -- In addition to the investment policies described previously, each Portfolio also may lend its securities, enter into fully collateralized repurchase agreements and invest in private placement offerings.

SECURITIES LENDING. Each Portfolio may lend securities to broker-dealers or other institutional investors pursuant to agreements requiring that the loans be continuously secured by any combination of cash, securities of the U.S. Government and its agencies and instrumentalities and approved bank letters of credit that at all times equal at least 100% of the market value of the loaned securities. Such loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by any Portfolio would exceed 33 1/3% of its total assets. A Portfolio continues to receive interest on the securities loaned and simultaneously earns either interest on the investment of the cash collateral or fee income if the loan is otherwise collateralized. Should the borrower of the securities fail financially, there is a risk of delay in recovery of the securities loaned or loss of rights in the collateral. However, the Portfolios seek to minimize this risk by making loans only to borrowers which are deemed by the Manager to be of good financial standing and which have been approved by the AMR Trust Board. For purposes of complying with each Portfolio's investment policies and restrictions, collateral received in connection with securities loans will be deemed an asset of a Portfolio to the extent required by law. The Manager will receive compensation for administrative and oversight functions with respect to securities lending. The amount of such compensation will depend on the income generated by the loan of each Portfolio's securities. The SEC has granted exemptive relief that permits the Portfolios to invest cash collateral received from securities lending transactions in shares of one or more private investment companies managed by the Manager. Subject to receipt of exemptive relief from the SEC, the Portfolios also may invest cash collateral received from securities lending transactions in shares of one or more registered investment companies managed by the Manager. See the SAI for further information regarding loan transactions.

REPURCHASE AGREEMENTS. A repurchase agreement is an agreement under which securities are acquired by a Portfolio from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Portfolio bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Portfolio is delayed or prevented from exercising its rights to dispose of the collateral securities. However, the Manager attempts to minimize this risk by entering into repurchase agreements only with financial institutions which are deemed to be of good financial standing and which have been approved by the AMR Trust Board. See the SAI for more information regarding repurchase agreements.

PRIVATE PLACEMENT OFFERINGS. Investments in private placement offerings are made in reliance on the "private placement" exemption from registration afforded by Section 4(2) of the Securities Act of 1933 (the "1933 Act"), and resold to qualified institutional buyers under Rule 144A under the 1933 Act ("Section 4(2) securities"). Section 4(2) securities are restricted as to disposition under the federal securities laws, and generally are sold to institutional investors, such as the Portfolios, that agree they are purchasing the securities for investment and not with an intention to distribute to the public. Any resale by the purchaser must be pursuant to an exempt transaction and

may be accomplished in accordance with Rule 144A. Section 4(2) securities normally are resold to other institutional investors such as the Portfolios through or with the assistance of the issuer or dealers that make a market in the Section 4(2) securities, thus providing liquidity. The Portfolios will not invest more than 10% of their respective net assets in Section 4(2) securities and other illiquid securities unless the Manager determines, by continuous reference to the appropriate trading markets and pursuant to guidelines approved by the AMR Trust Board, that any Section 4(2) securities held by such Portfolio in excess of this level are at all times liquid.

The AMR Trust Board and the Manager, pursuant to the guidelines approved by the AMR Trust Board, will carefully monitor the Portfolios' investments in Section 4(2) securities offered and sold under Rule 144A, focusing on such important factors, among others, as: valuation, liquidity, and availability of information. Investments in Section 4(2) securities could have the effect of reducing a Portfolio's liquidity to the extent that qualified institutional buyers no longer wish to purchase these restricted securities.

BROKERAGE PRACTICES -- The Portfolios normally will not incur any brokerage commissions on their transactions because money market instruments are generally traded on a "net" basis with dealers acting as principal for their own accounts and without a stated commission. The price of the obligation, however, usually includes a profit to the dealer. Obligations purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. No commissions or discounts are paid when securities are purchased directly from an issuer.

ADDITIONAL INFORMATION ABOUT THE PORTFOLIOS -- As previously described, investors should be aware that each Fund, unlike mutual funds that directly acquire and manage their own portfolios of securities, seeks to achieve its investment objective by investing all of its investable assets in a corresponding Portfolio of the AMR Trust, which is a separate investment company. Since a Fund will invest only in its corresponding Portfolio, that Fund's shareholders will acquire only an indirect interest in the investments of the Portfolio.

The Manager expects, although it cannot guarantee, that the AAdvantage Trust and the Mileage Trust will achieve economies of scale by investing in the AMR Trust. In addition to selling their interests to the Funds, the Portfolios sell their interests to other non-affiliated investment companies and/or other institutional investors. All institutional investors in a Portfolio pay a proportionate share of the Portfolio's expenses and invest in that Portfolio on the same terms and conditions. However, other investment companies investing all of their assets in a Portfolio are not required to sell their shares at the same public offering price as a Fund and are allowed to charge different sales commissions. Therefore, investors in a Fund may experience different

returns from investors in another investment company that invests exclusively in that Fund's corresponding Portfolio.

The Fund's investment in a Portfolio may be affected materially by the actions of large investors in that Portfolio, if any. For example, as with all open-end investment companies, if a large investor were to redeem its interest in a Portfolio, that Portfolio's remaining investors could experience higher pro rata operating expenses, thereby producing lower returns. As a result, that Portfolio's security holdings may become less diverse, resulting in increased risk. Institutional investors in a Portfolio that have a greater pro rata ownership interest in the Portfolio than the Fund could have effective voting control over the operation of that Portfolio. A material change in a Portfolio's fundamental objective, policies and restrictions, that is not approved by the shareholders of its corresponding Fund could require that Fund to redeem its interest in the Portfolio. Any such redemption could result in a distribution in kind of portfolio securities (as opposed to a cash distribution) by the Portfolio. Should such a distribution occur, that Fund could incur brokerage fees or other transaction costs in converting such securities to cash. In addition, a distribution in kind could result in a less diversified portfolio of investments for that Fund and could affect its liquidity adversely.

The Portfolios' and their corresponding Funds' investment objectives and policies are described above. See "Investment Restrictions" for a description of their investment restrictions. The investment objective of a Fund can be changed only with shareholder approval. The approval of a Fund and of other investors in its corresponding Portfolio, if any, is not required to change the investment objective, policies or limitations of that Portfolio, unless otherwise specified. Written notice would be provided to shareholders of a Fund within thirty days prior to any changes in its corresponding Portfolio's investment objective. If the investment objective of a Portfolio changes and the shareholders of its corresponding Fund do not approve a parallel change in that Fund's investment objective, the Fund would seek an alternative investment vehicle or the Manager would actively manage the Fund.

See "Management and Administration of the Trusts" for a complete description of the investment management fee and other expenses associated with a Fund's investment in its corresponding Portfolio. This Prospectus and the SAI contain more detailed information about each Fund and its corresponding Portfolio, including information related to (1) the investment objective, policies and restrictions of each Fund and its corresponding Portfolio, (2) the Board of Trustees and officers of the AAdvantage Trust, the Mileage Trust and the AMR Trust, (3) brokerage practices, (4) the Funds' shares, including the rights and liabilities of its shareholders, (5) additional performance information, including the method used to calculate yield and total return, and (6) the determination of the value of each Fund's shares.

INVESTMENT RESTRICTIONS

The following fundamental investment restrictions and the non-fundamental investment restriction are identical for each Fund and its corresponding Portfolio. Therefore, although the following discusses the investment restrictions of each Portfolio and the AMR Trust Board, it applies equally to each Fund and its respective Board. The following fundamental investment restrictions may be changed with respect to a particular Fund by the majority vote of that Fund's outstanding shares or with respect to a Portfolio by the majority vote of that Portfolio's interest holders. No Portfolio may:

- Invest more than 5% of its total assets (taken at market value) in securities of any one issuer, other than obligations issued by the U.S. Government, its agencies and instrumentalities, or purchase more than 10% of the voting securities of any one issuer, with respect to 75% of a Portfolio's total assets. In addition, although not a fundamental investment restriction and therefore subject to change without shareholder vote, the Money Market Portfolio and the U.S. Government Money Market Portfolio apply this restriction with respect to 100% of their assets.

- Invest more than 25% of its total assets in the securities of companies primarily engaged in any one industry, provided that: (i) this limitation does not apply to obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities; (ii) municipalities and their agencies and authorities are not deemed to be industries; and (iii) financial service companies are classified according to the end users of their services (for example, automobile finance, bank finance, and diversified finance will be considered separate industries). With respect to the Money Market Portfolio, this restriction does not apply to the banking industry.

The following non-fundamental investment restriction may be changed with respect to a particular Fund by a vote of a majority of its respective Board or with respect to a Portfolio by a vote of a majority of the AMR Trust Board: no Portfolio may invest more than 10% of its net assets in illiquid securities, including time deposits and repurchase agreements that mature in more than seven days.

The above percentage limits are based upon asset values at the time of the applicable transaction; accordingly, a subsequent change in asset values will not affect a transaction that was in compliance with the investment restrictions at the time such transaction was effected. See the SAI for other investment limitations.

YIELDS AND TOTAL RETURNS

From time to time the Platinum Class of the Funds may advertise its "current yield" and "effective yield." Both yield figures are based on historical earnings and are not intended to indicate future performance. The current yield refers to the investment income generated by an investment over a seven calendar-day period (which period will be stated in the advertisement). This yield is then annualized by assuming the amount of investment income generated during that week is earned each week over a one-year period, and is shown as a percentage of the investment. The effective yield is calculated similarly but, when annualized, the investment income earned is assumed to be reinvested. The effective yield will be slightly higher than the current yield because of the compounding effect of this assumed reinvestment. The Municipal Money Market Fund also may quote "tax equivalent yields," which show the taxable yields a shareholder would have to earn before federal income taxes to equal this Fund's tax-exempt yields. The tax equivalent yield is calculated by dividing the Fund's tax-exempt yield by the result of one minus a stated federal income tax rate. If only a portion of the Fund's income was tax-exempt, only that portion is adjusted in the calculation. As stated earlier, the Fund considers interest on private activity obligations to be exempt from federal income tax. Total return quotations advertised by the Funds may reflect the average annual compounded (or aggregate compounded) rate of return during the designated time period based on a hypothetical initial investment and the redeemable value of that investment at the end of the period. The Funds will at times compare their performance to applicable published indices, and also may disclose their performance as ranked by certain ranking entities. Each class of a Fund has different expenses which will impact its performance. See the SAI for more information about the calculation of yields and total returns.

MANAGEMENT AND ADMINISTRATION OF THE TRUSTS

FUND MANAGEMENT AGREEMENT -- The AAdvantage Trust's Board and the Mileage Trust's Board have general supervisory responsibility over their respective Trust's affairs. The Manager provides or oversees all administrative, investment advisory and portfolio management services for the AAdvantage Trust pursuant to a Management Agreement, dated April 3, 1987, as amended on July 25, 1997, together with the Administrative Services Agreement described below. The Manager provides or oversees all administrative, investment advisory and portfolio management services for the Mileage Trust pursuant to a Management Agreement, dated October 1, 1995 as amended November 21, 1997. The AMR Trust and the Manager also entered into a Management Agreement dated, October 1, 1995, as amended July 25, 1997, which obligates the Manager to provide or oversee all administrative, investment advisory and portfolio management services for the AMR Trust. The Manager, located at 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155, is a wholly owned subsidiary of AMR Corporation ("AMR"), the parent company of American

Airlines, Inc., and was organized in 1986 to provide investment management, advisory, administrative and asset management consulting services. The Manager serves as the sole investment adviser to the Portfolios. As of December 31, 1997, the Manager had assets under management totaling approximately $ billion, including approximately $ billion under active management and $ billion as named fiduciary or fiduciary adviser. Of the total, approximately $ billion of assets are related to AMR. American Airlines, Inc. is not responsible for investments made in the American AAdvantage Funds or the American AAdvantage Mileage Funds.

The Manager provides the AAdvantage Trust, the Mileage Trust and the AMR Trust with office space, office equipment and personnel necessary to manage and administer the Trusts' operations. This includes complying with reporting requirements; corresponding with shareholders; maintaining internal bookkeeping, accounting and auditing services and records; and supervising the provision of services to the Trusts by third parties. The Manager oversees each Portfolio's participation in securities lending activities and any actions taken by a securities lending agent in connection with those activities to ensure compliance with all applicable regulatory and investment guidelines. The Manager also develops the investment programs for each Portfolio.

The Manager bears the expense of providing the above services. As compensation for providing the Portfolios with advisory services, the Manager receives from the AMR Trust an annualized advisory fee that is calculated and accrued daily, equal to 0.15% of the net assets of the Portfolios. To the extent that a Fund invests all of its investable assets in its corresponding Portfolio, the Manager receives no advisory fee from the AAdvantage Trust or the Mileage Trust. The Manager receives compensation in connection with securities lending activities. If a Portfolio lends its portfolio securities and receives cash collateral from the borrower, the Manager may receive up to 25% of the net annual interest income (the gross interest earned by the investment less the amount paid to the borrower as well as related expenses) received from the investment of such cash. If a borrower posts collateral other than cash, the borrower will pay to the lender a loan fee. The Manager may receive up to 25% of the loan fees posted by borrowers. Currently, the Manager receives 10% of the net annual interest income from the investment of cash collateral or 10% of the loan fees posted by borrowers. The fees received by the Manager from the AMR Trust are payable quarterly in arrears. In addition, the Manager is compensated through the Administrative Services Agreement as described below for other services provided.

Each Management Agreement will continue in effect provided that annually such continuance is specifically approved by a vote of the applicable Board including the affirmative votes of a majority of the Trustees of each Board who are not parties to the Management Agreement or "interested persons" as defined in the 1940 Act of any such party ("Independent Trustees"), cast in person at a meeting called for the purpose of considering such approval, or by the vote of a Fund's shareholders or a Portfolio's

interest holders. A Management Agreement may be terminated with respect to a Fund or a Portfolio at any time, without penalty, by a majority vote of outstanding Fund shares or Portfolio interests on sixty (60) days' written notice to the Manager, or by the Manager, on sixty (60) days' written notice to the AAdvantage Trust, the Mileage Trust or the AMR Trust. A Management Agreement will automatically terminate in the event of its "assignment" as defined in the 1940 Act.

The AAdvantage Trust and the Mileage Trust each is responsible for expenses not otherwise assumed by the Manager, including the following expenses: audits by independent auditors; transfer agency, custodian, dividend disbursing agent and shareholder recordkeeping services; taxes, if any, and the preparation of each Fund's tax returns; interest; costs of Trustee and shareholder meetings; printing and mailing prospectuses and reports to existing shareholders; fees for filing reports with regulatory bodies and the maintenance of the Funds' existence; legal fees; fees to federal and state authorities for the registration of shares; fees and expenses of Independent Trustees; insurance and fidelity bond premiums; and any extraordinary expenses of a nonrecurring nature.

A majority of the Independent Trustees of each Board has adopted written procedures reasonably appropriate to deal with potential conflicts of interest between the AAdvantage Trust or the Mileage Trust and the AMR Trust.

ADMINISTRATIVE SERVICES PLAN -- The Manager has entered into separate Administrative Services Plans with the AAdvantage Trust and the Mileage Trust which obligate the Manager to provide the Platinum Class with administrative services either directly or through the various broker-dealers that offer Platinum Class shares. These services include, but are not limited to, the payment of fees for record maintenance, forwarding shareholder communications to the shareholders and aggregating and processing orders for the purchase and redemption of Platinum Class shares. As compensation for these services, the Manager receives an annualized fee of up to 0.50% and 0.55% of the net assets of the Platinum Class of the AAdvantage Funds and the Mileage Fund, respectively. The fee is payable quarterly in arrears.

DISTRIBUTION PLAN -- The AAdvantage Trust and the Mileage Trust have each adopted a Platinum Class distribution plan (the "Plans") pursuant to Rule 12b-1 under the 1940 Act, which will continue in effect so long as approved at least annually by a majority of the applicable Board's Trustees, including the affirmative votes of a majority of the Independent Trustees of the applicable Board, cast in person at a meeting called for the purpose of considering such approval, or by the vote of shareholders of the Platinum Class. The Plans may be terminated with respect to a particular Platinum Class at any time, without payment of any penalty, by a vote of a majority of the Independent Trustees of the applicable Board or by a vote of a majority of the outstanding voting securities of that class.

The Plans provide that each Platinum Class will pay 0.25% per annum of its average daily net assets to the Manager (or another entity approved by the applicable Board) for distribution-related services. The fee will be payable quarterly in arrears without regard to whether the amount of the fee is more or less than the actual expenses incurred in a particular quarter by the entity for the services provided pursuant to the Plans. The Plans authorize the Manager, or any other entity approved by the applicable Board, to spend Rule 12b-1 fees on any activities or expenses intended to result in the sale or servicing of Platinum Class shares including but not limited to, advertising, expenses of various broker-dealers relating to selling efforts, transfer agency fees and the preparation and distribution of advertising material and sales literature. In addition, the Mileage Fund's Plan authorizes expenses incurred in connection with participation in the AAdvantage program.

ALLOCATION OF FUND EXPENSES -- Expenses of each Fund generally are allocated equally among the shares of that Fund, regardless of class. However, certain expenses approved by the applicable Board will be allocated solely to the class to which they relate.

PRINCIPAL UNDERWRITER -- BROKERS TRANSACTION SERVICES, INC. ("BTS"), 7001 Preston Road, Dallas, Texas, 75205 serves as the principal underwriter of the AAdvantage Trust and the Mileage Trust.

CUSTODIAN AND TRANSFER AGENT -- STATE STREET BANK & TRUST COMPANY, Boston, Massachusetts, serves as custodian for the Portfolios and the Funds and as transfer agent for the Platinum Class.

INDEPENDENT AUDITOR -- The independent auditor for the Funds and the AMR Trust is ERNST & YOUNG LLP, Dallas, Texas.

AADVANTAGE(R) MILES

The AAdvantage program offers the opportunity to obtain free upgrades and travel awards on American Airlines and AAdvantage airline participants, as well as upgrades and discounts on car rentals and hotel accommodations. For more information about the AAdvantage program, call American Airlines at (800) 433-7300.

AAdvantage miles will be posted monthly in arrears to each shareholder's AAdvantage account based on the shareholder's average daily account balance during the previous month. Miles are posted at an annual rate of one mile per $10 maintained in the Mileage Fund. Mileage is calculated on the average daily balance and posted monthly. The average daily balance is calculated by adding each day's balance and dividing by the number of days in the month. For example, the average daily balance on a $50,000 account funded on the 16th day of a month having 30 days (and

maintained at that balance through the end of the month) would be $25,000. Mileage received for that month would be 208 miles. If the same balance were maintained through the next month, the average daily balance would be $50,000, and the mileage would be 417 miles that month and every month the $50,000 investment was maintained in the Mileage Fund. These miles appear on subsequent AAdvantage program statements.

In the case of Trust Accounts, AAdvantage miles will be posted only in a trustee's individual name, and not in the name of the Trust Account. Before investing in a Fund, trustees of the Trust Accounts should consult their own legal and tax advisers as to the tax effect of this arrangement and whether this arrangement is consistent with their legal duties as trustees. American Airlines has informed the Funds that in administering an AAdvantage member's AAdvantage account, it shall not be required to distinguish between AAdvantage miles accumulated by the individual in his/her capacity as trustee to a Trust Account from AAdvantage miles accumulated in an individual capacity or from other sources.

The Manager reserves the right to discontinue the posting of AAdvantage miles or to change the mileage calculation at any time upon notice to shareholders. See also "Dividends and Tax Matters."

American Airlines may find it necessary to change AAdvantage program rules, regulations, travel awards and special offers at any time. This means that American Airlines may initiate changes impacting, for example, participant affiliations, rules for earning mileage credit, mileage levels and rules for the use of travel awards, continued availability of travel awards, blackout dates and limited seating for travel awards, and the features of special offers. American Airlines reserves the right to end the AAdvantage program with six months' notice. AAdvantage travel awards, mileage accrual and special offers are subject to governmental regulations.

HOW TO PURCHASE SHARES

Platinum Class shares are offered on a continuous basis at net asset value through selected financial services firms. The Platinum Class has established a minimum initial investment of $1,000 and $100 minimum for subsequent investments, but these minimums may be changed at any time at the AAdvantage Trust's or the Mileage Trust's discretion.

An order to purchase Platinum Class shares received by wire transfer in the form of federal funds will be effected at the next determined net asset value.

Orders for purchase accompanied by a check or other negotiable bank draft will be accepted and effected as of 3:00 p.m. Eastern time on the next Business Day following receipt and such shares will receive the dividend for the Business Day following the day the purchase is effected. If an order is accompanied by a check drawn on a foreign bank, funds must normally be collected from such check before shares will be purchased. The AAdvantage Trust and the Mileage Trust reserve the right to reject any order for the purchase of shares and to limit or suspend, without prior notice, the offering of shares.

Shares are offered and orders are accepted for the Money Market Fund, and the Mileage Fund until 3:00 p.m. Eastern time, or the close of the Exchange (whichever comes first) Monday through Friday, excluding the following business holidays: New Year's Day, Martin Luther King's Birthday, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day ("Business Day"). Shares are offered and orders are accepted for the U.S. Government Money Market Fund until 2:00 p.m. Eastern time, or the close of the Exchange (whichever comes first) on each Business Day and for the Municipal Money Market Fund until 12:00 p.m. Eastern time, or close of the Exchange (whichever comes first) on each Business Day. These purchases will receive that day's dividend.

Firms provide varying arrangements for their clients with respect to the purchase and redemption of Platinum Class shares and the confirmation thereof and may arrange with their clients for other investment or administrative services. Such firms are responsible for the prompt transmission of purchase and redemption orders. Some firms may establish higher or lower minimum investment requirements than set forth above. Such firms may independently establish and charge additional amounts to their clients for their services, which charges would reduce their clients' yield or return. Firms also may hold Platinum Class shares in nominee or street name as agent for and on behalf of their clients. In such instances, the transfer agent will have no information with respect to or control over the accounts of specific shareholders. Such shareholders may obtain access to their accounts and information about their accounts only from their firm. Certain of these firms may receive compensation from the Manager for recordkeeping and other expenses relating to these nominee accounts. In addition, certain privileges with respect to the purchase and redemption of shares (such as check writing or a debit card) may not be available through such firms or may only be available subject to certain conditions or limitations. Some firms may participate in a program allowing them access to their clients' accounts for servicing, including, without limitation, transfers of registration and dividend payee changes, and may perform functions such as generation of confirmation statements and disbursements of cash dividends.

HOW TO REDEEM SHARES

Shareholders should contact the firm through which their shares were purchased for redemption instructions. Shares of a Fund may be redeemed by telephone, by writing a check, by pre-authorized automatic redemption or by mail on any Business Day. Shares will be redeemed at the net asset value next calculated after the applicable Fund has received and accepted the redemption request. Proceeds from a redemption of shares purchased by check or pre-authorized automatic purchase may be withheld until the funds have cleared, which may take up to 15 days. Although the Funds intend to redeem shares in cash, each Fund reserves the right to pay the redemption price in whole or in part by a distribution of readily marketable securities held by the applicable Fund's corresponding Portfolio. See the SAI for further information concerning redemptions in kind.

Firms may charge a fee for wire redemptions to cover transaction costs. Redemption proceeds generally will be sent within one Business Day. However, if making immediate payment could affect a Fund adversely, it may take up to seven days to send payment.

To ensure acceptance of a redemption request, be sure to adhere to the following procedures.

REDEEMING BY CHECK -- Upon request, shareholders will be provided with drafts to be drawn on the shareholder's Fund account ("Redemption Checks"). Redemption Checks may be made payable to the order of any person for an amount not less than $250 and not more than $5 million. When a Redemption Check is presented for payment, a sufficient number of full and fractional shares in the shareholder's account will be redeemed at the next determined net asset value to cover the amount of the Redemption Check. This will enable the shareholder to continue earning dividends until the Fund receives the Redemption Check. A shareholder wishing to use this method of redemption must complete and file an account application which is available from the Funds or firm through which shares were purchased. Redemption Checks should not be used to close an account since the account normally includes accrued but unpaid dividends. The Funds reserve the right to terminate or modify this privilege at any time. This privilege may not be available through some firms that distribute shares of the Funds. In addition, firms may impose minimum balance requirements in order to obtain this feature. Firms also may impose fees on investors for this privilege or, if approved by the Funds, establish variations on minimum check amounts.

Unless only one signature is authorized on the account application, Redemption Checks must be signed by all shareholders. Any change in the signature authorization must be made by written notice to the firm. Shares purchased by check or through an Automated Clearing House ("ACH") transaction may not be redeemed by

Redemption Check until the shares have been on the Fund's books for at least 15 days. The Funds reserve the right to terminate or modify this privilege at any time.

The Funds may refuse to honor Redemption Checks whenever the right of redemption has been suspended or postponed, or whenever the account is otherwise impaired. A $15 service fee will be charged when a Redemption Check is presented to redeem Fund shares in excess of the value of that Fund account or for an amount less than $250 or when a Redemption Check is presented that would require redemption of shares that were purchased by check or ACH transaction within 15 days. A fee of $12 will be charged when "stop payment" of a Redemption Check is requested. Firms may charge different service fees in place of or in addition to these fees.

PRE-AUTHORIZED AUTOMATIC REDEMPTIONS -- Shareholders purchasing through some firms can arrange to have a pre-authorized amount ($100 or more) redeemed from their shareholder account and automatically deposited into a bank account on one or more specified day(s) of each month. For more information regarding pre-authorized automatic redemptions, contact your firm.

FULL REDEMPTIONS -- Unpaid dividends credited to an account up to the date of redemption of all shares of a Fund generally will be paid at the time of redemption.

VALUATION OF SHARES

The net asset value of each share (share price) of the Funds is determined as of the close of the Exchange, generally 4:00 p.m. Eastern time, on each Business Day. The net asset value of Platinum Class Shares of the Funds will be determined based on a pro rata allocation of the Fund's corresponding Portfolio's investment income, expenses and total capital gains and losses. The allocation will be based on comparative net asset value at the beginning of the day except for expenses related solely to one class of shares ("Class Expenses") which will be borne only by the appropriate class of shares. Because of Class Expenses, the net income attributable to and the dividends payable may be different for each class of shares.

Obligations held by the Portfolios are valued in accordance with the amortized cost method, which is designed to enable those Portfolios and their corresponding Funds to maintain a consistent $1.00 per share net asset value. The amortized cost method is described in the SAI.

DIVIDENDS AND TAX MATTERS

Dividends paid on each class of a Fund's shares are calculated at the same time and in the same manner. All of each Fund's net investment income and net short-term capital gain, if any, generally will be declared as dividends on each Business Day immediately prior to the determination of the net asset value. Dividends generally are paid on the first day of the following month. A Fund's net investment income attributable to the Platinum Class consists of that class' pro rata share of the Fund's share of interest accrued and discount earned on its corresponding Portfolio's securities, less amortization of premium, and the estimated expenses of both the Portfolio and the Fund attributable to the Platinum Class. The Portfolios do not expect to realize net capital gain, therefore the Funds do not foresee paying any capital gain distributions. If any

Fund (either directly or indirectly through its corresponding Portfolio) incurred or anticipated any unusual expenses, loss or depreciation that would adversely affect its net asset value or income for a particular period, the Board would at that time consider whether to adhere to the dividend policy described above or to revise it in the light of the then prevailing circumstances.

Unless a shareholder elects otherwise on the account application, all dividends on a Fund's Platinum Class shares will be automatically paid in additional Platinum Class shares of that Fund. However, a shareholder may choose to have dividends paid in cash. An election may be changed at any time by delivering written notice to your firm at least ten days prior to the payment date for a dividend.

Each Fund is treated as a separate corporation for federal income tax purposes and intends to continue to qualify for treatment as a regulated investment company under the Internal Revenue Code of 1986, as amended. In each taxable year that a Fund so qualifies, the Fund (but not its shareholders) will be relieved of federal income tax on that part of its investment company taxable income (generally, taxable net investment income plus any net short-term capital gain) that it distributed to its shareholders. However, a Fund will be subject to a nondeductible 4% excise tax to the extent that it fails to distribute by the end of any calendar year substantially all of its ordinary income for that calendar year and its net capital gain for the one-year period ending on October 31 of that year, plus certain other amounts. For these and other purposes, dividends declared by a Fund in December of any year and payable to shareholders of record on a date in that month will be deemed to have been paid by the Fund and received by the shareholders on December 31 of that year if they are paid by the Fund during the following January. Each Portfolio has received a ruling from the Internal Revenue Service that it is classified for federal income tax purposes as a partnership; accordingly, no Portfolio is subject to federal income tax.

Dividends from a Fund's investment company taxable income are taxable to its shareholders as ordinary income to the extent of the Fund's earnings and profits, whether received in cash or paid in additional Platinum Class shares. Distributions by

the Municipal Money Market Fund that it designates as "exempt-interest dividends" generally may be excluded from gross income by its shareholders. If the Municipal Money Market Portfolio earns taxable income from any of its investments, the Municipal Money Market Fund's share of that income will be distributed to its shareholders as a taxable dividend. To the extent that Portfolio invests in certain private activity obligations, that Fund's shareholders will be required to treat a portion of its dividends as a "tax preference item" in determining their liability for the AMT. Exempt-interest dividends also may be subject to tax under state and local income tax laws. Because some states exempt from income tax the interest on their own obligations and obligations of governmental agencies and municipalities in the state, shareholders will receive tax information each year regarding the Municipal Money Market Fund's exempt-interest income by state. Interest on indebtedness incurred or continued by a shareholder to purchase or carry shares of that Fund is not deductible.

Each Fund notifies its shareholders following the end of each calendar year of the amounts of dividends paid (or deemed paid) that year. The notice sent by the Municipal Money Market Fund specifies the amounts of exempt-interest dividends (and the portion thereof, if any, that is a tax preference item for purposes of the AMT) and any taxable dividends. The Mileage Fund's notice also might include in taxable dividends a nominal amount reflecting the value of AAdvantage Miles credited to the shareholders' accounts, which are deemed by the Internal Revenue Service to constitute taxable distributions by the Fund. Each Fund is required to withhold 31% of all taxable dividends payable to any individuals and certain other non-corporate shareholders who do not provide the Fund with a correct taxpayer identification number or who otherwise are subject to back-up withholding.

The foregoing is only a summary of some of the important tax considerations generally affecting the Funds and their shareholders. Prospective investors are urged to consult their own tax advisers regarding specific questions as to the effect of federal, state or local income taxes on any investment in the AAdvantage Trust or the Mileage Trust or any tax consequences as a result of the receipt of AAdvantage miles. For further tax information, see the SAI.

GENERAL INFORMATION

The AAdvantage Trust currently is comprised of ten separate investment portfolios and the Mileage Trust currently is comprised of nine separate investment portfolios. Each AAdvantage Fund included in this Prospectus is comprised of three classes of shares. The Mileage Fund is comprised of two classes of shares. Shares of each AAdvantage Fund and each Mileage Fund can be issued in an unlimited number. Each AAdvantage Fund and Mileage Fund share represents an equal proportionate beneficial interest in that Fund and is entitled to one vote. Only shares of a particular

class may vote on matters affecting that class. Only shares of a particular Fund may vote on matters affecting that Fund. All shares of a Trust vote on matters affecting that Trust as a whole. Share voting rights are not cumulative, and shares have no preemptive or conversion rights. Shares of the AAdvantage Trust and the Mileage Trust are nontransferable.

On most issues subjected to a vote of a Portfolio's interest holders, as required by the 1940 Act, its corresponding Fund will solicit proxies from its shareholders and will vote its interest in the Portfolio in proportion to the votes cast by the Fund's shareholders. Because a Portfolio interest holder's votes are proportionate to its percentage interests in that Portfolio, one or more other Portfolio investors could, in certain instances, approve an action against which a majority of the outstanding voting securities of its corresponding Fund had voted. This could result in that Fund's redeeming its investment in its corresponding Portfolio, which could result in increased expenses for that Fund. Whenever the shareholders of a Fund are called to vote on matters related to its corresponding Portfolio, the Board shall vote shares for which they receive no voting instructions in the same proportion as the shares for which they do receive voting instructions. Any information received from a Portfolio in the Portfolio's report to shareholders will be provided to the shareholders of its corresponding Fund.

As Massachusetts business trusts, the AAdvantage Trust and the Mileage Trust are not obligated to conduct annual shareholder meetings. However, the Trusts will hold special shareholder meetings whenever required to do so under the federal securities laws or their Declarations of Trust or By-Laws. Trustees of either Trust can be removed by a shareholder vote at special shareholder meetings.

SHAREHOLDER COMMUNICATIONS

Shareholders will receive periodic reports, including annual and semi-annual reports, which will include financial statements showing the results of the Funds' operations and other information. The financial statements of the Funds and the AMR Trust will be audited by Ernst & Young LLP, independent auditor, at least annually. Shareholder inquiries and requests for information regarding the other investment companies which also invest in the AMR Trust should be made by contacting your firm or by calling (800) 388-3344 or by writing to the Funds at P.O. Box 619003, MD 5645, Dallas/Fort Worth Airport, Texas 75261-9003.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IN SALES LITERATURE SPECIFICALLY APPROVED BY OFFICERS OF THE AADVANTAGE TRUST AND THE MILEAGE TRUST FOR USE IN CONNECTION WITH THE OFFER OF ANY FUND'S SHARES, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUNDS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, SUCH OFFERING MAY NOT LAWFULLY BE MADE.

American AAdvantage Funds and American AAdvantage Mileage Funds are registered service marks of AMR Corporation. Mileage Class, American AAdvantage Money Market Fund and PlanAhead Class are registered service marks and Platinum Class, American AAdvantage Money Market Mileage Fund, American AAdvantage Municipal Money Market Fund and American AAdvantage U.S. Government Money Market Fund are service marks of AMR Investment Services, Inc.

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75270

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AMERICAN AADVANTAGE SHORT-TERM INCOME FUND

Prospectus

March 1, 1998

This Prospectus contains important information about the American AAdvantage Short-Term Income Fund (the "Fund"), a portfolio of the American AAdvantage Funds(R) (the "Trust"). The Trust is a no-load, open-end management investment company organized as a Massachusetts business trust on January 16, 1987, consisting of ten separate investment portfolios. The Fund is a non-diversified portfolio which seeks current income and relative principal stability through investments in high quality money market obligations and variable rate obligations. There is no guarantee that the Fund will achieve its investment objective. Prospective investors considering the purchase of the Fund should read this Prospectus carefully before making an investment decision and retain it for future reference.

In addition to this Prospectus, a Statement of Additional Information ("SAI") dated March 1, 1998 has been filed with the Securities and Exchange Commission and is incorporated herein by reference. The SAI contains more detailed information about the Fund. For a free copy of the SAI, call AMR Investment Services, Inc. (the "Manager") at (817) 967-3509.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>

</TABLE>

TABLE OF FEES AND EXPENSES

Annual Operating Expenses (as a percentage of average net assets):

<TABLE>

<S>	<C>
Management Fees	0.10%
Other Expenses (1)	0.05%
Total Fund Operating Expenses	0.15%

</TABLE>

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(1) Due to the Fund's lack of an operating history, other expenses have been

estimated.

<TABLE>
<CAPTION>

Examples	1 yr.	3 yrs.
<S>	<C>	<C>
An investor in the Fund would pay on a cumulative basis the following expenses on a $1,000 investment assuming a 5% annual return:	$ 1	$ 5

</TABLE>

The purpose of the table above is to assist a potential investor in understanding the various costs and expenses to be incurred directly or indirectly as a shareholder in the Fund. Additional information may be found under "Management and Administration of the Trust" .

THE FOREGOING EXAMPLES SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR PERFORMANCE. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN AND PERFORMANCE MAY BE BETTER OR WORSE THAN THE 5% ANNUAL RETURN ASSUMED IN THE EXAMPLES.

INVESTMENT OBJECTIVE, POLICIES AND RISKS

The investment objective and the policies of the Fund are described below. The investment policies may be changed at any time by the Trust's Board of Trustees ("Board"). However, the Fund's investment objective may not be changed without a majority vote of the Fund's outstanding shares, which is defined as the lesser of (a) 67% of the shares of the Fund present or represented if the holders of more than 50% of the shares are present or represented at a shareholders meeting, or (b) more than 50% of the shares of the Fund (hereinafter "majority vote").

The Fund's investment objective is to seek current income and relative principal stability. The Fund seeks its investment objective by investing primarily in high quality money market obligations and variable rate long-term obligations.

Portfolio Maturity

The maximum permissible maturity of any fixed rate obligation in which the Fund may invest is 397 days, except that fixed rate obligations with maturities greater than 397 days may be purchased if the Fund simultaneously enters into an interest rate swap transaction in order for the obligation to have the same characteristics as a variable rate obligation. The maximum permissible final maturity or "expected life" (i.e. anticipated maturity of obligations which reduce principal) of any variable rate obligation is five years and the maximum permissible dollar-weighted average maturity of the Fund is 90 days. For purposes of determining dollar-weighted average maturity, the maturity of any obligation is deemed to be the shortest of the following: (1) the stated maturity date or "expected life" of the obligation; (2) the next interest reset for variable rate obligations which will have a rate of interest based on a leading money market index of not greater than three months.; or (3) the next put exercise date (for

obligations with put features). For purposes of determining maturity of repurchase agreements, the end date of the agreement, and not the maturity of the underlying obligations, will be used.

Money Market Obligations

Money market obligations are debt securities with maturities of 397 days or less. The Fund may invest in high quality, U.S. dollar-denominated money market obligations, which include, but are not limited to: (1) obligations of the U.S. Government and its agencies and instrumentalities; (2) loan participation interests, and structured notes (3) domestic, Yankeedollar and Eurodollar certificates of deposit, time deposits, bankers' acceptances, commercial paper, bearer deposit notes and other promissory notes, including floating or variable rate obligations issued by U.S. or foreign bank holding companies and their bank subsidiaries, branches and agencies; and (4) repurchase agreements involving the obligations listed above. These issuers or instruments at the time of purchase will: (1) have received one of the two highest short-term ratings by at least two nationally recognized statistical rating organizations ("NRSROs"), such as A-1 or A-2 by Standard & Poor's or P-1 or P-2 by Moody's Investors Service, Inc.; (2) be single rated and have received one of the two highest short-term ratings by that NRSRO; or (3) be unrated, but are determined to be of comparable quality by the Manager. See the SAI for definitions of certain of the foregoing securities and a description of debt ratings. All money market obligations which do not possess the highest short-term rating by at least two NRSROs will be limited to a maturity of 91 days or less.

Long-Term Obligations

Long-term obligations are obligations deemed to have maturities greater than 397 days. The Fund may invest in long-term obligations which include, but are not limited to: (1) obligations of the U.S. Government and its agencies and instrumentalities; (2) municipal, corporate, trust or bank obligations; (3) mortgage-backed securities, asset-backed securities, medium-term notes, master notes, and other promissory notes (including structured notes); and (4) funding agreements and interest rate swap agreements. Such obligations may have a fixed or variable rate of interest and: (1) will be rated "A" or better by at least two NRSROs at the time of purchase; (2) will be single rated and have received a rating of "A" or better by that NRSRO; or (3) if unrated, will be deemed to be of comparable quality by the Manager. See the SAI for definitions of certain of the foregoing securities and for a description of debt ratings. Principal and/or interest payments for obligations of U.S. Government agencies or instrumentalities may or may not be backed by the full faith and credit of the U.S. Government.

Other Investment Companies

The Fund may invest in the securities of other investment companies to the extent permitted by law.

Non-Diversification

The Fund is "non-diversified" as defined in the Investment Company Act of 1940 (the "1940 Act"), but intends to qualify as a "regulated investment company" ("RIC") for federal income tax purposes. This means, in general, that more than 5% of the Fund's total assets may be invested in the securities of a single issuer, but only if, at the close of each quarter of

the Fund's taxable year, the aggregate amount of such holdings does not exceed 50% of the value of its total assets and no more than 25% of the value of its total assets is invested in the securities of a single issuer. Although "non-diversified", the Fund will not invest more than 10% of its total assets (taken at market value) in obligations of any one issuer, other than obligations issued by the U.S. Government, its agencies and instrumentalities. However, up to 25% of the Fund's total assets may be invested in issuers holding over 10% of the Fund's total assets. To the extent that it holds the securities of fewer issuers than if it were "diversified", the Fund will be subject to greater risk than a fund that invests in a broader range of securities because changes in the financial condition or market valuation of a single issuer may cause greater fluctuations in the Fund's total return and the net asset value of its shares.

Foreign Investments

The Fund may invest in U.S. dollar-denominated obligations of foreign issuers. The Fund may also invest up to 25% of its total assets at the time of purchase in obligations denominated in foreign currencies. The Fund typically will hedge its foreign currency exposure. See "Strategic Transactions" below for a further description of foreign currency hedging instruments. Investing in foreign issuers carries potential risks not associated with domestic investments. Such risks include but are not limited to: (1) political and financial instability abroad, including risk of nationalization or expropriation of assets and the risk of war; (2) less liquidity and greater volatility of foreign investments; (3) less public information regarding foreign issuers; (4) lack of uniform accounting, auditing and financial reporting standards; (5) delays in transaction settlement in some foreign markets; (6) possible imposition of confiscatory foreign taxes; (7) possible limitation on the removal of securities or other assets of the Fund; (8) restrictions on foreign investments and repatriation of capital; (9) currency fluctuations; (10) costs and possible restrictions of currency conversion; and (11) withholding taxes on interest in foreign countries. These risks are often greater for investments in emerging or developing countries.

Funding Agreements

The Fund may enter into funding agreements which are contracts with insurance companies that return principal and interest at a guaranteed rate or fixed spread to an index. Generally, funding agreements pay interest at set intervals and mature on specified dates. Funding agreements generally allow for certain withdrawals to be made without penalty and are otherwise non-surrenderable. Funding agreements are considered to be illiquid securities and accordingly will be subject to the Fund's limitation on investing in illiquid securities.

Strategic Transactions

The Fund may implement strategies using instruments described below as hedging instruments to reduce various market risks of its investments, to alter their duration, or to enhance specific return characteristics. The Fund's ability to use these instruments may be limited by market conditions, regulatory limits and tax considerations.

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In pursuing these strategies, the Fund may: purchase and sell financial futures contracts and options thereon; purchase and sell forward contracts; enter into swap agreements, including interest rate swaps and caps, collars and floors; and enter into various currency transactions, including currency futures contracts, options on currency futures, currency options, currency forward contracts and currency swaps, caps, collars and floors (collectively, "Strategic Transactions"). Strategic transactions may be used without limit in altering the exposure of a particular investment or portion of the Fund's portfolio to fluctuations in interest rates or currency exchange rates, to preserve a return or spread, to lock in unrealized market value gains or losses, to facilitate the sale or purchase of securities, to manage the duration of securities, to uncap a capped security, or to convert a fixed rate security to a variable rate security.

Any, all or none of these strategies may be used at any time and in any combination, and no assurance can be given that any strategy used will succeed. If the Manager incorrectly forecasts interest rates, currency exchange rates, market values or other economic factors, the use of strategic transactions might have more adverse results than if the Fund had not used such transactions. The Fund will enter into swaps, caps, collars and floors only with banks and recognized securities dealers believed by the Manager to present minimal credit risks in accordance with guidelines established by the Board. If there is a default by the other party, the Fund will have to rely on its contractual remedies (which may be limited by bankruptcy, insolvency or similar laws) pursuant to the agreement relating to the transaction. See the SAI for a further discussion of Strategic Transactions. Strategic Instruments may be referred to as "derivative instruments".

The Fund will comply with SEC guidelines regarding cover for Strategic Instruments and will, if the guidelines so require, set aside cash, U.S. Government securities or other liquid, high-grade debt securities in a segregated account with its custodian in the prescribed amount. Assets used as cover or held in a segregated account cannot be sold while the position in the corresponding Strategic Instrument is open, unless they are replaced with other appropriate assets. As a result, the commitment of a large portion of the Fund's assets to cover or segregated accounts could impede portfolio management or the Fund's ability to meet redemption requests or other current obligations.

Mortgage-related Securities

The Fund is permitted to invest in mortgage-related securities, subject to the quality requirements specified above. Mortgage pass-through securities are securities representing interests in "pools" of mortgages in which payments of both interest and principal on the securities are made monthly, in effect, "passing through" monthly payments made by the individual borrowers on the mortgage loans which underlie the securities (net of fees paid to the issuer or guarantor of the securities). Early repayment of principal on mortgage pass-through securities (arising from prepayments of principal due to sale of the underlying property, refinancing or foreclosure, net of fees and costs which may be incurred) may expose the Fund to a lower rate of return upon reinvestment of principal. Also, if a security subject to prepayment has been purchased at a premium, the value of the premium would be lost in the event of prepayment. Like other fixed-

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income securities, when interest rates rise, the value of mortgage-related securities generally will decline; however, when interest rates decline, the value of the mortgage-related securities with prepayment features may not increase as much as other fixed-income securities. In recognition of this prepayment risk to investors, the Public Securities Association (the "PSA") has standardized the method of measuring the rate of mortgage loan principal prepayments. The PSA formula, the Constant Prepayment Rate and other similar models that are standard in the industry will be used by the Fund in calculating maturity for purposes of investment in mortgage-related securities.

Payment of principal and interest on some mortgage pass-through securities (but not the market value of the securities themselves) may be guaranteed by the full faith and credit of the U.S. Government (in the case of securities guaranteed by the Government National Mortgage Association ("GNMA")) or guaranteed by agencies or instrumentalities of the U.S. Government (in the case of securities guaranteed by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"), which are supported only by the discretionary authority of the U.S. Government to purchase the agency's obligations). Mortgage pass-through securities created by non-governmental issuers (such as commercial banks, savings institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers) may be supported by various credit enhancements such as pool insurance, a guarantee issued by a governmental entity, or a letter of credit from a bank or senior/subordinated structures.

Collateralized mortgage obligations ("CMOs") are hybrid instruments with characteristics of both mortgage-backed bonds and mortgage pass-through securities. Similar to mortgage pass-through securities, interest and prepaid principal on a CMO are paid, in most cases, monthly. CMOs may be collateralized by whole mortgage loans, but are more typically collateralized by portfolios of mortgage pass-through securities guaranteed by GNMA, FHLMC or FNMA. CMOs are structured in multiple classes, with each class bearing a different stated maturity or interest rate.

Asset-backed Securities

The Fund is permitted to invest in asset-backed securities, subject to its rating and quality requirements. Through the use of trusts and special purpose subsidiaries, various types of assets, primarily home equity loans, automobile and credit card receivables, and other types of receivables or other assets as well as purchase contracts, financing leases and sales agreements entered into by municipalities, are being securitized in pass-through structures similar to the mortgage pass-through structures described above.

Asset-backed securities involve certain risks that are not posed by mortgage-related securities, resulting mainly from the fact that asset-backed securities do not usually contain the benefit of a complete security interest in the related collateral. For example, credit card receivables generally are unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, some of which may reduce the ability to obtain full payment. In the case of automobile receivables, due to various legal and economic factors, proceeds from repossessed

collateral may not always be sufficient to support payments on the securities. The risks associated with asset-based securities are often reduced by the addition of credit enhancements such as a letter of credit from a bank, excess collateral or a third-party guarantee.

Master Notes

Master notes in which the Fund may invest are unsecured notes that permit the indebtedness thereunder to vary, and provide for periodic adjustments in the interest rate. Because master notes are direct lending arrangements between the Fund and the issuer, there is no secondary market for the notes. However, generally either the maturity of a master note shall not exceed seven days or the master note will have a put feature which will permit payment of principal and accrued interest within seven days. To the extent this period is exceeded, the note in question would be considered illiquid and will be subject to the Fund's limitation on illiquid investments. Issuers of master notes must satisfy the same creditworthiness criteria as set forth for other promissory notes (e.g., commercial paper). The Fund will invest in master notes only when such notes are determined by the Manager to be of comparable quality to rated issuers or instruments eligible for investment by the Fund.

Structured Notes

Structured notes are debt instruments for which the interest rate and/or the principal are indexed to an unrelated indicator. The Fund will only utilize structured notes that have the characteristics of permissible variable rate notes and that have a rate of interest based on a leading money market index not greater than three months. Structured notes are often issued by high-grade corporate issuers. An underlying swap is often entered into in connection with a structured note pursuant to which the issuer will receive payments that match its obligations under the structured note (usually from an investment bank that puts the transaction together) and, in turn, makes more "traditional" payments to the investment bank (e.g., fixed-rate or ordinary floating rate payments). In such cases the Fund would not be involved in the swap and the issuer of the note would remain obligated even if its counterparty defaulted. Structured notes are considered a type of derivative investment.

Trust Obligations

Trust obligations are debt instruments issued by a trust established solely for the purpose of owning the underlying assets purchased from the selling company ("originator"). The trust is structured to ensure assets sold to the trust are not subject to bankruptcy proceedings against the originators. The debt instruments issued by the trust represent a pro rata undivided interest in the trust assets.

When-Issued Securities and Forward Commitment Transactions

The Fund may purchase or sell securities on a "when-issued" basis or "forward commitment" basis. The purchase or sale of when-issued securities enables an investor to hedge against anticipated changes in interest rates and prices by locking in a favorable price or yield. The price of when-issued securities is fixed at the time the commitment to purchase or sell is made, but delivery and payment for the when-issued securities take place at a later date, normally one to two months after the date of purchase. During the period between purchase and settlement, no payment is made by the purchaser to the issuer and no interest accrues to the purchaser. Such transactions therefore involve a risk of loss if the value of the security to be purchased declines prior to the settlement date or if the value of the security to be sold increases prior to the settlement date. A sale of a when-issued security also involves the risk that the other party will be unable to settle the transaction.

Purchase and sale of securities on a "forward commitment" basis involve a commitment to purchase or sell securities with payment and delivery to take place at some future date, normally one to two months after the date of the transaction. As with when-issued securities, these transactions involve certain risks, but they also enable an investor to hedge against anticipated changes in interest rates and prices. When purchasing securities on a when-issued or forward commitment basis, a segregated account of liquid assets at least equal to the value of purchase commitments for such securities will be maintained until the settlement date.

Securities Lending

The Fund may lend securities to broker-dealers or other institutional investors pursuant to agreements requiring that the loans be continuously secured by any combination of cash, securities of the U.S. Government and its agencies and approved bank letters of credit that at all times equals at least 100% of the market value of the loaned securities. Such loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund would exceed 33 1/3% of its total assets. The Fund normally pays lending fees and related expenses from the interest earned on invested collateral, but continues to receive interest on the securities loaned and simultaneously earns either interest on the investment of the cash collateral or fee income if the loan is otherwise collateralized. Should the borrower of the securities fail financially, there is a risk of delay in recovery of the securities or loss of rights in the collateral. However, loans are made only to borrowers which are deemed by the Manager to be of good financial standing and which have been approved by the Board. For purposes of complying with the Fund's investment policies and restrictions, collateral received in connection with securities loans will be deemed an asset of the Fund to the extent required by law. The Manager will receive compensation for administrative and oversight functions with respect to securities lending. The amount of such compensation will depend on the income generated by the loan of securities. The SEC has granted exemptive relief that permits the Fund to invest cash collateral received from securities lending transactions in one or more private investment companies managed by the Manager. Subject to receipt of exemptive relief from the SEC, the Portfolios also may invest cash collateral received from securities lending transactions in shares of one or more registered investment companies managed by the Manager. See the SAI for further information regarding loan transactions.

Repurchase Agreements

A repurchase agreement is an agreement under which securities are acquired by the Fund from financial institutions such as banks and broker/dealers subject to resale at an agreed upon date and price. The Fund bears the risk of loss in the event that the other party to a repurchase

agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities. However, the Manager will enter into repurchase agreements only with financial institutions that are deemed to be of good financial standing and that have been approved by the Board. See the SAI for more information regarding repurchase agreements.

Reverse Repurchase Agreements

The Fund may borrow funds for temporary purposes by entering into reverse repurchase agreements. Pursuant to such agreements, the Fund would sell portfolio securities to financial institutions such as banks and broker/dealers and agree to repurchase them at a mutually agreed-upon date and price. At the time the Fund enters into a reverse repurchase agreement, it will place in a segregated custodial account assets such as liquid high quality debt securities having a value not less than 100% of the repurchase price (including accrued interest), and will subsequently monitor the account to ensure that such required value is maintained. Reverse repurchase agreements involve the risk that the market value of the securities sold by the Fund may decline below the price at which the Fund is obligated to repurchase the securities. Reverse repurchase agreements are considered to be borrowings by an investment company under the 1940 Act.

Portfolio Transactions

The Manager will place its own orders to execute securities transactions of the Fund. In placing such orders, the Manager will seek the best available price and most favorable execution. The full range and quality of services offered by the executing broker or dealer is considered when making these determinations.

High portfolio activity increases the Fund's transaction costs. The Fund normally will not incur any brokerage commissions on its transactions because debt instruments are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission. The price of the obligation, however, usually includes a profit to the dealer. Obligations purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. No commissions or discounts are paid when securities are purchased directly from an issuer.

INVESTMENT RESTRICTIONS

The following investment restrictions of the Fund may be changed only by the majority vote of the Fund's outstanding shares. The Fund may not:

- Invest more than 25% of its total assets in the obligations of companies primarily engaged in any one industry, provided that: (i) this limitation does not apply to obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities; (ii) municipalities and their agencies and authorities are not deemed to be industries; and (iii) financial service companies are classified according to the end users of their services (for example, automobile finance, bank finance, and diversified finance will be considered separate industries).

- Borrow money, except from banks or through reverse repurchase agreements for temporary purposes in an aggregate amount not to exceed 10% of the value of its total assets at the time of borrowing.

As a non-fundamental investment restriction which may be changed only by a vote of the Board, the Fund may not invest more than 15% of its net assets in illiquid securities, including master notes, time deposits and repurchase agreements which mature in more than seven days.

The above percentage limits are based upon asset values at the time of the applicable transaction; accordingly, a subsequent change in asset values will not affect a transaction which was in compliance with the investment restrictions at the time such transaction was effected. See the SAI for other investment limitations.

YIELDS AND TOTAL RETURNS

Advertised yield for the Fund will be computed by dividing the net investment income per share earned during the relevant time period by the offering price per share on the last day of the period. Total return quotations advertised by the Fund may reflect the average annual compounded (or aggregate compounded) rate of return during the designated time period based on a hypothetical initial investment and the redeemable value of that investment at the end of the period. Additionally, the Fund may advertise a "monthly distribution rate". This rate is based on an annualized monthly dividend accrual rate per share compared with the Fund's month-end net asset value per share. The Fund may at times compare its performance to applicable published indices, and also may disclose its performance as ranked by certain ranking entities. See the SAI for more information about the calculation of yields and total returns.

MANAGEMENT AND ADMINISTRATION OF THE TRUST

Management Agreement

The Trust is governed by its Board which provides broad supervision over the Trust's affairs. The Trust and the Manager entered into a Management Agreement (the "Agreement") which obligates the Manager to provide or oversee all administrative, investment advisory and portfolio management services for the Fund. The Agreement was approved with respect to the Fund by the Fund's sole initial shareholder on November 28, 1995. The Manager provides the Trust with office space, office equipment and personnel necessary to manage and administer Trust operations. This includes complying with reporting requirements; corresponding with shareholders; maintaining internal bookkeeping, accounting and auditing services and records; and supervising the provision of services to the Trust by third parties. The Manager also develops and implements the investment program for the Fund. The Manager, located at 4333 Amon Carter Boulevard, MD5645, Fort Worth, Texas 76155, is a wholly owned subsidiary of AMR Corporation ("AMR"), the parent company of American Airlines, Inc., and was organized in 1986 to

provide business management, advisory, administrative and asset management consulting services to the American AAdvantage Funds and other investors. As of December 31, 1997, the Manager had assets under management of approximately $___

billion including approximately $___ billion under active management and $___ billion as named fiduciary or fiduciary adviser. Of the total, approximately $___ billion of assets are related to AMR and its primary subsidiary, American Airlines, Inc.

As compensation for providing these services to the Fund, the Manager receives from the Trust an annualized fee ("Management Fee"), which is calculated and accrued daily, equal to .10% of the net assets of the Fund. Such fees are payable quarterly in arrears.

The Agreement will continue in effect provided that annually such continuance is specifically approved by a vote of the Board, including the affirmative votes of a majority of the Trustees who are not parties to the Agreement or "interested persons" as defined in the 1940 Act of any such party, cast in person at a meeting called for the purpose of considering such approval, or by the vote of shareholders. The Agreement may be terminated at any time, without penalty, by a majority vote of outstanding Fund shares on sixty (60) days' written notice to the Manager, or by the Manager, on sixty (60) days' written notice to the Trust. The Agreement will automatically terminate in the event of its "assignment" as defined in the 1940 Act.

Portfolio Managers

Michael W. Fields is responsible for the portfolio management oversight of the Fund. Mr. Fields has been with AMR Investment Services, Inc. since it was founded in 1986 and currently serves as Vice President-Fixed Income Investments. Benjamin L. Mayer is responsible for the day-to-day portfolio management of the Fund. Mr. Mayer has served as Senior Portfolio Manager of AMR Investment Services since May 1995. Prior to that time, he was a Vice President of Institutional Fixed Income Sales at Merrill Lynch, Pierce, Fenner & Smith from January 1994 to April 1995 and Vice President, Regional Senior Strategist from April 1989 to January 1994.

Fund Expenses

Expenses paid by the Fund may include, but are not limited to audits by independent auditors; transfer agent, custodian, dividend disbursing agent and shareholder recordkeeping services; obtaining quotations for calculating the value of the Fund's net assets; taxes, if any, and the preparation of the Fund's tax returns; brokerage fees and commissions; interest; costs of Trustee and shareholder meetings; printing and mailing prospectuses and reports to existing shareholders; fees for filing reports with regulatory bodies and the maintenance of the Trust's existence; legal fees; fees to federal and state authorities for the registration of Fund shares; fees and expenses of Trustees who are not directors, officers, employees or stockholders of the Manager or its affiliates; insurance and fidelity bond premiums; and any extraordinary expenses of a non-recurring nature.

Custodian and Transfer Agent

State Street Bank & Trust Company, Boston Massachusetts, serves as custodian for the Trust and transfer agent for the Fund.

Independent Auditor

The independent auditor for the Fund is Ernst & Young LLP, Dallas, Texas.

Principal Underwriter

Brokers Transaction Services, Inc. ("BTS"), 7001 Preston Road, Dallas, Texas 75205, serves as principal underwriter of the Trust.

PURCHASE, REDEMPTION AND VALUATION OF SHARES

Purchasing Shares of the Fund

Shares of the Fund are offered without a sales charge and are sold on a continuous basis. Shares are sold at the net asset value next determined after acceptance by the transfer agent of a purchase order. Shares are offered and purchase orders are accepted for the Fund on each day the Federal Reserve System and the custodian/transfer agent are open for business ("Business Day"). The Trust reserves the right to reject any order for the purchase of shares and to limit or suspend, without prior notice, the offering of shares. The minimum investment required to open an account is generally $50 million.

Payment for the purchase of shares must be in the form of federal funds. Purchase orders are only accepted on a Business Day by 3:00 p.m. Eastern time and will be executed on that same day if accompanied by payment. Certificates representing shares ordinarily will not be issued.

Fund shares may be purchased and redeemed as follows:

By Wire--Purchases may be made by wiring federal funds. To ensure prompt receipt of a transmission by wire, the investor should: telephone the transfer agent at (800) 658-5811 and specify that it will be purchasing shares of the Short-Term Income Fund; provide the name, address, telephone number, and account number of the investor; and identify the amount being wired and by which bank. If you are opening a new account, the transfer agent will provide you with an account number. You should instruct your bank to designate the account number which the transfer agent has assigned to you and to transmit the federal funds to: State Street Bank & Trust Co., ABA #111-000-025, Corporate Trust Suspense No. 0180019810, reference American AAdvantage Short-Term Income Fund, Attention: Fund Account Services.

By Depositing Securities--Shares of the Fund may be purchased in exchange for an investor's securities if the Manager determines that the securities are acceptable and satisfy the Fund's investment objective and policies. Investors interested in exchanging securities must first contact the Manager and obtain instructions regarding submission of a written description of the securities that the investor wishes to exchange. The investor must represent that all such securities offered to the Fund are not subject to any sale restrictions. Within five business days after receipt of the written description, the Manager will advise the investor whether the securities to be exchanged are acceptable. There is no charge for this review by the Manager. Securities accepted by the Fund must have a readily

ascertainable value. Securities are valued in the manner described for valuing Fund assets in the section entitled "Valuation of Shares". Acceptance of such orders may occur on any day during the five-day period afforded the Manager to review the acceptability of the securities. Upon acceptance of such orders, the securities must be delivered in fully negotiable form within five days. The Manager will provide delivery instructions at the time of acceptance. A gain or loss for federal income tax purposes may be realized by the investor upon the securities exchange, depending upon the adjusted tax basis and value of the securities tendered. The Fund will accept securities in this manner only for investment purposes, and not for resale.

By Mail--Share purchases of the Fund may be made by mail by sending a check or other negotiable bank draft payable to the Fund to "State Street Bank & Trust Co.,P.O. Box 1978, Boston, MA 02105-1978, Attention: American AAdvantage Short-Term Income Fund". Subsequent purchases of shares should be accompanied by the shareholder's account number. Purchase checks are accepted subject to collection at full face value in U.S. funds and must be drawn in U.S. dollars on a U.S. bank. Courier and overnight deliveries should be addressed to State Street Bank & Trust Co., Transfer Agency Operations, One Heritage Drive, MSP-5 South, North Quincy, MA, 02171.

Redemption of Shares

Fund shares may be redeemed on any Business Day by writing directly to State Street Bank & Trust Co. at the address above under "Purchase of Shares--By Mail". The redemption price will be the net asset value per share next determined after receipt by State Street Bank & Trust Co. of all required documents in good order. "Good order" means that the request must include a letter of instruction or stock assignment specifying (1) the account number and Fund name; (2) the number of shares or dollar amount to be redeemed; (3) signature of an authorized signatory for the owner of the shares in the exact names in which they appear on the account; (4) other supporting legal documents, if required, in the case of estates, trusts, guardianships, custodians, corporations, IRAs and welfare, pension and profit-sharing plans; and (5) and share certificates being redeemed must be returned duly endorsed or accompanied by a stock assignment with signatures guaranteed by a bank, trust company or member of a recognized stock exchange.

Payment for redeemed shares will be made in cash within seven days after the receipt of a redemption request in good order. The Fund's yield will less likely by adversely affected if the Fund receives redemption notification seven days prior to the redemption. However, the Fund reserves the right to suspend redemptions or postpone the date of payment (a) for any periods during which the Federal Reserve System or the transfer agent are closed (other than for customary weekend and holiday closings), (b) at such time as an emergency exists as determined by the Securities and Exchange Commission so that disposal of the Fund's investments or determination of its net asset value is not reasonably practicable, or (c) for such other periods as the Securities and Exchange Commission by order may permit for protection of the Fund's shareholders. Shares purchased by check may not be

redeemed until the funds have cleared, which may take up to 15 days. During periods when there are substantial redemption requests, the Fund will generally take the full seven days to make payment.

Redemption in Kind

Although the Fund intends to redeem shares in cash, it reserves the right to pay the redemption price in whole or in part by a distribution of readily marketable securities from the Fund's portfolio. However, shareholders always will be entitled to redeem shares for cash up to the lesser of $250,000 or 1% of the Fund's net asset value during any 90-day period. Redemption in kind is not as liquid as a cash redemption. In addition, if redemption is made in kind, shareholders who receive securities and sell them could receive less than the redemption value of their securities and could incur certain transaction costs.

Valuation of Shares

The net asset value of the Fund's shares is determined as of 4:00 p.m. Eastern time on each Business Day. Debt securities (other than short-term securities) are normally 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 and other assets 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. Obligations with 60 days or less to maturity held by the Fund are valued using the amortized cost method as described in the SAI.

INFORMATION CONCERNING SHARES OF THE FUND

Dividends and Capital Gain Distributions

Dividends, consisting of substantially all of the Fund's net investment income, are normally declared on each Business Day immediately prior to the determination of net asset value. Any net short-term capital gain may be distributed over a period of time, as determined by the Manager. Dividends generally are paid monthly, in cash or in Fund shares, on the first day of the following month. Any net capital gain (the excess of net long-term capital gain over net short-term capital loss) that may be realized will be distributed once every year. Should the Fund anticipate or incur any unusual expenses, loss or depreciation that would adversely affect the net asset value per share or income for a particular period, the Board may at that time consider whether to adhere to the dividend policy described above or to revise it in the light of the prevailing circumstances.

Unless a shareholder otherwise elects on the account application, all dividends and other distributions are automatically declared and paid in additional Fund shares based on the net asset value per share next determined on the payment date. However, a shareholder may choose to have distributions of net capital gain paid in shares and dividends paid in cash, or to have all such distributions and dividends paid in cash. An election may be changed at any time by delivering written notice which is received by

the transfer agent at least ten days prior to the payment date for a dividend or other distribution.

Tax Information

The Fund is treated as a separate corporation for federal income tax purposes and intends to qualify for treatment as a RIC under the Internal Revenue Code of 1986, as amended. In each taxable year that the Fund so qualifies, the Fund (but not its shareholders) will be relieved of federal income tax on that part of its investment company taxable income (generally, net investment income plus any net short-term capital gain and gain from certain foreign currency transactions) and net capital gain that it distributes to its shareholders. However, the Fund will be subject to a nondeductible 4% excise tax to the extent that it fails to distribute by the end of any calendar year substantially all of its ordinary income for that calendar year and capital gain net income for the one-year period ending on October 31 of that year, plus certain other amounts. For these and other purposes, dividends and other distributions declared by the Fund in October, November or December of any year and payable to shareholders of record on a date in one of those months will be deemed to have been paid by the Fund and received by the shareholders on December 31 of that year if they are paid by the Fund during the following January. The Fund intends to satisfy the above described distribution requirements.

Dividends from the Fund's investment company taxable income will be taxable to its shareholders as ordinary income to the extent of the Fund's earnings and profits, whether received in cash or paid in additional Fund shares. Distributions of the Fund's net capital gain (whether received in cash or paid in additional Fund shares), when designated as such, generally will be taxable to those shareholders as long-term capital gain, regardless of how long they have held their Fund shares. A capital gain distribution from the Fund may also be offset by capital losses from other sources. If shares are purchased shortly before the record date for a dividend or other distribution, the investor will pay full price for the shares and receive some portion of the price back as a taxable distribution. The Fund will notify its shareholders following the end of each calendar year of the amount of dividends and other distributions paid (or deemed paid) during that year.

Redemption of Fund shares may result in taxable gain or loss to the redeeming shareholder, depending upon whether the fair market value of the redemption proceeds exceeds or is less than the shareholder's adjusted basis for the redeemed shares. If shares of the Fund are redeemed at a loss after being held for six months or less, the loss will be treated as long-term, instead of short-term, capital loss to the extent of any capital gain distributions received on those shares.

The Fund is required to withhold 31% of all dividends, capital gain distributions and redemption proceeds payable to individuals and certain other non-corporate shareholders who do not provide the Fund with a correct taxpayer identification number or (except with respect to redemption proceeds) who otherwise are subject to back-up withholding.

The foregoing is only a summary of some of the important tax considerations generally affecting the Fund and its shareholders.

Prospective investors are urged to consult their own tax advisers regarding specific questions as to the effect of federal, state or local income taxes on any investment in the Fund. For further tax information, see the SAI.

GENERAL INFORMATION

The Fund is comprised of one class of shares that may be issued in an unlimited number. Each share represents an equal proportionate beneficial interest in the Fund and each is entitled to one vote. Shares of the Fund may vote on matters affecting the Fund. All shares of the Trust vote on matters affecting the Trust as a whole. Share voting rights are not cumulative, and shares have no preemptive or conversion rights. Shares of the Trust are non-transferable.

Shares are distributed through the Trust's principal underwriter, BTS. BTS is compensated by the Manager and not the Trust. Any distribution expenses incurred by the Manager related to the Fund are borne by the Manager. The Trust does not intend to compensate the Manager or any other party, either directly or indirectly, for the distribution of Fund shares.

As a Massachusetts business trust, the Trust is not obligated to conduct annual shareholder meetings. However, the Trust will hold special shareholder meetings whenever required to do so under the federal securities laws or the Trust's Declaration of Trust or By-Laws. Trustees can be removed by a shareholder vote at special shareholder meetings.

Shareholders will receive periodic reports, including annual and semi-annual reports, which will include financial statements showing the results of the Fund's operations and other information. The financial statements relating to the Fund will be audited by Ernst & Young LLP, independent auditor, at least annually. Shareholder inquiries should be made by writing to the Fund at P.O. Box 619003, DFW Airport, TX 75261-9003, or by calling (800) 730-1313.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and in sales literature specifically approved by officers of the Trust for use in connection with the offer of any Fund shares, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Fund. This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, such offering may not lawfully be made.

American AAdvantage Funds is a registered service mark of AMR Corporation.

STATEMENT OF ADDITIONAL INFORMATION

AMERICAN AADVANTAGE FUNDS(R)

-- AMR CLASS --
-- INSTITUTIONAL CLASS --
-- PLANAHEAD CLASS(R) --

MARCH 1, 1998

The American AAdvantage Balanced Fund(sm) (the "Balanced Fund"), American AAdvantage Growth and Income Fund(sm), formerly the American AAdvantage Equity Fund (the "Growth and Income Fund"), American AAdvantage International Equity Fund(sm) (the "International Equity Fund"), American AAdvantage S&P 500 Index Fund (the "S&P 500 Index Fund"), American AAdvantage Intermediate Bond Fund(sm) (the "Intermediate Bond Fund"), American AAdvantage Short-Term Bond Fund(sm), formerly the American AAdvantage Limited-Term Income Fund (the "Short-Term Bond Fund"), American AAdvantage Money Market Fund(sm) (the "Money Market Fund"), American AAdvantage Municipal Money Market Fund(sm) (the "Municipal Money Market Fund") and American AAdvantage U.S. Government Money Market Fund(sm), formerly the American AAdvantage U.S. Treasury Money Market Fund (the "U.S. Government Money Market Fund"), (individually, a "Fund" and collectively, the "Funds") are nine separate investment portfolios of the American AAdvantage Funds (the "Trust") a no-load, open-end, diversified management investment company. Each Fund constitutes a separate investment portfolio with a distinct investment objective, and distinct purpose and strategy. Each Fund is comprised of multiple classes of shares designed to meet the needs of different groups of investors. This Statement of Additional Information ("SAI") relates to the AMR, Institutional and PlanAhead Classes of the Trust.

Each Fund, except the S&P 500 Index Fund, seeks its investment objective by investing all of its investable assets in a corresponding portfolio of the AMR Investment Services Trust ("AMR Trust") that has a similar name and an identical investment objective to the investing Fund. The S&P 500 Index Fund invests all of its investable assets in the Equity 500 Index Portfolio, which has an identical investment objective. The Equity 500 Index Portfolio and the portfolios of the AMR Trust are referred to herein individually as a "Portfolio" and, collectively, the "Portfolios." Each Portfolio has an investment objective identical to the investing Fund. The AMR Trust is a separate investment company managed by AMR Investment Services, Inc. (the "Manager"). The Equity 500 Index Portfolio is a separate investment company managed by Bankers Trust Company ("BT").

This SAI should be read in conjunction with an AMR Class, an Institutional Class or a PlanAhead Class prospectus, dated March 1, 1998, (individually, a "Prospectus"), copies of which may be obtained without charge by calling (800) 388-3344 for a PlanAhead Class Prospectus or (817) 967-3509 for an Institutional or AMR Class Prospectus.

This SAI is not a prospectus and is authorized for distribution to prospective investors only if preceded or accompanied by a current Prospectus.

INVESTMENT RESTRICTIONS

Each Fund has the following fundamental investment policy that enables it to invest in its corresponding Portfolio:

> Notwithstanding any other limitation, the Fund may invest all of its investable assets in an open-end management investment company with substantially the same investment objectives, policies and limitations as the Fund. For this purpose, "all of the Fund's investable assets" means that the only investment securities that will be held by the Fund will be the Fund's interest in the investment company.

All other fundamental investment policies and the non-fundamental policies of each Fund and its corresponding Portfolio are identical. Therefore, although the following discusses the investment policies of each Portfolio, the AMR Trust's Board of Trustees ("AMR Trust Board") and the Equity 500 Index Portfolio's Board of Trustees ("Equity 500 Index Portfolio Board"), it applies equally to each Fund and the Trust's Board of Trustees ("Board").

PORTFOLIOS OF THE AMR TRUST

In addition to the investment limitations noted in the Prospectus, the following seven restrictions have been adopted by each Portfolio of the AMR Trust, and may be changed with respect to any such Portfolio only by the majority vote of that Portfolio's outstanding interests. "Majority of the outstanding voting securities" under the Investment Company Act of 1940, as amended (the "1940 Act"), and as used herein means, with respect to the Portfolio, the lesser of (a) 67% of the interests of the Portfolio present at the meeting if the holders of more than 50% of the interests are present and represented at the interest holders' meeting or (b) more than 50% of the interests of the Portfolio. Whenever a Fund is requested to vote on a change in the investment restrictions of its corresponding Portfolio, that Fund will hold a meeting of its shareholders and will cast its votes as instructed by its shareholders. The percentage of a Fund's votes representing that Fund's shareholders not voting will be voted by the Board in the same proportion as those Fund shareholders who do, in fact, vote.

No Portfolio of the AMR Trust may:

1. Purchase or sell real estate or real estate limited partnership interests, provided, however, that the Portfolio may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein when consistent with the other policies and limitations described in the Prospectus.

2. Purchase or sell commodities (including direct interests and/or leases in oil, gas or minerals) or commodities contracts, except with respect to forward foreign currency exchange contracts, foreign currency futures contracts and when-issued securities when consistent with the other policies and limitations described in the Prospectus.

3. Engage in the business of underwriting securities issued by others, except to the extent that, in connection with the disposition of securities, the Portfolio may be deemed an underwriter under federal securities law.

4. Make loans to any person or firm, provided, however, that the making of a loan shall not be construed to include (i) the acquisition for investment of bonds, debentures, notes or other evidences of indebtedness of any corporation or government which are publicly distributed or (ii) the entry into repurchase agreements and further provided, however, that each Portfolio may lend its portfolio securities to broker-dealers or other institutional investors in accordance with the guidelines stated in the Prospectus.

5. Purchase from or sell portfolio securities to its officers, Trustees or other "interested persons" of the Trust, as defined in the 1940 Act, including its investment advisers and their affiliates, except as permitted by the 1940 Act and exemptive rules or orders thereunder.

6. Issue senior securities except that the Portfolio may engage in when-issued securities and forward commitment transactions and the International Equity Portfolio may engage in currency futures and forward currency contracts.

7. Borrow money, except from banks or through reverse repurchase agreements for temporary purposes in an aggregate amount not to exceed 10% of the value of its total assets at the time of borrowing. In addition, although not a fundamental policy, the Portfolios intend to repay any money borrowed before any additional portfolio securities are purchased. See "Other Information" for a further description regarding reverse repurchase agreements.

The following non-fundamental investment restriction applies to each Portfolio of the AMR Trust and may be changed with respect to a Portfolio by a majority vote of the AMR Trust Board: no Portfolio of the AMR Trust may purchase securities on margin, effect short sales (except that the Portfolio may obtain such short term credits as may be necessary for the clearance of purchases or sales of securities) or purchase or sell call options or engage in the writing of such options.

All Portfolios of the AMR Trust may invest up to 10% of their total assets in the securities of other investment companies to the extent permitted by law. A Portfolio of the AMR Trust may incur duplicate advisory or management fees when investing in another mutual fund.

EQUITY 500 INDEX PORTFOLIO

The following investment restrictions are "fundamental policies" of the Equity 500 Index Portfolio and may be changed with respect to the Portfolio only by the majority vote of the Portfolio's outstanding interests, as defined above. Whenever the S&P 500 Index Fund is requested to vote on a change in the fundamental policy of the Portfolio, the Fund will hold a meeting of its shareholders and will cast its votes as instructed by its shareholders. The percentage of the Fund's votes representing Fund shareholders not voting will be voted by the Board in the same proportion as the Fund shareholders who do, in fact, vote.

The Equity 500 Index Portfolio may not:

1. Borrow money or mortgage or hypothecate assets of the Portfolio, except that in an amount not to exceed 1/3 of the current value of the Portfolio's net assets, it may borrow money as a temporary measure for extraordinary or emergency purposes and enter into reverse repurchase

agreements or dollar roll transactions, and except that it may pledge, mortgage or hypothecate not more than 1/3 of such assets to secure such borrowings (it is intended that money would be borrowed only from banks and only either to accommodate requests for the withdrawal of beneficial interests (redemption of shares) while effecting an orderly liquidation of portfolio securities or to maintain liquidity in the event of an unanticipated failure to complete a portfolio security transaction or other similar situations) or reverse repurchase agreements, provided that collateral arrangements with respect to options and futures, including deposits of initial deposit and variation margin, are not considered a pledge of assets for purposes of this restriction and except that assets may be pledged to secure letters of credit solely for the purpose of participating in a captive insurance company sponsored by the Investment Company Institute; for additional related restrictions, see clause (1) below. (As an operating policy, the Portfolio may not engage in dollar roll transactions).

2. Underwrite securities issued by other persons except insofar as the Portfolio may technically be deemed an underwriter under the Securities Act of 1933 (the "1933 Act") in selling a portfolio security.

3. Make loans to other persons except: (a) through the use of repurchase agreements or the purchase of short-term obligations; or (b) by purchasing a portion of an issue of debt securities of types distributed publicly or privately.

4. Purchase or sell real estate (including limited partnership interests but excluding securities secured by real estate or interests therein), interests in oil, gas or mineral leases, commodities or commodity contracts (except futures and option contracts) in the ordinary course of business (except that the Portfolio may hold and sell, for the Portfolio's portfolio, real estate acquired as a result of the Portfolio's ownership of securities).

5. Concentrate its investments in any particular industry (excluding U.S. Government securities), but if it is deemed appropriate for the achievement of the Portfolio's investment objective, up to 25% of its total assets may be invested in any one industry.

6. Issue any senior security (as that term is defined in the 1940 Act) if such issuance is specifically prohibited by the 1940 Act or the rules and regulations promulgated thereunder, provided that collateral arrangements with respect to options and futures, including deposits of initial deposit and variation margin, are not considered to be the issuance of a senior security for purposes of this restriction.

In order to comply with certain statutes and policies the Equity 500 Index Portfolio will not as a matter of operating policy:

1. Borrow money (including through dollar roll transactions) for any purpose in excess of 10% of the Portfolio's total assets (taken at cost) except that the Portfolio may borrow for temporary or emergency purposes up to 1/3 of its total assets.

2. Pledge, mortgage or hypothecate for any purpose in excess of 10% of the Portfolio's total assets (taken at market value), provided that collateral arrangements with respect to options and futures, including deposits of initial deposit and variation margin, are not considered a pledge of assets for purposes of this restriction.

3. Purchase any security or evidence of interest therein on margin, except that such short-term credit as may be necessary for the clearance of purchases and sales of securities may be obtained and except that deposits of initial deposit and variation margin may be made in connection with the purchase, ownership, holding or sale of futures.

4. Sell any security that it does not own unless by virtue of its ownership of other securities it has at the time of sale a right to obtain securities, without payment of further consideration, equivalent in kind and amount to the securities sold and provided that if such right is conditional the sale is made upon the same conditions.

5. Invest for the purpose of exercising control or management.

6. Purchase securities issued by any investment company except by purchase in the open market where no commission or profit to a sponsor or dealer results from such purchase other than the customary broker's commission, or except when such purchase, though not made in the open market, is part of a plan of merger or consolidation; provided, however, that securities of any investment company will not be purchased for the

Portfolio if such purchase at the time thereof would cause: (a) more than 10% of the Portfolio's total assets (taken at the greater of cost or market value) to be invested in the securities of such issuers; (b) more than 5% of the Portfolio's total assets (taken at the greater of cost or market value) to be invested in any one investment company; or (c) more than 3% of the outstanding voting securities of any such issuer to be held for the Portfolio; and, provided further that, except in the case of merger or consolidation, the Portfolio shall not invest in any other open-end investment company unless the Portfolio (1) waives the investment advisory fee with respect to assets invested in other open-end investment companies and (2) incurs no sales charge in connection with the investment (as an operating policy, the Portfolio will not invest in another open-end registered investment company).

7. Invest more than 15% of the Portfolio's net assets (taken at the greater of cost or market value) in securities that are illiquid or not readily marketable not including (a) Rule 144A securities that have been determined to be liquid by the Equity 500 Index Portfolio Board; and (b) commercial paper that is sold under section 4(2) of the 1933 Act which: (i) is not traded flat or in default as to interest or principal; and (ii) is rated in one of the two highest categories by at least two nationally recognized statistical rating organizations and the Equity 500 Index Portfolio Board has determined the commercial paper to be liquid; or (iii) is rated in one of the two highest categories by one nationally recognized statistical rating agency and the Equity 500 Index Portfolio Board has determined that the commercial paper is equivalent quality and is liquid.

8. Invest more than 10% of the Portfolio's total assets (taken at the greater of cost or market value) in securities that are restricted as to resale under the 1933 Act (other than Rule 144A securities deemed liquid by the Equity 500 Index Portfolio Board).

9. No more than 5% of the Portfolio's total assets are invested in securities issued by issuers which (including predecessors) have been in operation less than three years.

10. With respect to 75% of the Portfolio's total assets, purchase securities of any issuer if such purchase at the time thereof would cause the Portfolio to hold more than 10% of any class of securities of such issuer, for which purposes all indebtedness of an issuer shall be deemed a single class and all preferred stock of an issuer shall be deemed a single class, except that futures or option contracts shall not be subject to this restriction.

11. If the Portfolio is a "diversified" fund with respect to 75% of its assets, invest more than 5% of its total assets in the securities (excluding U.S. Government securities) of any one issuer.

12. Purchase or retain in the Portfolio's portfolio any securities issued by an issuer any of whose officers, directors, trustees or security holders is an officer or Trustee of the Equity 500 Index Portfolio, or is an officer or partner of BT, if after the purchase of the securities of such issuer for the Portfolio one or more of such persons owns beneficially more than 1/2 of 1% of the shares or securities, or both, all taken at market value, of such issuer, and such persons owning more than 1/2 of 1% of such shares or securities together own beneficially more than 5% of such shares or securities, or both, all taken at market value.

13. Invest more than 5% of the Portfolio's net assets in warrants (valued at the lower of cost or market) (other than warrants acquired by the Portfolio as part of a unit or attached to securities at the time of purchase), but not more than 2% of the Portfolio's net assets may be invested in warrants not listed on the NYSE or the AMEX.

14. Make short sales of securities or maintain a short position, unless at all times when a short position is open it owns an equal amount of such securities or securities convertible into or exchangeable, without payment of any further consideration, for securities of the same issue and equal in amount to, the securities sold short, and unless not more than 10% of the Portfolio's net assets (taken at market value) is represented by such securities, or securities convertible into or exchangeable for such securities, at any one time (the Portfolio has no current intention to engage in short selling).

15. Write puts and calls on securities unless each of the following conditions are met: (a) the security underlying the put or call is within the investment policies of the Portfolio and the option is issued by the Options Clearing Corporation, except for put and call options issued by

non-U.S. entities or listed on non-U.S. securities or commodities exchanges; (b) the aggregate value of the obligations underlying the puts determined as of the date the options are sold shall not exceed 5% of the Portfolio's net assets; (c) the securities subject to the exercise of the call written by the Portfolio must be owned by the Portfolio at the time the call is sold and must continue to be owned by the Portfolio until the call has been exercised, has lapsed, or the Portfolio has purchased a closing call, and such purchase has been confirmed, thereby extinguishing the Portfolio's obligation to deliver securities pursuant to the call it has sold; and (d) at the time a put is written, the Portfolio establishes a segregated account with its custodian consisting of cash or short-term U.S. Government securities equal in value to the amount the Portfolio will be obligated to pay upon exercise of the put (this account must be maintained until the put is exercised, has expired, or the Portfolio has purchased a closing put, which is a put of the same series as the one previously written).

16. Buy and sell puts and calls on securities, stock index futures or options on stock index futures, or, financial futures or options on financial futures unless such options are written by other persons and: (a) the options or futures are offered through the facilities of a national securities association or are listed on a national securities or commodities exchange, except for put and call options issued by non-U.S. entities or listed on non-U.S. securities or commodities exchanges; (b) the aggregate premiums paid on all such options which are held at any time do not exceed 20% of the Portfolio's total net assets; and (c) the aggregate margin deposits required on all such futures or options thereon held at any time do not exceed 5% of the Portfolio's total assets.

TRUSTEES AND OFFICERS OF THE TRUST AND THE AMR TRUST

The Board provides broad supervision over the Trust's affairs. The Manager is responsible for the management of Trust assets, and the Trust's officers are responsible for the Trust's operations. The Trustees and officers of the Trust and AMR Trust are listed below, together with their principal occupations during the past five years. Unless otherwise indicated, the address of each person listed below is 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155.

<TABLE>
<CAPTION>

NAME, AGE AND ADDRESS	POSITION WITH EACH TRUST	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
<S>	<C>	<C>
William F. Quinn* (50)	Trustee and President	President, AMR Investment Services, Inc. (1986-Present); Chairman, American Airlines Employees Federal Credit Union (1989-Present); Trustee, American Performance Funds (1990-1994); Director, Crescent Real Estate Equities, Inc. (1994-Present); Trustee, American AAdvantage Mileage Funds (1995-Present).
Alan D. Feld (60) 1700 Pacific Avenue Suite 4100 Dallas, Texas 75201	Trustee	Partner, Akin, Gump, Strauss, Hauer & Feld, LLP (1960-Present)#; Director, Clear Channel Communications (1984-Present); Director, CenterPoint Properties, Inc. (1994-Present); Trustee, American AAdvantage Mileage Funds (1996-Present).

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<S>	<C>	<C>
Ben J. Fortson (65) 301 Commerce Street Suite 3301 Fort Worth, Texas 76102	Trustee	President and CEO, Fortson Oil Company (1958-Present); Director, Kimbell Art Foundation (1964-Present); Director, Burnett Foundation (1987-Present); Honorary Trustee, Texas Christian University (1986-Present); Trustee, American AAdvantage Mileage Funds (1996-Present).
John S. Justin (81) 2821 West Seventh Street Fort Worth, Texas 76107	Trustee	Chairman and Chief Executive Officer, Justin Industries, Inc. (a diversified holding company) (1969-Present); Executive Board Member, Blue Cross/Blue Shield of Texas (1985-Present); Board Member, Zale Lipshy Hospital (1993-Present); Trustee, Texas Christian University (1980-Present); Director and Executive Board Member, Moncrief Radiation Center (1985-Present); Director, Texas New Mexico Enterprises (1984-1993); Director, Texas New Mexico Power Company (1979-1993); Trustee,

		American AAdvantage Mileage Funds (1995-Present).
Stephen D. O'Sullivan* (62)	Trustee	Consultant (1994-Present); Vice President and Controller (1985-1994), American Airlines, Inc.; Trustee, American AAdvantage Mileage Funds (1995-Present).
Roger T. Staubach (56) 6750 LBJ Freeway Dallas, Texas 75240	Trustee	Chairman of the Board and Chief Executive Officer of The Staubach Company (a commercial real estate company) (1982-Present); Director, Halliburton Company (1991-Present); Director, First USA, Inc. (1993-Present); Director, Brinker International (1993-Present); Director, Columbus Realty Trust (1994-Present); Member of the Advisory Board, The Salvation Army; Trustee, Institute for Aerobics Research; Member of Executive Council, Daytop/ Dallas; former quarterback of the Dallas Cowboys professional football team; Trustee, American AAdvantage Mileage Funds (1995-Present).
Kneeland Youngblood, M.D.(41) 2305 Cedar Springs Road Suite 401 Dallas, Texas 75201	Trustee	Physician (1982-Present); President, Youngblood Enterprises, Inc. (a health care investment and management firm) (1983-Present); Trustee, Teachers Retirement System of Texas (1993-Present); Director, United States Enrichment Corporation (1993-Present), Director, Just For the Kids (1995-Present); Member, Council on Foreign Relations (1995-Present); Trustee, American AAdvantage Mileage Funds (1996-Present).
Nancy A. Eckl (35)	Vice President	Vice President, AMR Investment Services, Inc. (1990-Present).
Michael W. Fields (44)	Vice President	Vice President, AMR Investment Services, Inc. (1988-Present).
Barry Y. Greenberg (34)	Vice President and Assistant Secretary	Director, Legal and Compliance, AMR Investment Services, Inc. (1995-Present); Branch Chief (1992-1995) and Staff Attorney (1988-1992), Securities and Exchange Commission.

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<S>	<C>	<C>
Rebecca L. Harris (31)	Treasurer	Director of Finance (1995-Present), Controller (1991-1995), AMR Investment Services, Inc.
John B. Roberson (39)	Vice President	Vice President, AMR Investment Services, Inc. (1991-Present).
Thomas E. Jenkins, Jr. (31)	Assistant Secretary	Senior Compliance Analyst, AMR Investment Services, Inc. (1996-Present); Staff Accountant (1994-1996) and Compliance Examiner (1991-1994), Securities and Exchange Commission.
Adriana R. Posada (43)	Assistant Secretary	Senior Compliance Analyst (1996-Present) and Compliance Analyst (1993-1996), AMR Investment Services, Inc.; Special Sales Representative, American Airlines, Inc. (1991-1993).
Clifford J. Alexander (54) 1800 Massachusetts Ave. NW Washington, D.C. 20036	Secretary	Partner, Kirkpatrick & Lockhart LLP (law firm)
Robert J. Zutz (45) 1800 Massachusetts Ave. NW Washington, D.C. 20036	Assistant Secretary	Partner, Kirkpatrick & Lockhart LLP (law firm)

</TABLE>

The law firm of Akin, Gump, Strauss, Hauer & Feld LLP ("Akin, Gump") provides legal services to American Airlines, Inc., an affiliate of the Manager. Mr. Feld has advised the Trusts that he has had no material involvement in the services provided by Akin, Gump to American Airlines, Inc. and that he has received no material benefit in connection with these services. Akin, Gump does not provide legal services to the Manager or AMR Corporation.

* Messrs. Quinn and O'Sullivan, by virtue of their current or former positions, are deemed to be "interested persons" of the Trust and AMR Trust as defined by the 1940 Act.

All Trustees and officers as a group own less than 1% of the outstanding shares of any of the Funds.

As compensation for their service to the Trust and the AMR Trust, the Independent Trustees and their spouses receive free air travel from American Airlines, Inc., an affiliate of the Manager. The Trust and the AMR Trust do not pay for these travel arrangements. However, the Trusts compensate each Trustee with payments in an amount equal to the Trustees' income tax on the value of this free airline travel. Mr. O'Sullivan, who as a retiree of American Airlines, Inc. already receives free airline travel, receives compensation annually of up to three round trip airline tickets for each of his three adult children. Trustees are also reimbursed for any expenses incurred in attending Board meetings. These amounts are reflected in the following table for the fiscal year ended October 31, 1997.

Name of Trustee	Aggregate Compensation From the Trust	Pension or Retirement Benefits Accrued as Part of the Trust's Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From American AAdvantage Funds Complex
William F. Quinn	$	$0	$0	$
Alan D. Feld	$15,962	$0	$0	$63,850
Ben J. Fortson	$ 6,802	$0	$0	$27,209
John S. Justin	$ 225	$0	$0	$ 901
Stephen D. O'Sullivan	$ 493	$0	$0	$ 1,973
Roger T. Staubach	$ 8,269	$0	$0	$33,076
Kneeland Youngblood, M.D	$ 9,525	$0	$0	$38,099

TRUSTEES AND OFFICERS OF THE EQUITY 500 INDEX PORTFOLIO

The Equity 500 Index Portfolio Board oversees the activities of the Equity 500 Index Portfolio and reviews contractual arrangements with companies that provide services to the Portfolio. The Trustees and officers of the Equity 500 Index Portfolio and their principal occupations during the past five years are set forth below. Their titles may have varied during that period. Unless otherwise indicated, the address of each Trustee and officer is c/o Edgewood Services, Inc., Clearing Operations, P.O. Box 897, Pittsburgh, PA 15230-0897.

NAME, AGE AND ADDRESS	POSITION WITH EQUITY 500 INDEX PORTFOLIO	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
Charles P. Biggar (65) 12 Hitching Post Lane Chappaqua, NY 10514	Trustee	Retired; Director of Chase/NBW Bank Advisory Board; Director, Batemen, Eichler, Hill Richards Inc.; formerly Vice President of International Business Machines and President of the National Services and the Field Engineering Divisions of IBM.
S. Leland Dill (65) 5070 North Ocean Drive Singer Island, FL 33404	Trustee	Retired; Director, Coutts Group, Coutts (U.S.A.) International, and Coutts Trust Holdings Ltd.; Director, Zweig Series Trust; formerly Partner of KPMG Peat Marwick; Director, Vinters International Company Inc.; General Partner of Pemco (an investment company registered under the 1940 Act).

<TABLE>

<S>	<C>	<C>
Philip Saunders, Jr. (60) 445 Glen Road Weston, MA 02193	Trustee	Principal, Philip Saunders Associates (Consulting); former Director of Financial Industry Consulting, Wolf & Company; President, John Hancock Home Mortgage Corporation; and Senior Vice President of Treasury and Financial Services, John Hancock Mutual Life Insurance Company, Inc.
Ronald M. Petnuch (36)	President and Treasurer	Senior Vice President, ederated Services Company ("FSC"); formerly Director of Proprietary Client Services, Federated Administrative Services ("FAS") and formerly Associate Corporate Counsel, Federated Investors ("FI").
Charles L. Davis, Jr. (36)	Vice President and Assistant Treasurer	Vice President, FAS.
Jay S. Neuman (46)	Secretary	Corporate Counsel, FI.

</TABLE>

No person who is an officer or director of BT is an officer or Trustee of the Equity 500 Index Portfolio. No director, officer or employee of Edgewood Services, Inc. ("Edgewood") or any of its affiliates will receive any compensation from the Equity 500 Index Portfolio for serving as an officer or Trustee of the Equity 500 Index Portfolio.

The following table reflects fees paid to the Trustees of the Equity 500 Index Portfolio for their services to that Portfolio and to certain other investment companies advised by BT (the "BT Funds Complex") for the year ended December 31, 1997.

<TABLE>
<CAPTION>

NAME OF TRUSTEE <S>	AGGREGATE COMPENSATION FROM THE EQUITY 500 INDEX PORTFOLIO <C>	TOTAL COMPENSATION FROM BT FUNDS COMPLEX PAID TO TRUSTEES <C>
Charles P. Biggar	$	$
S. Leland Dill	$	$
Philip Saunders, Jr.	$	$

</TABLE>

MANAGEMENT, ADMINISTRATIVE SERVICES AND DISTRIBUTION FEES

As described more fully in the Prospectus, the Manager is paid a management fee as compensation for paying investment advisory fees and for providing the Trust and the AMR Trust with advisory and asset allocation services. Management fees for the fiscal years ended October 31 were approximately as follows: 1995, $7,603,000 of which approximately $3,985,000 was paid by the Manager to the other investment advisers; 1996, $10,853,000 of which approximately $5,403,000 was paid by the Manager to the other investment advisers and 1997, $13,730,443 of which $7,061,014 was paid by the Manager to the other investment advisers. Management fees in the amount of approximately $29,000, $44,000 and $7,309 were waived by the Manager during the fiscal years ended October 31, 1995, 1996 and 1997.

Under the Management Agreement, the Manager presently monitors the services provided by BT to the Equity 500 Index Portfolio. The Manager receives no fee for providing these monitoring services. In the event that the Board determines that it is in the best interest of the S&P 500 Index Fund's shareholders to withdraw its investment from the Equity 500 Index Portfolio, the Manager would become responsible for directly managing the assets of the S&P 500 Index Fund. In such event, the Fund would pay the Manager an annual fee of up to 0.10% of the Fund's average net assets, accrued daily and paid monthly.

In addition to the management fee, the Manager is paid an administrative services fee for providing administrative and management services (other than investment advisory services) to the Funds. Administrative services fees for the fiscal years ended October 31 were approximately as follows: 1995, $2,731,000; 1996, $2,893,400 and 1997, $4,538,345. Administrative service fees in the amount of approximately $9,000 were waived by the Manager during the fiscal year ended October 31, 1995.

BT provides administrative services to the Equity 500 Index Portfolio. Under the administration and services agreement between the Equity 500 Index Portfolio and BT, BT is obligated on a continuous basis to provide such administrative services as the Equity 500 Index Portfolio Board reasonably deems necessary for the proper administration of the Portfolio. BT generally will assist in all aspects of the Portfolio's operations; supply and maintain office facilities (which may be in BT's own offices), statistical and research data, data processing services, clerical, accounting, bookkeeping and recordkeeping services (including without limitation the maintenance of such books and records as are required under the 1940 Act and the rules thereunder, except as maintained by other agents), internal auditing, executive and administrative services, and stationary and office supplies; prepare reports to investors; prepare and file tax returns; supply financial information and supporting data for reports to and filing with the SEC and various state Blue Sky authorities; supply supporting documentation for meetings of the Equity 500 Index Portfolio Board; provide monitoring reports and assistance regarding compliance with its Declaration of Trust, By-Laws, investment objectives and policies and with Federal and state securities laws; arrange for appropriate insurance coverage; calculate net asset values, net income and realized capital gains or losses; and negotiate arrangements with, and supervise and coordinate the activities of, agents and others to supply services.

Pursuant to a sub-administration agreement between BT and Federated Services Company ("Federated") (the "Sub-Administration Contract"), Federated performs such sub-administration duties for the Equity 500 Index Portfolio as from time to time may be agreed upon by BT and Federated. The Sub-Administration Contract provides that Federated will receive such compensation as from time to time may be agreed upon by Federated and BT. All such compensation will be paid by BT.

For the years ended December 31, 1995, 1996 and 1997, BT earned, $385,265, $752,981 and $XXX,XXX, respectively, as compensation for administrative and other services provided to the Equity 500 Index Portfolio.

Brokers Transaction Services, Inc. ("BTS") is the distributor of the Funds' shares, and, as such, began receives an annualized fee of $50,000 from the Manager for distributing the shares of the Trust and the American AAdvantage Mileage Funds.

APPROACH TO STOCK SELECTION

Investment advisers to the corresponding Portfolios of the Balanced, the Growth and Income and the International Equity Funds will select equity securities which, in their opinion, have above average growth potential and are also selling at a discount to the market. This approach focuses on the purchase of a diverse group of stocks below their perceived economic value. Each of the investment advisers determines the growth prospects of firms based upon a combination of internal and external research using fundamental economic cycle analysis and considering changing economic trends. The determination of value is based upon the analysis of several characteristics of the issuer and its equity securities including price to earnings ratio, price to book value ratio, assets carried below market value, financial strength and dividend yield.

REDEMPTIONS IN KIND

Although each Fund intends to redeem shares in cash, each reserves the right to pay the redemption price in whole or in part by a distribution of readily marketable securities held by the applicable Fund's corresponding Portfolio. However, shareholders always will be entitled to redeem shares for cash up to the lesser of $250,000 or 1% of the applicable Fund's net asset value during any 90-day period. Redemption in kind is not as liquid as a cash redemption. In addition, if redemption is made in kind, shareholders who receive securities and sell them could receive less than the redemption value of their securities and could incur certain transactions costs.

INVESTMENT ADVISORY AGREEMENTS

With the exception of Investment Advisory Agreements ("Advisory Agreements") with Brandywine Asset Management, Inc. ("Brandywine"), separate Advisory Agreements between the investment advisers of the Balanced, the Growth and Income, the International Equity, the Intermediate Bond and the Short-Term

Bond Funds and their corresponding Portfolios, as described in the Prospectus, were approved and became effective as of October 1, 1995. Prior to that date, these Funds had entered into Advisory Agreements with the same investment advisers. On October 1, 1995, each Fund Advisory Agreement was amended to provide that to the extent a Fund invests all of its investable assets in its corresponding Portfolio, the adviser will not receive an advisory fee under that Advisory Agreement. Brandywine was approved as an investment adviser to the Balanced Fund and the Growth and Income Fund and their corresponding Portfolios effective April 1, 1996. Following the acquisition of Hotchkis and Wiley ("Hotchkis") by Merrill Lynch, Pierce, Fenner & Smith, Inc., a new Advisory Agreement with Hotchkis was approved, effective November 12, 1996. Following the merger of Morgan Stanley Group Inc. and Dean, Witter, Discover & Co., a new Advisory Agreement with Morgan Stanley Asset Management Inc. was approved, effective May 31, 1997.

Under the terms of the Equity 500 Index Portfolio's Investment Advisory Agreement with BT, BT manages the Equity 500 Index Portfolio subject to the supervision and direction of the Equity 500 Index Portfolio Board. BT has agreed to: (1) act in strict conformity with the Equity 500 Index Portfolio's Declaration of Trust and the 1940 Act, as the same may from time to time be amended; (2) manage the Equity 500 Index Portfolio in accordance with the Portfolio's investment objective, restrictions and policies; (3) make investment decisions for the Equity 500 Index Portfolio; and (4) place purchase and sale orders for securities and other financial institutions on behalf of the Equity 500 Index Portfolio.

BT bears all expenses in connection with the performance of services under the Agreement. The S&P 500 Index Fund and the Equity 500 Index Portfolio each bear certain other expenses incurred in their operation, including: taxes, interest, brokerage fees and commissions, if any; fees of Trustees of the Portfolio or Trustees of the Trust who are not officers, directors or employees of BT, Edgewood, the Manager or any of their affiliates; SEC fees and state Blue Sky qualification fees; charges of custodians and transfer and dividend disbursing agents; certain insurance premiums; outside auditing and legal expenses; costs attributable to investor services, including telephone and personnel expenses; costs of preparing and printing prospectuses and statements of additional information for regulatory purposes and for distribution to existing shareholders; costs of shareholders' reports and meetings of shareholders, officers and Trustees of the Equity 500 Index Portfolio or Trustees of the Trust, and any extraordinary expenses.

For the years ended December 31, 1995, 1996 and 1997, BT earned $770,530, $1,505,963 and $XXX,XXX, respectively, as compensation for investment advisory services provided to the Equity 500 Index Portfolio. During the same periods, BT reimbursed $418,814, $870,024 and $XXX,XXX, respectively, to the Equity 500 Index Portfolio to cover expenses.

BT may have deposit, loan and other commercial banking relationships with the issuers of obligations that may be purchased on behalf of the Equity 500 Index Portfolio, including outstanding loans to such issuers that could be repaid in whole or in part with the proceeds of securities so purchased. Such affiliates deal, trade and invest for their own accounts in such obligations and are among the leading dealers of various types of such obligations. BT has informed the Equity 500 Index Portfolio that, in making its investment decisions, it does not obtain or use material inside information in its possession or in the possession of any of its affiliates. In making investment recommendations for the Equity 500 Index Portfolio, BT will not inquire or take into consideration whether an issuer of securities proposed for purchase or sale by the Equity 500 Index Portfolio is a customer of BT, its parent or its subsidiaries or affiliates and, in dealing with its customers, BT, its parent, subsidiaries and affiliates will not inquire or take into consideration whether securities of such customers are held by any fund managed by BT or any such affiliate.

Each Investment Advisory Agreement will automatically terminate if assigned, and may be terminated without penalty at any time by the Manager, by a vote of a majority of the Trustees or by a vote of a majority of the outstanding voting securities of the applicable Fund on no less than thirty (30) days' nor more than sixty (60) days' written notice to the investment adviser, or by the investment adviser upon sixty (60) days' written notice to the Trust. The Investment Advisory Agreements will continue in effect provided that annually such continuance is specifically approved by a vote of the Trustees, including the affirmative votes of a majority of the Trustees who are not parties to the Agreement or "interested persons" (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of considering such approval, or by the vote of shareholders.

PORTFOLIO SECURITIES TRANSACTIONS

The Investment Advisory Agreements provide, in substance, that in executing portfolio transactions and selecting brokers or dealers, the principal objective of each investment adviser is to seek the best net price and execution available. It is expected that securities ordinarily will be purchased in the primary markets, and that in assessing the best net price and execution available, each investment adviser shall consider all factors it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and the reasonableness of the commission, if any, for the specific transaction and on a continuing basis.

BT may utilize the expertise of any of its worldwide subsidiaries and affiliates to assist in its role as investment adviser. All orders for investment transactions on behalf of the Equity 500 Index Portfolio are placed by BT with broker-dealers and other financial intermediaries that it selects, including those affiliated with BT. A BT affiliate will be used in connection with a purchase or sale of an investment for the Equity 500 Index Portfolio only if BT believes that the affiliate's charge for the transaction does not exceed usual and customary levels. The Equity 500 Index Portfolio will not invest in obligations for which BT or any of its affiliates is the ultimate obligor or accepting bank. The Portfolio may, however, invest in the obligations of correspondents and customers of BT.

In selecting brokers or dealers to execute particular transactions, investment advisers are authorized to consider "brokerage and research services" (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934), provision of statistical quotations (including the quotations necessary to determine a Portfolio's net asset value), the sale of Trust shares by such broker-dealer or the servicing of Trust shareholders by such broker-dealer, and other information provided to the applicable Portfolio, to the Manager, BT and/or to the investment advisers (or their affiliates), provided, however, that the investment adviser determines that it has received the best net price and execution available. The investment advisers are also authorized to cause a Portfolio to pay a commission to a broker or dealer who provides such brokerage and research services for executing a portfolio transaction which is in excess of the amount of the commission another broker or dealer would have charged for effecting that transaction. The Trustees, the Manager or the investment advisers, as appropriate, must determine in good faith, however, that such commission was reasonable in relation to the value of the brokerage and research services provided viewed in terms of that particular transaction or in terms of all the accounts over which the Manager or the investment adviser exercises investment discretion.

For the fiscal year ended October 31, 1995, the following brokerage commissions were paid by the Funds, and for 1996 and 1997, by their corresponding Portfolios.

<TABLE>
<CAPTION>

Fund/Portfolio	1995	1996	1997
<S>	<C>	<C>	<C>
Balanced	$388,253	$503,947	$ 562,493
Growth and Income	$590,364	$956,767	$1,192,792
International Equity	$422,670	$544,844	$ 956,160
Intermediate Bond (2)	N/A	N/A	$ 0
Short-Term Bond	$ 0	$ 0	$ 0
Money Market Funds	$ 0	$ 0	$ 0

</TABLE>

(2) The Intermediate Bond Portfolio commenced operations on September 15, 1997.

The commissions listed above were paid directly by the Funds for the fiscal year ended October 31, 1995. For the fiscal years ended October 31, 1996 and October 31, 1997, the commissions were paid by the corresponding Portfolios of the AMR Trust, and shareholders of the Funds bear only the pro-rata portion of brokerage commissions.

For the years ended December 31, 1995, 1996 and 1997 the Equity 500 Index Portfolio paid the following brokerage commissions: $172,924, $289,791 and $XXX,XXX. The S&P 500 Index Fund was not operational during 1995 and 1996. Shareholders of the S&P 500 Index Fund bear only their pro-rata portion of the brokerage commissions paid during 1997.

Following is the portfolio turnover rate for the Funds for the fiscal year ended October 31, 1995 and portfolio turnover rate for the corresponding Portfolios of the Funds for the fiscal years ended October 31, 1996 and 1997. The portfolio turnover rate for the Intermediate Bond Portfolio is for the period from September 15, 1997 through October 31, 1997. The portfolio turnover rate for the Equity 500 Index Portfolio is for its fiscal years ended December 31, 1995, 1996 and 1997.

Fund/Portfolio	1995	1996	1997
Balanced	73%	76%	%
Growth and Income	26%	40%	%
International Equity	21%	19%	%
Intermediate Bond	N/A	N/A	%
Short-Term Bond	183%	304%	%
Equity 500 Index Portfolio	6%	15%	%

High portfolio turnover can increase a Fund's transaction costs and generate additional capital gains or losses. The increase in portfolio turnover for the Short-Term Bond Portfolio was due to repositioning the portfolio to a different internal benchmark.

The fees of the investment advisers are not reduced by reason of receipt of such brokerage and research services. However, with disclosure to and pursuant to written guidelines approved by the AMR Trust Board, or the Equity 500 Index Portfolio Board, an investment adviser of a Portfolio or its affiliated broker-dealer may execute portfolio transactions and receive usual and customary brokerage commissions (within the meaning of Rule 17e-1 under the 1940 Act) for doing so. During the fiscal year ended October 31, 1997, the Balanced Portfolio and the Growth and Income Portfolio paid $XXXX and $XXXX. respectively, in brokerage commissions to XXXXXXXXX. The percentages of total commissions of the Balanced Portfolio and the Growth and Income Portfolio paid to XXXXXX in 1997 were 0.XX% and 0.XX%, respectively. The transactions represented 0.0XX% of the Balanced Portfolio and 0.XX% of the Growth and Income Portfolio's total dollar value of portfolio transactions for the fiscal year ended October 31, 1997. During the fiscal year ended October 31, 1997, the International Equity Portfolio paid $XXXX, $XXXX, $XXXX and $XXXX, to Fleming Martin, Jardine Fleming, Ord Minnett and Robert Fleming & Co., respectively, affiliates of Rowe Price-Fleming International, Inc., an adviser to the International Equity Portfolio, and $XXXX to Morgan Stanley International, an affiliate of Morgan Stanley Asset Management also an investment adviser to the International Equity Portfolio. The percentage of total commissions paid to affiliated brokers of the International Equity Portfolio in 1997 was X.XX%. The transactions represented XX% of the International Equity Portfolio's total dollar value of portfolio transactions for the fiscal year ending October 31, 1997.

In certain instances there may be securities that are suitable for the Equity 500 Index Portfolio as well as for one or more of BT's other clients. Investment decisions for the Equity 500 Index Portfolio and for BT's other clients are made with a view to achieving their respective investment objectives. It may develop that a particular security is bought or sold for only one client even though it might be held by, or bought or sold for, other clients. Likewise, a particular security may be bought

for one or more clients when one or more clients are selling that same security. Some simultaneous transactions are inevitable when several clients receive investment advice from the same investment adviser, particularly when the same security is suitable for the investment objectives of more than one client. When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed to be equitable to each. It is recognized that in some cases this system could have a detrimental effect on the price or volume of the security as far as the

Equity 500 Index Portfolio is concerned. However, it is believed that the ability of the Equity 500 Index Portfolio to participate in volume transactions will produce better executions for the Portfolio.

NET ASSET VALUE

It is the policy of the Money Market Fund, the Municipal Money Market Fund and the U.S. Government Money Market Fund (collectively the "Money Market Funds") to attempt to maintain a constant price per share of $1.00. There can be no assurance that a $1.00 net asset value per share will be maintained. The portfolio instruments held by the Money Market Funds' corresponding Portfolios are valued based on the amortized cost valuation technique pursuant to Rule 2a-7 under the 1940 Act. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, even though the portfolio security may increase or decrease in market value. Such market fluctuations are generally in response to changes in interest rates. Use of the amortized cost valuation method requires the corresponding Portfolios of the Money Market Funds to purchase instruments having remaining maturities of 397 days or less, to maintain a dollar weighted average portfolio maturity of 90 days or less, and to invest only in securities determined by the Trustees to be of high quality with minimal credit risks. The corresponding portfolios of the Money Market Funds may invest in issuers or instruments that at the time of purchase have received the highest short-term rating by two Rating Organizations, such as "D-1" by Duff & Phelps and "F-1" by Fitch IBCA, Inc., and have received the next highest short-term rating by other Rating Organizations, such as "A-2" by Standard & Poors and "P-2" by Moody's Investors Service, Inc. See "Ratings of Municipal Obligations" and "Ratings of Short-Term Obligations" for further information concerning ratings.

TAX INFORMATION

TAXATION OF THE FUNDS

To qualify as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended ("Code"), each Fund (each of which is treated as a separate corporation for these purposes) must, among other requirements:

- Derive at least 90% of its gross income each taxable year from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of securities or (in the case of the International Equity Fund) foreign currencies, or certain other income, including gains from options, futures or forward contracts ("Income Requirement");

- Diversify its investments in securities within certain statutory limits; and

- Distribute annually to its shareholders at least 90% of its investment company taxable income (generally, taxable net investment income plus net short-term capital gain and, in the case of the International Equity Fund, net gains from foreign currency transactions) plus, in the case of the Municipal Money Market Fund, net interest income excludable from gross income under section 103(a) of the Code ("Distribution Requirement").

Each Fund has received either a ruling from the Internal Revenue Service ("IRS") or an opinion of counsel that the Fund, as an investor in its corresponding Portfolio, is deemed to own a proportionate share of the Portfolio's assets and to

earn the income on that share for purposes of determining whether the Fund satisfies the income and diversification requirements described above to qualify as a RIC.

See the next section for a discussion of the tax consequences to the Funds of certain investments by the Portfolios.

TAXATION OF THE PORTFOLIOS

Each Portfolio has received a ruling from the IRS or an opinion of counsel, to the effect that, among other things, each Portfolio is or should be classified as a separate partnership for federal income tax purposes and is not a "publicly traded partnership." As a result, each Portfolio is or should not be subject to federal income tax; instead, each investor in a Portfolio, such as a Fund, is required to take into account in determining its federal income tax liability its share of the Portfolio's income, gains, losses, deductions, credits and tax preference items, without regard to whether it has received any cash distributions from the Portfolio.

Because, as noted above, each Fund is deemed to own a proportionate share of its corresponding Portfolio's assets and to earn a proportionate share of its corresponding Portfolio's income for purposes of determining whether the Fund satisfies the requirements to qualify as a RIC, each Portfolio intends to conduct its operations so that its corresponding Fund will be able to satisfy all those requirements.

Distributions to a Fund from its corresponding Portfolio (whether pursuant to a partial or complete withdrawal or otherwise) will not result in the Fund's recognition of any gain or loss for federal income tax purposes, except that (1) gain will be recognized to the extent any cash that is distributed exceeds the Fund's basis for its interest in the Portfolio before the distribution, (2) income or gain will be recognized if the distribution is in liquidation of the Fund's entire interest in the Portfolio and includes a disproportionate share of any unrealized receivables held by the Portfolio and (3) loss will be recognized if a liquidation distribution consists solely of cash and/or unrealized receivables. A Fund's basis for its interest in its corresponding Portfolio generally will equal the amount of cash and the basis of any property the Fund invests in the Portfolio, increased by the Fund's share of the Portfolio's net income and gains and decreased by (a) the amount of cash and the basis of any property the Portfolio distributes to the Fund and (b) the Fund's share of the Portfolio's losses.

A Portfolio may acquire zero coupon or other securities issued with original issue discount. As an investor in a Portfolio that holds those securities, a Fund would have to include in its income its share of the original issue discount that accrues on the securities during the taxable year, even if the Portfolio (and, hence, the Fund) receives no corresponding payment on the securities during the year. Because each Fund annually must distribute substantially all of its investment company taxable income, including any original issue discount, to satisfy the Distribution Requirement and avoid imposition of the 4% excise tax described in the Prospectus, a Fund may be required in a particular year to distribute as a dividend an amount that is greater than the total amount of cash it actually receives. Those distributions would be made from the Fund's cash assets, if any, or the proceeds of redemption of a portion of the Fund's interest in its corresponding Portfolio (which redemption proceeds would be paid from the Portfolio's cash assets or the proceeds of sales of portfolio securities, if necessary). The Portfolio might realize capital gains or losses from any such sales, which would increase or decrease the Fund's investment company taxable income and/or net capital gain (the excess of net long-term capital gain over net short-term capital loss).

If the Balanced, the Growth and Income or the International Equity Portfolio acquires stock in a foreign corporation that is a "passive foreign investment company" ("PFIC") and holds the stock beyond the end of the year of acquisition, its corresponding Fund will be subject to federal income tax on the Fund's share of a portion of any "excess distribution" received by the Portfolio on the stock or of any gain realized by the Portfolio from disposition of the stock (collectively "PFIC income"), plus interest thereon, even if the Fund distributes the PFIC income as a taxable dividend to its shareholders. A Fund may avoid this tax and interest if its corresponding Portfolio elects to treat the PFIC as a "qualified electing fund;" however, the requirements for that election are difficult to satisfy. These Portfolios currently do not intend to acquire securities that are considered PFICs.

Hedging strategies, such as entering into forward contracts and selling and purchasing options and futures contracts, involve complex rules that will determine for federal income tax purposes the amount, character and timing of recognition of gains and losses the International Equity Portfolio and the Equity 500 Index Portfolio realize in connection therewith. The International Equity Fund's share of the International Equity Portfolio's (1) income from foreign currencies (except certain gains that may be excluded by future regulations) and (2) income from transactions in futures and forward contracts derived with respect to its business of investing in securities or foreign currencies will qualify as allowable income for that Fund under the Income Requirement. Similarly, the S&P 500 Index Fund's share of the Equity 500 Index Portfolio's income from options and futures derived with respect to its business of investing securities will so qualify for that Fund.

Dividends and interest received by the International Equity Portfolio, and gains realized thereby, may be subject to income, withholding or other taxes imposed by foreign countries and U.S. possessions that would reduce the yield and/or total return on its securities. Tax treaties between certain countries and the United States may reduce or eliminate these foreign taxes, however, and many foreign countries do not impose taxes on capital gains on investments by foreign investors.

TAXATION OF THE FUNDS' SHAREHOLDERS

A portion of the dividends from a Fund's investment company taxable income, whether received in cash or paid in additional Fund shares, may be eligible for the dividends-received deduction allowed to corporations. The eligible portion may not exceed the Fund's share of the aggregate dividends received by its corresponding Portfolio from U.S. corporations. However, dividends received by a corporate shareholder and deducted by it pursuant to the dividends-received deduction are subject indirectly to the alternative minimum tax. No dividends paid by the Money Market Funds, the International Equity Fund, the Intermediate Bond Fund or the Short-Term Bond Fund are expected to be eligible for this deduction.

Distributions by the Municipal Money Market Fund of the amount by which the Fund's share of its corresponding Portfolio's income on tax-exempt securities exceeds certain amounts disallowed as deductions, designated by the Fund as "exempt-interest dividends," generally may be excluded from gross income by its shareholders. Dividends paid by the Fund will qualify as exempt-interest dividends if, at the close of each quarter of its taxable year, at least 50% of the value of its total assets (including its share of the Municipal Money Market Portfolio's assets) consists of securities the interest on which is excludable from gross income under section 103(a) of the Code. The Fund intends to continue to satisfy this requirement. The aggregate dividends excludable from shareholders' gross income may not exceed the Fund's net tax-exempt income. The shareholders' treatment of dividends from the Fund under state and local income tax laws may differ from the treatment thereof under the Code.

Exempt-interest dividends received by a corporate shareholder may be indirectly subject to the alternative minimum tax. In addition, entities or persons who are "substantial users" (or persons related to "substantial users") of facilities financed by private activity bonds ("PABs") or industrial development bonds ("IDBs") should consult their tax advisers before purchasing shares of the Municipal Money Market Fund because, for users of certain of these facilities, the interest on those bonds is not exempt from federal income tax. For these purposes, the term "substantial user" is defined generally to include a "non-exempt person" who regularly uses in trade or business a part of a facility financed from the proceeds of PABs or IDBs.

Up to 85% of social security and railroad retirement benefits may be included in taxable income for recipients whose adjusted gross income (including income from tax-exempt sources such as the Municipal Money Market Fund) plus 50% of their benefits exceeds certain base amounts. Exempt-interest dividends from the Fund still are tax-exempt to the extent described above; they are only included in the calculation of whether a recipient's income exceeds the established amounts.

If more than 50% of the value of the International Equity Fund's total assets (including its share of the International Equity Portfolio's total assets) at the close of its taxable year consists of securities of foreign corporations, the Fund will be eligible to, and may, file an election with the IRS that will enable the Fund's shareholders, in effect, to receive the benefit of the foreign tax credit with respect to the Fund's share of any foreign and U.S. possessions income taxes paid by the Portfolio. If the Fund makes this election, the Fund will treat those taxes as dividends paid to its shareholders and each shareholder will be required to (1) include in gross income, and treat as paid by him, his proportionate share of those taxes, (2) treat his share of those taxes and of any dividend paid by the Fund that represents income from foreign or U.S. possessions sources as his own income from those sources and (3) either deduct the taxes deemed paid by him in computing his taxable income or, alternatively, use the foregoing information in calculating the foreign tax credit against his federal income tax. If the election is made, the Fund will report to its shareholders shortly after each taxable year their respective share of the Portfolio's income from foreign and U.S. possessions sources and the taxes paid by the Portfolio to foreign countries and U.S. possessions. Pursuant to that election, individuals who have no more than $300 ($600 for married persons filing jointly) of creditable foreign taxes included on Forms 1099 and all of whose foreign source income is "qualified passive income" may elect each year to be exempt from the extremely complicated foreign tax credit limitation and will be able to claim a foreign tax credit without having to file the detailed Form 1116 that otherwise is required.

The foregoing is only a summary of some of the important federal tax considerations affecting the Funds and their shareholders and is not intended as a substitute for careful tax planning. Accordingly, prospective investors are advised to consult their own tax advisers for more detailed information regarding the above and for information regarding federal, state, local and foreign taxes.

YIELD AND TOTAL RETURN QUOTATIONS

A quotation of yield on shares of each class of the Money Market Funds may appear from time to time in advertisements and in communications to shareholders and others. Quotations of yields are indicative of yields for the limited historical period used but not for the future. Yield will vary as interest rates and other conditions change. Yield also depends on the quality, length of maturity and type of instruments invested in by the corresponding Portfolios of the Money Market Funds, and the applicable class's operating expenses. A comparison of the quoted yields offered for various investments is valid only if yields are calculated in the same manner. In addition, other similar investment companies may have more or less risk due to differences in the quality or maturity of securities held.

The yields of the Money Market Funds may be calculated in one of two ways:

(1) Current Yield--the net average annualized return without compounding accrued interest income. For a 7-day current yield, this is computed by dividing the net change in value over a 7 calendar-day period of a hypothetical account having one share at the beginning of a 7 calendar-day period by the value of the account at the beginning of this period to determine the "base period return." The quotient is multiplied by 365 divided by 7 and stated to two decimal places. A daily current yield is calculated by multiplying the net change in value over one day by 365 and stating it to two decimal places. Income other than investment income and capital changes, such as realized gains and losses from the sale of securities and unrealized appreciation and depreciation, are excluded in calculating the net change in value of an account. However, this calculation includes the aggregate fees and other expenses that are charged to all shareholder accounts in a class of a Fund. In determining the net change in value of a hypothetical account, this value is adjusted to reflect the value of any additional shares purchased with dividends from the original share and dividends declared on both the original share and any such additional shares.

(2) Effective Yield--the net average annualized return as computed by compounding accrued interest income. In determining the 7-day effective yield, a class of a Fund will compute the "base period return" in the same manner used to compute the "current yield" over a 7 calendar-day period as described above. One is then added to the base period return and the sum is raised to the 365/7 power. One is subtracted from the result, according to the following formula:

$$\text{EFFECTIVE YIELD} = [\ (\text{BASE PERIOD RETURN} + 1)^{(365/7)}\ ] - 1$$

Based on these formulas, the current and effective yields were as follows for the periods and Funds indicated:

	Current daily yield as of October 31, 1997	Current yield for the 7 day period ended October 31, 1997	Effective yield for the 7 day period ended October 31, 1997
Institutional Class			
Money Market Fund	5.54%	5.54%	5.69%
Municipal Money Market Fund	3.41%	3.42%	3.47%
U.S. Government Money Market Fund	5.44%	5.36%	5.51%
PlanAhead Class			
Money Market Fund	5.22%	5.22%	5.36%
Municipal Money Market Fund	3.12%	3.15%	3.20%
U.S. Government Money Market Fund	5.15%	5.06%	5.19%

The Municipal Money Market Fund also may advertise a tax equivalent current and effective yield. The tax equivalent yields are calculated as follows:

CURRENT YIELD/(1-APPLICABLE TAX RATE) = CURRENT TAX EQUIVALENT YIELD

EFFECTIVE YIELD/(1-APPLICABLE TAX RATE) = EFFECTIVE TAX EQUIVALENT YIELD

Based on these formulas, the current and effective tax equivalent yields for the Municipal Money Market Fund for the seven day periods ending October 31, 1997 were:

Class	Current Tax Equivalent Yield	Effective Tax Equivalent Yield
Institutional (based on a 35.0% corporate tax rate)	5.26%	5.34%
PlanAhead (based on a 39.6% personal tax rate)	5.22%	5.30%

The advertised yields for each class of the Variable NAV Funds (as defined in the Prospectus) are computed by dividing the net investment income per share earned during a 30-day (or one month) period less the aggregate fees that are charged to all shareholder accounts of the class in proportion to the 30-day (or one month) period and the weighted average size of an account in that class of a Fund by the maximum offering price per share of the class on the last day of the period, according to the following formula:

$$YIELD = 2\{(\frac{A-B}{CD} + 1)^6 - 1\}$$

where, with respect to a particular class of a Fund, "a" is the dividends and interest earned during the period; "b" is the sum of the expenses accrued for the period (net of reimbursement, if any) and the aggregate fees that are charged to all shareholder accounts in proportion to the 30-day (or one month) period and the weighted average size of an account in the class; "c" is the average daily number of class shares outstanding during the period that were entitled to receive dividends; and "d" is the maximum offering price per class share on the last day of the period. Based on this formula, the estimated 30-day yield for the period ended October 31, 1997 for the Short-Term Bond Fund was 6.07%, 5.44% and 5.19%, for the AMR, Institutional and PlanAhead Classes, respectively. The estimated 30-day yield for the period ended October 31, 1997 for the Institutional Class of the Intermediate Bond Fund was 4.90%.

Each class of the Intermediate Bond and the Short-Term Bond Fund also may advertise a monthly distribution rate. The distribution rate gives the return of the class based solely on the dividend payout to that class if someone was entitled to the dividends for an entire month. A monthly distribution rate is calculated from the following formula:

MONTHLY DISTRIBUTION RATE = A/P*(365/N)

where, with respect to a particular class of shares, "A" is the dividend accrual per share during the month, "P" is the share price at the end of the month and "N" is the number of days in the month. Based on this formula, the monthly distribution rate for the AMR, Institutional and PlanAhead Classes of the Short-Term Bond Fund for the month of October 1997 was 6.50%, 6.18% and 6.07%, respectively. The monthly distribution rate for the Institutional Class of the Intermediate Bond Fund for the month of October 1997 was 5.61%. The "monthly distribution rate" is a non-standardized performance calculation and when used in an advertisement will be accompanied by the appropriate standardized SEC calculations.

The advertised total return for a class of a Fund is calculated by equating an initial amount invested in a class of a Fund to the ending redeemable value, according to the following formula:

$$P(1 + T)^{(N)} = ERV$$

where "P" is a hypothetical initial payment of $1,000; "T" is the average annual total return for the class; "n" is the number of years involved; and "ERV" is the ending redeemable value of a hypothetical $1,000 payment made in the class at the beginning of the investment period covered.

Based on this formula, annualized total returns were as follows for the periods and Funds indicated:

<TABLE>
<CAPTION>

	For the one-year period ended October 31, 1997(1)	For the five-year period ended October 31, 1997(1)(2)	For the ten-year period ended October 31, 1997(1)	For the period from commencement of active operations through October 31, 1997(1)(3)
<S>	<C>	<C>	<C>	<C>
AMR Class				
Balanced Fund	20.36%	14.92%	13.11%	11.66%
Growth and Income Fund	28.40%	19.28%	16.34%	13.77%
International Equity Fund	19.39%	18.34%	N/A(2)	12.36%
Short-Term Bond Fund	6.57%	5.56%	N/A(2)	6.99%
S&P 500 Index Fund	N/A(2)	N/A(2)	N/A(2)	25.19%
Institutional Class				
Balanced Fund	20.04%	14.73%	13.02%	11.57%
Growth and Income Fund	28.05%	19.08%	16.24%	13.67%
International Equity Fund	19.08%	18.13%	N/A(2)	12.20%
Intermediate Bond	N/A(2)	N/A(2)	N/A(2)	2.41%
Short-Term Bond Fund	6.29%	5.40%	N/A(2)	6.91%
Money Market Fund	5.60%	4.85%	6.12%	6.13%
Municipal Money Market Fund (4)	3.52%	N/A(2)	N/A(2)	3.33%
U.S. Government Money Market Fund	5.36%	4.61%	N/A(2)	4.50%
PlanAhead Class				
Balanced Fund (5)	19.75%	14.50%	12.91%	11.46%
Growth and Income Fund	27.64%	18.78%	16.10%	13.54%
International Equity Fund	18.71%	17.83%	N/A(2)	11.98%
Short-Term Bond Fund (5)	6.01%	5.23%	N/A(2)	6.82%
Money Market Fund	5.28%	4.62%	6.00%	6.01%
Municipal Money Market Fund (4)	3.24%	N/A(2)	N/A(2)	3.07%
U.S. Government Money Market Fund	5.08%	4.37%	N/A(2)	4.28%

</TABLE>

(1) The Institutional Class is the initial class for each Fund, except for

the S&P 500 Index Fund. Except for the S&P 500 Index Fund, total returns for the PlanAhead and AMR Classes reflect Institutional Class returns from the date of commencement of operations of each of these Funds through July 31, 1994 and returns of the applicable class from the commencement of operations of the new classes through October 31, 1997. 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 periods.

(2) The Fund was not operational during this period.

Inception dates are as follows:

Fund	Institutional Class	AMR Class	PlanAhead Class
Balanced	7/17/87	8/1/94	8/1/94
Growth and Income	7/17/87	8/1/94	8/1/94
International Equity	8/7/91	8/1/94	8/1/94
S&P 500 Index		1/1/98	
Intermediate Bond	9/15/97		
Short-Term Bond	12/3/87	8/1/94	8/1/94
Money Market	9/1/87	8/1/94	8/1/94
Municipal Money Market	11/10/93	8/1/94	8/1/94
U.S. Government Money Market	3/2/92	8/1/94	8/1/94

See Appendix A for historical performance of the S&P 500 Composite Stock Price Index.

(4) A portion of the Management and Administrative Services fees has been waived for the Municipal Money Market Fund since its inception.

(5) A portion of the Service Plan Fees of the PlanAhead Class has been waived for the Balanced, the Growth and Income and the Short-Term Bond Funds since August 1, 1994.

Each class of a Fund also may use "aggregate" total return figures for various periods which represent the cumulative change in value of an investment in a class of a Fund for the specific period. Such total returns reflect changes in share prices of a class of a Fund and assume reinvestment of dividends and distributions.

Each Fund may give total returns from inception using the date when the current managers began active management as the inception date. However, returns using the actual inception date of the Fund will also be provided.

In reports or other communications to shareholders or in advertising material, each class of a Fund may from time to time compare its performance with that of other mutual funds in rankings prepared by Lipper Analytical Services, Inc., Morningstar, Inc., IBC Financial Data, Inc. and other similar independent services which monitor the performance of mutual funds or publications such as the "New York Times," "Barrons" and the "Wall Street Journal." Each class of a Fund may also compare its performance with various indices prepared by independent services such as Standard & Poor's, Morgan Stanley or Lehman Brothers or to unmanaged indices that may assume reinvestment of dividends but generally do not reflect deductions for administrative and management costs.

Each Fund may advertise the standard deviation of its returns for various time periods and compare its standard deviation to that of various indices. Standard deviation of returns over time is a measure of volatility. It indicates the spread of a Fund's returns about their central tendency or mean. In theory, a Fund that is more volatile should receive a higher return in exchange for taking extra risk. Standard deviation is a well-accepted statistic to gauge the riskiness of an investment strategy and measure its historical volatility as a predictor of risk, although the measure is subject to time selection bias.

Advertisements for the Funds may mention that the Funds offer a variety of investment options. They may also compare the Funds to federally insured investments such as bank certificates of deposit and credit union deposits, including the long-term effects of inflation on these types of investments. Advertisements may also compare the historical rate of return of different types of investments. Advertisements for the International Equity Fund may compare the differences between domestic and foreign investments. Information concerning broker-dealers who sell the Funds may also appear in advertisements for the Funds, including their ranking as established by various publications compared to other broker-dealers.

From time to time, the Manager may use contests as a means of promoting the American AAdvantage Funds. Prizes may include free air travel and/or hotel accommodations. Listings for certain of the Funds may be found in newspapers under the heading "Amer AAdvant."

DESCRIPTION OF THE TRUST

The Trust is an entity of the type commonly known as a "Massachusetts business trust." Under Massachusetts law, shareholders of such a trust may, under certain circumstances, be held personally liable for its obligations. However, the Trust's Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Trust and provides for indemnification and reimbursement of expenses out of Trust property for any shareholder held personally liable for the obligations of the Trust. The Declaration of Trust also provides that the Trust may maintain appropriate insurance (for example, fidelity bonding) for the protection of the Trust, its shareholders, Trustees, officers, employees and agents to cover possible tort and other liabilities. Thus, the risk of a shareholder incurring financial loss due to shareholder liability is limited to circumstances in which both inadequate insurance existed and the Trust itself was unable to meet its obligations. The Trust has not engaged in any other business.

The Trust was originally created to manage money for large institutional investors, including pension and 401(k) plans for American Airlines, Inc. The AMR Class is offered to tax-exempt retirement and benefit plans of AMR Corporation and its affiliates. The following individuals are eligible for purchasing shares of the Institutional Class with an initial investment of less than $2 million: (i) employees of the Manager, (ii) officers and directors of AMR and (iii) members of the Trust's Board of Trustees. The PlanAhead Class was later created to give individuals and other smaller investors an opportunity to invest in the American AAdvantage Funds. As a result, shareholders of the PlanAhead Class benefit from the economies of scale generated by being part of a larger pool of assets.

The corresponding Portfolios of the Balanced, the Growth and Income and the International Equity and the Intermediate Bond Funds utilize a multi-manager approach designed to reduce volatility by diversifying assets over multiple investment management firms. Each adviser is carefully chosen by the Manager through a rigorous screening process.

CONTROL PERSONS AND 5% SHAREHOLDERS

The following persons may be deemed to control certain Funds by virtue of their ownership of more than 25% of the outstanding shares of a Fund as of January 31, 1998:

<TABLE>

<S>	<C>
American AAdvantage Balanced Fund	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof...	%
4333 Amon Carter Boulevard	
Fort Worth, Texas 76155	
American AAdvantage Growth and Income Fund	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof...	%
4333 Amon Carter Boulevard	
Fort Worth, Texas 76155	
American AAdvantage International Equity Fund	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof...	%
4333 Amon Carter Boulevard	
Fort Worth, Texas 76155	
American AAdvantage Short-Term Bond Fund	
Retirement Advisors of America..	%
5005 LBJ Freeway, Suite 1350	
Dallas, Texas 75244	
AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof...	%
4333 Amon Carter Boulevard	

Fort Worth, Texas 76155
</TABLE>

AMR Corporation and subsidiary companies and Employee Benefit Trusts thereof own 100% of the shares of the AMR Class of the Balanced Fund, the Growth and Income Fund, the International Equity Fund and the Short-Term Bond Fund.

In addition, the following persons own 5% or more of the outstanding shares of a Fund or Class as of January 31, 1998:

<TABLE>
<CAPTION>

American AAdvantage Balanced Fund	Total Fund	Institutional Class	PlanAhead Class
<S>	<C>	<C>	<C>
Retirement Advisors of America 5005 LBJ Freeway, Suite 1350 Dallas, TX 75244	%	%	
Sky Chefs Master Trust 601 Ryan Plaza Drive Arlington, Texas 76011	%	%	
NA Bank & Co. P.O. Box 2180 Tulsa, Oklahoma 74101	%		%
Berg Electronics Inc. Savings Plan 4 New York Plaza - EBS 4th. Floor New York, New York 10004-2413	%		%
International Wire Retirement Savings Plan 770 Broadway, 10th Floor New York, New York 10003-9522	%		%

<CAPTION>

American AAdvantage Growth and Income Fund	Total Fund	Institutional Class	PlanAhead Class
<S>	<C>	<C>	<C>
Retirement Advisors of America 5005 LBJ Freeway, Suite 1350 Dallas, Texas 75244	%	%	
Coca-Cola Retirement Plan Hamill and Company (Trust Operations) P.O. Box 6558 Houston, TX 77252-2558	%	%	
Wachovia Bank of North Carolina P.O. Box 3002 Winston-Salem, North Carolina 27102	%	%	
Clarence Arthur & Co. AmeriTrust, Texas N.A. P.O. Box 951405 Dallas, TX 75395-1405	%	%	
Calhoun & Co. Comerica Bank P.O. Box 7500 Detroit, Michigan 48275-3454	%	%	
Berg Electronics Inc. Savings Plan 4 New York Plaza - EBS 4th. Floor New York, New York 10004-2413	%		%
Crowe & Dunlevy Profit Sharing and Thrift Plan 20 N. Broadway, Suite 1800 Oklahoma City, Oklahoma 73102-8203	%		%
Technical Products Group Inc. Retirement & Savings Plan 2929 Allen Parkway, Suite 2500 Houston, Texas 77019	%		%

</TABLE>

<TABLE>
<CAPTION>

American AAdvantage International Equity Fund	Total Fund	Institutional Class	PlanAhead Class
<S>	<C>	<C>	<C>
NA Bank & Co.	%	%	
P.O. Box 2180			
Tulsa, Oklahoma 74101			
Retirement Advisors of America	%	%	
5005 LBJ Freeway, Suite 1350			
Dallas, Texas 75244			
Wachovia Bank of North Carolina	%	%	
P.O. Box 3002			
Winston-Salem, North Carolina 27102			
Clarence Arthur & Co.	%	%	
AmeriTrust, Texas N.A.			
P.O. Box 951405			
Dallas, TX 75395-1405			
York Health System	%	%	
1001 S. George St.			
York, PA 17405			
IBJ Distributors Inc.	%		%
237 Park Ave. Suite 910			
New York, NY 10017-3140			
DLJ Securities Corp.	%		%
P.O. Box 2052			
Jersey City, NJ 07303-2052			
Patricia G. Burke Charitable Unitrust	%		%
650 Smithfield St., Suite 250			
Pittsburgh, PA 15222-3907			

<CAPTION>

American AAdvantage Short-Term Bond Fund	Total Fund	Institutional Class	PlanAhead Class
<S>	<C>	<C>	<C>
Retirement Advisors of America	%	%	
5005 LBJ Freeway, Suite 1350			
Dallas, Texas 75244			
Wachovia Bank of North Carolina	%	%	
P.O. Box 3002			
Winston-Salem, North Carolina 27102			
Technical Products Group Inc. Retirement and Savings Plan	%		%
2929 Allen Parkway, Suite 2500			
Houston, Texas 77019			
Crowe & Dunlevy Profit Sharing and Thrift Plan	%		%
20 N. Broadway, Suite 1800			
Oklahoma City, Oklahoma 73102-8203			
RIW Limited Partnership	%		%
13155 Noel Rd., 24th. Floor			
Dallas, TX 75240-5090			

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
Berg Electronics Inc. Savings Plan	%		%
4 New York Plaza - EBS 4th. Floor			
New York, New York 10004-2413			
Chancellor Limited Partnership	%		%
13155 Noel Rd., 24th. Floor			
Dallas, TX 75240-5090			
EPR Limited Partnership	%		%
13155 Noel Rd., 24th. Floor			
Dallas, TX 75240-5090			
Gale Force Limited Partnership	%		%
13155 Noel Rd., 24th. Floor			
Dallas, TX 75240-5090			
William N. Hoffman	%		%
3515 Davis Rd.			
Granbury, TX 76049-5469			

<CAPTION>

American AAdvantage Money Market Fund	Total Fund	Institutional Class	PlanAhead Class

-------------------------------------	----	-----	-----
<S>	<C>	<C>	<C>
Seagate Technology Inc. 920 Disk Dr. Scotts Valley, CA 95066	%	%	
City of Chicago International Airport Revenue Bonds Harris Trust and Savings Bank(Indenture Trust Division) P.O. Box 755 Chicago, Illinois 60690	%	%	
Alliance Airport Authority Bank One, Texas, NA (Corporate Trust Department) 500 Throckmorton Fort Worth, Texas 76113-2604	%	%	
Shell Oil Company Two Shell Plaza P.O. Box 2099 Houston, TX 77252	%	%	
Hewlett Packard Finance Co. 3000 Hanover St. Palo Alto, CA 94304-1185	%	%	

<CAPTION>

American AAdvantage Municipal Money Market Fund	Total Fund	Institutional Class	PlanAhead Class
---	----	-----	-----
<S>	<C>	<C>	<C>
Merit Energy Co. 12222 Merit Dr., Suite 1500 Dallas, TX 75251	%	%	
Goddess Agency Inc. P.O. Box 9141 Seattle, WA 98109-0141	%		%
Itech Systems, LP 1013 Centre Rd. Wilmington, DE 19805-1265	%		%
Roger A. & Joann Wallis 194 Olentangy Rd. Powell, OH 43065-9694	%		%
Jerome Reed Schusterman Irrevocable Trust P.O. Box 699 Tulsa, OK 74101-0699	%		%

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
Crowe & Dunlevy Profit Sharing and Thrift Plan 20 N. Broadway, Suite 1800 Oklahoma City, Oklahoma 73102-8203	%		%
Brenda J. Pyle 59 Crystal Court Bel Air, MD 21014-5608	%		%
Crisostomo B. Garcia Trust P.O. Box 9248 Rancho Santa Fe, CA 92067-4248	%		%
Jean-Marie & Marie Nadia Girardot 5328 N. Peachtree Rd. Dunwoody, GA 30338-3102	%		%

<CAPTION>

American AAdvantage U.S. Government Money Market Fund	Total Fund	Institutional Class	PlanAhead Class
---	----	-----	-----
<S>	<C>	<C>	<C>
Hare & Co. Bank of New York One Wall Street New York, NY 10286	%	%	%
Lone Star Airport Improvement Authority First National Bank of Chicago One First National Place Chicago, Illinois 60670	%	%	
Grapevine Industrial Development Corp.	%	%	

First National Bank of Chicago One First National Place Chicago, Illinois 60670			
British American Insurance Company P.O. Box 1590 Dallas, Texas 75221-1590	%	%	
Family Orthopedic Association Profit Sharing Plan 8953 Bath Road Byron, MI 48418-9785	%		%
Leone C. Campbell Intervivo Trust 4000 N. Federal Highway, Suite 206 Boca Raton, FL 33431-45865	%		%

</TABLE>

OTHER INFORMATION

American Depository Receipts (ADRs), European Depository Receipts (EDRs)-ADRs are depository receipts for foreign issuers in registered form traded in U.S. securities markets, whereas, EDRs are in bearer form and traded in European securities markets. These securities are not denominated in the same currency as the securities into which they may be converted. Investing in ADRs and EDRs involves greater risks than are normally present in domestic investments. There is generally less publicly available information about foreign companies and there may be less governmental regulation and supervision of foreign stock exchanges, brokers and listed companies. In addition, such companies may use different accounting and financial standards (and certain currencies may become unavailable for transfer from a foreign currency), resulting in a Fund's possible inability to convert immediately into U.S. currency proceeds realized upon the sale of portfolio securities of the affected foreign companies.

Bank Deposit Notes-Bank deposit notes are obligations of a bank, rather than bank holding company corporate debt. The only structural difference between bank deposit notes and certificates of deposit is that interest on bank deposit notes is calculated on a 30/360 basis as are corporate notes/bonds. Similar to certificates of deposit, deposit notes represent bank level investments and, therefore, are senior to all holding company corporate debt.

Bankers' Acceptances-Bankers' acceptances are short-term credit instruments designed to enable businesses to obtain funds to finance commercial transactions. Generally, an acceptance is a time draft drawn on a bank by an exporter or an importer to obtain a stated amount of funds to pay for specific merchandise. The draft is then "accepted" by a bank that, in effect, unconditionally guarantees to pay the face value of the instrument on its maturity date. The acceptance may then be held by the accepting bank as an earning asset or it may be sold in the secondary market at the going rate of discount for a specific maturity. Although maturities for acceptances can be as long as 270 days, most acceptances have maturities of six months or less.

Cash Equivalents-Cash equivalents include certificates of deposit, bearer deposit notes, bankers' acceptances, government obligations, commercial paper, short-term corporate debt securities and repurchase agreements.

Certificates of Deposit-Certificates of deposit are issued against funds deposited in an eligible bank (including its domestic and foreign branches, subsidiaries and agencies), are for a definite period of time, earn a specified rate of return and are normally negotiable.

Cover-Transactions using forward contracts, future contracts, options on futures contracts and options on indices ("Financial Instruments"), other than purchased options, expose a Portfolio to an obligation to another party. A Portfolio will not enter into any such transactions unless it owns either (1) an offsetting ("covered") position in securities, currencies, or other forward contracts, options or futures contracts, or (2) cash, receivables and liquid assets, with a value, marked-to-market daily, sufficient to cover its potential obligations to the extent not covered as provided in (1) above. Each Portfolio will comply with SEC guidelines regarding cover for these instruments and will, if the guidelines so require, set aside cash, receivables, or liquid assets in a segregated account with its custodian in the prescribed amount.

Assets used as cover or held in a segregated account cannot be sold while the position in the corresponding Financial Instrument is open, unless they are replaced with other appropriate assets. As a result, the commitment of a large portion of a Portfolio's assets to cover or to segregated accounts could impede portfolio management or the Portfolio's ability to meet redemption requests or other current obligations.

Commercial Paper-Commercial paper refers to promissory notes representing an unsecured debt of a corporation or finance company with a fixed maturity of no more than 270 days. A variable amount master demand note (which is a type of commercial paper) represents a direct borrowing arrangement involving periodically fluctuating rates of interest under a letter agreement between a commercial paper issuer and an institutional lender pursuant to which the lender may determine to invest varying amounts.

Debentures-Debentures are unsecured debt securities. The holder of a debenture is protected only by the general creditworthiness of the issuer.

Derivatives-Generally, a derivative is a financial arrangement, the value of which is based on, or "derived" from, a traditional security, asset or market index. Some "derivatives" such as mortgage-related and other asset-backed securities are in many respects like any other investment, although they may be more volatile or less liquid than more traditional debt securities. There are, in fact, many different types of derivatives and many different ways to use them. There are a range of risks associated with those uses.

Forward Foreign Currency Exchange Contracts-A forward foreign currency exchange contract ("forward contract") is a contract to purchase or sell a currency at a future date. The two parties to the contract set the number of days and the price. Forward contracts are used as a hedge against movements in future foreign exchange rates. The corresponding Portfolio of the International Equity Fund may enter into forward contracts to purchase or sell foreign currencies for a fixed amount of U.S. dollars or other foreign currency.

Forward contracts may serve as long hedges -- for example, the Portfolio may purchase a forward contract to lock in the U.S. dollar price of a security denominated in a foreign currency that the Portfolio intends to acquire. Forward contracts may also serve as short hedges -- for example, the Portfolio may sell a forward contract to lock in the U.S. dollar equivalent of the proceeds from the anticipated sale of a security denominated in a foreign currency or from the anticipated dividend or interest payments denominated in a foreign currency. The Manager may seek to hedge against changes in the value of a particular currency by using forward contracts on another foreign currency or basket of currencies, the value of which the Manager believes will bear a positive correlation to the value of the currency being hedged.

The cost to the Portfolio of engaging in forward contracts varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. Because forward contracts are usually entered into on a principal basis, no fees or commissions are involved. When the Portfolio enters into a forward contract, it relies on the contra party to make or take delivery of the underlying currency at the maturity of the contract. Failure by the contra party to do so would result in the loss of any expected benefit of the transaction.

Buyers and sellers of forward contracts can enter into offsetting closing transactions by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. Secondary markets generally do not exist for forward contracts, with the result that closing transactions generally can be made for forward contracts only by negotiating directly with the contra party. Thus, there can be no assurance that the Portfolio will in fact be able to close out a forward contract at a favorable price prior to maturity. In addition, in the event of insolvency of the contra party, the Portfolio might be unable to close out a forward contract at any time prior to maturity. In either event, the Portfolio would continue to be subject to market risk with respect to the position, and would continue to be required to maintain a position in the securities or currencies that are the subject of the hedge or to maintain cash or securities in a segregated account.

The precise matching of forward currency contract amounts and the value of the securities involved generally will not be possible because the value of such securities, measured in the foreign currency, will change after the forward contract has been established. Thus, the Portfolio might need to purchase or sell foreign currencies in the spot (cash) market to the extent such foreign currencies are not covered by forward contracts. The projection of short-term currency market movements is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain.

Full Faith and Credit Obligations of the U.S. Government-Securities issued or guaranteed by the U.S. Treasury, backed by the full taxing power of the U.S. Government or the right of the issuer to borrow from the U.S. Treasury.

Futures Contracts-Futures contracts obligate a purchaser to take delivery of a specific amount of an obligation underlying the futures contract at a specified time in the future for a specified price. Likewise, the seller incurs an obligation to deliver the specified amount of the underlying obligation against receipt of the specified price. Futures are traded on both U.S. and foreign commodities exchanges. Only currency futures will be permitted in the corresponding Portfolio of the International Equity Fund. Futures contracts will be traded for the same purposes as entering into forward contracts. The use of futures contracts by the Equity 500 Index Portfolio is explained further under "Index Futures Contracts and Options on Index Futures Contracts."

The purchase of futures can serve as a long hedge, and the sale of futures can serve as a short hedge.

No price is paid upon entering into a futures contract. Instead, at the inception of a futures contract a Portfolio is required to deposit "initial deposit" consisting of cash or U.S. Government Securities in an amount generally equal to 10% or less of the contract value. Margin must also be deposited when writing a call or put option on a futures contract, in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts does not represent a borrowing, but rather is in the nature of a performance bond or good-faith deposit that is returned to the Portfolio at the termination of the transaction if all contractual obligations have been satisfied. Under certain circumstances, such as periods of high volatility, a Portfolio may be required by a futures exchange to increase the level of its initial margin payment, and initial margin requirements might be increased generally in the future by regulatory action.

Subsequent "variation margin" payments are made to and from the futures broker daily as the value of the futures position varies, a process known as "marking-to-market." Variation margin does not involve borrowing, but rather represents a daily settlement of a Portfolio's obligations to or from a futures broker. When the Portfolio purchases or sells a futures contract, it is subject to daily variation margin calls that could be substantial in the event of adverse price movements. If a Portfolio has insufficient cash to meet daily variation margin requirements, it might need to sell securities at a time when such sales are disadvantageous.

Purchasers and sellers of futures contracts can enter into offsetting closing transactions, by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. Positions in futures contracts may be closed only on a futures exchange or board of trade that provides a secondary market. The Portfolios intend to enter into futures contracts only on exchanges or boards of trade where there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist for a particular contract at a particular time. In such event, it may not be possible to close a futures contract.

Although futures contracts by their terms call for the actual delivery or acquisition of securities or currency, in most cases the contractual obligation is fulfilled before the date of the contract without having to make or take delivery of the securities or currency. The offsetting of a contractual obligation is accomplished by buying (or selling, as appropriate) on a commodities exchange an identical futures contract calling for delivery in the same month. Such a transaction, which is effected through a member of an exchange, cancels the obligation to make or take delivery of the securities or currency. Since all transactions in the futures market are made, offset or fulfilled through a clearinghouse associated with the exchange on which the contracts are traded, a Portfolio will incur brokerage fees when it purchases or sells futures contracts.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.

If a Portfolio were unable to liquidate a futures contract due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Portfolio would continue to be subject to market risk with respect to the position. In addition, the Portfolio would continue to be required to make daily variation margin payments and might be required to maintain the position being hedged by the futures contract or option thereon or to maintain cash or securities in a segregated account.

To the extent that a Portfolio enters into futures contracts, in each case other than for bona fide hedging purposes (as defined by the Commodities Futures Trading Commission ("CFTC"), the aggregate initial margin will not exceed 5% of the liquidation value of a Portfolio's portfolio, after taking into account unrealized profits and unrealized losses on any contracts that the Portfolio has entered into. This policy does not limit to 5% the percentage of the Portfolio's assets that are at risk in futures contracts.

Futures contracts require the deposit of initial margin valued at a certain percentage of the contract and possibly adding "variation margin" should the price of the contract move in an unfavorable direction. As with forward contracts, the segregated assets must be either cash or high grade liquid debt securities.

The ordinary spreads between prices in the cash and futures market, due to differences in the nature of those markets, are subject to distortions. First, all participants in the futures market are subject to initial deposit and variation margin requirements. Rather than meeting additional variation margin deposit requirements, investors may close futures contracts through offsetting transactions which could distort the normal relationship between the cash and futures markets. Second, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced, thus producing distortion. Third, from the point of view of speculators, the margin deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may cause temporary price distortions. Due to the possibility of distortion, a correct forecast of securities price or currency exchange rate trends by the investment adviser may still not result in a successful transaction.

In addition, futures contracts entail risks. Although an investment adviser believes that use of such contracts will benefit a particular Portfolio, if that investment adviser's investment judgment about the general direction of, for example, an index is incorrect, a Portfolio's overall performance would be poorer than if it had not entered into any such contract.

General Obligation Bonds-General obligation bonds are secured by the pledge of the issuer's full faith, credit, and usually, taxing power. The taxing power may be an unlimited ad valorem tax or a limited tax, usually on real estate and personal property. Most states do not tax real estate, but leave that power to local units of government.

Illiquid Securities - Historically, illiquid securities have included securities subject to contractual or legal restrictions on resale because they have not been registered under the 1933 Act, securities that are otherwise not readily marketable and repurchase agreements having a remaining maturity of longer than seven calendar days. Securities that have not been registered under the 1933 Act are referred to as private placements or restricted securities and are purchased directly from the issuer or in the secondary market. Mutual funds do not typically hold a significant amount of these restricted or other illiquid securities because of the potential for delays on resale and uncertainty in valuation. Limitations on resale may have an adverse effect on the marketability of portfolio securities and a mutual fund might be unable to dispose of restricted or

other illiquid securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemptions within seven calendar days. A mutual fund also might have to register such restricted securities in order to dispose of them resulting in additional expense and delay. Adverse market conditions could impede such a public offering of securities.

In recent years, however, a large institutional market has developed for certain securities that are not registered under the 1933 Act, including repurchase agreements, commercial paper, foreign securities, municipal securities and corporate bonds and notes. Institutional investors depend on an efficient institutional market in which the unregistered security can be readily resold or on an issuer's ability to honor a demand for repayment. However, the fact that there are contractual or legal restrictions on resale of such investments to the general public or to certain institutions may not be indicative of their liquidity.

Index Futures Contracts and Options on Index Futures Contracts-The Equity 500 Index Portfolio may invest in index futures contracts, options on index futures contracts and options on securities indices.

Index Futures Contracts-U.S. futures contracts have been designed by exchanges which have been designated "contracts markets" by the CFTC and must be executed through a futures commission merchant, or brokerage firm, which is a member of the relevant contract market. Futures contracts trade on a number of exchange markets, and through their clearing corporations.

At the same time a futures contract on the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500" or the "Index") is purchased or sold, the Portfolio must allocate cash or securities as a deposit payment ("initial deposit"). It is expected that the initial deposit would be approximately 1-1/2% to 5% of a contract's face value. Daily thereafter, the futures contract is valued and the payment of "variation margin" may be required.

Options on Index Futures Contracts-The purchase of a call option on an index futures contract is similar in some respects to the purchase of a call option on such an index.

The writing of a call option on a futures contract with respect to the Index constitutes a partial hedge against declining prices of the underlying securities that are deliverable upon exercise of the futures contract. If the futures price at expiration of the option is below the exercise price, the Portfolio will retain the full amount of the option premium which provides a partial hedge against any decline that may have occurred in the Portfolio's holdings. The writing of a put option on an index futures contract constitutes a partial hedge against increasing prices of the underlying securities that are deliverable upon exercise of the futures contract. If the futures price at expiration of the option is higher than the exercise price, the Portfolio will retain the full amount of the option premium which provides a partial hedge against any increase in the price of securities that the Portfolio intends to purchase. If a put or call option the Portfolio has written is exercised, the Portfolio will incur a loss that will be reduced by the amount of the premium it receives. Depending on the degree of correlation between changes in the value of its portfolio securities and changes in the value of its futures positions, the Portfolio's losses from existing options on futures may to some extent be reduced or increased by changes in the value of portfolio securities.

The purchase of a put option on a futures contract with respect to the Index is similar in some respects to the purchase of protective put options on the Index. For example, the Portfolio may purchase a put option on an index futures contract to hedge against the risk of lowering securities values.

The amount of risk the Portfolio assumes when it purchases an option on a futures contract with respect to the Index is the premium paid for the option plus related transaction costs. In addition to the correlation risks discussed above, the purchase of such an option also entails the risk that changes in the value of the underlying futures contract will not be fully reflected in the value of the option purchased.

The Equity 500 Index Portfolio Board has adopted the requirement that index futures contracts and options on index futures contracts be used as a hedge. Stock index futures may be used on a continual basis to equitize cash so that the Portfolio may maintain maximum equity exposure. The Portfolio will not enter into any futures contracts or options on futures contracts if immediately thereafter the amount of margin deposits on all the futures contracts of the Portfolio and premiums paid on outstanding options on futures contracts owned by the Portfolio would exceed 5% of the market value of the total assets of the Portfolio.

Futures Contracts on Stock Indices-The Portfolio may enter into contracts providing for the making and acceptance of a cash settlement based upon changes in the value of an index of securities ("Futures Contracts"). This investment technique is designed only to hedge against anticipated future change in general market prices which otherwise might either adversely affect the value of securities held by the Portfolio or adversely affect the prices of securities which are intended to be purchased at a later date for the Portfolio.

In general, each transaction in Futures Contracts involves the establishment of a position which will move in a direction opposite to that of the investment being hedged. If these hedging transactions are successful, the futures positions taken for the Portfolio will rise in value by an amount that approximately offsets the decline in value of the portion of the Portfolio's investments that are being hedged. Should general market prices move in an unexpected manner, the full anticipated benefits of Futures Contracts may not be achieved or a loss may be realized.

Although Futures Contracts would be entered into for cash management purposes only, such transactions do involve certain risks. These risks could include a lack of correlation between the Futures Contract and the equity market, a potential lack of liquidity in the secondary market and incorrect assessments of market trends which may result in worse overall performance than if a Futures Contract had not been entered into.

Brokerage costs will be incurred and "margin" will be required to be posted and maintained as a good-faith deposit against performance of obligations under Futures Contracts written into by the Portfolio. The Portfolio may not purchase or sell a Futures Contract (or options thereon) if immediately thereafter its margin deposits on its outstanding Futures Contracts (and its premium paid on outstanding options thereon) would exceed 5% of the market value of the Portfolio's total assets.

Options on Securities Indices-The Portfolio may write (sell) covered call and put options to a limited extent on the Index ("covered options") in an attempt to increase income. Such options give the holder the right to receive a cash settlement during the term of the option based upon the difference between the exercise price and the value of the Index. The Portfolio may forgo the benefits of appreciation on the Index or may pay more than the market price or the Index pursuant to call and put options written by the Portfolio.

By writing a covered call option, the Portfolio forgoes, in exchange for the premium less the commission ("net premium"), the opportunity to profit during the option period from an increase in the market value of the Index above the exercise price. By writing a covered put option, the Portfolio, in exchange for the net premium received, accepts the risk of a decline in the market value of the Index below the exercise price.

The Portfolio may terminate its obligation as the writer of a call or put option by purchasing an option with the same exercise price and expiration date as the option previously written.

When the Portfolio writes an option, an amount equal to the net premium received by the Portfolio is included in the liability section of the Portfolio's Statement of Assets and Liabilities as a deferred credit. The amount of the deferred credit will be subsequently marked to market to reflect the current market value of the option written. The current market value of a traded option is the last sale price or, in the absence of a sale, the mean between the closing bid and asked price. If an option expires on its stipulated expiration date or if the Portfolio enters into a closing purchase transaction, the Portfolio will realize a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the option was sold), and the deferred credit related to such option will be eliminated.

The Portfolio has adopted certain other nonfundamental policies concerning index option transactions that are discussed above. The Portfolio's activities in index options also may be restricted by the requirements of the Code, for qualification as a RIC.

The hours of trading for options on the Index may not conform to the hours during which the underlying securities are traded. To the extent that the option markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying securities markets that cannot be reflected in the option markets. It is impossible to predict the volume of trading that may exist in such options, and there can be no assurance that viable exchange markets will develop or continue.

Because options on securities indices require settlement in cash, BT may be forced to liquidate portfolio securities to meet settlement obligations.

Options on Stock Indices-The Portfolio may purchase and write put and call options on stock indices listed on stock exchanges. A stock index fluctuates with changes in the market values of the stocks included in the index. Options on stock indices generally are similar to options on stock except that the delivery requirements are different. Instead of giving the right to take or make delivery of stock at a specified price, an option on a stock index gives the holder the right to receive a cash "exercise settlement amount" equal to (a) the amount, if any, by which the fixed exercise price of the option exceeds (in the case of a put) or is less than (in the case of a call) the closing value of the underlying index on the date of exercise, multiplied by (b) a fixed "index multiplier." The writer of the option is obligated, in return for the premium received, to make delivery of this amount. The writer may offset its position in stock index options prior to expiration by entering into a closing transaction on an exchange or the option may expire unexercised.

Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Portfolio will realize a gain or loss from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of a particular stock.

Loan Participation Interests-Loan participation interests represent interests in bank loans made to corporations. The contractual arrangement with the bank transfers the cash stream of the underlying bank loan to the participating investor. Because the issuing bank does not guarantee the participations, they are subject to the credit risks generally associated with the underlying corporate borrower. In addition, because it may be necessary under the terms of the loan participation for the investor to assert through the issuing bank such rights as may exist against the underlying corporate borrower, in the event the underlying corporate borrower fails to pay principal and interest when due, the investor may be subject to delays, expenses and risks that are greater than those that would have been involved if the investor had purchased a direct obligation (such as commercial paper) of such borrower. Moreover, under the terms of the loan participation, the investor may be regarded as a creditor of the issuing bank (rather than of the underlying corporate borrower), so that the issuer may also be subject to the risk that the issuing bank may become insolvent. Further, in the event of the bankruptcy or insolvency of the corporate borrower, the loan participation may be subject to certain defenses that can be asserted by such borrower as a result of improper conduct by the issuing bank. The secondary market, if any, for these loan participations is extremely limited and any such participations purchased by the investor are regarded as illiquid.

Loan Transactions-Loan transactions involve the lending of securities to a broker-dealer or institutional investor for its use in connection with short sales, arbitrages or other security transactions. The purpose of a qualified loan transaction is to afford a lender the opportunity to continue to earn income on the securities loaned and at the same time earn fee income or income on the collateral held by it.

Securities loans will be made in accordance with the following conditions: (1) the Portfolio must receive at least 100% collateral in the form of cash or cash equivalents, securities of the U.S. Government and its agencies and instrumentalities, and approved bank letters of credit; (2) the borrower must increase the collateral whenever the market value of the loaned securities (determined on a daily basis) rises above the level of collateral; (3) the Portfolio must be able to terminate the loan after notice, at any time; (4) the Portfolio must receive reasonable interest on the loan or a flat fee from the borrower, as well as amounts equivalent to any dividends, interest or other distributions on the securities loaned, and any increase in market value of the loaned securities; (5) the Portfolio may pay only reasonable custodian fees in connection with the loan; and (6) voting rights on the securities loaned may pass to the borrower, provided, however, that if a material event affecting the investment occurs, the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate, must be able to terminate the loan and vote proxies or enter into an alternative arrangement with the borrower to enable the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate, to vote proxies.

While there may be delays in recovery of loaned securities or even a loss of rights in collateral supplied should the borrower fail financially, loans will be made only to firms deemed by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate, to be of good financial standing and will not be made unless the consideration to be earned from such loans would justify the risk. Such loan transactions are referred to in this Statement of Additional Information as "qualified" loan transactions.

The cash collateral so acquired through qualified loan transactions may be invested only in those categories of high quality liquid securities previously authorized by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate.

Mortgage-Backed Securities-Mortgage-backed securities consist of both collateralized mortgage obligations and mortgage pass-through certificates.

Collateralized Mortgage Obligations ("CMOs")-CMOs and interests in real estate mortgage investment conduits ("REMICs") are debt securities collateralized by mortgages, or mortgage pass-through securities. CMOs divide the cash flow generated from the underlying mortgages or mortgage pass-through securities into different groups referred to as "tranches," which are then retired sequentially over time in order of priority. The principal governmental issuers of such securities are the Federal National Mortgage Association ("FNMA"), a government sponsored corporation owned entirely by private stockholders and the Federal Home Loan Mortgage Corporation ("FHLMC"), a corporate instrumentality of the United States created pursuant to an act of Congress which is owned entirely by Federal Home Loan Banks. The issuers of CMOs are structured as trusts or corporations established for the purpose of issuing such CMOs and often have no assets other than those underlying the securities and any credit support provided. A REMIC is a mortgage securities vehicle that holds residential or commercial mortgages and issues securities representing interests in those mortgages. A REMIC may be formed as a corporation, partnership, or segregated pool of assets. The REMIC itself is generally exempt from federal income tax, but the income from the mortgages is reported by investors. For investment purposes, interests in REMIC securities are virtually indistinguishable from CMOs.

Mortgage Pass-Through Certificates-Mortgage pass-through certificates are issued by governmental, government-related and private organizations which are backed by pools of mortgage loans.

(1) Government National Mortgage Association ("GNMA") Mortgage Pass-Through Certificates ("Ginnie Maes")-GNMA is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. Ginnie Maes represent an undivided interest in a pool of mortgages that are insured by the Federal Housing Administration or the Farmers Home Administration or guaranteed by the Veterans Administration. Ginnie Maes entitle the holder to receive all payments (including prepayments) of principal and interest owed by the individual mortgagors, net of fees paid to GNMA and to the issuer which assembles the mortgage pool and passes through the monthly mortgage payments to the certificate holders (typically, a mortgage banking firm), regardless of whether the individual mortgagor actually makes the payment. Because payments are made to certificate holders regardless of whether payments are actually received on the underlying mortgages, Ginnie Maes are of the "modified pass-through" mortgage certificate type. The GNMA is authorized to guarantee the timely payment of principal and interest on the Ginnie Maes. The GNMA guarantee is backed by the full faith and credit of the United States, and the GNMA has unlimited authority to borrow funds from the U.S. Treasury to make payments under the guarantee. The market for Ginnie Maes is highly liquid because of the size of the market and the active participation in the secondary market of security dealers and a variety of investors.

(2) FHLMC Mortgage Participation Certificates ("Freddie Macs")-Freddie Macs represent interests in groups of specified first lien residential conventional mortgages underwritten and owned by the FHLMC. Freddie Macs entitle the holder to timely payment of interest, which is guaranteed by the FHLMC. The FHLMC guarantees either ultimate collection or timely payment of all principal payments on the underlying mortgage loans. In cases where the FHLMC has not guaranteed timely payment of principal, the FHLMC may remit the amount due because of its guarantee of ultimate payment of principal at any time after default on an underlying mortgage, but in no event later than one year after it becomes payable. Freddie Macs are not guaranteed by the United States or by any of the Federal Home Loan Banks and do not constitute a debt or obligation of the United States or of any Federal Home Loan Bank. The secondary market for Freddie Macs is highly liquid because of the size of the market and the active participation in the secondary market of the FHLMC, security dealers and a variety of investors.

(3) FNMA Guaranteed Mortgage Pass-Through Certificates ("Fannie Maes")-Fannie Maes represent an undivided interest in a pool of conventional mortgage loans secured by first mortgages or deeds of trust, on one family or two to four family, residential properties. The FNMA is obligated to distribute scheduled monthly installments of principal and interest on the mortgages in the pool, whether or not received, plus full principal of any foreclosed or otherwise liquidated mortgages. The obligation of the FNMA under its guarantee is solely its obligation and is not backed by, nor entitled to, the full faith and credit of the United States.

(4) Mortgage-Related Securities Issued by Private Organizations-Pools created by non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government guarantees of payments in such pools. However, timely payment of interest and principal of these pools is often partially supported by various enhancements such as over-collateralization and senior/subordination structures and by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The

insurance and guarantees are issued by government entities, private insurers or the mortgage poolers. Although the market for such securities is becoming increasingly liquid, securities issued by certain private organizations may not be readily marketable.

Municipal Lease Obligations ("MLOs")-MLOs are issued by state and local governments and authorities to acquire land and a wide variety of equipment and facilities. These obligations typically are not fully backed by the municipality's credit and thus interest may become taxable if the lease is assigned. If funds are not appropriated for the following year's lease payments, a lease may terminate with the possibility of default on the lease obligation. With respect to MLOs purchased by the corresponding Portfolio of the Municipal Money Market Fund, the AMR Trust Board has established the following guidelines for determining the liquidity of the MLOs in its portfolio, and, subject to review by the AMR Trust Board, has delegated that responsibility to the investment adviser: (1) the frequency of trades and quotes for the security; (2) the number of dealers willing to purchase or sell the security and the number of other potential buyers; (3) the willingness of dealers to undertake to make a market in the security; (4) the nature of the marketplace trades; (5) the likelihood that the marketability of the obligation will be maintained through the time the security is held by the Portfolio; (6) the credit quality of the issuer and the lessee; (7) the essentiality to the lessee of the property covered by the lease and (8) for unrated MLOs, the MLOs' credit status analyzed according to the factors reviewed by rating agencies.

Private Activity Obligations-Private activity obligations are issued to finance, among other things, privately operated housing facilities, pollution control facilities, convention or trade show facilities, mass transit, airport, port or parking facilities and certain facilities for water supply, gas, electricity, sewage or solid waste disposal. Private activity obligations are also issued to privately held or publicly owned corporations in the financing of commercial or industrial facilities. The principal and interest on these obligations may be payable from the general revenues of the users of such facilities. Shareholders, depending on their individual tax status, may be subject to the federal alternative minimum tax on the portion of a distribution attributable to these obligations. Interest on private activity obligations will be considered exempt from federal income taxes; however, shareholders should consult their own tax advisers to determine whether they may be subject to the federal alternative minimum tax.

Ratings of Long-Term Obligations-The Portfolio utilizes ratings provided by the following nationally recognized statistical rating organizations ("Rating Organizations") in order to determine eligibility of long-term obligations.

The four highest Moody's Investors Service, Inc. ("Moody's") ratings for long-term obligations (or issuers thereof) are Aaa, Aa, A and Baa. Obligations rated Aaa are judged by Moody's to be of the best quality. Obligations rated Aa are judged to be of high quality by all standards. Together with the Aaa group, such debt comprises what is generally known as high-grade debt. Moody's states that debt rated Aa is rated lower than Aaa debt because margins of protection or other elements make long-term risks appear somewhat larger than for Aaa debt. Obligations which are rated A by Moody's possess many favorable investment attributes and are considered "upper medium-grade obligations." Obligations which are rated Baa by Moody's are considered to be medium grade obligations, i.e., they are neither highly protected or poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Moody's also supplies numerical indicators 1, 2, and 3 to rating categories. The modifier 1 indicates that the security is in the higher end of its rating category; the modifier 2 indicates a mid-range ranking; and modifier 3 indicates a ranking toward the lower end of the category.

The four highest Standard & Poor's ratings for long-term obligations are AAA, AA, A and BBB. Obligations rated AAA have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong. Obligations rated AA have a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in a small degree. Obligations rated A have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. Obligations rated BBB by Standard & Poor's are regarded as having adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Duff & Phelps' four highest ratings for long-term obligations are AAA, AA, A and BBB. Obligations rated AAA have the highest credit quality with risk factors being negligible. Obligations rated AA are of high credit quality and strong protection factors. Risk is modest but may vary slightly from time to time because of economic conditions. Obligations rated A have average but adequate protection factors. However, risk factors are more variable and greater in periods of

economic stress. Obligations rated BBB have below average protection factors with considerable variability in risk during economic cycles, but are still considered sufficient for prudent investment.

Thomson BankWatch ("BankWatch") long-term debt ratings apply to specific issues of long-term debt and preferred stock. They specifically assess the likelihood of an untimely repayment of principal or interest over the term to maturity of the rated instrument. BankWatch's four highest ratings for long-term obligations are AAA, AA, A and BBB. Obligations rated AAA indicate that the ability to repay principal and interest on a timely basis is very high. Obligations rated AA indicate a superior ability to repay principal and interest on a timely basis, with limited incremental risk compared to issues rated in the highest category. Obligations rated A indicate the ability to repay principal and interest is strong. Issues rated A could be more vulnerable to adverse developments (both internal and external) than obligations with higher ratings. BBB is the lowest investment grade category and indicates an acceptable capacity to repay principal and interest. Issues rated BBB are, however, more vulnerable to adverse developments (both internal and external) than obligations with higher ratings.

Fitch IBCA, Inc. ("Fitch") investment grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The ratings represent Fitch's assessment of the issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner. Obligations rated AAA are considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonable foreseeable events. Bonds rated AA are considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Bonds rated A are considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings. Bonds rated BBB are considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds, and therefore impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

Standard & Poor's, Duff & Phelps and Fitch apply indicators, such as "+","-," or no character, to indicate relative standing within the major rating categories.

Ratings of Municipal Obligations-Moody's ratings for state and municipal short-term obligations are designated Moody's Investment Grade or "MIG" with variable rate demand obligations being designated as "VMIG." A VMIG rating may also be assigned to commercial paper programs which are characterized as having variable short-term maturities but having neither a variable rate nor demand feature. Factors used in determination of ratings include liquidity of the borrower and short-term cyclical elements.

Standard & Poor's uses SP-1, SP-2, and SP-3 to rate short-term municipal obligations. A rating of SP-1 denotes a very strong or strong capacity to pay principal and interest.

Ratings of Short-term Obligations-The rating P-1 is the highest short-term rating assigned by Moody's. Among the factors considered by Moody's in assigning ratings are the following: (1) evaluations of the management of the issuer; (2) economic evaluation of the issuer's industry or industries and an appraisal of speculative-type risks which may be inherent in certain areas; (3) evaluation of the issuer's products in relation to competition and customer acceptance; (4) liquidity; (5) amount and quality of long-term debt; (6) trend of earnings over a period of ten years; (7) financial strength of a parent company and the relationships which exist with the issuer; and (8) recognition by the management of obligations which may be present or may arise as a result of public interest questions and preparations to meet such obligations.

Short-term obligations (or issuers thereof) rated A-1 by Standard & Poor's have the following characteristics. Liquidity ratios are adequate to meet cash requirements. The issuer has access to at least two additional channels of borrowing. Basic earnings and cash flow have an upward trend with allowance made for unusual circumstances. Typically, the issuer's industry is well established and the issuer has a strong position within the industry. The reliability and quality of management are unquestioned. Relative strength or weakness of the above factors determines whether the issuer's short-term obligation is rated A-1, A-2, or A-3.

IBCA's short-term rating of A-1 indicates obligations supported by the highest capacity for timely repayment. Where issues possess particularly strong credit features, a rating of A-1+ is assigned. Obligations rated A-2 are supported by a good capacity for timely repayment.

The distinguishing feature of Duff & Phelps Credit Ratings' short-term rating is the refinement of the traditional 1 category. The majority of short-term debt issuers carry the highest rating, yet quality differences exist within that tier. Obligations rated D-1+ indicate the highest certainty of timely payment. Safety is just below risk-free U.S. Treasury obligations.

Obligations rated D-1 have a very high certainty of timely payment. Risk factors are minor. Obligations rated D-1- have a high certainty of timely payment. Risk factors are very small. Obligations rated D-2 have good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

Thomson BankWatch short-term ratings are intended to assess the likelihood of an untimely or incomplete payment of principal or interest. Obligations rated TBW-1 indicate a very high likelihood that principal and interest will be paid on a timely basis. While the degree of safety regarding timely payment of principal and interest is strong for an obligation rated TBW-2, the relative degree of safety is not as high as for issues rated TBW-1.

Fitch's short-term ratings apply to debt obligations that are payable on demand or have original maturities of generally up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes. A rating of F-1+ indicates exceptionally strong credit quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment. Obligations rated F-1 have very strong credit quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated F-1+. Issues assigned a rating of F-2 indicate good credit quality. Issues assigned this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues assigned F-1+ and F-1 ratings.

Repurchase Agreements-A repurchase agreement, which provides a means to earn income on funds for periods as short as overnight, is an arrangement under which the purchaser (e.g., a Portfolio) purchases securities and the seller agrees, at the time of sale, to repurchase the securities at a specified time and price. The repurchase price will be higher than the purchase price, the difference being income to the purchaser, or the purchase and repurchase prices may be the same, with interest at a stated rate due to the purchaser together with the repurchase price on repurchase. In either case, the income to the purchaser is unrelated to the interest rate on the securities subject to the repurchase agreement.

Each Portfolio may enter into repurchase agreements with any bank or registered broker-dealer who, in the opinion of the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate, presents a minimum risk of bankruptcy during the term of the agreement based upon guidelines that periodically are reviewed by the AMR Trust Board and the Equity 500 Index Portfolio Board. Each Portfolio may enter into repurchase agreements as a short-term investment of its idle cash in order to earn income. The securities will be held by a custodian (or agent) approved by the AMR Trust Board or the Equity 500 Index Portfolio Board, as appropriate, during the term of the agreement. However, if the market value of the securities subject to the repurchase agreement becomes less than the repurchase price (including interest), the Portfolio will direct the seller of the securities to deliver additional securities so that the market value of all securities subject to the repurchase agreement will equal or exceed the repurchase price.

In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before the repurchase of the securities under a repurchase agreement, a Portfolio may encounter a delay and incur costs before being able to sell the security being held as collateral. Delays may involve loss of interest or decline in price of the securities. Apart from the risk of bankruptcy or insolvency proceedings, there is also the risk that the seller may fail to repurchase the securities, in which case a Portfolio may incur a loss if the proceeds to the Portfolio from the sale of the securities to a third party are less than the repurchase price.

Reverse Repurchase Agreements-The Portfolios may borrow funds for temporary purposes by entering into reverse repurchase agreements. Pursuant to such agreements, a Portfolio would sell portfolio securities to financial institutions such as banks and broker/dealers and agree to repurchase them at a mutually agreed-upon date and price. The Portfolios intend to enter into reverse repurchase agreements only to avoid selling securities to meet redemptions during market conditions deemed unfavorable by the investment adviser possessing investment authority. At the time a Portfolio enters into a reverse repurchase agreement, it will place in a segregated custodial account assets such as liquid high quality debt securities having a value not less than 100% of the repurchase price (including accrued interest), and will subsequently monitor the account to ensure that such required value is maintained. Reverse repurchase agreements involve the risk that the market value of the securities sold by a Portfolio may decline below the price at which such Portfolio is obligated to repurchase the securities. Reverse repurchase agreements are considered to be borrowings by an investment company under the 1940 Act.

Resource Recovery Obligations-Resource recovery obligations are a type of municipal revenue obligation issued to build facilities such as solid waste incinerators or waste-to-energy plants. Usually, a private corporation will be involved and the revenue cash flow will be supported by fees or units paid by municipalities for use of the facilities. The viability of a resource recovery project, environmental protection regulations and project operator tax incentives may affect the value and credit quality of these obligations.

Revenue Obligations-Revenue obligations are backed by the revenue cash flow of a project or facility.

Rights and Warrants-Rights are short-term warrants issued in conjunction with new stock issues. Warrants are options to purchase an issuer's securities at a stated price during a stated term. There is no specific limit on the percentage of assets a Portfolio may invest in rights and warrants, although the ability of some of the Portfolios to so invest is limited by their investment objectives or policies.

Separately Traded Registered Interest and Principal Securities and Zero Coupon Obligations-Separately traded registered interest and principal securities or "STRIPS" and zero coupon obligations are securities that do not make regular interest payments. Instead they are sold at a discount from their face value. Each Portfolio will take into account as income a portion of the difference between these obligations' purchase prices and their face values. Because they do not pay coupon income, the prices of STRIPS and zero coupon obligations can be very volatile when interest rates change. STRIPS are zero coupon bonds issued by the U.S. Treasury.

Tax, Revenue or Bond Anticipation Notes-Tax, revenue or bond anticipation notes are issued by municipalities in expectation of future tax or other revenues which are payable from these specific taxes or revenues. Bond anticipation notes usually provide interim financing in advance of an issue of bonds or notes, the proceeds of which are used to repay the anticipation notes. Tax-exempt commercial paper is issued by municipalities to help finance short-term capital or operating needs in anticipation of future tax or other revenue.

U.S. Government Securities-U.S. Government securities are issued or guaranteed by the U.S. Government and include U.S. Treasury obligations (see definition below) and securities issued by U.S. agencies and instrumentalities.

U. S. Government agencies or instrumentalities that issue or guarantee securities include, but are not limited to, the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, GNMA, General Services Administration, Central Bank for Cooperatives, Federal Home Loan Banks, FHLMC, Federal Intermediate Credit Banks, Federal Land Banks, Maritime Administration, Tennessee Valley Authority, District of Columbia Armory Board, Inter-American Development Bank, Asian-American Development Bank, Agency for International Development, Student Loan Marketing Association and International Bank of Reconstruction and Development.

Obligations of U.S. Government agencies and instrumentalities may or may not be supported by the full faith and credit of the United States. Some are backed by the right of the issuer to borrow from the Treasury; others are supported by discretionary authority of the U.S. Government to purchase the agencies' obligations; while still others, such as the Student Loan Marketing Association, are supported only by the credit of the instrumentality. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitment.

U.S. Treasury Obligations-U.S. Treasury obligations include bills, notes and bonds issued by the U.S. Treasury and Separately Traded Registered Interest and Principal component parts of such obligations known as STRIPS.

Variable or Floating Rate Obligations-A variable rate obligation is one whose terms provide for the adjustment of its interest rate on set dates and which, upon such adjustment, can reasonably be expected to have a market value that approximates its par value. A floating rate obligation is one whose terms provide for the adjustment of its interest rate whenever a specified interest rate changes and which, at any time, can reasonably be expected to have a market value that approximates its par value. Variable or floating rate obligations may be secured by bank letters of credit.

Pursuant to Rule 2a-7 under the 1940 Act, variable or floating rate obligations with stated maturities of more than 397 days may be deemed to have shorter maturities as follows:

(1) An obligation that is issued or guaranteed by the United States Government or any agency thereof which has a variable rate of interest readjusted no less frequently than every 762 days will be deemed by a Portfolio to have a maturity equal to the period remaining until the next readjustment of the interest rate.

(2) A variable rate obligation, the principal amount of which is scheduled on the face of the instrument to be paid in 397 days or less, will be deemed by a Portfolio to have a maturity equal to the period remaining until the next readjustment of the interest rate.

(3) A variable rate obligation that is subject to a demand feature will be deemed by a Portfolio to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand.

(4) A floating rate obligation that is subject to a demand feature will be deemed by a Portfolio to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

As used above, an obligation is "subject to a demand feature" when a Portfolio is entitled to receive the principal amount of the obligation either at any time on no more than 30 days' notice or at specified intervals not exceeding one year and upon no more than 30 days' notice.

Variable Rate Auction and Residual Interest Obligations-Variable rate auction and residual interest obligations are created when an issuer or dealer separates the principal portion of a long-term, fixed-rate municipal bond into two long-term, variable-rate instruments. The interest rate on one portion reflects short-term interest rates, while the interest rate on the other portion is typically higher than the rate available on the original fixed-rate bond.

When-Issued and Delayed Delivery Securities-Delivery of and payment for securities on a when-issued or delayed delivery basis may take place as long as a month or more after the date of the purchase commitment. The value of these securities is subject to market fluctuation during this period and no income accrues to a Portfolio until settlement takes place. A Portfolio maintains with the Custodian a segregated account containing high grade liquid securities in an amount at least equal to these commitments. When entering into a when-issued or delayed delivery transaction, the Portfolio will rely on the other party to consummate the transaction; if the other party fails to do so, the Portfolio may be disadvantaged.

FINANCIAL STATEMENTS

The American AAdvantage Funds' Annual Report to Shareholders for the period ended October 31, 1997 is supplied with the Statement of Additional Information, and the financial statements and accompanying notes appearing therein are incorporated by reference in this Statement of Additional Information.

APPENDIX A

The following table shows the performance of the S&P 500 Composite Stock Price Index for the periods indicated. Stock prices fluctuated widely during the periods but were higher at the end than at the beginning. The results shown should not be considered as a representation of the income or capital gain or loss that may be generated by the Index in the future or should this be considered a representation of the past or future performance of the S&P 500 Index Fund.

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YEAR	TOTAL RETURN	YEAR	TOTAL RETURN	YEAR	TOTAL RETURN
1997		1973	-14.66%	1949	18.79%
1996	23.03%	1972	18.98%	1948	5.50%
1995	37.49%	1971	14.31%	1947	5.71%
1994	1.32%	1970	4.01%	1946	-8.07%
1993	9.99%	1969	-8.51%	1945	36.44%
1992	7.67%	1968	11.06%	1944	19.75%

1991	30.55%	1967	23.98%	1943	25.90%
1990	-3.17%	1966	-10.06%	1942	20.34%
1989	31.49%	1965	12.45%	1941	-11.59%
1988	16.81%	1964	16.48%	1940	-9.78%
1987	5.23%	1963	22.08%	1939	-0.41%
1986	18.47%	1962	-8.73%	1938	31.12%
1985	32.16%	1961	26.89%	1937	-35.03%
1984	6.27%	1960	0.47%	1936	33.92%
1983	22.51%	1959	11.96%	1935	47.67%
1982	21.41%	1958	43.36%	1934	-1.44%
1981	-4.91%	1957	-10.78%	1933	53.99%
1980	32.42%	1956	6.56%	1932	-8.19%
1979	18.44%	1955	31.56%	1931	-43.34%
1978	6.56%	1954	52.62%	1930	-24.90%
1977	-7.18%	1953	-0.99%	1929	-8.42%
1976	23.84%	1952	18.73%	1928	43.61%
1975	37.20%	1951	24.02%	1927	37.49%
1974	-26.47%	1950	31.71%	1926	11.62%

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STATEMENT OF ADDITIONAL INFORMATION

AMERICAN AADVANTAGE FUNDS(R)
AMERICAN AADVANTAGE MILEAGE FUNDS(sm)

-- PLATINUM CLASS(sm) --

MARCH 1, 1998

The American AAdvantage Money Market Fund(sm) (the "Money Market Fund"), the American AAdvantage Municipal Money Market Fund(sm) (the "Municipal Money Market Fund"), and the American AAdvantage U.S. Government Money Market Fund(sm), formerly the American AAdvantage U.S. Treasury Money Market Fund (the "U.S. Government Money Market Fund"), are three separate investment portfolios of the American AAdvantage Funds (the "AAdvantage Trust"). The American AAdvantage Money Market Mileage Fund (the "Mileage Fund") is a separate investment portfolio of the American AAdvantage Mileage Funds (the "Mileage Trust") (individually, a "Fund" and, collectively, the "Funds"). The AAdvantage Trust and the Mileage Trust (collectively the "Trusts") are open-end, diversified management investment companies. Each Fund consists of multiple classes of shares designed to meet the needs of different groups of investors. This Statement of Additional Information ("SAI") relates only to the Platinum Class of the Funds.

Each Fund seeks its investment objective by investing all of its investable assets in a corresponding portfolio (individually, a "Portfolio" and, collectively, the "Portfolios") of the AMR Investment Services Trust ("AMR Trust") that has a similar name and an identical investment objective to the investing Fund.

This SAI should be read in conjunction with the Platinum Class prospectus dated March 1, 1998 ("Prospectus"), a copy of which may be obtained without charge by calling (800) 388-3344.

This SAI is not a prospectus and is authorized for distribution to prospective investors only if preceded or accompanied by a current Prospectus.

INVESTMENT RESTRICTIONS

Each Fund has the following fundamental investment policy that enables it to invest in a corresponding Portfolio of the AMR Trust:

> Notwithstanding any other limitation, the Fund may invest all of its investable assets in an open-end management investment company with substantially the same investment objectives, policies and limitations as the Fund. For this purpose, "all of the Fund's investable assets" means that the only investment securities that will be held by the Fund will be the Fund's interest in the investment company.

All other fundamental investment policies and the non-fundamental policies of each Fund and its corresponding Portfolio are identical. Therefore, although the following discusses the investment policies of each Portfolio and the AMR Trust's Board of Trustees ("AMR Trust Board"), it applies equally to each Fund and the AAdvantage Trust's Board of Trustees ("AAdvantage Board") and the Mileage Trust's Board of Trustees ("Mileage Trust Board"), as applicable.

In addition to the investment limitations noted in the Prospectus, the following seven restrictions have been adopted by each Portfolio and may be changed with respect to any Portfolio only by the majority vote of that Portfolio's outstanding interests. "Majority of the outstanding voting securities" under the Investment Company Act of 1940, as amended (the "1940 Act"), and as used herein means, with respect to the Portfolio, the lesser of (a) 67% of the interests of the Portfolio present at the meeting if the holders of more than 50% of the interests are present and represented at the interest holders' meeting or (b) more than 50% of the interests of the Portfolio. Whenever a Fund is requested to vote on a change in the investment restrictions of its corresponding Portfolio, that Fund will hold a meeting of its shareholders and will cast its votes as instructed by its shareholders. The percentage of a Fund's votes representing that Fund's shareholders not voting will be voted by the AAdvantage Board and the Mileage Trust Board in the same proportion as those Fund shareholders who do, in fact, vote.

No Portfolio may:

1. Purchase or sell real estate or real estate limited partnership interests, provided, however, that the Portfolio may invest in securities

secured by real estate or interests therein or issued by companies which invest in real estate or interests therein when consistent with the other policies and limitations described in the Prospectus.

2. Purchase or sell commodities (including direct interests and/or leases in oil, gas or minerals) or commodities contracts, except with respect to forward foreign currency exchange contracts, foreign currency futures contracts and when-issued securities when consistent with the other policies and limitations described in the Prospectus.

3. Engage in the business of underwriting securities issued by others except to the extent that, in connection with the disposition of securities, the Portfolio may be deemed an underwriter under federal securities law.

4. Make loans to any person or firm, provided, however, that the making of a loan shall not be construed to include (i) the acquisition for investment of bonds, debentures, notes or other evidences of indebtedness of any corporation or government which are publicly distributed or (ii) the entry into repurchase agreements and further provided, however, that each Portfolio may lend its investment securities to broker-dealers or other institutional investors in accordance with the guidelines stated in the Prospectus.

5. Purchase from or sell portfolio securities to its officers, Trustees or other "interested persons" of the AMR Trust, as defined in the 1940 Act, including its investment advisers and their affiliates, except as permitted by the 1940 Act and exemptive rules or orders thereunder.

6. Issue senior securities except that the Portfolio may engage in when-issued and forward commitment transactions.

7. Borrow money, except from banks or through reverse repurchase agreements for temporary purposes in an aggregate amount not to exceed 10% of the value of its total assets at the time of borrowing. In addition, although not a fundamental policy, the Portfolios intend to repay any money borrowed before any additional portfolio securities are purchased. See "Other Information" for a further description regarding reverse repurchase agreements.

The following non-fundamental investment restriction applies to each Portfolio and may be changed with respect to a Portfolio by a majority vote of the AMR Trust Board: no Portfolio may purchase securities on margin, effect short sales (except that the Portfolio may obtain such short-term credits as may be necessary for the clearance of purchases or sales of securities) or purchase or sell call options or engage in the writing of such options.

All Portfolios may invest up to 10% of their total assets in the securities of other investment companies to the extent permitted by law. A Portfolio may incur duplicate advisory or management fees when investing in another mutual fund.

TRUSTEES AND OFFICERS OF THE TRUSTS AND THE AMR TRUST

The AAdvantage Board, the Mileage Trust Board and the AMR Trust Board provide broad supervision over each Trust's affairs. AMR Investment Services, Inc. (the "Manager") is responsible for the management and the administration of each Trust's assets, and each Trust's officers are responsible for the respective Trust's operations. The Trustees and officers of the Trusts and the AMR Trust are listed below, together with their principal occupations during the past five years. Unless otherwise indicated, the address of each person listed below is 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155.

<TABLE>
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NAME, AGE AND ADDRESS	POSITION WITH EACH TRUST	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
<S>	<C>	<C>
William F. Quinn* (50)	Trustee and President	President, AMR Investment Services, Inc. (1986-Present); Chairman, American Airlines Employees Federal Credit Union (October 1989-Present); Trustee, American Performance Funds (1990-1994); Director, Crescent Real Estate Equities, Inc. (1994 - Present); Trustee, American AAdvantage

		Funds (1987-Present); Trustee, American AAdvantage Mileage Funds (1995-Present).
Alan D. Feld (60) 1700 Pacific Avenue Suite 4100 Dallas, Texas 75201	Trustee	Partner, Akin, Gump, Strauss, Hauer & Feld, LLP (1960-Present)#; Director, Clear Channel Communications (1984-Present); Director, CenterPoint Properties, Inc. (1994-Present); Trustee, American AAdvantage Funds (1993-Present); Trustee, American AAdvantage Funds(1996- Present); Trustee American AAdvantage Mileage Funds (1996-Present).
Ben J. Fortson (65) 301 Commerce Street Suite 3301 Fort Worth, Texas 76102	Trustee	President and CEO, Fortson Oil Company (1958-Present); Director, Kimbell Art Foundation (1964-Present); Director, Burnett Foundation (1987-Present); Honorary Trustee, Texas Christian University (1986-Present); Trustee, American AAdvantage Funds (1996-Present); Trustee, American AAdvantage Mileage Funds (1996-Present).
John S. Justin (81) 2821 West Seventh Street Fort Worth, Texas 76107	Trustee	Chairman and Chief Executive Officer, Justin Industries, Inc. (a diversified holding company) (1969-Present); Executive Board Member, Blue Cross/Blue Shield of Texas (1985-Present); Board Member, Zale Lipshy Hospital (June 1993-Present); Trustee, Texas Christian University (1980-Present); Director and Executive Board Member, Moncrief Radiation Center (1985-Present); Director, Texas New Mexico Enterprises (1984-1993); Director, Texas New Mexico Power Company (1979-1993); Trustee, American AAdvantage Funds (1989-Present); Trustee, American AAdvantage Mileage Funds (1995-Present).
Stephen D. O'Sullivan* (62)	Trustee	Consultant (1994-Present); Vice President and Controller (1985-1994), American Airlines, Inc.; Trustee, American AAdvantage Funds (1987-Present); Trustee, American AAdvantage Mileage Funds (1995-Present).

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NAME, AGE AND ADDRESS	POSITION WITH EACH TRUST	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
<S>	<C>	<C>
Roger T. Staubach (56) 6750 LBJ Freeway Dallas, TX 75240	Trustee	Chairman of the Board and Chief Executive Officer of The Staubach Company (a commercial real estate company) (1982-present); Director, Halliburton Company (1991-present); Director, First USA, Inc. (1993-present); Director, Brinker International (1993-present); Director, Columbus Realty Trust (1994-present); Member of the Advisory Board, The Salvation Army; Trustee, Institute for Aerobics Research; Member of Executive Council, Daytop/Dallas; former quarterback of the Dallas Cowboys professional football team; Trustee, American AAdvantage Funds (1995-Present); Trustee, American AAdvantage Mileage Funds (1995-Present).
Kneeland Youngblood, M.D. (41) 2305 Cedar Springs Road Suite 401 Dallas, Texas 75201	Trustee	Physician (1982-Present); President, Youngblood Enterprises, Inc. (a health care investment and management firm) (1983-Present); Trustee, Teachers Retirement System of Texas (1993-Present); Director, United States Enrichment Corporation (1993-Present), Director, Just For the Kids (1995-Present); Member, Council on Foreign Relations (1995-Present); Trustee, = American AAdvantage Funds (1996-Present); Trustee, American AAdvantage Mileage Funds (1996-Present).
Nancy A. Eckl (35)	Vice President	Vice President, AMR Investment Services, Inc. (December 1990-Present).

Michael W. Fields (44)	Vice President	Vice President, AMR Investment Services, Inc. (August 1988-Present).
Barry Y. Greenberg (34)	Vice President and Assistant Secretary	Director, Legal and Compliance, AMR Investment Services, Inc. (1995-Present); Branch Chief (1992-1995) and Staff Attorney (1988-1992), Securities and Exchange Commission.
Rebecca L. Harris (31)	Treasurer	Director of Finance (1995-Present), Controller (1991-1995), AMR Investment Services, Inc.
John B. Roberson (39)	Vice President	Vice President, AMR Investments Services, Inc. (1991-Present).
Thomas E. Jenkins, Jr. (31)	Assistant Secretary	Senior Compliance Analyst, AMR Investment Services, Inc. (1996-Present); Staff Accountant (1994-1996) and Compliance Examiner (1991-1994), Securities and Exchange Commission.

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NAME, AGE AND ADDRESS	POSITION WITH EACH TRUST	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
<S>	<C>	<C>
Adriana R. Posada (43)	Assistant Secretary	Senior Compliance Analyst (1996-Present) and Compliance Analyst (1993- 1996), AMR Investment Services, Inc.; Special Sales Representative, American Airlines, Inc. (1991-1993).
Clifford J. Alexander (54) 1800 Massachusetts Ave. NW Washington, D.C. 20036	Secretary	Partner, Kirkpatrick & Lockhart LLP (law firm)
Robert J. Zutz (45) 1800 Massachusetts Ave. NW Washington, D.C. 20036	Assistant Secretary	Partner, Kirkpatrick & Lockhart LLP (law firm)

</TABLE>

The law firm of Akin, Gump, Strauss, Hauer & Feld LLP ("Akin, Gump") provides legal services to American Airlines, Inc., an affiliate of the Manager. Mr. Feld has advised the Trusts that he has had no material involvement in the services provided by Akin, Gump to American Airlines, Inc. and that he has received no material benefit in connection with these services. Akin, Gump does not provide legal services to the Manager or AMR Corporation.

* Messrs. Quinn and O'Sullivan, by virtue of their current or former positions, are deemed to be "interested persons" of each Trust and the AMR Trust as defined by the 1940 Act.

All Trustees and officers as a group own less than 1% of the outstanding shares of any of the Funds.

As compensation for their service to the Trusts and the AMR Trust, the Independent Trustees and their spouses receive free air travel from American Airlines, Inc., an affiliate of the Manager. The Trusts and the AMR Trust do not pay for these travel arrangements. However, the Trusts and the AMR Trust compensate each Trustee with payments in an amount equal to the Trustees' income tax on the value of this free airline travel. Mr. O'Sullivan, whom as a retiree of American Airlines, Inc. already receives free airline travel, receives compensation annually of up to three round trip airline tickets for each of his three adult children. Trustees are also reimbursed for any expenses incurred in attending Board meetings. These amounts are reflected in the following table for the fiscal year ended October 31, 1997.

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Name of Trustee	Aggregate Compensation From the AAdvantage Trust	Aggregate Compensation From the Mileage Trust	Pension or Retirement Benefits Accrued as Part of the Trusts' Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From AAdvantage Funds Complex

<S>	<C>	<C>	<C>	<C>	<C>
William F. Quinn	$ 0	$ 0	$ 0	$ 0	$ 0
Alan D. Feld	$ 15,962	$ 15,962	$ 0	$ 0	$ 63,850
Ben J. Fortson	$ 6,802	$ 6,802	$ 0	$ 0	$ 27,209
John S. Justin	$ 225	$ 225	$ 0	$ 0	$ 901
Stephen D. O'Sullivan	$ 493	$ 493	$ 0	$ 0	$ 1,973
Roger T. Staubach	$ 8,269	$ 8,269	$ 0	$ 0	$ 33,076
Kneeland Youngblood, M.D.	$ 9,525	$ 9,525	$ 0	$ 0	$ 38,099

</TABLE>

MANAGEMENT, ADMINISTRATIVE SERVICES AND DISTRIBUTION FEES

As described more fully in the Prospectus, the Manager is paid a management fee as compensation for its administrative services, for paying investment advisory fees and for providing the Portfolios with advisory and asset allocation services. Management fees for the AAdvantage Trust for the fiscal years ended October 31 were approximately as follows: 1995, $7,603,000 of which approximately $3,985,000 was paid by the Manager to the other investment advisers; 1996, $10,853,000 of which approximately $5,403,000 was paid by the Manager to the other investment advisers; and 1997, $13,730,443 of which approximately $7,061,014 was paid by the Manager to the other investment advisers. Management fees in the amount of approximately $29,000, $44,000 and $7,309 were waived by the Manager during the fiscal years ended October 31, 1995 , 1996 and 1997, respectively. These amounts include payments by Portfolios in the AAdvantage Trust other than the Funds.

In addition to the management fee, the Manager is paid an administrative services fee for providing administrative and management services (other than investment advisory services) to the Funds. Administrative services fees for the AAdvantage Trust for the fiscal years ended October 31 were approximately as follows: 1995, $2,731,000; 1996, $2,893,400; and 1997, $4,538,345. Administrative service fees in the amount of approximately $9,000 were waived by the Manager during the fiscal year ended October 31, 1995. These amounts include payments by Portfolios in the AAdvantage Trust other than the Funds.

Brokers Transaction Services, Inc. ("BTS"), is the distributor of the Funds' shares and, as such, receives an annualized fee of $50,000 from the Manager for distributing the shares of the Trusts.

REDEMPTIONS IN KIND

Although each Fund intends to redeem shares in cash, each reserves the right to pay the redemption price in whole or in part by a distribution of readily marketable securities held by the applicable Fund's corresponding Portfolio. However, shareholders always will be entitled to redeem shares for cash up to the lesser of $250,000 or 1% of the applicable Fund's net asset value during any 90 day period. Redemption in kind is not as liquid as a cash redemption. In addition, if redemption is made in kind, shareholders who receive securities and sell them could receive less than the redemption value of their securities and could incur certain transactions costs.

NET ASSET VALUE

It is the policy of the Funds to attempt to maintain a constant price per share of $1.00. There can be no assurance that a $1.00 net asset value per share will be maintained. The portfolio instruments held by each Fund's corresponding Portfolio are valued based on the amortized cost valuation technique pursuant to Rule 2a-7 under the 1940 Act. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, even though the portfolio security may increase or decrease in market value. Such market fluctuations are generally in response to changes in interest rates. Use of the amortized cost valuation method requires the Funds' corresponding Portfolios to purchase instruments having remaining maturities of 397 days or less, to maintain a dollar-weighted average portfolio maturity of 90 days or less, and to invest only in securities determined by the AMR Trust Board to be of high quality with minimal credit risks. The corresponding portfolios of the Money Market Funds may invest in issuers or instruments that at the time of purchase have received the highest short-term rating by two Rating Organizations, such as "D-1" by Duff & Phelps and "F-1" by Fitch IBCA, Inc., and have received the next highest short-term rating by other Rating Organizations, such as "A-2" by Standard & Poors and "P-2" by Moody's Investors Service, Inc. See "Ratings of Municipal Obligations" and "Ratings of Short-Term Obligations" for further information concerning ratings.

TAX INFORMATION

TAXATION OF THE FUNDS

To qualify for treatment as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended ("Code"), each Fund (each of which is treated as a separate corporation for these purposes) must, among other requirements:

Derive at least 90% of its gross income each taxable year from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of securities or certain other income;

Diversify its investments in securities within certain statutory limits; and

Distribute annually to its shareholders at least 90% of its investment company taxable income (generally, taxable net investment income plus net short-term capital gain) plus, in the case of the Municipal Money Market Fund, net interest income excludable from gross income under Section 103(a) of the Code ("Distribution Requirement").

Each Fund has received either a ruling from the Internal Revenue Service ("IRS") or an opinion of counsel that the Fund, as an investor in its corresponding Portfolio, is deemed to own a proportionate share of the Portfolio's assets and to earn the income on that share for purposes of determining whether the Fund satisfies the income and diversification requirements described above to qualify as a RIC.

See the next section for a discussion of the tax consequences to the Funds of certain investments by the Portfolios.

TAXATION OF THE PORTFOLIOS

Each Portfolio has received a ruling from the IRS or an opinion of counsel to the effect that, among other things, each Portfolio is or should be classified as a separate partnership for federal income tax purposes and is not a "publicly traded partnership." As a result, each Portfolio is not or should not be subject to federal income tax; instead, each investor in a Portfolio, such as a Fund, is required to take into account in determining its federal income tax liability its share of the Portfolio's income, gains, losses, deductions, credits and tax preference items, without regard to whether it has received any cash distributions from the Portfolio.

Because, as noted above, each Fund is deemed to own a proportionate share of its corresponding Portfolio's assets and to earn a proportionate share of its corresponding Portfolio's income for purposes of determining whether the Fund satisfies the requirements to qualify as a RIC, each Portfolio intends to conduct its operations so that its corresponding Fund will be able to satisfy all those requirements.

Distributions to a Fund from its corresponding Portfolio (whether pursuant to a partial or complete withdrawal or otherwise) will not result in the Fund's recognition of any gain or loss for federal income tax purposes, except that (1) gain will be recognized to the extent any cash that is distributed exceeds the Fund's basis for its interest in the Portfolio before the distribution, (2) income or gain will be recognized if the distribution is in liquidation of the Fund's entire interest in the Portfolio and includes a disproportionate share of any unrealized receivables held by the Portfolio and (3) loss will be recognized if a liquidation distribution consists solely of cash and/or unrealized receivables. A Fund's basis for its interest in its corresponding Portfolio generally will equal the amount of cash and the basis of any property the Fund invests in the Portfolio, increased by the Fund's share of the Portfolio's net income and gains and decreased by (a) the amount of cash and the basis of any property the Portfolio distributes to the Fund and (b) the Fund's share of the Portfolio's losses.

The Municipal Money Market Fund's corresponding Portfolio may acquire zero coupon or other securities issued with original issue discount. As an investor in the Portfolio that holds those securities, the Municipal

Money Market Fund would have to include in its income its share of the original issue discount that accrues on the securities during the taxable year, even if the Portfolio (and, hence, the Fund) receives no corresponding payment on the securities during the year. Because each Fund annually must distribute substantially all of its investment company taxable income, including any original issue discount, to satisfy the Distribution Requirement and avoid imposition of the 4% excise tax described in the Prospectus, the Municipal Money Market Fund may be required in a particular year to distribute as a dividend an amount that is greater than the total amount of cash it actually receives. Those distributions would be made from the Fund's cash assets, if any, or the proceeds of redemption of a portion of the Municipal Money Market Fund's interest in its corresponding Portfolio (which redemption proceeds would be paid from the Portfolio's cash assets or the proceeds of sales of portfolio securities, if necessary). The Portfolio might realize capital gains or losses from any such sales, which would increase or decrease the Municipal Money Market Fund's investment company taxable income and/or net capital gain (the excess of net long-term capital gain over net short-term capital loss). In addition, any such gains might be realized on the disposition of securities held for less than three months. Because of the Short-Short Limitation applicable to the Fund, any such gains would reduce the Portfolio's ability to sell other securities held for less than three months that it might wish to sell in the ordinary course of its portfolio management.

TAXATION OF THE FUNDS' SHAREHOLDERS

Distributions by the Municipal Money Market Fund of the amount by which the Fund's share of its corresponding Portfolio's income on tax-exempt securities exceeds certain amounts disallowed as deductions, designated by the Fund as "exempt-interest dividends," generally may be excluded from gross income by its shareholders. Dividends paid by the Municipal Money Market Fund will qualify as exempt-interest dividends if, at the close of each quarter of its taxable year, at least 50% of the value of its total assets (including its share of the Municipal Money Market Portfolio's assets) consists of securities the interest on which is excludable from gross income under Section 103(a) of the Code. The Municipal Money Market Fund intends to continue to satisfy this requirement. The aggregate dividends excludable from shareholders' gross income may not exceed the Municipal Money Market Fund's net tax-exempt income. The shareholders' treatment of dividends from the Municipal Money Market Fund under state and local income tax laws may differ from the treatment thereof under the Code.

Exempt-interest dividends received by a corporate shareholder may be indirectly subject to the alternative minimum tax. In addition, entities or persons who are "substantial users" (or persons related to "substantial users") of facilities financed by private activity bonds ("PABs") or industrial development bonds ("IDBs") should consult their tax advisers before purchasing shares of the Municipal Money Market Fund because, for users of certain of these facilities, the interest on those bonds is not exempt from federal income tax. For these purposes, the term "substantial user" is defined generally to include a "non-exempt person" who regularly uses in trade or business a part of a facility financed from the proceeds of PABs or IDBs.

Up to 85% of social security and railroad retirement benefits may be included in taxable income for recipients whose adjusted gross income (including income from tax-exempt sources such as the Municipal Money Market Fund) plus 50% of their benefits exceeds certain base amounts. Exempt-interest dividends from the Municipal Money Market Fund still are tax-exempt to the extent described above; they are only included in the calculation of whether a recipient's income exceeds the established amounts.

The foregoing is only a summary of some of the important federal tax considerations affecting the Funds and their shareholders and is not intended as a substitute for careful tax planning. Accordingly, prospective investors are advised to consult their own tax advisers for more detailed information regarding the above and for information regarding federal, state, local and foreign taxes.

YIELD AND TOTAL RETURN QUOTATIONS

The Platinum Class of the AAdvantage Trust commenced operations on November 7, 1995 and the Platinum Class of the Mileage Trust commenced operations on January 29, 1996. For purposes of advertising performance, and in accordance with Securities and Exchange Commission staff interpretations, the Funds in the AAdvantage Trust have adopted the performance of the Institutional Class of the Funds in the AAdvantage Trust for periods prior to the inception date. The Mileage Fund has adopted the performance of the American AAdvantage Money Market Mileage Fund - Mileage Class for periods prior to its inception date. The performance results for the Platinum Class will be lower, because the figures for the other classes (except for the Mileage

Fund) do not reflect the 12b-1 fees, Administrative Services Plan fees or other class expenses that will be borne by the Platinum Class.

A quotation of yield on shares of the Funds may appear from time to time in advertisements and in communications to shareholders and others. Quotations of yields are indicative of yields for the limited historical period used but not for the future. Yield will vary as interest rates and other conditions change. Yield also depends on the quality, length of maturity and type of instruments invested in by the Funds, and the applicable Fund's operating expenses. A comparison of the quoted yields offered for various investments is valid only if yields are calculated in the same manner. In addition, other similar investment companies may have more or less risk due to differences in the quality or maturity of securities held.

The yields of the Funds may be calculated in one of two ways:

(1) Current Yield--the net average annualized return without compounding accrued interest income. For a 7-day current yield, this is computed by dividing the net change in value over a 7 calendar-day period of a hypothetical account having one share at the beginning of a 7 calendar-day period by the value of the account at the beginning of this period to determine the "base period return". The quotient is multiplied by 365 divided by 7 and stated to two decimal places. A daily current yield is calculated by multiplying the net change in value over one day by 365 and stating it to two decimal places. Income other than investment income and capital changes, such as realized gains and losses from the sale of securities and unrealized appreciation and depreciation, are excluded in calculating the net change in value of an account. However, this calculation includes the aggregate fees and other expenses that are charged to all shareholder accounts in a Fund. In determining the net change in value of a hypothetical account, this value is adjusted to reflect the value of any additional shares purchased with dividends from the original share and dividends declared on both the original share and any such additional shares.

(2) Effective Yield--the net average annualized return as computed by compounding accrued interest income. In determining the 7-day effective yield, a Fund will compute the "base period return" in the same manner used to compute the "current yield" over a 7 calendar-day period as described above. One is then added to the base period return and the sum is raised to the 365/7 power. One is subtracted from the result, according to the following formula:

EFFECTIVE YIELD = [(BASE PERIOD RETURN + 1)365/7] - 1

The current and effective yields for the Funds are as follows:

<TABLE>
<CAPTION>

Platinum Class	Current daily yield as of October 31, 1997	Current yield for the seven-day period ended October 31, 1997	Effective yield for the seven-day period ended October 31, 1997
<S>	<C>	<C>	<C>
Money Market Fund	4.83%	4.82%	4.94%
Municipal Money Market Fund	2.79%	2.79%	2.83%
U.S. Government Money Market Fund	4.72%	4.64%	4.75%
Mileage Fund	4.69%	4.68%	4.79%

</TABLE>

The Municipal Money Market Fund also may advertise a tax-equivalent current and effective yield. The tax- equivalent yields are calculated as follows:

CURRENT YIELD/(1 - APPLICABLE TAX RATE) = CURRENT TAX-EQUIVALENT YIELD

EFFECTIVE YIELD/(1 - APPLICABLE TAX RATE) = EFFECTIVE TAX-EQUIVALENT YIELD

Based on these formulas, the current and effective tax-equivalent yields for the Municipal Money Market Fund for the seven day period ending October 31, 1997 were 4.62% and 4.69%, respectively (based upon a 39.6% personal tax rate).

The advertised total return for a class of a Fund would be calculated by equating an initial amount invested in a class of a Fund to the ending redeemable value, according to the following formula:

$$P(1 + T)^{(N)} = ERV$$

where "P" is a hypothetical initial payment of $1,000; "T" is the average annual total return for the Fund; "n" is the number of years involved; and "ERV" is the ending redeemable value of a hypothetical $1,000 payment made in the Fund at the beginning of the investment period covered.

Based on this formula, annualized total returns were as follows for the periods indicated:

<TABLE>
<CAPTION>

<S>	For the one-year period ended October 31, 1997(1) <C>	For the five-year period ended October 31, 1997(1) <C>	For the ten-year period ended October 31, 1997(1) <C>	For the period from commencement of operations through October 31, 1997(1) <C>
Platinum Class				
Money Market Fund	4.88%	4.59%	5.95%	5.98%
Municipal Money Market Fund	2.82%	N/A(2)	N/A(2)	2.97%
U. S. Government Money Mkt. Fund (3)	4.63%	4.35%	N/A(2)	4.25%
Mileage Fund	4.72%	4.36%	5.81%	5.84%

</TABLE>

(1) Performance of the Funds of the AAdvantage Trust represents total returns achieved by the Institutional Class from the inception date of each Fund up to the inception date of the Platinum Class on 11/7/95. Performance of the Mileage Fund represents total return of the Money Market Fund-Institutional Class (9/1/87-10/31/91); the Money Market Fund- Mileage Class (11/1/91-10/31/95); the Money Market Mileage Fund-Mileage Class (11/1/95-1/28/96) and the Money Market Mileage Fund-Platinum Class since its 1/29/96 inception. Total returns have not been adjusted for any difference between the fees and expenses of each Fund and the historical fees and expenses of the predecessor Funds. Inception dates are: Money Market Fund-Institutional Class, 9/1/87; Municipal Money Market Fund-Institutional Class, 11/10/93; U.S. Government Money Market Fund-Institutional Class, 3/1/92.

(2) The Fund was not operational during this period.

(3) Prior to March 1, 1997, the U.S. Government Money Market Fund was known as the U.S. Treasury Money Market Fund and operated under different investment policies.

Each Fund also may use "aggregate" total return figures for various periods which represent the cumulative change in value of an investment in a Fund for the specific period. Such total returns reflect changes in share prices of a Fund and assume reinvestment of dividends and distributions.

In reports or other communications to shareholders or in advertising material, each class of a Fund may from time to time compare its performance with that of other mutual funds in rankings prepared by Lipper Analytical Services, Inc., Morningstar, Inc., IBC Financial Data, Inc. and other similar independent services which monitor the performance of mutual funds or publications such as the "New York Times," "Barrons" and the "Wall Street Journal." Each Fund also may compare its performance with various indices prepared by independent services such as Standard & Poor's, Morgan Stanley or Lehman Brothers or to unmanaged indices that may assume reinvestment of dividends but generally do not reflect deductions for administrative and management costs.

Advertisements for the Funds may mention that the Funds offer a variety of investment options. They also may compare the Funds to federally insured investments such as bank certificates of deposit and credit union deposits, including the long-term effects of inflation on these types of investments. Advertisements also may compare the historical rate of return of different types of investments. Information concerning broker-dealers who sell the Funds also may appear in advertisements for the Funds, including their ranking as established by various publications compared to other broker-dealers.

From time to time, the Manager may use contests as a means of promoting the American AAdvantage Funds and the American AAdvantage Mileage Funds. Prizes may include free air travel and/or hotel accommodations. Listings for certain of the Funds may be found in newspapers under the heading Amer AAdvant.

Each Fund may advertise the standard deviation of its returns for various time periods and compare its standard deviation to that of various indices. Standard deviation of returns over time is a measure of volatility. It indicates the spread of returns about their central tendency or mean. In theory, a Fund that is more volatile should receive a higher return in exchange for taking extra risk. Standard deviation is a well-accepted statistic to gauge the riskiness of an investment strategy and measure its historical volatility as a predictor of risk, although the measure is subject to time selection bias.

DESCRIPTION OF THE TRUST

The AAdvantage Trust, organized on January 16, 1987 and the Mileage Trust, organized on February 22, 1995, (originally named American AAdvantage Funds II) are entities of the type commonly known as a "Massachusetts business trust." Under Massachusetts law, shareholders of such a trust may, under certain circumstances, be held personally liable for its obligations. However, each Trust's Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Trust and provides for indemnification and reimbursement of expenses out of Trust property for any shareholder held personally liable for the obligations of the Trust. The Declaration of Trust also provides that the Trusts may maintain appropriate insurance (for example, fidelity bonding) for the protection of the Trust, its shareholders, Trustees, officers, employees and agents to cover possible tort and other liabilities. Thus, the risk of a shareholder incurring financial loss due to shareholder liability is limited to circumstances in which both inadequate insurance existed and the Trust itself was unable to meet its obligations. The Trust has not engaged in any other business. The Platinum Class was created as an investment vehicle for cash balances of customers of certain broker-dealers.

CONTROL PERSONS AND 5% SHAREHOLDERS

There are no persons deemed to control any Funds by virtue of their ownership of more than 25% of the outstanding shares of a Fund as of January 31, 1998:

OTHER INFORMATION

Bank Deposit Notes-Bank deposit notes are obligations of a bank, rather than bank holding company corporate debt. The only structural difference between bank deposit notes and certificates of deposit is that interest on bank deposit notes is calculated on a 30/360 basis as are corporate notes/bonds. Similar to certificates of deposit, deposit notes represent bank level investments and, therefore, are senior to all holding company corporate debt.

Bankers' Acceptances-Bankers' acceptances are short-term credit instruments designed to enable businesses to obtain funds to finance commercial transactions. Generally, an acceptance is a time draft drawn on a bank by an exporter or an importer to obtain a stated amount of funds to pay for specific merchandise. The draft is then "accepted" by a bank that, in effect, unconditionally guarantees to pay the face value of the instrument on its maturity date. The acceptance may then be held by the accepting bank as an earning asset or it may be sold in the secondary market at the going rate of discount for a specific maturity. Although maturities for acceptances can be as long as 270 days, most acceptances have maturities of six months or less.

Cash Equivalents-Cash equivalents include certificates of deposit, bearer deposit notes, bankers' acceptances, government obligations, commercial paper, short-term corporate debt securities and repurchase agreements.

Certificates of Deposit-Certificates of deposit are issued against funds deposited in an eligible bank (including its domestic and foreign branches, subsidiaries and agencies), are for a definite period of time, earn a specified rate of return and are normally negotiable.

Commercial Paper-Commercial paper refers to promissory notes representing an unsecured debt of a corporation or finance company with a fixed maturity of no more than 270 days. A variable amount master demand note (which is a type of commercial paper) represents a direct borrowing arrangement involving periodically fluctuating rates of interest under a letter agreement between a commercial paper issuer and an institutional lender pursuant to which the lender may determine to invest varying amounts.

Derivatives-Generally, a derivative is a financial arrangement, the value of which is based on, or "derived" from, a traditional security, asset or market index. Some "derivatives" such as mortgage-related and other asset-backed securities are in many respects like any other investment, although they may be more volatile or less liquid than more traditional debt securities. There are, in fact, many different types of derivatives and many different ways to use them. There are a range of risks associated with those uses.

Full Faith and Credit Obligations of the U.S. Government-Securities issued or guaranteed by the U.S. Treasury, backed by the full taxing power of the U.S. Government or the right of the issuer to borrow from the U.S. Treasury.

Illiquid Securities. Historically, illiquid securities have included securities subject to contractual or legal restrictions on resale because they have not been registered under the 1933 Act, securities that are otherwise not readily marketable and repurchase agreements having a remaining maturity of longer than seven calendar days. Securities that have not been registered under the 1933 Act are referred to as private placements or restricted securities and are purchased directly from the issuer or in the secondary market. Mutual funds do not typically hold a significant amount of these restricted or other illiquid securities because of the potential for delays on resale and uncertainty in valuation. Limitations on resale may have an adverse effect on the marketability of portfolio securities and a mutual fund might be unable to dispose of restricted or other illiquid securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemptions within seven calendar days. A mutual fund also might have to register such restricted securities in order to dispose of them resulting in additional expense and delay. Adverse market conditions could impede such a public offering of securities.

In recent years, however, a large institutional market has developed for certain securities that are not registered under the 1933 Act, including repurchase agreements, commercial paper, foreign securities, municipal securities and corporate bonds and notes. Institutional investors depend on an efficient institutional market in which the unregistered security can be readily resold or on an issuer's ability to honor a demand for repayment. However, the fact that there are contractual or legal restrictions on resale of such investments to the general public or to certain institutions may not be indicative of their liquidity.

Loan Participation Interests-Loan participation interests represent interests in bank loans made to corporations. The contractual arrangement with the bank transfers the cash stream of the underlying bank loan to the participating investor. Because the issuing bank does not guarantee the participations, they are subject to the credit risks generally associated with the underlying corporate borrower. In addition, because it may be necessary under the terms of the loan participation for the investor to assert through the issuing bank such rights as may exist against the underlying corporate borrower, in the event the underlying corporate borrower fails to pay principal and interest when due, the investor may be subject to delays, expenses and risks that are greater than those that would have been involved if the investor had purchased a direct obligation (such as commercial paper) of such borrower. Moreover, under the terms of the loan participation, the investor may be regarded as a creditor of the issuing bank (rather than of the underlying corporate borrower), so that the issuer also may be subject to the risk that the issuing bank may become insolvent. Further, in the event of the bankruptcy or insolvency of the corporate borrower, the loan participation may be subject to certain defenses that can be asserted by such borrower as a result of improper conduct by the issuing bank. The secondary market, if any, for these loan participations is extremely limited and any such participations purchased by the investor are regarded as illiquid.

Loan Transactions-Loan transactions involve the lending of securities to a broker-dealer or institutional investor for its use in connection with short sales, arbitrages or other security transactions. The purpose of a qualified loan transaction is to afford a lender the opportunity to continue to earn income on the securities loaned and at the same time earn fee income or income on the collateral held by it.

Securities loans will be made in accordance with the following conditions: (1) the Portfolio must receive at least 100% collateral in the form of cash or cash equivalents, securities of the U.S. Government and its agencies and instrumentalities, and approved bank letters of credit; (2) the borrower must increase the collateral whenever the market value of the loaned securities (determined on a daily basis) rises above the level of collateral;

(3) the Portfolio must be able to terminate the loan after notice, at any time; (4) the Portfolio must receive reasonable interest on the loan or a flat fee from the borrower, as well as amounts equivalent to any dividends, interest or other distributions on the securities loaned, and any increase in market value of the loaned securities; (5) the Portfolio may pay only reasonable custodian fees in connection with the loan; and (6) voting rights on the securities loaned may pass to the borrower, provided, however, that if a material event affecting the investment occurs, the AMR Trust Board must be able to terminate the loan and vote proxies or enter into an alternative arrangement with the borrower to enable the AMR Trust Board to vote proxies.

While there may be delays in recovery of loaned securities or even a loss of rights in collateral supplied should the borrower fail financially, loans will be made only to firms deemed by the AMR Trust Board to be of good financial standing and will not be made unless the consideration to be earned from such loans would justify the risk. Such loan transactions are referred to in this Statement of Additional Information as "qualified" loan transactions.

The cash collateral so acquired through qualified loan transactions may be invested only in those categories of high quality liquid securities previously authorized by the AMR Trust Board.

Mortgage-Backed Securities-Mortgage-backed securities consist of both collateralized mortgage obligations and mortgage pass-through certificates.

Collateralized Mortgage Obligations ("CMOs")-CMOs and interests in real estate mortgage investment conduits ("REMICs") are debt securities collateralized by mortgages, or mortgage pass-through securities. CMOs divide the cash flow generated from the underlying mortgages or mortgage pass-through securities into different groups referred to as "tranches," which are then retired sequentially over time in order of priority. The principal governmental issuers of such securities are the Federal National Mortgage Association ("FNMA"), a government sponsored corporation owned entirely by private stockholders and the Federal Home Loan Mortgage Corporation ("FHLMC"), a corporate instrumentality of the United States created pursuant to an act of Congress which is owned entirely by Federal Home Loan Banks. The issuers of CMOs are structured as trusts or corporations established for the purpose of issuing such CMOs and often have no assets other than those underlying the securities and any credit support provided. A REMIC is a mortgage securities vehicle that holds residential or commercial mortgages and issues securities representing interests in those mortgages. A REMIC may be formed as a corporation, partnership, or segregated pool of assets. The REMIC itself is generally exempt from federal income tax, but the income from the mortgages is reported by investors. For investment purposes, interests in REMIC securities are virtually indistinguishable from CMOs.

Mortgage Pass-Through Certificates-Mortgage pass-through certificates are issued by governmental, government- related and private organizations which are backed by pools of mortgage loans.

(1) Government National Mortgage Association ("GNMA") Mortgage Pass-Through Certificates ("Ginnie Maes")-GNMA is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. Ginnie Maes represent an undivided interest in a pool of mortgages that are insured by the Federal Housing Administration or the Farmers Home Administration or guaranteed by the Veterans Administration. Ginnie Maes entitle the holder to receive all payments (including prepayments) of principal and interest owed by the individual mortgagors, net of fees paid to GNMA and to the issuer which assembles the mortgage pool and passes through the monthly mortgage payments to the certificate holders (typically, a mortgage banking firm), regardless of whether the individual mortgagor actually makes the payment. Because payments are made to certificate holders regardless of whether payments are actually received on the underlying mortgages, Ginnie Maes are of the "modified pass-through" mortgage certificate type. The GNMA is authorized to guarantee the timely payment of principal and interest on the Ginnie Maes. The GNMA guarantee is backed by the full faith and credit of the United States, and the GNMA has unlimited authority to borrow funds from the U.S. Treasury to make payments under the guarantee. The market for Ginnie Maes is highly liquid

because of the size of the market and the active participation in the secondary market of security dealers and a variety of investors.

(2) FHLMC Mortgage Participation Certificates ("Freddie Macs")-Freddie Macs represent interests in groups of specified first lien residential conventional mortgages underwritten and owned by the FHLMC. Freddie Macs entitle the holder to timely payment of interest, which is guaranteed by the FHLMC. The FHLMC guarantees either ultimate collection or timely payment of all principal payments on the underlying mortgage loans. In cases where the FHLMC has not guaranteed timely payment of principal, the FHLMC may remit the amount due because of its guarantee of ultimate payment of principal at any time after default on an underlying mortgage, but in no event later than one

year after it becomes payable. Freddie Macs are not guaranteed by the United States or by any of the Federal Home Loan Banks and do not constitute a debt or obligation of the United States or of any Federal Home Loan Bank. The secondary market for Freddie Macs is highly liquid because of the size of the market and the active participation in the secondary market of the FHLMC, security dealers and a variety of investors.

(3) FNMA Guaranteed Mortgage Pass-Through Certificates ("Fannie Maes")-Fannie Maes represent an undivided interest in a pool of conventional mortgage loans secured by first mortgages or deeds of trust, on one family or two to four family, residential properties. The FNMA is obligated to distribute scheduled monthly installments of principal and interest on the mortgages in the pool, whether or not received, plus full principal of any foreclosed or otherwise liquidated mortgages. The obligation of the FNMA under its guarantee is solely its obligation and is not backed by, nor entitled to, the full faith and credit of the United States.

(4) Mortgage-Related Securities Issued by Private Organizations-Pools created by non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government guarantees of payments in such pools. However, timely payment of interest and principal of these pools is often partially supported by various enhancements such as over-collateralization and senior/subordination structures and by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The insurance and guarantees are issued by government entities, private insurers or the mortgage poolers. Although the market for such securities is becoming increasingly liquid, securities issued by certain private organizations may not be readily marketable.

Municipal Lease Obligations ("MLOs")-MLOs are issued by state and local governments and authorities to acquire land and a wide variety of equipment and facilities. These obligations typically are not fully backed by the municipality's credit and thus interest may become taxable if the lease is assigned. If funds are not appropriated for the following year's lease payments, a lease may terminate with the possibility of default on the lease obligation. With respect to MLOs purchased by the corresponding Portfolio of the Municipal Money Market Fund, the AMR Trust Board has established the following guidelines for determining the liquidity of the MLOs in its portfolio, and, subject to review by the AMR Trust Board, has delegated that responsibility to the investment adviser: (1) the frequency of trades and quotes for the security; (2) the number of dealers willing to purchase or sell the security and the number of other potential buyers; (3) the willingness of dealers to undertake to make a market in the security; (4) the nature of the marketplace trades; (5) the likelihood that the marketability of the obligation will be maintained through the time the security is held by the Portfolio; (6) the credit quality of the issuer and the lessee; (7) the essentiality to the lessee of the property covered by the lease and (8) for unrated MLOs, the MLOs' credit status analyzed according to the factors reviewed by rating agencies.

Private Activity Obligations-Private activity obligations are issued to finance, among other things, privately operated housing facilities, pollution control facilities, convention or trade show facilities, mass transit, airport, port or parking facilities and certain facilities for water supply, gas, electricity, sewage or solid waste disposal. Private activity obligations are also issued to privately held or publicly owned corporations in the financing of commercial or industrial facilities. The principal and interest on these obligations may be payable from the general revenues of the users of such facilities. Shareholders, depending on their individual tax status, may be subject to the federal alternative minimum tax on the portion of a distribution attributable to these obligations. Interest on private activity obligations will be considered exempt from federal income taxes; however, shareholders should consult their own tax advisers to determine whether they may be subject to the federal alternative minimum tax.

Ratings of Long-Term Obligations-The Portfolio utilizes ratings provided by the following nationally recognized statistical rating organizations ("Rating Organizations") in order to determine eligibility of long-term obligations.

The two highest Moody's Investors Service, Inc. ("Moody's") ratings for long-term obligations (or issuers thereof) are Aaa and Aa. Obligations rated Aaa are judged by Moody's to be of the best quality. Obligations rated Aa are judged to be of high quality by all standards. Together with the Aaa group, such debt comprises what is generally known as high-grade debt. Moody's states that debt rated Aa is rated lower than Aaa debt because margins of protection or other elements make long-term risks appear somewhat larger than for Aaa debt. Moody's also supplies numerical indicators 1, 2, and 3 to rating categories. The modifier 1 indicates that the security is in the higher end of its rating category; the modifier 2 indicates a mid-range ranking; and modifier 3 indicates a ranking toward the lower end of the category.

The two highest Standard & Poor's ratings for long-term obligations are AAA and AA. Obligations rated AAA have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong. Obligations rated AA have a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in a small degree.

Duff & Phelps' two highest ratings for long-term obligations are AAA and AA. Obligations rated AAA have the highest credit quality with risk factors being negligible. Obligations rated AA are of high credit quality and strong protection factors. Risk is modest but may vary slightly from time to time because of economic conditions.

Thomson BankWatch ("BankWatch") long-term debt ratings apply to specific issues of long-term debt and preferred stock. They specifically assess the likelihood of an untimely repayment of principal or interest over the term to maturity of the rated instrument. BankWatch's two highest ratings for long-term obligations are AAA and AA. Obligations rated AAA indicate that the ability to repay principal and interest on a timely basis is very high. Obligations rated AA indicate a superior ability to repay principal and interest on a timely basis, with limited incremental risk compared to issues rated in the highest category.

Fitch IBCA, Inc. ("Fitch") investment grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The ratings represent Fitch's assessment of the issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner. Obligations rated AAA are considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonable foreseeable events. Bonds rated AA are considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA.

Standard & Poor's, Duff & Phelps and Fitch apply indicators, such as "+","-," or no character, to indicate relative standing within the major rating categories.

Ratings of Municipal Obligations-Moody's ratings for state and municipal short-term obligations are designated Moody's Investment Grade or "MIG" with variable rate demand obligations being designated as "VMIG." A VMIG rating also may be assigned to commercial paper programs which are characterized as having variable short-term maturities but having neither a variable rate nor demand feature. Factors used in determination of ratings include liquidity of the borrower and short-term cyclical elements.

Standard & Poor's uses SP-1, SP-2, and SP-3 to rate short-term municipal obligations. A rating of SP-1 denotes a very strong or strong capacity to pay principal and interest.

Ratings of Short-term Obligations-The rating P-1 is the highest short-term rating assigned by Moody's. Among the factors considered by Moody's in assigning ratings are the following: (1) evaluations of the management of the issuer; (2) economic evaluation of the issuer's industry or industries and an appraisal of speculative-type risks which may be inherent in certain areas; (3) evaluation of the issuer's products in relation to competition and customer acceptance; (4) liquidity; (5) amount and quality of long-term debt; (6) trend of

earnings over a period of ten years; (7) financial strength of a parent company and the relationships which exist with the issuer; and (8) recognition by the management of obligations which may be present or may arise as a result of public interest questions and preparations to meet such obligations.

Short-term obligations (or issuers thereof) rated A-1 by Standard & Poor's have the following characteristics. Liquidity ratios are adequate to meet cash requirements. The issuer has access to at least two additional channels of borrowing. Basic earnings and cash flow have an upward trend with allowance made for unusual circumstances. Typically, the issuer's industry is well established and the issuer has a strong position within the industry. The reliability and quality of management are unquestioned. Relative strength or weakness of the above factors determines whether the issuer's short-term obligation is rated A-1, A-2, or A-3.

The distinguishing feature of Duff & Phelps Credit Ratings' short-term rating is the refinement of the traditional 1 category. The majority of short-term debt issuers carry the highest rating, yet quality differences exist within that tier. Obligations rated D-1+ indicate the highest certainty of timely payment. Safety is just below risk-free U.S. Treasury obligations. Obligations rated D-1 have a very high certainty of timely payment. Risk factors are minor. Obligations rated D-1- have a high certainty of timely payment. Risk factors are very small. Obligations rated D-2 have good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

Thomson BankWatch short-term ratings are intended to assess the likelihood of an untimely or incomplete payment of principal or interest. Obligations rated TBW-1 indicate a very high likelihood that principal and interest will be paid on a timely basis. While the degree of safety regarding timely payment of principal and interest is strong for an obligation rated TBW-2, the relative degree of safety is not as high as for issues rated TBW-1.

Fitch's short-term ratings apply to debt obligations that are payable on demand or have original maturities of generally up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes. A rating of F-1+ indicates exceptionally strong credit quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment. Obligations rated F-1 have very strong credit quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated F-1+. Issues assigned a rating of F-2 indicate good credit quality. Issues assigned this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues assigned F- 1+ and F-1 ratings.

Repurchase Agreements-A repurchase agreement, which provides a means to earn income on funds for periods as short as overnight, is an arrangement under which the purchaser (e.g., a Portfolio) purchases securities and the seller agrees, at the time of sale, to repurchase the securities at a specified time and price. The repurchase price will be higher than the purchase price, the difference being income to the purchaser, or the purchase and repurchase prices may be the same, with interest at a stated rate due to the purchaser together with the repurchase price on repurchase. In either case, the income to the purchaser is unrelated to the interest rate on the securities subject to the repurchase agreement.

Each Portfolio may enter into repurchase agreements with any bank or registered broker-dealer who, in the opinion of the AMR Trust Board presents a minimum risk of bankruptcy during the term of the agreement based upon guidelines that periodically are reviewed by the AMR Trust Board. Each Portfolio may enter into repurchase agreements as a short-term investment of its idle cash in order to earn income. The securities will be held by a custodian (or agent) approved by the AMR Trust Board during the term of the agreement. However, if the market value of the securities subject to the repurchase agreement becomes less than the repurchase price (including interest), the Portfolio will direct the seller of the securities to deliver additional securities so that the market value of all securities subject to the repurchase agreement will equal or exceed the repurchase price.

In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before the repurchase of the securities under a repurchase agreement, a Portfolio may encounter a delay and incur costs before being able to sell the security being held as collateral. Delays may involve loss

of interest or decline in price of the securities. Apart from the risk of bankruptcy or insolvency proceedings, there is also the risk that the seller may fail to repurchase the securities, in which case a Portfolio may incur a loss if the proceeds to the Portfolio from the sale of the securities to a third party are less than the repurchase price.

Reverse Repurchase Agreements-The Portfolios may borrow funds for temporary purposes by entering into reverse repurchase agreements. Pursuant to such agreements, a Portfolio would sell portfolio securities to financial institutions such as banks and broker/dealers and agree to repurchase them at a mutually agreed-upon date and price. The Portfolios intend to enter into reverse repurchase agreements only to avoid selling securities to meet redemptions during market conditions deemed unfavorable by the investment adviser possessing investment authority. At the time a Portfolio enters into a reverse repurchase agreement, it will place in a segregated custodial account assets such as liquid high quality debt securities having a value not less than 100% of the repurchase price (including accrued interest), and will subsequently monitor the account to ensure that such required value is maintained. Reverse repurchase agreements involve the risk that the market value of the securities sold by a Portfolio may decline below the price at which such Portfolio is obligated to repurchase the securities. Reverse repurchase agreements are considered to be borrowings by an investment company under the 1940 Act.

Resource Recovery Obligations-Resource recovery obligations are a type of municipal revenue obligation issued to build facilities such as solid waste incinerators or waste-to-energy plants. Usually, a private corporation will be involved and the revenue cash flow will be supported by fees or units paid by municipalities for use of the facilities. The viability of a resource recovery project, environmental protection regulations and project operator tax incentives may affect the value and credit quality of these obligations.

Revenue Obligations-Revenue obligations are backed by the revenue cash flow of a project or facility.

Separately Traded Registered Interest and Principal Securities and Zero Coupon Obligations-Separately traded registered interest and principal securities or "STRIPS" and zero coupon obligations are securities that do not make regular interest payments. Instead they are sold at a discount from their face value. Each Portfolio will take into account as income a portion of the difference between these obligations' purchase prices and their face values. Because they do not pay coupon income, the prices of STRIPS and zero coupon obligations can be very volatile when interest rates change. STRIPS are zero coupon bonds issued by the U.S. Treasury.

Tax, Revenue or Bond Anticipation Notes-Tax, revenue or bond anticipation notes are issued by municipalities in expectation of future tax or other revenues which are payable from these specific taxes or revenues. Bond anticipation notes usually provide interim financing in advance of an issue of bonds or notes, the proceeds of which are used to repay the anticipation notes. Tax-exempt commercial paper is issued by municipalities to help finance short-term capital or operating needs in anticipation of future tax or other revenue.

U.S. Government Securities-U.S. Government securities are issued or guaranteed by the U.S. Government and include U.S. Treasury obligations (see definition below) and securities issued by U.S. agencies and instrumentalities.

U. S. Government agencies or instrumentalities that issue or guarantee securities include, but are not limited to, the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, GNMA, General Services Administration, Central Bank for Cooperatives, Federal Home Loan Banks, FHLMC, Federal Intermediate Credit Banks, Federal Land Banks, Maritime Administration, Tennessee Valley Authority, District of Columbia Armory Board, Inter-American Development Bank, Asian-American Development Bank, Agency for International Development, Student Loan Marketing Association and International Bank of Reconstruction and Development.

Obligations of U.S. Government agencies and instrumentalities may or may not be supported by the full faith and credit of the United States. Some are backed by the right of the issuer to borrow from the Treasury; others are supported by discretionary authority of the U.S. Government to purchase the agencies' obligations; while still others, such as the Student Loan Marketing Association, are supported only by the credit of the instrumentality. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitment.

U.S. Treasury Obligations-U.S. Treasury obligations include bills, notes and bonds issued by the U.S. Treasury and Separately Traded Registered Interest and Principal component parts of such obligations known as STRIPS.

Variable or Floating Rate Obligations-A variable rate obligation is one whose terms provide for the adjustment of its interest rate on set dates and which, upon such adjustment, can reasonably be expected to have a market value that approximates its par value. A floating rate obligation is one whose terms provide for the adjustment of its interest rate whenever a specified interest rate changes and which, at any time, can reasonably be expected to have a market value that approximates its par value. Variable or floating rate obligations may be secured by bank letters of credit.

Pursuant to Rule 2a-7 under the 1940 Act, variable or floating rate obligations with stated maturities of more than 397 days may be deemed to have shorter maturities as follows:

(1) An obligation that is issued or guaranteed by the United States Government or any agency thereof which has a variable rate of interest readjusted no less frequently than every 762 days will be deemed by a Portfolio to have a maturity equal to the period remaining until the next readjustment of the interest rate.

(2) A variable rate obligation, the principal amount of which is scheduled on the face of the instrument to be paid in 397 days or less, will be deemed by a Portfolio to have a maturity equal to the period remaining until

the next readjustment of the interest rate.

(3) A variable rate obligation that is subject to a demand feature will be deemed by a Portfolio to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand.

(4) A floating rate obligation that is subject to a demand feature will be deemed by a Portfolio to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

As used above, an obligation is "subject to a demand feature" when a Portfolio is entitled to receive the principal amount of the obligation either at any time on no more than 30 days' notice or at specified intervals not exceeding one year and upon no more than 30 days' notice.

Variable Rate Auction and Residual Interest Obligations-Variable rate auction and residual interest obligations are created when an issuer or dealer separates the principal portion of a long-term, fixed-rate municipal bond into two long-term, variable-rate instruments. The interest rate on one portion reflects short-term interest rates, while the interest rate on the other portion is typically higher than the rate available on the original fixed-rate bond.

FINANCIAL STATEMENTS

The American AAdvantage Money Market Funds' and the American AAdvantage Mileage Funds' Annual Reports to Shareholders for the fiscal year ended October 31, 1997, as audited by Ernst & Young, LLP, are supplied with the SAI, and the financial statements and accompanying notes appearing therein are incorporated by reference in this SAI.

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STATEMENT OF ADDITIONAL INFORMATION

AMERICAN AADVANTAGE SHORT-TERM INCOME FUND
MARCH 1, 1998

The American AAdvantage Short-Term Income Fund (the "Fund") is a no-load, non-diversified portfolio of the American AAdvantage Funds (the "Trust"). The Fund consists of one class of shares. The Trust currently consists of ten separate investment portfolios, each with distinct investment objectives, purposes and strategies. This Statement of Additional Information ("SAI") pertains solely to the Fund and is authorized for distribution to prospective investors only if preceded or accompanied by a current Prospectus ("Prospectus") dated March 1, 1998. This SAI should be read in conjunction with the Prospectus of the Fund . A Prospectus may be obtained without charge by calling AMR Investment Services, Inc. (the "Manager") at (817) 967-3509.

INVESTMENT RESTRICTIONS

In addition to the investment limitations noted in the Prospectus, the following restrictions have been adopted by the Fund and may be changed only by the majority vote of the Fund's outstanding shares, which as used herein means the lesser of (a) 67% of the shares of the Fund present at the shareholders' meeting if the holders of more than 50% of the shares are present and represented at the meeting or (b) more than 50% of the shares of the Fund. The Fund may not:

1. Purchase or sell real estate or real estate limited partnership interests, provided, however, that the Fund may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein when consistent with the other policies and limitations described in the Prospectus.

2. Purchase or sell commodities (including direct interests and/or leases in oil, gas or minerals) or commodities contracts, except that the Fund may purchase and sell financial futures contracts (such as interest rate, bond index and foreign currency futures contracts), options (such as options on securities, indices, foreign currencies and futures contracts), forward currency contracts, swaps, caps, collars and floors, and may engage in transactions in foreign currencies and "when-issued" securities.

3. Engage in the business of underwriting securities issued by others except to the extent that, in connection with disposition of securities, the Fund may be deemed an underwriter under federal securities laws.

4. Make loans to any person or firm, provided, however, that the making of a loan shall not be construed to include (i) the acquisition for investment of bonds, debentures, notes or other evidences of indebtedness of any corporation or government which are publicly distributed or (ii) the entry into repurchase agreements; and further provided, however, that the Fund may lend its portfolio securities to broker-dealers or other institutional investors in accordance with the guidelines stated in the Prospectus and SAI.

5. Purchase from or sell portfolio securities to its officers, Trustees or other "interested persons" of the AMR Trust, as defined in the 1940 Act, including its investment advisers and their affiliates, except as permitted by the 1940 Act and exemptive rules or orders thereunder.

6. Issue senior securities, except that the Fund may purchase and sell financial futures contracts (such as interest rate, bond index and foreign currency futures contracts), options (such as options on securities, indices, foreign currencies and futures contracts), forward currency contracts, swaps, caps, collars and floors, and engage in when-issued securities and forward commitment transactions.

7. Borrow money, except from banks or through reverse repurchase agreements for temporary purposes in an aggregate amount not to exceed 10% of the value of its total assets at the time of borrowing. In addition, although not a

fundamental policy, the Portfolios intend to repay any money borrowed before any additional portfolio securities are purchased. See "Other Information" for a further description regarding reverse repurchase agreements.

The following non-fundamental investment restriction applies to the Fund and may be changed with respect to the Fund only by a majority vote of the Board of Trustees of the Trust ("Board"): the Fund may not purchase securities on margin or effect short sales (except that the Fund may (i) obtain such short-term credits as may be necessary for the clearance of purchases or sales of securities) and (ii) make margin deposits and short sales and maintain short positions in connection with its use of options, futures contracts, forward currency contracts, swaps, caps, collars and floors and options on futures contracts.

2. Invest more than 10% of its total assets in the securities of other investment companies.

TRUSTEES AND OFFICERS

The Board provides broad supervision over the Trust's affairs. The Manager is responsible for the management of Trust assets, and the Trust's officers are responsible for the Trust's operations. The Trustees and officers are listed below together with their principal occupations during the past five years. All Trustees are also Trustees of the AMR Investment Services Trust and the American AAdvantage Mileage Funds. All officers of the Trust are also officers of the AMR Investment Services Trust and the American AAdvantage Mileage Funds. Unless otherwise indicated, the address of each person listed below is 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155.

NAME, ADDRESS AND AGE	POSITION WITH THE TRUST	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
William F. Quinn*(50)	Trustee and President	President, AMR Investment Services, Inc. (November 1986-Present); Chairman, American Airlines Employees Federal Credit Union (October 1989-Present); Trustee, American Performance Funds (September 1990-July 1994); Director, Crescent Real Estate Equities, Inc. (April 1994 - Present); Trustee, American AAdvantage Mileage Funds (1995-Present).
Alan D. Feld(60) 1700 Pacific Avenue Suite 4100 Dallas, Texas 75201	Trustee	Partner, Akin, Gump, Strauss, Hauer & Feld, LLP (1960-Present)#; Director, Clear Channel Communications (1984-Present); Director, CenterPoint Properties, Inc. (1994-Present); Trustee, American AAdvantage Mileage Funds (1996-Present).

Ben J. Fortson(65) 301 Commerce Street Suite 3301 Fort Worth, Texas 76102	Trustee	President and CEO, Fortson Oil Company (1958-Present); Director, Kimbell Art Foundation (1964-Present); Director, Burnett Foundation (1987-Present); Honorary Trustee, Texas Christian University (1986-Present); Trustee, American AAdvantage Mileage Funds (1996-Present).
John S. Justin(80) 2821 West Seventh Street Fort Worth, Texas 76107	Trustee	Chairman and Chief Executive Officer, Justin Industries, Inc. (a diversified holding company) (1969-Present); Executive Board Member Blue Cross/Blue Shield of Texas, (1985-Present); Board Member, Zale Lipshy Hospital (June 1993 - Present); Trustee, Texas Christian University (1980 - Present); Director and Executive Board Member, Moncrief Radiation Center (1985 - Present); Director, Texas New Mexico Enterprises (1984-1993); Director, Texas New Mexico Power Company (1979-1993); Trustee, American AAdvantage Mileage Funds (1995-Present).
Stephen D. O'Sullivan*(62) 5730 E 105th Street Tulsa, Oklahoma 74137	Trustee	Consultant (July 1994-Present); Vice President and Controller (April 1985-June 1994), American Airlines, Inc.; Trustee, American AAdvantage Mileage Funds (1995-Present).
Roger T. Staubach(56) 6750 LBJ Freeway Dallas, Texas 75240	Trustee	Chairman of the Board and Chief Executive Officer of The Staubach Company (a commercial real estate company) (1983-present); Director, Halliburton Company (1991-Present).; Director, First USA, Inc. (1993-Present); Director, Brinker International (1993-Present); Director, Columbus Realty Trust (1994 - present); Member of the Advisory Board, The Salvation Army; Trustee, Institute for Aerobic Research; Member of

		Executive Council, Daytop/Dallas; former quarterback of the Dallas Cowboys professional football team; Trustee, American AAdvantage Mileage Funds (1995-Present).
Kneeland Youngblood, M.D.(41) 2305 Cedar Springs Road Suite 401 Dallas, Texas 75201	Trustee	Physician (1982-Present); President (1983-Present), Youngblood Enterprises, Inc. (a health care investment and management firm); Trustee, Teachers Retirement System of Texas (1993-Present); Director, United States Enrichment Corporation (1993-Present), Director, Just For the Kids (1995-Present); Member, Council on Foreign Relations (1995-Present); Trustee, American AAdvantage Mileage Funds (1996-Present).

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<S>	<C>	<C>
Nancy A. Eckl(35)	Vice President	Vice President AMR Investment Services, Inc.(1990-Present).
Michael W. Fields(44)	Vice President	Vice President, AMR Investment Services, Inc. (1988-Present).
Barry Y. Greenberg(34)	Vice President and Assistant Secretary	Director - Legal and Compliance, AMR Investment Services, Inc. (1995-Present); Branch Chief (1992-1995) and Staff Attorney (1988- 1992), Securities and Exchange Commission.
Rebecca L. Harris(31)	Treasurer	Director of Finance, 1995-Present), Controller, (1991- 1995), AMR Investment Services, Inc.
John B. Roberson(39)	Vice President	Vice President (1991-Present), AMR Investment Services, Inc.
Thomas E. Jenkins, Jr.(31)	Assistant Secretary	Senior Compliance Analyst, AMR Investment Services, Inc. (1996-Present); Staff Accountant (1994-1996) and Compliance Examiner (1991-1994), Securities and Exchange Commission.
Adriana R. Posada(43)	Assistant Secretary	Senior Compliance Analyst (1996-Present) and Compliance Analyst (1993-Present), AMR Investment Services, Inc.; Special Sales Representative, American Airlines, Inc. (1991-1993).
Clifford J. Alexander(54)	Secretary	Partner, Kirkpatrick & Lockhart LLP (law firm)
Robert J. Zutz(45)	Assistant Secretary	Partner, Kirkpatrick & Lockhart LLP (law firm)

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\#   The law firm of Akin, Gump, Strauss, Hauer & Feld LLP ("Akin, Gump") provides legal services to American Airlines, Inc., an affiliate of the Manager. Mr. Feld has advised the Trusts that he has had no material involvement in the services provided by Akin, Gump to American Airlines, Inc. and that he has received no material benefit in connection with these services. Akin, Gump does not provide legal services to the Manager or AMR Corporation.

*   Messrs. Quinn and O'Sullivan, by virtue of their current or former positions, are deemed to be "interested persons" of the Trust and AMR Trust as defined by the 1940 Act.

All Trustees and Officers as a group own less than 1% of the outstanding shares of the Fund.

As compensation for their service to the Trust and the AMR Trust, the Independent Trustees and their spouses receive free air travel from American Airlines, Inc., an affiliate of the Manager. The Trust and the AMR Trust do not pay for these travel arrangements. However, the Trusts compensate each Trustee with payments in an amount equal to the Trustees' income tax on the value of this free airline travel. Mr. O'Sullivan, who as a retiree of American Airlines, Inc. already receives free airline travel, receives compensation annually of up to three round trip airline tickets for each of his three adult children. Trustees are also reimbursed for any expenses incurred in attending Board meetings. These amounts are reflected in the following table for the fiscal year ended October 31, 1996.(1)

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(1) Messrs. Feld and Fortson and Dr. Youngblood did not serve as Trustees during

this period.

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Name of Trustee	Aggregate Compensation From the Trust	Pension or Retirement Benefits Accrued as Part of the Trust's Expenses	Total Compensation Estimated Annual Benefits Upon	From AAdvantage Fund Complex Retirement
<S>	<C>	<C>	<C>	<C>
William F. Quinn	$	$0	$0	$
Alan D. Feld	$15,962	$0	$0	$63,850
Ben J. Fortson	$6,802	$0	$0	$27,209
John S. Justin	$225	$0	$0	$901
Stephen D. O'Sullivan	$493	$0	$0	$1,973
Roger T. Staubach	$8,269	$0	$0	$33,076
Kneeland Youngblood, M.D.	$9,525	$0	$0	$38,099

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DISTRIBUTION FEES

Brokers Transaction Services, Inc. ("BTS"), is the distributor of the Trust's Shares and, as such, receives an annualized fee of $50,000 from the Manager for distributing the Shares of the Trust and the American AAdvantage Mileage Funds.

PORTFOLIO SECURITIES TRANSACTIONS

The Manager provides, in substance, that in executing portfolio transactions and selecting brokers or dealers, the principal objective of the Manager is to seek the best net price and execution available. It is expected that securities ordinarily will be purchased in the primary markets, and that in assessing the best net price and execution available, the Manager shall consider all factors it deems relevant, including the breadth of the market in the security, the price of the security and the financial condition and execution capability of the broker or dealer, for the specific transaction and on a continuing basis.

In selecting brokers or dealers to execute particular transactions, the Manager is authorized to consider "brokerage and research services" (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934), the provision of statistical quotations (including the quotations necessary to determine the Fund's net asset value), the sale of Trust shares by such broker or the servicing of Trust shareholders by such broker, and other information provided to the Fund and to the

Manager, provided, however, that the Manager determines that it has received the best net price and execution available.

NET ASSET VALUE

The net asset value of the Fund is computed by dividing the value of the Fund's assets, less its liabilities, by the number of shares outstanding. The net asset value is computed each day on which shares are offered and purchase or redemption orders are accepted in accordance with procedures outlined in the Prospectus.

The Fund's investment grade short-term obligations with 60 days or less to maturity are valued based on the amortized cost valuation technique. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, even though the portfolio security may increase or decrease in market value. Such market fluctuations are generally in response to changes in interest rates.

TAX INFORMATION

To qualify for treatment as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"), the Fund (which is treated as a separate corporation for these purposes) must, among other requirements:

- Derive at least 90% of its gross income each taxable year from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of securities or foreign currencies or certain other income, including gains from options, futures and forward contracts ("Income Requirement");

- Diversify its investments in securities within certain statutory limits; and

- Distribute annually to its shareholders at least 90% of its investment company income (generally, net investment income plus net short-term capital gain and gains from certain foreign currency transactions).

Hedging strategies, such as entering into forward contracts, swap transactions and purchasing and selling options and futures contracts, involve complex rules that determine for income tax purposes the amount, character and timing of recognition of gains and losses the Fund realizes in connection therewith. Income from foreign currencies (with the exception of certain gains that may be excluded by future regulations), and income from options, futures and forward contracts derived with respect to the Fund's business of investing in securities or foreign currencies, qualify as allowable income under the Income Requirement. However, income from the disposition of options or futures (other than those on foreign currencies) will be subject to the Short-Short Limitation if they are held for less than three months. Income from the disposition of foreign currencies, (and options, futures and forward contracts on foreign currencies), that are not directly related to the Fund's principal business of investing in securities (or options and futures with respect to securities) also will be subject to the Short-Short Limitation if held for less than three months.

Interest received by the Fund may be subject to income, withholding or other taxes imposed by foreign countries and U.S. possessions that would reduce the yield on its securities. Tax treaties between certain countries and the United States may reduce or eliminate these foreign taxes, however, and many foreign countries do not impose taxes on capital gains on investments by foreign investors.

The foregoing is only a summary of some of the important federal tax considerations affecting the Fund and its shareholders and is not intended as a substitute for careful tax planning. Accordingly, prospective investors are advised to consult their own tax advisers for more detailed information regarding the above and for information regarding federal, state and local taxes.

YIELD AND TOTAL RETURN QUOTATIONS

A quotation of yield of the Fund may appear from time to time in advertisements and in communications to shareholders and others. Quotations of yields are indicative of yields for the limited historical period used but not for the future. Yield will vary as interest rates and other conditions change. Yield also depends on the quality, length of maturity and type of instruments invested in by the Fund, and the Fund's operating expenses. A comparison of the quoted yields offered for various investments is valid only if yields are calculated in the same manner. In addition, other similar investment companies may have more or less risk due to differences in the quality or maturity of securities held.

The advertised yield for the Fund is computed by dividing the net investment income earned during a 30-day (or one month) period less the aggregate fees that are charged to all shareholder accounts in proportion to the 30-day (or one month) period and the weighted average size of an account in the Fund by the maximum offering price per share on the last day of the period, according to the following formula:

$$YIELD = 2((a-b)/(c*d)) +1)^{6} - 1$$

where, with respect to the Fund, "a" is the dividends and interest earned during the period; "b" is the sum of the expenses accrued for the period (net of reimbursement, if any) and the aggregate fees that are charged to all shareholder accounts in proportion to the 30-day (or one month) period and the weighted average size of an account; "c" is the average daily number of shares outstanding during the period that were entitled to receive dividends; and "d" is the maximum offering price per share on the last day of the period.

The Fund may also advertise a monthly distribution rate. The distribution rate gives the return of the Fund based solely on the dividend payout if someone was entitled to the dividends for an entire month. A monthly distribution rate is calculated from the following formula:

$$MONTHLY\ DISTRIBUTION\ RATE = A/P*(365/n)$$

where, "A" is the dividend accrual per share during the month, "P" is the share price at the end of the month and "n" is the number of days in the month. The "monthly dividend rate" is a non-standardized performance calculation and when used in an advertisement will be accompanied by the appropriate standardized SEC calculations.

The advertised total return for the Fund would be calculated by equating an initial amount invested in the Fund to the ending redeemable value, according to the following formula:

$$P(1 + T)^{n} = ERV$$

where "P" is a hypothetical initial payment of $1,000; "T" is the average annual total return for the Fund; "n" is the number of years involved; and "ERV" is the

ending redeemable value of a hypothetical $1,000 payment made in the Fund at the beginning of the investment period covered.

The Fund may also use "aggregate" total return figures for various periods which represent the cumulative change in value of an investment in the Fund for the specific period. Such total returns reflect changes in share prices of the Fund and assume reinvestment of dividends and distributions.

In reports or other communications to shareholders or in advertising material, the Fund may from time to time compare its performance with that of other mutual funds in rankings prepared by IBC Financial Data, Inc., Lipper Analytical Services, Inc., Morningstar, Inc., and other similar independent services which monitor the performance of mutual funds, or publications such as the "New York Times" and the "Wall Street Journal". The Fund may also compare its performance with various indices prepared by reporting services such as those of Morgan Stanley or Lehman Brothers.

DESCRIPTION OF THE TRUST

The Trust is an entity of the type commonly known as a "Massachusetts business trust". Under Massachusetts law, shareholders of such a trust may, under certain circumstances, be held personally liable for its obligations. However, the Trust's Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Trust and provides for indemnification and reimbursement of expenses out of Trust property for any shareholder held personally liable for the obligations of the Trust. The Declaration of Trust also provides that the Trust may maintain appropriate insurance (for example, fidelity bonding) for the protection of the Trust, its shareholders, Trustees, officers, employees and agents to cover possible tort and other liabilities. Thus, the risk of a shareholder incurring financial loss due to shareholder liability is limited to circumstances in which both inadequate insurance existed and the Trust itself was unable to meet its obligations. The Trust has not engaged in any other business.

OTHER INFORMATION

Bank Deposit Notes-Bank deposit notes are obligations of a bank, rather than bank holding company corporate debt. The only structural difference between bank deposit notes and certificates of deposit is that interest on bank deposit notes is calculated on a 30/360 basis as are corporate notes/bonds. Similar to certificates of deposit, deposit notes represent bank level investments and, therefore, are senior to all bank holding company corporate debt.

Bankers' Acceptances-Bankers' acceptances are short-term credit instruments used to finance the import, export, transfer or storage of goods. They are termed "accepted" when a bank guarantees their payment at maturity.

Certificates of Deposit-Certificates of deposit are issued against funds deposited in an eligible bank (including its domestic and foreign branches, subsidiaries and agencies), are for a definite period of time, earn a specified rate of return and are normally negotiable.

Commercial Paper-Commercial paper refers to promissory notes representing unsecured debt of a corporation or finance company with a fixed maturity of no more than 270 days.

Eurodollar and Yankeedollar Obligations-Eurodollar obligations are U.S. dollar obligations issued outside the United States by domestic or foreign branches of U.S. banks. Yankeedollar obligations are U.S. dollar obligations issued inside the United States by foreign entities.

Loan Participation Interests-Loan participation interests represent interests in bank loans made to corporations. The contractual arrangement with the bank transfers the cash stream of the underlying bank loan to the participating investor. Because the issuing bank does not guarantee the participations, they are subject to the credit risks generally associated with the underlying corporate borrower. In addition, because it may be necessary under the terms of the loan participation for

the investor to assert through the issuing bank such rights as may exist against the underlying corporate borrower, in the event the underlying corporate borrower fails to pay principal and interest when due, the investor may be subject to delays, expenses and risks that are greater than those that would have been involved if the investor had purchased a direct obligation (such as commercial paper) of such borrower. Moreover, under the terms of the loan participation, the investor may be regarded as a creditor of the issuing bank (rather than of the underlying corporate borrower), so that the issuer may also be subject to the risk that the issuing bank may become insolvent. Further, in the event of the bankruptcy or insolvency of the corporate borrower, the loan participation may be subject to certain defenses that can be asserted by such borrower as a result of improper conduct by the issuing bank. The secondary market, if any, for these loan participations is extremely limited and any such participations purchased by the investor are regarded as illiquid.

Loan Transactions-Loan transactions involve the lending of securities to a broker-dealer or institutional investor for its use in connection with short sales, arbitrages or other security transactions. The purpose of a qualified loan transaction is to afford a lender the opportunity to continue to earn income on the securities loaned and at the same time earn fee income or income on the collateral held by it.

Securities loans will be made in accordance with the following conditions: (1) the Fund must receive at least 100% collateral in the form of cash or cash equivalents, securities of the U.S. Government, its agencies or instrumentalities, and letters of credit; (2) the borrower must increase the collateral whenever the market value of the loaned securities (determined on a daily basis) rises above the level of collateral; (3) the Fund must be able to terminate the loan after notice, at any time; (4) the Fund must receive reasonable interest on the loan or a flat fee from the borrower, as well as amounts equivalent to any dividends, interest or other distributions on the securities loaned, and any increase in market value of the loaned securities; (5) the Fund may pay only reasonable custodian fees in connection with the loan; and (6) voting rights on the securities loaned may pass to the borrower, provided, however, that if a material event affecting the investment occurs, the Board must be able to terminate the loan and vote proxies or enter into an alternative arrangement with the borrower to enable the Board to vote proxies.

While there may be delays in recovery of loaned securities or even a loss of rights in collateral supplied should the borrower fail financially, loans will be made only to firms deemed by the Board to be of good financial standing and will not be made unless the consideration to be earned from such loans would justify the risk. Such loan transactions are referred to in this SAI as "qualified" loan transactions.

The cash collateral so acquired through qualified loan transactions may be invested only in those categories of high quality liquid securities previously authorized by the Board.

Mortgage-backed Securities-Mortgage-backed securities consist of both collateralized mortgage obligations and mortgage pass-through certificates.

Collateralized Mortgage Obligations ("CMOs")-CMOs and real estate mortgage investment conduits ("REMICs") are debt securities collateralized by mortgages, or mortgage pass-through securities. CMOs divide the cash flow generated from the underlying mortgages or mortgage pass-through securities into different groups referred to as "tranches," which are then retired sequentially over time in order of priority. The principal governmental issuers of such securities are the Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC"). CMOs are structured as trusts or corporations established for the purpose of issuing such CMOs and often have no assets other than those underlying the securities and any credit support provided. REMICs are a mortgage securities vehicle, authorized by the Tax Reform Act of 1986, that holds residential or commercial mortgages and issues securities representing interests in those mortgages. A REMIC may be formed as a corporation, partnership, or segregated pool of assets. The REMIC itself is generally exempt from federal income tax, but the income from the mortgages is reported by investors. For investment purposes, REMIC securities are virtually indistinguishable from CMOs.

Mortgage Pass-through Certificates-Mortgage pass-through certificates are issued by governmental, government-related and private organizations which are backed by pools of mortgage loans.

(1) Government National Mortgage Association ("GNMA") Mortgage Pass-Through Certificates ("Ginnie Maes")-GNMA is a wholly - owned U.S. Government Corporation within the Department of Housing and Urban Development. Ginnie Maes represent an undivided interest in a pool of mortgages that are insured by the Federal Housing Administration or the Farmers Home Administration or guaranteed by the Veterans Administration. Ginnie Maes entitle the holder to receive all payments (including prepayments) of principal and interest owed by the individual mortgagors, net of fees paid to GNMA and to the issuer which assembles the mortgage pool and passes through the monthly mortgage payments to the certificate holders (typically, a mortgage banking firm), regardless of whether the individual mortgagor actually makes the payment. Because payments are made to certificate holders regardless of whether payments are actually received on the underlying mortgages, Ginnie Maes are of the "modified pass-through" mortgage certificate type. The GNMA is authorized to guarantee the timely payment of principal and interest on the Ginnie Maes. The GNMA guarantee is backed by the full faith and credit of the United States, and the GNMA has unlimited authority to borrow funds from the U.S. Treasury to make payments under the guarantee. The market for Ginnie Maes is highly liquid because of the size of the market and the active participation in the secondary market of security dealers and a variety of investors.

(2) FHLMC Mortgage Participation Certificates ("Freddie Macs")-Freddie Macs represent interests in groups of specified first lien residential conventional mortgages underwritten and owned by the FHLMC. Freddie Macs entitle the holder to timely payment of interest, which is guaranteed by the FHLMC. The FHLMC guarantees either ultimate collection or timely payment of all principal payments on the underlying mortgage loans. In cases where the FHLMC has not guaranteed timely payment of principal, the FHLMC may remit the amount due because of its guarantee of ultimate payment of principal at any time after default on an underlying mortgage, but in no event later than one year after it becomes payable. Freddie Macs are not guaranteed by the United States or by any of the Federal Home Loan Banks and do not constitute a debt or obligation of the United States or of any Federal Home Loan Bank. The secondary market for Freddie Macs is highly liquid because of the size of the market and the active participation in the secondary market of the FHLMC, security dealers and a variety of investors.

(3) FNMA Guaranteed Mortgage Pass-Through Certificates ("Fannie Maes")-Fannie Maes represent an undivided interest in a pool of conventional mortgage loans secured by first mortgages or deeds of trust, on one family or two to four family residential properties. The FNMA is obligated to distribute scheduled monthly installments of principal and interest on the mortgages in the pool, whether or not received, plus full principal of any foreclosed or otherwise liquidated mortgages. The obligation of the FNMA under its guarantee is solely its obligation and is not backed by, nor entitled to, the full faith and credit of the United States.

(4) Mortgage-related Securities Issued by Private Organizations-Pools created by non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government guarantees of payments in such pools. However, timely payment of interest and principal of these pools is often partially supported by various enhancements such as over-collateralization and senior/subordination structures and by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The insurance and guarantees are issued by government entities, private insurers and the mortgage poolers. Although the

market for such securities is becoming increasingly liquid, securities issued by certain private organizations may not be readily marketable.

Ratings of Long-term Obligations-The Fund utilizes ratings provided by the following nationally recognized statistical rating organizations in order to determine eligibility of long-term obligations.

The three highest Moody's Investors Service, Inc. ("Moody's") ratings for long-term obligations (or issuers thereof) are Aaa, Aa and A. Obligations rated Aaa are judged by Moody's to be of the best quality. Obligations rated Aa are judged to be of high quality by all standards. Together with the Aaa group, such debt comprises

what is generally known as high-grade debt. Moody's states that debt rated Aa is rated lower than Aaa debt because margins of protection or other elements make long-term risks appear somewhat larger than for Aaa debt. Obligations which are rated A by Moody's possess many favorable investment attributes and are considered "upper medium-grade obligations". Moody's also supplies numerical indicators 1, 2, and 3 to rating categories. The modifier 1 indicates that the security is in the higher end of its rating category; the modifier 2 indicates a mid-range ranking; and modifier 3 indicates a ranking toward the lower end of the category.

The three highest Standard & Poor's ("Standard & Poor's") ratings for long-term obligations are AAA, AA and A. Obligations rated AAA have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong. Obligations rated AA have a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in a small degree. Obligations rated A have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

Duff & Phelps' three highest ratings for long-term obligations are AAA, AA and A. Obligations rated AAA have the highest credit quality with risk factors being negligible. Obligations rated AA are of high credit quality and strong protection factors. Risk is modest but may vary slightly from time to time because of economic conditions. Obligations rated A have average but adequate protections factors. However, risk factors are more variable and greater in periods of economic stress.

Thomson BankWatch long-term debt ratings apply to specific issues of long-term debt and preferred stock. They specifically assess the likelihood of an untimely repayment of principal or interest over the term to maturity of the rated instrument. BankWatch's three highest ratings for long-term obligations are AAA, AA and A. Obligations rated AAA indicate that the ability to repay principal and interest on a timely basis is very high. Obligations rated AA indicate a superior ability to repay principal and interest on a timely basis, with limited incremental risk compared to issues rated in the highest category. Obligations rated A indicate the ability to repay principal and interest is strong. Issues rated A could be more vulnerable to adverse developments (both internal and external) than obligations with higher ratings.

Fitch IBCA, Inc. investment grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The ratings represent Fitch's assessment of the issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner. Obligations rated AAA are considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonable foreseeable events. Bonds rated AA are considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Bonds rated A are considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

Standard & Poor's, Duff & Phelps and Fitch apply indicators "+","-," and no character to indicate relative standing within the major rating categories.

Ratings of Short-term Obligations-The ratings P-1 and P-2 by Moody's are judged by Moody's to be of the "highest" quality and "higher" quality respectively on the basis of relative repayment capacity. Among the factors considered by Moody's in assigning ratings are the following: (1) evaluations of the management of the issuer; (2) economic evaluation of the issuer's industry or industries and an appraisal of speculative-type risks which may be inherent in certain areas; (3) evaluation of the issuer's products in relation to competition and customer acceptance; (4) liquidity; (5) amount and quality of long-term debt; (6) trend of earnings over a period of ten years; (7) financial strength of a parent company and the relationships which exist with the issuer; and (8) recognition by the management of obligations which may be present or may arise as a result of public interest questions and preparations to meet such obligations.

Short-term obligations (or issuers thereof) rated A-1 by Standard & Poor's have the following characteristics. Liquidity ratios are adequate to meet cash requirements. The issuer has access to at least two additional channels of borrowing. Basic earnings and cash flow have an upward trend with allowance made for unusual circumstances. Typically, the issuer's industry is well established and the issuer has a strong position within the industry. The reliability and quality of management are unquestioned. Relative strength or weakness of the above factors determines whether the issuer's short-term obligation is rated A-1, A-2, or A-3.

The distinguishing feature of Duff & Phelps Credit Rating's short-term rating is the refinement of the traditional 1 category. The majority of short-term debt issuers carry the highest rating, yet quality differences exist within that tier. Obligations rated D-1+ indicate the highest certainty of timely payment. Safety is just below risk-free U.S. Treasury obligations. Obligations rated D-1 have a very high certainty of timely payment. Risk factors are minor. Obligations rated D-1- have a high certainty of timely payment. Risk factors are very small. Obligations rated D-2 have good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

Thomson BankWatch short-term ratings are intended to assess the likelihood of an untimely or incomplete payment of principal or interest. Obligations rated TBW-1 indicated a very high likelihood that principal and interest will be paid on a timely basis. While the degree of safety regarding timely payment of principal and interest is strong for an obligation rated TBW-2, the relative degree of safety is not as high as for issues rated TBW-1.

Fitch IBCA's short-term ratings apply to debt obligations that are payable on demand or have original maturities of generally up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes. A rating of F-1+ indicates exceptionally strong credit quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment. Obligations rated F-1 have very strong credit quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated F-1+. Issues assigned a rating of F-1 indicated good credit quality. Issues assigned this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues assigned F-1+ and F-1 ratings.

Repurchase Agreements-A repurchase agreement, which provides a means to earn income on funds for periods as short as overnight, is an arrangement under which the purchaser (i.e., the Fund) purchases securities and the seller agrees, at the time of sale, to repurchase the securities at a specified time and price. The repurchase price will be higher than the purchase price, the difference being income to the purchaser, or the purchase and repurchase prices may be the same, with interest at a stated rate due to the purchaser together with the repurchase price on repurchase. In either case, the income to the purchaser is unrelated to the interest rate on the securities subject to the repurchase agreement.

The Fund may enter into repurchase agreements with any bank or registered broker-dealer who, in the opinion of the Board, presents a minimum risk of bankruptcy during the term of the agreement based upon guidelines which periodically are reviewed by the Board. The Fund may enter into repurchase agreements as a short-term investment of its idle cash in order to earn income. The securities will be held by a custodian (or agent) approved by the Board during the term of the agreement. However, if the market value of the securities subject to the repurchase agreement becomes less than the repurchase price (including interest), the Fund will direct the seller of the securities to deliver additional securities so that the market value of all securities subject to the repurchase agreement will equal or exceed the repurchase price.

In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before the repurchase of the securities under a repurchase agreement, the Fund may encounter a delay and incur costs before being able to sell the security being held as collateral. Delays may involve loss of interest or decline in price of the securities. Apart from the risk of bankruptcy or insolvency proceedings, there is also the risk that the seller may fail to repurchase the securities, in which case the Fund may incur a loss if the proceeds to the Fund from the sale of the securities to a third party are less than the repurchase price.

Strategic Transactions-As discussed in the Prospectus, the Fund may use financial instruments ("Strategic Instruments"), such as financial futures contracts (such as interest rate, bond index and foreign currency futures contracts), options (such as options on securities, indices, foreign currencies and futures contracts), forward currency contracts and interest rate and currency swaps, caps, collars and floors. Such Strategic Instruments may be used without limit in altering the exposure of a particular investment or portion of the Fund's portfolio to fluctuations in interest rates or currency rates, to preserve a return or spread, to lock in unrealized market value gains or losses, to facilitate the sale or purchase of securities, to manage the duration of securities, to uncap a capped security or to convert a fixed rate security into a variable rate security.

Strategic Instruments on securities generally are used to hedge against price movements in one or more particular securities positions that the Fund owns or intends to acquire. Strategic Instruments on debt securities may be used to hedge either individual securities or broad fixed-income market sectors.

The use of these strategies involves certain risks, including (1) the fact that skills used are different from those needed to select securities, (2) possible imperfect correlation between price movements of the investments being hedged, (3) the fact that, while hedging strategies can reduce the risk of loss, they can also reduce the opportunity for gain, or even result in losses, by offsetting favorable price movements in hedged investments, and (4) the possible inability of the Fund to purchase or sell a security at a time when it would be advantageous to do so, or the possible need for the Fund to sell a security due to the need for the Fund to "cover" or segregate securities in connection with those transactions and the possible inability of the Fund to close out or liquidate its position.

The use of Strategic Instruments is subject to applicable regulations of the SEC, the several options and futures exchanges upon which they are traded, the (CFTC) and various state regulatory authorities. In addition, the Fund's ability to use Strategic Instruments will be limited by tax considerations. See "Tax Information."

In addition to the products, strategies and risks described below and in the Prospectus, the Manager expects to discover additional opportunities in connection with other Strategic Instruments. These new opportunities may become available as the Manager develops new techniques, as regulatory authorities broaden the range of permitted transactions and as new techniques are developed. The Manager may utilize these opportunities to the extent that they are consistent with the Fund's investment objective and permitted by the Fund's investment limitations and applicable regulatory authorities. The Fund's Prospectus or SAI will be supplemented to the extent that new products or techniques involve materially different risks than those described below or in the Prospectus.

Cover for Strategic Instruments-Transactions using Strategic Instruments may expose the Fund to an obligation to another party. The Fund will not enter into any such transactions unless it owns either (1) an offsetting ("covered") position in securities, futures, options, currencies or forward contracts or (2) cash and short-term liquid debt securities with a value sufficient at all times to cover its potential obligations to the extent not covered as provided in (1) above.

Futures Contracts and Options on Futures Contracts-Futures contracts obligate a purchaser to take delivery of a specific amount of an obligation underlying the futures contract at a specified time in the future for a specified price. Likewise, the seller incurs an obligation to deliver the specified amount of the underlying obligation. Futures are traded on both U.S. and foreign commodities exchanges.

The purchase of futures or call options on futures can serve as a long hedge, and the sale of futures or the purchase of put options on futures can serve as a short hedge. Writing call options on futures contracts can serve as a limited short hedge, using a strategy similar to that used for writing call options on securities or indices. Similarly, writing put options on futures contracts can serve as a limited long hedge.

Futures strategies also can be used to manage the average duration of the Fund's fixed-income portfolio. If the Manager wishes to shorten the average duration of the Fund's fixed-income portfolio, the Fund may sell a futures contract or a call option thereon, or purchase a put option on that futures contract. If the Manager wishes to lengthen the average duration of the Fund's fixed-income portfolio, the Fund may buy a futures contract or a call option thereon, or sell a put option thereon.

No price is paid upon entering into a futures contract. Instead, at the inception of a futures contract the Fund is required to deposit "initial margin" consisting of cash or U.S. Government Securities in an amount generally equal to 10% or less of the contract value. Margin must also be deposited when writing a call or put option on a futures contract, in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts does not represent a borrowing, but rather is in the nature of a performance bond or good-faith deposit that is returned to the Fund at the termination of the transaction if all contractual obligations have been satisfied. Under certain circumstances, such as periods of high volatility, the Fund may be required by an exchange to increase the level of its initial margin payment.

Subsequent "variation margin" payments are made to and from the futures broker daily as the value of the futures position varies, a process known as "marking-to-market." Variation margin does not involve borrowing, but rather represents a daily settlement of the Fund's obligations to or from a futures broker. When the Fund purchases an option on a futures contract, the premium paid plus transaction costs is all that is at risk. In contrast, when the Fund purchases or sells a futures contract or writes a call or put option thereon, it is subject to daily variation margin calls that could be substantial in the event of adverse price movements. If the Fund has insufficient cash to meet daily variation margin requirements, it might need to sell securities at a time when such sales are disadvantageous.

Purchasers and sellers of futures contracts and options thereon can enter into offsetting closing transactions, similar to closing transactions on options, by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. Positions in futures contracts and options thereon may be closed only on an exchange or board of trade that provides a secondary market. The Fund intends to enter into futures contracts and options on futures only on exchanges or boards of trade where there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist for a particular contract at a particular time. In such event, it may not be possible to close a futures contract or options position.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract or option thereon can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.

If the Fund were unable to liquidate a futures contract or options thereon due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Fund would continue to be subject to market risk with respect to the position. In addition, except in the case of purchased options on futures , the Fund would continue to be required to make daily variation margin payments and might be required to maintain the position being hedged by the futures contract or option thereon or to maintain cash or securities in a segregated account.

To the extent that the Fund enters into futures contracts, options on futures contracts, or options on foreign currencies traded on an exchange regulated by the Commodities Futures Trading Commission ("CFTC"), in each case other than for bona fide hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums required to establish those positions (excluding the amount by which options are "in-the-money" at the time of purchase) will not exceed 5% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and unrealized losses on any contracts that the Fund has entered into. This policy does not limit to 5% the percentage of the Fund's assets that are at risk in futures contracts and options on futures contracts.

Foreign Currency Strategies - Special Considerations-The Fund may use Strategic Instruments on foreign currencies, to hedge against movements in the values of the foreign currencies in which the Fund's securities are denominated. Such currency hedges can protect against price movements in a security that the Fund owns or intends to acquire that are attributable to changes in the value of the currency in which it is denominated. Such hedges do not, however, protect against price movements in the securities that are attributable to other causes.

The Fund might seek to hedge against changes in the value of particular currency when no Strategic Instruments on that currency are available or such Strategic Instruments are more expensive than certain other Strategic Instruments. In such cases, the Fund may hedge against price movements in that currency by entering into transactions using Strategic Instruments on another currency or a basket of currencies, the values of which the Manager believes will have a high degree of positive correlation to the value of the currency being hedged. The risk that movements in the price of the Strategic Instrument will not correlate perfectly with movements in the price of the currency being hedged is magnified when this strategy is used.

There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Quotation information generally is representative of very large transactions in the interbank market and thus might not reflect odd-lot transactions where rates might be less favorable. The interbank market in foreign currencies is a global, round-the-clock market.

Settlement of transactions involving foreign currencies might be required to take place within the country issuing the underlying currency. Thus, the Fund might be required to accept or make delivery of the underlying foreign currency in accordance with any U.S. or foreign regulations regarding the maintenance of foreign banking arrangements by U.S. residents and might be required to pay any fees, taxes and charges associated with such delivery assessed in the issuing country.

Forward Contracts-A forward foreign currency exchange contract ("forward contract") is a contract to purchase or sell a currency at a future date. The two parties to the contract set the number of days and the price. Forward contracts are used as a hedge against future movements in foreign exchange rates. The Fund may enter into forward contracts to purchase or sell foreign currencies for a fixed amount of U.S. dollars or other foreign currency.

Forward contracts may serve as long hedges -- for example, the Fund may purchase a forward contract to lock in the U.S. dollar price of a security denominated in a foreign currency that the Fund intends to acquire. Forward contracts may also serve as short hedges -- for example, the Fund may sell a forward contract to lock in the U.S. Dollar equivalent of the proceeds from the anticipated sale of a security denominated in a foreign currency or from anticipated dividend or interest payments denominated in a foreign currency. The Manager may seek to hedge

against changes in the value of a particular currency by using forward contracts on another foreign currency or basket of currencies, the value of which the Manager believes will bear a positive correlation to the value of the currency being hedged.

The cost to the Fund of engaging in forward contracts varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. Because forward contracts are usually entered into a principal basis, no fees or commissions are involved. When the Fund enters into a forward contract, it relies on the contra party to make or take delivery of the underlying currency at the maturity of the contract. Failure by the contra party to do so would result in the loss of any expected benefit of the transaction.

Buyers and sellers of forward contracts can enter into offsetting closing transactions by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. Secondary markets generally do not exist for forward contracts, with the result that closing transactions generally can be made for forward contracts only by negotiating directly with the contra party. Thus, there can be no assurance that the Fund will in fact be able to close out a forward contract at a favorable price prior to maturity. In addition, in the event of insolvency of the contra party, the Fund might be unable to close out a forward contract at any time prior to maturity. In either event, the Fund would continue to be subject to market risk with respect to the position, and would continue to be required to maintain a position in the securities or currencies that are the subject of the hedge or to maintain cash or securities in a segregated account.

The precise matching of forward currency contract amounts and the value of the securities involved generally will not be possible because the value of such securities measured in the foreign currency will change after the forward contract has been established. Thus, the Fund might need to purchase or sell foreign currencies in the spot (cash) market to the extent such foreign currencies are not covered by forward contracts. The projection of short-term currency market movements is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain.

Swaps, Caps, Collars and Floors-Swap agreements, including interest rate and currency swaps, caps, collars and floors, may be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Swaps involve two parties exchanging a series of cash flows at specified intervals. In the case of an interest rate swap, the parties exchange interest payments based on an agreed upon principal amount (referred to as the "notional principal amount"). Under the most basic scenario, Party A would pay a fixed rate on the notional principal amount to Party B, which would pay a floating rate on the same notional principal amount to Party A. Depending on their structure, swap agreements may increase or decrease the Fund's exposure to long or short-term interest rates (in the U.S. or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors. Swap agreements can take many different forms and are known by a variety of names.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

The Fund will set aside cash or appropriate liquid assets to cover its current obligations under swap transactions. If the Fund enters into a swap agreement on a net basis (that is, the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments), the Fund will maintain cash or liquid assets with a daily value at least equal to the excess, if any, of the Fund's accrued obligations under the swap agreement over the accrued amount the Fund is entitled to receive under the agreement. If the Fund enters into a swap agreement on other than a net basis or writes a cap, collar or floor, it will maintain cash or liquid assets with a value equal to the full amount of the Fund's accrued obligations under the agreement.

The most important factor in the performance of swap agreements is the change in the specific interest rate, currency exchange rate or other factor(s) that determine the amounts of payments due to and from the Fund. If a swap agreement calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if the contra party's creditworthiness declines, the value of a swap agreement would likely decline, potentially resulting in losses.

The Fund will enter into swaps, caps, collars and floors only with banks and recognized securities dealers believed by the Manager to present minimal credit risks in accordance with guidelines established by the Board. If there is a default by the other party to such a transaction, the Fund will have to rely on its contractual remedies (which may be limited by bankruptcy, insolvency or similar laws) pursuant to the agreement relating to the transaction.

The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. Caps, collars and floors are more recent innovations for which documentation is less standardized and, accordingly, they are less liquid than swaps.

U.S. Government Securities-U.S. Government securities are issued or guaranteed by the U.S. Government and include U.S. Treasury obligations (see definition below) and securities issued by U.S. agencies and instrumentalities.

U. S. Government agencies or instrumentalities which issue or guarantee securities include, but are not limited to, the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, Government National Mortgage Association, General Services Administration, Central Bank for Cooperatives, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, Maritime Administration, Tennessee Valley Authority, District of Columbia Armory Board, Inter-American Development Bank, Asian-American Development Bank, Agency for International Development, Student Loan Marketing Association and International Bank of Reconstruction and

Development.

Obligations of U.S. Government agencies and instrumentalities may or may not be supported by the full faith and credit of the United States. Some are backed by the right of the issuer to borrow from the Treasury; others by discretionary authority of the U.S. Government to purchase the agencies' obligations; while still others, such as the Student Loan Marketing Association, are supported only by the credit of the instrumentality. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitment.

U.S. Treasury Obligations-U.S. Treasury obligations include bills, notes and bonds issued by the U.S. Treasury and separately traded interest and principal component parts of such obligations known as STRIPS.

Variable or Floating Rate Obligations-A variable rate obligation is one whose terms provide for the adjustment of its interest rate on set dates. A floating rate obligation is one whose terms provide for the adjustment of its interest rate whenever a specified interest rate changes.

<TABLE>
<CAPTION>
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</TABLE>

AMERICAN AADVANTAGE FUNDS

PART C. OTHER INFORMATION

Item 24. Financial Statements and Exhibits

(a) Financial Statements included as a part of this Registration Statement:

Included in Part A: Financial Highlights -

AMR Class: Balanced Fund and Growth and Income Fund: for the period August 1, 1994 (commencement of offering of AMR Class shares) to October 31, 1994, for the two years ended October 31, 1996. International Equity Fund and Short-Term Bond Fund: for the period August 1, 1994 (commencement of offering of AMR Class shares) to October 31, 1994, for the two years ended

October 31, 1996.

Institutional Class: Balanced Fund and Growth and Income Fund: for each of the nine years ended October 31, 1996. International Equity Fund: for the period from August 7, 1991 (commencement of operations) to October 31, 1991 and for the five years ended October 31, 1996. Short-Term Bond Fund: for the period from December 3, 1987 (commencement of operations) to October 31, 1988, for each of the eight years ended October 31, 1996. Money Market Fund: for each of the nine years ended October 31, 1996. Municipal Money Market Fund: for the period November 10, 1993 (commencement of operations) to October 31, 1994, for the two years ended October 31, 1996. U.S. Government Money Market Fund: for the period March 2, 1992 (commencement of operations) to October 31, 1992, for the four years ended October 31, 1996.

PlanAhead Class: Balanced Fund, Growth and Income Fund, International Equity Fund, Short-Term Bond Fund, Money Market Fund, Municipal Money Market Fund and U.S. Government Money Market Fund: for the period August 1, 1994 (commencement of offering PlanAhead Class shares) to October 31, 1994 and for the two years ended October 31, 1996.

Platinum Class: Money Market Fund, Municipal Money Market Fund and U.S. Government Money Market Fund: for the period November 7, 1995 (commencement of offering Platinum Class shares) to October 31, 1996.

Platinum Class: American AAdvantage Money Market Mileage Fund: for the period January 29, 1996 (commencement of offering Platinum Class shares) to October 31, 1996.

Included in Part B: None.

(b) Exhibits:

(1) Declaration of Trust -- filed herewith

(2) Bylaws -- filed herewith

(3) Voting trust agreement -- none

(4) Specimen security -- none

(5) (a)(i) Fund Management Agreement between American AAdvantage Funds and AMR Investment Services, Inc. dated April 3, 1987 - filed herewith

(a)(ii) Supplement to Fund Management Agreement dated October 1, 1990 - filed herewith

(a)(iii) Supplement to Fund Management Agreement dated August 1, 1994 - filed herewith

(a)(iv) Supplement to Fund Management Agreement dated August 1, 1995 - filed herewith

(a)(v) Amendment to Schedule A of Fund Management Agreement dated December 1, 1995 (i)

(a)(vi) Supplement to Fund Management Agreement dated December 16, 1996 (iii)

(a)(vii) Supplement to the Fund Management Agreement dated July 15, 1997 (iv)

(b)(i) Investment Advisory Agreement between AMR Investment Services, Inc. and Independence Investment Associates, Inc. dated November 1, 1995 - filed herewith

(b)(ii) Investment Advisory Agreement between AMR Investment Services, Inc. and Morgan Stanley Asset Management Inc. dated November 1, 1995 - filed herewith

(b)(iii) Investment Advisory Agreement between AMR Investment Services, Inc. and Templeton Investment Counsel, Inc. dated November 1, 1995 - filed herewith

(b)(iv) Investment Advisory Agreement between AMR Investment Services, Inc. and Barrow, Hanley, Mewhinney & Strause, Inc. dated November 1, 1995 - filed herewith

(b)(v) Investment Advisory Agreement between AMR Investment Services, Inc. and GSB Investment Management, Inc. dated November 1, 1995 - filed herewith

(b)(vi) Investment Advisory Agreement between AMR Investment Services, Inc. and Brandywine Asset Management, Inc. dated April 1, 1996 - (ii)

(b)(vii) Investment Advisory Agreement between AMR Investment Services, Inc. and Hotchkis and Wiley, a division of the Capital Management Group of Merrill Lynch Asset Management, L.P. dated November 12, 1996 -- (iii)

(c) Administrative Services Agreement between the American AAdvantage Funds and AMR Investment Services, Inc. dated November 21, 1997 - filed herewith

(d) Administrative Services Plan for the Platinum Class - filed herewith

(e) Administrative Services Agreement with S&P 500 Index Fund - filed herewith

(6) Distribution Agreement among the American AAdvantage Funds, the American AAdvantage Mileage Funds and Brokers Transaction Services, Inc. dated September 1, 1995 - filed herewith

(7) Bonus, profit sharing or pension plans -- none

(8) Custodian Agreement between the American AAdvantage Funds and NationsBank Texas, N.A.. dated April 3, 1987 - filed herewith

(9) (a) Transfer Agency and Service Agreement between the American AAdvantage Funds and NationsBank Texas, N.A. dated April 3, 1987 -- filed herewith

(b)(i) Transfer Agency and Registrar Agreement among American AAdvantage Funds, AMR Investment Services, Inc. and Goldman, Sachs & Co. dated June 7, 1993 - filed herewith

(b)(ii) Amended Fee Schedule to Transfer Agency Agreement among the American AAdvantage Funds, AMR Investment Services, Inc. and Goldman, Sachs & Co. dated November 1, 1995 -- (i)

(c) Service Plan Agreement for the American AAdvantage Funds PlanAhead Class dated August 1, 1994 - filed herewith

(10) Opinion and consent of counsel - filed herewith

(11) Consent of Independent Auditors - none

(12) Financial statements omitted from prospectus - none

(13) Letter of investment intent - filed herewith

(14) Prototype retirement plan -- none

(15) (a) Plan pursuant to Rule 12b-1 for the Institutional, PlanAhead and AMR Classes - filed herewith

(b) Plan pursuant to Rule 12b-1 for the Platinum Class - filed herewith

(16) Schedule for Computation of Performance Quotations - filed herewith

(17) Financial Data Schedules - none

(18) Amended and Restated Plan pursuant to Rule 18f-3 - filed herewith

Other Exhibits - Powers of Attorney for all Trustees - (iii)

(i) Incorporated by reference to PEA No. 15 to the registration statement of the Trust on Form N-1A as filed with the SEC on December 22, 1995.

(ii) Incorporated by reference to PEA No. 16 to the registration statement of the Trust on Form N-1A as filed with the SEC on May 1, 1996.

(iii) Incorporated by reference to PEA No. 19 to the registration statement of the Trust on Form N-1A as filed with the SEC on February 13, 1997.

(iv) Incorporated by reference to PEA No. 20 to the registration statement of the Trust on Form N-1A as filed with the SEC on July 1, 1997.

Item 25. Persons Controlled by or under Common Control with Registrant

None.

Item 26. Number of Holders of Securities

<TABLE>
<CAPTION>

	Number of Record Holders as of November 30, 1997			
Fund	Inst'l Class	PlanAhead Class	AMR Class	Platinum Class
<S>	<C>	<C>	<C>	<C>
Balanced Fund	32	339	5	-
Growth and Income Fund	33	628	3	-
Intermediate Bond Fund	2	-	-	-
International Equity Fund	68	353	5	-
Short -Term Income Fund	-	-	-	-
Money Market Fund	212	2,872	-	2,597
Municipal Money Market Fund	4	79	-	145
Short-Term Bond Fund	23	49	2	-
S&P 500 Index Fund	-	-	2	-
U.S. Government Money Market Fund	16	105	-	183

</TABLE>

Item 27. Indemnification

Article XI, Section 2 of the Declaration of Trust of the Trust provides that:

(a) Subject to the exceptions and limitations contained in paragraph (b) below:

(i) every person who is, or has been, a Trustee or officer of the Trust (hereinafter referred to as "Covered Person") shall be indemnified by the appropriate portfolios to the fullest extent permitted by law against liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of

his being or having been a Trustee or officer and against amounts paid or incurred by him in the settlement thereof;

(ii) the words "claim," "action," "suit," or "proceeding" shall apply to all claims, actions, suits or proceedings (civil, criminal or other, including appeals), actual or threatened while in office or thereafter, and the words "liability" and "expenses" shall include, without limitation, attorneys' fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities.

(b) No indemnification shall be provided hereunder to a Covered Person:

(i) who shall have been adjudicated by a court or body before which the proceeding was brought (A) to be liable to the Trust or its Shareholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office or (B) not to have acted in good faith in the reasonable belief that his action was in the best interest of the Trust; or

(ii) in the event of a settlement, unless there has been a determination that such Trustee or officer did not engage in willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office (A) by the court or other body approving the settlement; (B) by at least a majority of those Trustees who are neither interested persons of the Trust nor are parties to the matter based upon a review of readily available facts (as opposed to a full trial-type inquiry); or (C) by written opinion of independent legal counsel based upon a review of readily available facts (as opposed to a full trial-type inquiry); provided, however, that any Shareholder may, by appropriate legal proceedings, challenge any such determination by the Trustees, or by independent counsel.

(c) The rights of indemnification herein provided may be insured against by policies maintained by the Trust, shall be severable, shall not be exclusive of or affect any other rights to which any Covered Person may now or hereafter be entitled, shall continue as to a person who has ceased to be such Trustee or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. Nothing contained herein shall affect any rights to indemnification to which Trust personnel, other than Trustees and officers, and other persons may be entitled by contract or otherwise under law.

(d) Expenses in connection with the preparation and presentation of a defense to any claim, action, suit, or proceeding of the character described in paragraph (a) of this Section 2 may be paid by the applicable Portfolio from time to time prior to final disposition thereof upon receipt of an undertaking by or on behalf of such Covered Person that such amount will be paid over by him to the Trust if it is ultimately determined that he is not entitled to indemnification under this Section 2; provided, however, that:

(i) such Covered Person shall have provided appropriate security for such undertaking;

(ii) the Trust is insured against losses arising out of any such advance payments; or

(iii) either a majority of the Trustees who are neither interested persons of the Trust nor parties to the matter, or independent legal counsel in a written opinion, shall have determined, based upon a review of readily available facts (as opposed to a trial-type inquiry or full investigation), that there is reason to believe that such Covered Person will be found entitled to indemnification under this Section 2.

According to Article XII, Section 1 of the Declaration of Trust, the Trust is a trust, not a partnership. Trustees are not liable personally to any person extending credit to, contracting with or having any claim against the Trust, a particular Portfolio or the Trustees. A Trustee, however, is not protected from liability due to willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Article XII, Section 2 provides that, subject to the provisions of Section 1 of Article XII and to Article XI, the Trustees are not liable for errors of judgment or mistakes of fact or law, or for any act or omission in accordance with advice of counsel or other experts or for failing to follow such advice.

Item 28. I. Business and Other Connections of Investment Manager

AMR Investment Services, Inc. (the "Manager"), 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155, offers investment management and administrative services. Information as to the officers and directors of the Manager is included in its current Form ADV filed with the SEC and is incorporated by reference herein.

II. Business and Other Connections of Investment Advisers

The investment advisers listed below provide investment advisory services to the Trust.

Barrow, Hanley, Mewhinney & Strauss, 3232 McKinney Avenue, 15th Floor, Dallas, Texas 75204.

Brandywine Asset Management, Inc., 201 North Walnut Street, Wilmington, Delaware 19801.

GSB Investment Management, Inc., 301 Commerce Street, Suite 1501, Fort Worth, Texas 76102.

Hotchkis and Wiley, 800 West Sixth Street, 5th Floor, Los Angeles, California 90017.

Independence Investment Associates, Inc., 53 State Street, Boston, Massachusetts 02109.

Morgan Stanley Asset Management Inc., 1221 Avenue of the Americas, 21st Floor, New York, New York 10020.

Templeton Investment Counsel, Inc. 500 East Broward Blvd., Ft. Lauderdale, Florida 33394.

Information as to the officers and directors of each of the above investment advisers is included in that adviser's current Form ADV filed with the SEC and is incorporated by reference herein.

Item 29. Principal Underwriter

(a) Brokers Transaction Services, Inc., 7001 Preston Road, Dallas, TX 75205 is the principal underwriter for the Trust and the American AAdvantage Mileage Funds.

(b) The directors and officers of the Trust's principal underwriter are:

<TABLE>
<CAPTION>

Name	Positions & Offices with Underwriter	Position with Registrant
<S>	<C>	<C>
Don A. Buckholz	Chairman, Director	None
Raymond E. Wooldridge	Chief Executive Officer, Director	None
William D. Felder	Executive Vice President, Director	None
Sue H. Peden	President	None

</TABLE>

Item 30. Location of Accounts and Records

The books and other documents required by Rule 31a-1 under the Investment Company Act of 1940 are maintained as follows:

31a-1(b)(1) - in the physical possession of the Trust's custodian (NationsBank of Texas, NA);

31a-1(b)(2)(i),(ii)&(iii) - in the physical possession of the Trust's custodian

31a-1(b)(2)(iv) - in the physical possession of the Trust's transfer agents (NationsBank NA and Goldman Sachs)

31a-1(b)(4) - in the physical possession of the Trust's Manager

31a-1(b)(5) - in the physical possession of the Trust's investment advisers

31a-1(b)(6) - A record of other purchases or sales etc. - in the physical possession of the Trust's Manager, investment advisers and custodian

31a-1(b)(7) - in the physical possession of the Trust's custodian

31a-1(b)(8) - in the physical possession of the Trust's custodian

31a-1(b)(9) - in the physical possession of the Trust's investment advisers.

31a-1(b)(10) - in the physical possession of the Trust's Manager

31a-1(b)(11) - in the physical possession of the Trust's Manager

31a-1(b)(12) - in the physical possession of the Trust's Manager, investment advisers and custodian

Item 31. Management Services

All substantive provisions of any management-related service contract are discussed in Part A or Part B.

Item 32. Undertakings

Registrant hereby undertakes to furnish each person to whom a prospectus is delivered with a copy of its latest annual report to Shareholders, upon request and without charge.

Registrant hereby undertakes to carry out all indemnification provisions of its Declaration of Trust in accordance with Investment Company Act Release No. 11330 (September 4, 1980) and successor releases.

Insofar as indemnification for liability arising under the Securities Act of 1933, as amended ("1933 Act"), may be permitted to trustees, officers and controlling persons of the Registrant pursuant to the provisions under Item 27 herein, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a trustee, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this Post-Effective Amendment No. 23 to its Registration Statement on Form N-1A to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Worth and the State of Texas on December 15, 1997.

AMERICAN AADVANTAGE FUNDS

By: /s/ William F. Quinn

William F. Quinn
President

Attest:

/s/ Barry Y. Greenberg

Barry Y. Greenberg
Vice President and Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Post-Effective Amendment No. 23 to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ William F. Quinn ------------------------ William F. Quinn	President and Trustee	December 15, 1997

Alan D. Feld* ------------------------ Alan D. Feld	Trustee	December 15, 1997
Ben J. Fortson* ------------------------ Ben J. Fortson	Trustee	December 15, 1997
John S. Justin* ------------------------ John S. Justin	Trustee	December 15, 1997
Stephen D. O'Sullivan* ------------------------ Stephen D. O'Sullivan	Trustee	December 15, 1997
Roger T. Staubach* ------------------------- Roger T. Staubach	Trustee	December 15, 1997
Dr. Kneeland Youngblood * ------------------------- Dr. Kneeland Youngblood	Trustee	December 15, 1997

*By /s/ William F. Quinn

William F. Quinn, Attorney-In-Fact
</TABLE>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, AMR Investment Services Trust has duly caused this Post-Effective Amendment No. 23 to the Registration Statement on Form N-1A as it relates to the AMR Investment Services Trust to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Worth and the State of Texas on December 15, 1997.

AMR INVESTMENT SERVICES TRUST

By: /s/ William F. Quinn

William F. Quinn
President

Attest:

/s/ Barry Y. Greenberg

Barry Y. Greenberg
Vice President and Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Post-Effective Amendment No. 23 to the Registration Statement for the American AAdvantage Funds has been signed below by the following persons in the capacities and on the dates indicated.
<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ William F. Quinn ------------------------ William F. Quinn	President and Trustee	December 15, 1997
Alan D. Feld* ------------------------ Alan D. Feld	Trustee	December 15, 1997
Ben J. Fortson* ------------------------ Ben J. Fortson	Trustee	December 15, 1997
John S. Justin* ------------------------ John S. Justin	Trustee	December 15, 1997
Stephen D. O'Sullivan* ------------------------	Trustee	December 15, 1997

Stephen D. O'Sullivan

Roger T. Staubach*	Trustee	December 15, 1997

Roger T. Staubach		
Dr. Kneeland Youngblood *	Trustee	December 15, 1997

Dr. Kneeland Youngblood		

*By /s/ William F. Quinn

William F. Quinn, Attorney-In-Fact
</TABLE>

SIGNATURES

Equity 500 Index Portfolio has duly caused this Post-Effective Amendment No. 23 to the Registration Statement on Form N-1A of the American AAdvantage Funds, as it relates to the American AAdvantage S&P 500 Index Fund, to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Pittsburgh and the Commonwealth of Pennsylvania on December 15, 1997.

EQUITY 500 INDEX PORTFOLIO

By: Ronald M. Petnuch*

Ronald M. Petnuch
President

This Post-Effective Amendment No. 23 to the Registration Statement on Form N-1A of American AAdvantage Funds has been signed below by the following persons in the capacities indicated with respect to the Equity 500 Index Portfolio and on December 15, 1997.
<TABLE>
<CAPTION>

Signature	Title
<S>	<C>
Charles P Biggar*	Trustee

Charles P. Biggar	
Leland Dill*	Trustee

S. Leland Dill	
Philip Saunders, Jr.*	Trustee

Philip Saunders, Jr.	
Ronald M. Petnuch*	President and Treasurer (Chief Executive Officer,
--------------------------	Principal Financial and Accounting Officer)
Ronald M. Petnuch	

By: /s/ Jay S. Neuman

Jay S. Neuman, Secretary of the Equity 500 Index Portfolio,
as Attorney-in-Fact pursuant to a Power of Attorney
</TABLE>

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit Number	Description
<S>	<C>
(1)	Declaration of Trust -- filed herewith
(2)	Bylaws -- filed herewith

(3) Voting trust agreement - none

(4) Specimen security -- none

(5) (a)(i) Fund Management Agreement between American AAdvantage Funds and AMR Investment Services, Inc. dated April 3, 1987 - filed herewith

(a)(ii) Supplement to Fund Management Agreement dated October 1, 1990 - filed herewith

(a)(iii) Supplement to Fund Management Agreement dated August 4, 1994 - filed herewith

(a)(iv) Supplement to Fund Management Agreement dated November 1, 1995 - filed herewith

(a)(v) Amendment to Schedule A of Fund Management Agreement dated December 1, 1995 (i)

(a)(vi) Supplement to Fund Management Agreement dated December 16, 1996 (iii)

(a)(vii) Supplement to the Fund Management Agreement dated July 15, 1997 (iv)

(b)(i) Investment Advisory Agreement between AMR Investment Services, Inc. and Independence Investment Associates, Inc. dated November 1, 1995 - filed herewith

(b)(ii) Investment Advisor Agreement between AMR Investment Services, Inc. and Morgan Stanley Asset Management Inc. dated November 1, 1995 - filed herewith

(b)(iii) Investment Advisory Agreement between AMR Investment Services, Inc. and Templeton Investment Counsel, Inc. dated November 1, 1995 - filed herewith

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(b)(vi) Investment Advisory Agreement between AMR Investment Services, Inc. and Brandywine Asset Management, Inc. dated April 1, 1996 - (ii)

(b)(vii) Investment Advisory Agreement between AMR Investment Services, Inc. and Hotchkis and Wiley, a division of the Capital Management Group of Merrill Lynch Asset Management, L.P. dated November 12, 1996 -- (iii)

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(d) Administrative Services Plan for the Platinum Class - filed herewith

(e) Administrative Agreement with S&P 500 Index Fund - filed herewith

(6) Distribution Agreement among the American AAdvantage Funds, the American AAdvantage Mileage Funds and Brokers Transaction Services, Inc. dated September 1, 1995 - filed herewith

</TABLE>

<TABLE>

<S> <C>

(7) Bonus, profit sharing or pension plans - none

(8) Custodian Agreement between the American AAdvantage Funds and NationsBank Texas, N.A.. dated April 3, 1987 - filed herewith

(9) (a) Transfer Agency and Service Agreement between the American AAdvantage Funds and NationsBank Texas, N.A. dated April 3, 1987 -- filed herewith

(b)(i) Transfer Agency and Registrar Agreement among American AAdvantage Funds, AMR Investment Services, Inc. and Goldman, Sachs & Co. dated June 7, 1993 - filed herewith

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(c) Service Plan Agreement for the American AAdvantage Funds PlanAhead Class dated August 1, 1994 - filed herewith

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(11) Consent of Independent Auditors - none

(12) Financial statements omitted from prospectus - none

(13) Letter of investment intent - filed herewith

(14) Prototype retirement plan - none

(15) (a) Plan pursuant to Rule 12b-1 for the Institutional, PlanAhead and AMR Classes - filed herewith

(b) Plan pursuant to Rule 12b-1 for the Platinum Class - filed herewith

(16) Schedule for Computation of Performance Quotations - filed herewith

(17) Financial Data Schedules - none

(18) Amended and Restated Plan pursuant to Rule 18f-3 - filed herewith

Other Exhibits - Powers of Attorney for all Trustees - (iii)

(i) Incorporated by reference to PEA No. 15 to the registration statement of the Trust on Form N-1A as filed with the SEC on December 22, 1995.

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(iii) Incorporated by reference to PEA No. 19 to the registration statement of the Trust on Form N-1A as filed with the SEC on February 13, 1997.

(iv) Incorporated by reference to PEA No. 20 to the registration statement of the Trust on Form N-1A as filed with the SEC on July 1, 1997.

</TABLE>

Exhibit 99.b.1

AMERICAN EAGLE FUNDS
DECLARATION OF TRUST

This DECLARATION OF TRUST is made on January 16, 1987, by William F. Quinn, the sole initial Trustee hereunder, and by the holders of Shares of beneficial interest to be issued hereunder as hereinafter provided.

WITNESSETH that

WHEREAS, this Trust has been formed to carry on the business of an investment company; and

WHEREAS the initial Trustee has agreed to manage all property coming into their hands as trustees of a Massachusetts voluntary association with transferable Shares in accordance with the provisions hereinafter set forth.

NOW, THEREFORE, the Trustee hereby declares that he will hold all cash, securities and other assets, which he may from time to time acquire in any manner as Trustees hereunder IN TRUST to manage and dispose of the same upon the following terms and conditions for the pro rata benefit of the holders from time to time of Shares in this Trust as hereinafter set forth.

ARTICLE I
NAME AND DEFINITIONS

Name

Section 1. This Trust shall be known as the "American Eagle Funds" and the Trustee(s) shall conduct the business of the Trust under that name or any other name as they may from time to time determine.

Definitions

Section 2. Wherever used herein, unless otherwise required by the context or specifically provided:

(a) The terms "Affiliated Person," "Assignment," "Commission," "Interested Person," "Majority Shareholder Vote" (the 67% or 50% requirement of the third sentence of Section 2(42) of the 1940 Act, whichever may be applicable) and "Principal Underwriter" shall have the meanings given them in the 1940 Act, as amended from time to time;

(b) The "Trust" refers to American Eagle Funds;

(c) "Net Asset Value" means the net asset value of each

Trust series as determined in the manner provided in Article X, Section 3;

(d) "Shareholder" means a record owner of Shares of the Trust;

(e) The "Trustees" refers to the individual trustees in their capacity as trustees hereunder of the Trust and their successor or successors for the time being in office as such trustee or trustees;

(f) "Shares" means the equal proportionate, transferable units of interest into which the beneficial interest of the Trust shall be divided from time to time, and includes fractions of shares as well as whole shares consistent with the requirements of federal and/or other securities laws;

(g) The "1940 Act" refers to the Investment Company Act of 1940, as amended from time to time;

(h) "Declaration of Trust" shall mean this Declaration of Trust as amended or restated from time to time; and

(i) "Bylaws" shall mean the Bylaws of the Trust as amended from time to time.

ARTICLE II
PURPOSE OF TRUST

The purpose of this Trust is to provide investors, through one or more investment portfolios or series as designated by the Trustees, with a continuous source of managed investments in securities.

ARTICLE III
BENEFICIAL INTEREST

Shares of Beneficial Interest

Section 1. The Shares of the Trust shall be issued in one or more series and/or classes as the Trustees may, without shareholder approval, authorize. Each series shall be preferred over all other series in respect of the assets allocated to that series. The beneficial interest in each series shall at all times be divided into Shares, with or without par value as the Trustees may specify, each of which shall represent an equal proportionate interest in the series with each other Share of the same series, none having priority or preference over another. Each series shall be represented by one or more classes of Shares, with each class possessing such rights (including, notwithstanding any contrary provision herein, voting rights) as the Trustees may, without Shareholder approval, authorize. The number of Shares authorized shall be unlimited, and the Shares so authorized may be represented in part by fractional Shares. The Trustees may from time to time and without Shareholder approval divide or combine the Shares of any series or class into a greater or lesser number without thereby changing the proportionate beneficial interests in the series.

Ownership of Shares

Section 2. The ownership of Shares shall be recorded in the books of the Trust. The Trustees may make such rules as they consider appropriate for the transfer of Shares and similar matters. The record books of the Trust shall be conclusive as to who are the holders of Shares and as to the number of Shares held from time to time by each Shareholder.

Investment in the Trust

Section 3. The Trustees shall accept investments in the Trust from such persons and on such terms as they may from time to time authorize. As determined by guidelines established by the Trustees, such investments may be in the form of cash or securities in which the Trust

(or each designated portfolio or series) is authorized to invest, valued as provided in Article X, Section 3. Investments in the Trust shall be credited to each Shareholder's account in the form of full or fractional Shares at the Net Asset Value per Share next determined after the investment is received; provided, however, that the Trustees may, in their sole discretion: (a) impose a sales charge upon investments in the Trust and (b) issue fractional Shares.

Assets and Liabilities of the Trust

Section 4. All consideration received by the Trust for the issue or sale of Shares, together with all assets in which such consideration is invested or reinvested, all income, earnings, profits, and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from any reinvestment of such proceeds in whatever form the same may be, shall be referred to as "assets belonging to" the Trust and shall be held by the Trustees in Trust for the benefit of the Shareholders. The Trust's assets shall be charged with its liabilities. Any creditor of the Trust may look only to the assets of the Trust to satisfy such creditor's debt.

No Preemptive Rights

Section 5. Shareholders shall have no preemptive or other right to subscribe to any additional Shares or other securities issued by the Trust or the Trustees.

Limitation on Personal Liability

Section 6. The Trustees shall have no power to bind any Shareholder personally or to call upon any Shareholder for the payment of any sum of money or assessment whatsoever other than such as the Shareholder may at any time personally agree to pay by way of subscription for any Shares or otherwise. Every note, bond, contract or other undertaking issued by or on behalf of the Trust or the Trustees relating to the Trust shall include a recitation limiting the obligation represented thereby to the Trust and its assets (but the omission of such a recitation shall not operate to bind any Shareholder).

ARTICLE IV
THE TRUSTEES

Management of the Trust

Section 1. The business and affairs of the Trust shall be managed by the Trustees, and they shall have all powers necessary and desirable to carry out that responsibility.

Election: Initial Trustees

Section 2. On a date fixed by the initial Trustee, the Shareholders shall elect not less than three Trustees. A Trustee shall not be required to be a Shareholder of the Trust. The initial Trustee shall be William F. Quinn and such other individuals as the Board of Trustees shall appoint pursuant to Section 4 of Article IV.

Term of Office of Trustees

Section 3. The Trustees shall hold office during the lifetime of this Trust, and until its termination as hereinafter provided, except:

(a) that any Trustee may resign his trust by written instrument signed by him and delivered to the Trust's President or the other Trustees, which resignation shall take effect upon such delivery or upon such later date as is specified therein; (b) that any Trustee may be removed at any time by written instrument, signed by at least two-thirds of the number of Trustees prior to such removal, specifying the date when such removal shall become effective; and (c) a Trustee may be removed at any Special Meeting of Shareholders of the Trust by a vote of two-thirds of the outstanding Shares.

Resignation and Appointment of Trustees

Section 4. In case any vacancy of a Trustee position shall exist for any reason, including, but not limited to, declination to assume office, death, resignation, removal, or by reason of an increase in the number of

Trustees authorized, the remaining Trustees shall fill such vacancy by appointing such other person as they in their discretion shall see fit, consistent with the limitations under the 1940 Act. Such appointment shall be evidenced by a written instrument signed by a majority of the Trustees in office or by recording in the records of the Trust, whereupon the appointment shall take effect. An appointment of a Trustee may be made by the Trustees then in office in anticipation of a vacancy to occur by reason of retirement, resignation or increase in number of Trustees effective at a later date, provided that said appointment shall become effective only at or after the effective date of said retirement, resignation or increase in number of Trustees. As soon as any Trustee so appointed shall have accepted this trust, the trust estate shall vest in the new Trustee or Trustees, together with the continuing Trustees, without any further act or conveyance, and he or she shall be deemed a Trustee hereunder. The power of appointment of Trustees is subject to the provisions of Section 16(a) of the 1940 Act.

Temporary Absence of Trustee

Section 5. Any Trustee may, by power of attorney, delegate his or her power for a period not exceeding six months at any one time to any other Trustee or Trustees, provided that in no case shall less than two Trustees personally exercise the other powers hereunder, except as herein otherwise expressly provided.

Number of Trustees

Section 6. The number of Trustees serving hereunder at any time shall be determined by the Trustees themselves and, following the appointment of additional Trustees by the sole initial Trustee, shall not be less than three (3) nor more than twelve (12).

Effect of Death, Resignation, Etc. of a Trustee

Section 3. The death, declination, resignation, retirement, removal, incapacity, or inability of the Trustees, or any one of them, shall not operate to annul the Trust or to revoke any existing agency created pursuant to the terms of this Declaration of Trust.

Ownership of Trust Assets

Section 8. The assets of the Trust shall be held separate and apart from any assets now or hereafter held in any capacity other than as Trustee hereunder by the Trustees or any successor Trustees. All of the assets of the Trust shall at all times be considered as vested in the Trustees. No Shareholder shall be deemed to have a severable

ownership in any individual asset of the Trust or any right of partition or possession thereof, but each Shareholder shall have a proportionate undivided beneficial interest in the Trust.

ARTICLE V
POWERS OF THE TRUSTEES

Powers

Section 1. The Trustees in all instances shall act as principals, and are and shall be free from the control of the Shareholders. The Trustees shall have full power and authority to do any and all acts and to make and execute any and all contracts and instruments that they may consider necessary or appropriate in connection with the management of the Trust. The Trustees shall not in any way be bound or limited by present or future laws or customs in regard to trust investments, but shall have full authority and power to make any and all investments which they, in their uncontrolled discretion, shall deem proper to accomplish the purpose of this Trust. Without limiting the foregoing, but subject to any applicable limitation in the Declaration of Trust or the Bylaws of the Trust, the Trustees shall have power and authority:

(a) To invest and reinvest cash and other property and to hold cash or other property uninvested, without in any event being bound or limited by any present or future law or custom in regard to investments by Trustees, and to sell, exchange, lend, pledge mortgage, hypothecate write options on and lease any or all of the assets of the Trust.

(b) To adopt Bylaws not inconsistent with this Declaration of Trust providing for the conduct of the business of the Trust and to amend and repeal them to the extent that the rights of amendment and repeal are not reserved to Shareholders.

(c) To elect and remove such officers and appoint and terminate such agents as they consider appropriate.

(d) To employ a bank or trust company as Custodian of any assets of the Trust subject to any conditions set forth in this Declaration of Trust or in the Bylaws, if any.

(e) To retain a transfer agent and Shareholder servicing agent, or both.

(f) To provide for the distribution of interests of the Trust either through a principal underwriter in the manner hereinafter provided for or by the Trust itself, or both.

(g) To set record dates in the manner hereinafter provided.

(h) To delegate such authority as they consider desirable to any officers of the Trust and to any agent, Custodian or underwriter,

(i) To sell or exchange any or all of the assets of the Trust, subject to the provisions of Article XII, section 4(b) hereof.

(j) To vote or give assent, or exercise any rights of ownership with respect to stock or other securities or property;

and to execute and deliver powers of attorney to such person or persons as the Trustees shall deem proper, granting to such person or persons such power and discretion with relation to securities or property as the Trustees shall deem proper.

(k) To exercise powers and rights of subscription or otherwise which in any manner arise out of ownership of securities.

(l) To hold any security or property in a form not indicating any trust, whether in bearer, unregistered or other negotiable form; or in its own name or in the name of a Custodian or a nominee or nominees, subject in whichever case to proper safeguards according to the usual practice of Massachusetts trust companies or investment companies.

(m) To consent to or participate in any plan for the reorganization, consolidation or merger of any corporation or concern, any security of which is held in the Trust; to consent to any contract, lease, mortgage, purchase, or sale of property by such corporation or concern; and to pay calls or subscriptions with respect to any security held in the Trust.

(n) To compromise, arbitrate or otherwise adjust claims in favor of or against the Trust or any matter in controversy including, but not limited to, claims for taxes.

(o) To make distributions of income and of capital gains to Shareholders in the manner hereinafter provided.

(p) To borrow money from a bank for temporary or emergency purposes and not for investment purposes. The Trustees shall not pledge, mortgage or hypothecate the assets of the Trust except that, to secure borrowings, the Trustees may pledge securities.

(q) To establish, from time to time, a minimum total investment for Shareholders, and to require redemption of the Shares of any Shareholders whose investment is less than such minimum upon giving notice to such Shareholder. No one dealing with the Trustees shall be under any obligation to make any inquiry concerning the authority of the Trustees, or to see to the application of any payments made or property transferred to the Trustees or upon their order.

(r) To retain an administrator, manager, investment advisers and/or investment subadvisers.

(s) To establish separate and distinct series of shares with separately defined investment objectives, policies and purposes, and to allocate assets, liabilities and expenses of the Trust to a particular series of Shares or to apportion the same among two or more series, provided that any liability or expense incurred by a particular series of Shares shall be payable solely out of the assets of that series.

(t) To establish separate and distinct classes of Shares for one or more series, with each class having such rights and differences as determined by the Trustees.

(u) To purchase and pay for entirely out of Trust property such insurance as they may deem necessary or appropriate for the

conduct of the business, including, without limitation, insurance policies insuring the assets of the trust and payment of distributions and principal on its portfolio investments, and insurance policies insuring the Shareholders, Trustees, officers, employees, agents, investment advisers or managers, principal underwriters, or independent contractors of the Trust individually against all claims and liabilities of every nature arising by reason of holding, being or having held any such office or position, or by reason of any action alleged to have been taken or omitted by any such person as Shareholder, Trustee, officer, employee, agent, investment adviser or manager, principal underwriter, or independent contractor, including any action taken or omitted that may be determined to constitute negligence, whether or not the Trust would have the power to indemnify such person against such liability.

Trustees and Officers as Shareholders

Section 2. Subject only to the general limitations herein contained as to the sale and purchase of Trust Shares and any restrictions that may be contained in the Bylaws:

(a) Any Trustee, officer or other agent of the Trust may acquire, own and dispose of Shares to the same extent as if he were not a Trustee, officer or agent;

(b) The Trustees may issue and sell or cause to be issued and sold Shares to (and buy such Shares from) any such person or firm or company in which such person is interested.

Action by the Trustees

Section 3. The Trustees shall act by majority vote at a meeting duly called or by unanimous written consent without a meeting or by telephone consent provided a quorum of Trustees participate in any such telephonic meeting, unless the 1940 Act requires that a particular action be taken only at a meeting of the Trustees. At any meeting of the Trustees, a majority of the Trustees shall constitute a quorum. Meetings of the Trustees may be called orally or in writing by the Chairman of the Trustees or by any two other Trustees. Notice of the time, date and place of all meetings of the Trustees shall be given to each Trustee as provided in the Bylaws.

Notice need not be given to any Trustee who attends the meeting without objecting to the lack of notice or who executes a written waiver of notice with respect to the meeting. Subject to the requirements of the 1940 Act, the Trustees by majority vote may delegate to any one of their number the authority to approve particular matters or take particular actions on behalf of the Trust.

Chairman of the Trustees

Section 4. The Trustees may appoint one of their number to be Chairman of the Board of Trustees and to perform such duties as the Trustees may designate.

ARTICLE VI
EXPENSES OF THE TRUST

Payment of Expenses by the Trust

Section 1. Subject to the provisions of Article III, Section 4, the Trustees are authorized to have paid from the Trust estate or the assets belonging to the Trust, as they deem fair and appropriate, expenses and disbursements of the Trust, including, without limitation, fees and expenses of Trustees who are not Interested Persons of the Trust, interest expenses, taxes, fees and commissions of every kind, expenses of pricing Trust portfolio securities, expenses of issue, repurchase and redemption of Shares including expenses attributable to a program of periodic repurchases or redemptions, expenses of registering and qualifying the Trust and its Shares under federal and state laws and regulations, charges of Custodians, transfer agents, and registrars, expenses of preparing and setting up in type Prospectuses and Statements of Additional Information, expenses of printing and distributing prospectuses sent to existing Shareholders, auditing and legal expenses, reports to Shareholders, expenses of meetings of Shareholders and proxy solicitations therefor, insurance expenses, association membership dues and for such non-recurring items as may arise, including litigation to which the Trust is a party, and for all losses and liabilities from them incurred in administering the Trust, and for the payment of such expenses, disbursements, losses and liabilities the Trustees shall have a lien on the assets belonging to the Trust prior to any rights or interests of the shareholders thereto. This section shall not preclude the Trust from directly paying any of the aforementioned fees and expenses.

ARTICLE VII
INVESTMENT ADVISER, PRINCIPAL UNDERWRITER AND TRANSFER AGENT

Investment Adviser

Section 1. Subject to a Majority Shareholder Vote when required by the 1940 Act, the Trustees may in their discretion from time to time enter into an investment advisory or similar agreement(s) with respect to the Trust whereby the other party(ies) to such agreement(s) shall undertake to furnish the Trustees such investment advisory, statistical and research facilities and services and such other facilities and services, if any, and all upon such terms and conditions as the Trustees may in their discretion determine. Notwithstanding any provisions of this Declaration of Trust, the Trustees may authorize the investment adviser(s) (subject to such general or specific instructions as the Trustees may from time to time adopt) to effect purchases, sales or exchanges of portfolio securities and other investment instruments of the Trust on behalf of the Trustees or may authorize any officer, agent, or Trustee to effect such purchases, sales or exchanges pursuant to recommendations of the investment adviser (and all without further action by the Trustees). Any such purchases, sales and exchanges shall be deemed to have been authorized by all of the Trustees.

The Trustees may, subject to applicable requirements of the 1940 Act, including those relating to Shareholder approval, authorize the investment adviser to employ one or more subadvisers from time to time to perform such of the acts and services of the investment adviser, and upon such terms and conditions, as may be agreed upon between the investment adviser and subadviser.

Notwithstanding any contrary provisions herein, the Trustees can enter into investment advisory or investment subadvisory agreements without Shareholder approval permitted by an exemptive order of the U.S. Securities and Exchange Commission ("SEC") or similar relief granted by the SEC or its staff, including a staff no-action position.

Principal Underwriter

Section 2. The Trustees may in their discretion from time to time enter into an agreement(s) providing for the sale of the Shares, whereby the Trust may either agree to sell the Shares to the other party to the agreement or appoint such other party its sales agent for such Shares. In either case, the agreement shall be on such terms and conditions as may be prescribed in the Bylaws, if any, and such further terms and conditions as the Trustees may in their discretion determine to be not inconsistent with the provisions of this Article VII or of the Bylaws, if any; and such agreement may also provide for the repurchase or sale of Shares by such other party as principal or as agent of the Trust. Alternatively, or in addition thereto, the Trust can directly distribute its Shares and, if necessary in connection with such distribution, register as a broker-dealer in appropriate jurisdictions.

Transfer Agent

Section 3. The Trustees may in their discretion from time to time enter into a transfer agency and Shareholder service agreement whereby the other party shall undertake to furnish the Trust with transfer agency and Shareholder services. The agreement shall be on such terms and conditions as the Trustees may in their discretion determine are not inconsistent with the provisions of this Declaration of Trust or of the Bylaws, if any. Such services may be provided by one or more entities.

Parties to Contract

Section 4. Any agreement of the character described in Sections 1, 2 and 3 of this Article VII or in Article IX hereof may be entered into with any corporation, firm, partnership, trust or association, although one or more of the Trustees or officers of the Trust may be an officer, director, trustee, shareholder, or member of such other party to the agreement, and no such agreement shall be invalidated or rendered voidable by reason of the existence of any relationship, nor shall any person holding such relationship be liable merely by reason of such relationship for any loss or expense to the Trust under or by reason of said agreement or accountable for any profit realized directly or indirectly therefrom, provided that the agreement when entered into was reasonable and fair and not inconsistent with the provisions of this Article VII or the Bylaws, if any. The same person (including a firm, corporation, partnership, trust, or association) may be the other party to agreements entered into pursuant to Sections 1, 2 and 3 above or Article IX, and any individual may be financially interested or otherwise affiliated with persons who are parties to any or all of the agreements mentioned in this Section 4.

Provisions and Amendments

Section 5. To the extent that Section 15 of the 1940 Act is applicable, any contract entered into pursuant to Sections 1 and 2 of this Article VII shall be consistent with and subject to the requirements of Section 15 of the 1940 Act with respect to its continuance in effect, its termination, and the method of authorization and approval of such agreement or renewal or amendment thereof, subject to any exemptive or similar relief granted by the SEC or its Staff, including a staff no-action position.

ARTICLE VIII
SHAREHOLDERS' VOTING POWERS AND MEETlNGS

Voting Powers

Section 1. The Shareholders shall have power to vote: (i) for the election of Trustees as provided in Article IV, Section 2, (ii) for the removal of Trustees as provided in Article IV, Section 3(c), (iii) with respect to any investment advisory or subadvisory contract to the extent provided in sections 1 and 5 of Article VII, (iv) with respect to the amendment of this Declaration of Trust as provided in Article XII, Section 7, (v) to the same extent as the shareholders of a Massachusetts business corporation, as to whether or not a court action, proceeding or claim should be brought or maintained derivatively or as a class action on behalf of the Trust or the Shareholders, and (vi) with respect to such additional matters relating to the Trust as may be required or authorized by law, by this Declaration of Trust, or the Bylaws of the Trust if any, or any registration of the Trust with the Commission or any state, as the Trustees may consider desirable. On any matter submitted to a vote of the Shareholders, each whole Share shall be entitled to one vote as to any matter on which it is entitled to vote, and each fractional Share shall be entitled to a proportionate fractional vote. There shall be no cumulative voting in the election of Trustees. Shares may be voted in person or by proxy. Until Shares are issued, the Trustees may exercise all rights of Shareholders and may take any action required or permitted by law, this Declaration of Trust or any Bylaws of the Trust to be taken by Shareholders.

Meetings

Section 2. Special meetings of the Shareholders may be called by the Trustees and may be held at the principal office of the Trust or such other place as the Trustees may designate. Special meetings also shall be called by the Trustees for the purpose of removing one or more Trustees upon the written request for such a meeting by Shareholders owning at least 10 percent of the outstanding Shares entitled to vote. Whenever ten or more Shareholders meeting the qualifications set forth in Section 16(c) of the 1940 Act, as the same may be amended from time to time, seek the opportunity of furnishing materials to the other Shareholders with a view to obtaining signatures on such a request for a meeting, the Trustees shall comply with the provisions of said Section 16(c) with respect to providing such Shareholders access to the list of the Shareholders of record of the Trust or the mailing of such materials to such Shareholders of record. Shareholders shall be entitled to at least 15 days' notice of any meeting.

Quorum and Required Vote

Section 3. A majority of Shares entitled to vote in person or by proxy shall constitute a Quorum for the transaction of business at a

Shareholders' meeting. Any lesser number shall be sufficient for adjournments. Any adjourned session or sessions may be held within a reasonable time after the date set for the original meeting, without the necessity of further notice. Except when a larger vote is required by any provision of this Declaration of Trust, the Bylaws or law, a majority of the Shares voted in person or by proxy shall decide any questions and a plurality shall elect a Trustee.

ARTICLE IX
CUSTODIAN

Appointment and Duties

Section 1. The Trustees shall at all times employ a bank or trust company having capital, surplus and undivided profits of at least two million dollars ($2,000,000) as Custodian on such basis of compensation as may be agreed upon between the Trustees and the Custodian. The Custodian shall have authority as agent for the Trust, but subject to such restrictions, limitations and other requirements, if any, as may be contained in the Bylaws of the Trust:

(a) to hold the securities owned by the Trust and deliver the same upon written order;

(b) to receive and receipt for any moneys due to the Trust and deposit the same in its own banking department or elsewhere as the Trustees may direct;

(c) to disburse such funds upon orders or vouchers;

(d) to keep the books and accounts of the Trust and furnish clerical and accounting services and

(e) to compute, if authorized to do so by the Trustees, the Trust's Net Asset Value in accordance with the provisions hereof.

If so directed by a Majority Shareholder Vote, the Custodian shall deliver and Pay over all property of the Trust held by it as specified in such vote.

Employment of Sub-Custodian

Section 2. The Trustees may also authorize the Custodian to employ one or more sub-Custodians from time to time to perform such of the acts and services of the Custodian, and upon such terms and conditions, as may be agreed upon between the Custodian and such sub-Custodian and approved by the Trustees, provided that in every case such sub- Custodian shall be (i) a bank or trust company organized under the laws of the United States or one of the states thereof and having capital, surplus and undivided profits of at least two million dollars ($2,000,000) or such other person as may be permitted by the Commission, or otherwise in accordance with the 1940 Act as from time to time amended, or (ii) an eligible foreign custodian in accordance with Rule 17f-5 under the 1940 Act or any such applicable successor regulation.

Central Certificate System

Section 3. Subject to such rules, regulations and orders as the Commission may adopt, the Trustees may direct the Custodian to deposit all or any part of the securities owned by the Trust in a system for the central handling of securities established by a national securities exchange or a national securities association registered with the Commission under the Securities Exchange Act of 1934, as amended, or such other person as may be permitted by the Commission, or otherwise in accordance with the 1940 Act as from time to time amended, pursuant to which system all securities of any particular class of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of such securities, provided that all such deposits shall be subject to withdrawal only upon the order of the Trust.

ARTICLE X
DISTRIBUTIONS AND REDEMPTIONS

Distributions

Section 1.

(a) The Trustees may from time to time declare and pay dividends. The amount of such dividends and the payment of them shall be wholly in the discretion of the Trustees,

(b) The Trustees shall have power, to the fullest extent permitted by the laws of Massachusetts, at any time to declare and cause to be paid dividends on Shares from Trust assets, which dividends, at the election of the Trustees, may be paid daily or otherwise pursuant to a standing resolution or resolutions adopted only once or with such frequency as the Trustees may determine, and may be Payable in Shares at the election of each Shareholder.

(c) Anything in this Declaration of Trust to the contrary notwithstanding, the Trustees may at any time declare and distribute pro rata among the Shareholders a "stock dividend."

Redemptions

Section 2. In case any Shareholder of record desires to dispose of his Shares, he may deposit at the office of the transfer agent or other authorized agent of the Trust a written request or such other form of request as the Trustees may from time to time authorize, requesting that the Trust purchase the Shares in accordance with this section 2; and the Shareholder so requesting shall be entitle to require the Trust to purchase, and the Trust or the principal underwriter of the Trust shall purchase, said Shares, but only at the Net Asset Value thereof (as described in Section 3 hereof). The Trust shall make payment for any such Shares to be redeemed, as aforesaid, in cash to the extent required by federal law, and securities from Trust assets, and payment for such Shares shall be made by the Trust or the principal underwriter to the Shareholder of record within seven (7) days after the date upon which the request is effective.

Determination of Net Asset Value and Valuation of Portfolio Assets

Section 3. The term "Net Asset Value" shall mean that amount by which the assets of the Trust or any series or portfolio thereof exceed its liabilities, all as determined by or under the direction of the Trustees. Such value shall be determined on such days and at such times as the Trustees may determine. Such determination shall be made with respect to securities for which market quotations are readily available, at the market value of such securities; and with respect to other securities and assets, at the fair value as determined in good faith by the Trustees, provided, however, that the Trustees, without Shareholder approval, may alter the method of appraising portfolio securities insofar as permitted under the 1940 Act and the rules, regulations and interpretations thereof promulgated or issued by the Commission or insofar as permitted by any Order of the Commission. The Trustees may delegate any powers and duties under this Section 3 with respect to appraisal of assets and liabilities. At any time the Trustees may cause the value per Share last determined to be determined again in similar manner and may fix the time when such redetermined value shall become effective.

Suspension of the Right of Redemption

Section 1. The Trustees may declare a suspension of the right of redemption or postpone the date of payment to the extent as permitted under the 1940 Act. Such suspension shall take effect at such time as the Trustees shall specify but not later than the close of business on the business day next following the declaration of suspension, and thereafter there shall be no right of redemption or payment until the Trustees shall declare the suspension at an end. In the case of a suspension of the right of redemption, a Shareholder may either withdraw his request for redemption or receive payment based on the Net Asset value per Share existing after the termination of the suspension.

ARTICLE XI
LIMITATION OF LIABILITY AND INDEMNIFICATION

Limitation of Liability

Section 1. Provided they have exercised reasonable care and have acted under the reasonable belief that their actions are in the best interest of the Trust, the Trustees shall not be responsible for or liable in any event for neglect or wrongdoing of them or any officer, agent, employee or investment adviser of the Trust, but nothing contained herein shall protect any Trustee against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Indemnification

Section 2.

(a) Subject to the exceptions and limitations contained in paragraph (b) below:

(i) every person who is, or has been, a Trustee or officer of the Trust (hereinafter referred to as "Covered Person") shall be indemnified by the Trust to the fullest extent permitted by law against liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been a Trustee or officer and against amounts paid or incurred by him in the settlement thereof;

(ii) the words "claim," "action," "suit," or "proceeding" shall apply to all claims, actions, suits or proceedings (civil, criminal or other, including appeals), actual or threatened while in office or thereafter, and the words "liability" and "expenses" shall include, without limitation, attorneys' fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities.

(b) No indemnification shall be provided hereunder to a Covered Person:

(i) who shall have been adjudicated by a court or body before which the proceeding was brought (A) to be liable to the Trust or its Shareholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office or (B) not to have acted in good faith in the

reasonable belief that his action was in the best interest of the Trust; or

(ii) in the event of a settlement, unless there has been a determination that such Trustee or officer did not engage in willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his officer, (A) by the court or other body approving the settlement (B) by at least a majority of those Trustees who are neither interested persons of the Trust nor are parties to the matter based upon a review of readily available facts (as opposed to a full trial-type inquiry); or (C) by written opinion of independent legal counsel based upon a review of readily available facts (as opposed to a full trial-type inquiry); provided, however, that any Shareholder may, by appropriate legal proceedings, challenge any such determination by the Trustees, or by independent counsel.

(c) The rights of indemnification herein provided may be insured against by policies maintained by the Trust shall be severable, shall not be exclusive of or affect any other rights to which any Covered Person may now or hereafter be entitled, shall continue as to a person who has ceased to be such Trustee or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. Nothing contained herein shall affect any rights to indemnification to which Trust personnel, other than Trustees and officers, and other persons may be entitled by contract or otherwise under law.

(d) Expenses in connection with the preparation and presentation of a defense to any claim, action, suit or proceeding of the character described in paragraph (a) of this Section 2 may be paid by the Trust from time to time prior to final disposition thereof upon receipt of an undertaking by or on behalf of such Covered Person that such amount will be paid over by him to the Trust if it is ultimately determined that he is not entitled to indemnification under this Section 2; provided, however, that:

(i) such Covered Person shall have provided appropriate security for such undertaking,

(ii) the Trust is insured against losses arising out of any such advance payments or

(iii) either a majority of the neither interested persons of the Trust nor parties to the matter, or independent legal counsel in a written opinion, shall have determined, based upon a review of readily available facts (as opposed to a trial type inquiry or full investigation), that there is reason to believe that such Covered Person will be found entitled to indemnification under this Section 2.

Shareholders

Section 3. In case any Shareholder or former Shareholder of the Trust shall be held to be personally liable solely by reason of his being or having been a Shareholder and not because of his acts or omissions or for some other reason the Shareholder or former Shareholder (or his heirs, executors, administrators or other legal representatives or in the case of a corporation or other entity, its corporate or other

general successor) shall be entitled out of the Trust assets to be held harmless from and indemnified against any loss and expense arising from such liability. The Trust shall, upon request by the Shareholder, assume the defense of any claim made against the Shareholder for any act or obligation of the Trust and satisfy any judgment thereon.

ARTICLE XII
MISCELLANEOUS

Trust Not A Partnership

Section 1. It is hereby expressly declared that a trust and not a partnership is created hereby. No Trustee hereunder shall have any power to bind personally either the Trust's officers or any Shareholder. All persons extending credit to, contracting with or having any claim against the Trust or the Trustees shall look only to the assets of the Trust for payment under such credit, contract or claim; and neither the Shareholders nor the Trustees, nor any of their agents, whether past, present or future, shall be personally liable therefor. Nothing in this Declaration of Trust shall protect a Trustee against any liability to which the Trustee would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of the office of Trustee hereunder.

Trustee's Good Faith Action, Expert Advice, No Bond or Surety

Section 2. The exercise by the Trustees of their powers and discretion hereunder in good faith and with reasonable care under the circumstances then prevailing, shall be binding upon everyone interested. Subject to the provisions of Section 1 of this Article XII and to Article XI, the Trustees shall not be liable for errors of judgment or mistakes of fact or law. The Trustees may take advice of counsel or other experts with respect to the meaning and operation of this Declaration of Trust, and subject to the provisions of Section 1 of this Article XII and to Article XI, shall be under no liability for any act or omission in accordance with such advice or for failing to follow such advice. The Trustees shall not be required to give any bond as such, nor any surety if a bond is obtained.

Establishment of Record Dates

Section 3. The Trustees may close the stock transfer books of the Trust for a period not exceeding 60 days preceding the date of any meeting of Shareholders, or the date for the payment of any dividends, or the date for the allotment of rights, or the date when any change or conversion or exchange of Shares shall go into effect; or in lieu of closing the stock transfer books as aforesaid, the Trustees may fix in advance a date, not exceeding 60 days preceding the date of any meeting of Shareholders, or the date for payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of Shares shall go into effect as a record date for the determination of the Shareholders entitled to notice of, and to vote at, any such meeting or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of Shares, and in such case such Shareholders and only such Shareholders as shall be Shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at such meeting, or to receive payment of such dividend, or to receive such allotment or rights, or to exercise such rights as the case may be, notwithstanding any transfer of any Shares on the books of the Trust after any such record date fixed as aforesaid.

Termination of Trust

Section 4.

(a) This Trust shall continue without limitation of time but subject to the provisions of paragraph (b) of this Section 4.

(b) Subject to a Majority Shareholder Voter the Trustees may:

(i) sell and convey the assets of the Trust to another trust, partnership, association or corporation organized under the laws of any state which is a diversified open-end management investment company as defined in the 1940 Act for adequate consideration which may include the assumption of all outstanding obligations, taxes and other liabilities accrued or contingent, of the Trust and which may include shares of beneficial interest or stock of such trust, partnership, association or corporation; or

(ii) at any time sell and convert into money all of the assets of the Trust. Upon making provision for the payment of all such liabilities in either (i) or (ii), by such assumption or otherwise, the Trustees shall distribute the remaining proceeds or assets (as the case may be) ratably among the Shareholders.

(c) Upon completion of the distribution of the remaining assets as provided in paragraph (b), the Trust shall terminate and the Trustees shall be discharged of any and all further liabilities and duties hereunder and the right, title and interest of all parties shall be canceled and discharged.

Filing of Copies, References, Headings

Section 5. The original or a copy of this instrument and of each declaration of trust supplemental hereto shall be kept at the office of the Trust where it may be inspected by any Shareholder. A copy of this instrument and of each supplemental declaration of trust shall be filed by the Trustees with the Secretary of the Commonwealth of Massachusetts and the Boston City Clerk, as well as any other governmental office where such filing may from time to time be required. Anyone dealing with the Trust may rely on a certificate by an officer or Trustee of the Trust as to whether or not any such supplemental declarations of trust have been made and as to any matters in connection with the Trust hereunder, and with the same effect as if it were the original may rely on a copy certified by any officer or Trustee of the Trust to be a copy of this instrument or of any such supplemental declaration of trust. In this instrument or in any such supplemental declaration of trust, references to this instrument, and the expressions "herein," "hereof" and "hereunder," shall be deemed to refer to this instrument as amended or affected by any such supplemental declaration of trust. Headinqs are placed herein for convenience of reference only and in case of any conflict the text of this instrument, rather than the headings shall control. This instrument may be executed in any number of counterparts each of which shall be deemed an original.

Applicable Law

Section 6. The trust set forth in this instrument is made in the Commonwealth of Massachusetts, and it is created under and is to be governed by and construed and administered according to the laws of said Commonwealth. The Trust shall be of the type commonly called a Massachusetts business trust, and without limiting the provisions hereof, the Trust may exercise all powers which are ordinarily exercised by such a Trust.

Amendments

Section 7. If authorized by votes of the Trustees and a Majority Shareholder Vote, or by any larger vote which may be required by applicable law or this Declaration of Trust in any particular case, the Trustees shall amend or otherwise supplement this instrument, by making a declaration of trust supplemental hereto, which thereafter shall form a part hereof, Amendments having the purpose of changing the name of the Trust or of supplying any omission, curing any ambiguity or curing, correcting or supplementing any defective or inconsistent provision contained herein shall not require authorization by Shareholder vote. Copies of the supplemental declaration of trust shall be filed as specified in Section 5 of this Article XII.

Fiscal Year

Section 8. The fiscal year of the Trust shall end on a specified date as determined by the Trustees; provided, however, that the Trustees may, without Shareholder approval, change the fiscal year of the Trust.

Use of the Words "American Eagle" and "American Airlines"

Section 9. American Airlines, Inc. has consented to the use by the Trust of the identifying words "American Eagle." Such consent is conditioned upon the employment of AMR Investment Services, Inc., its successors or its affiliated companies as investment adviser or manager of the Trust. As between the Trust and itself, American Airlines, Inc. controls the use of the name of the Trust insofar as such name contains the identifying words "American Eagle." American Airlines, Inc. may from time to time use the identifying words "American Eagle" in other connections and for other purposes including, without limitation, in the names of other investment companies, corporations or businesses which it may manage, advise, sponsor or own, or in which it may have a financial interest. American Airlines, Inc., may require the Trust to cease using the identifying words "American Eagle" in the name of the Trust if the Trust ceases to employ AMR investment Services, Inc., or another subsidiary or affiliate of American Airlines, Inc. as investment adviser or Manager.

Notice to other Parties

Section 10. Every note, bond, contract, instrument, certificate or undertaking made or issued by the Trustees or by any officers or officer shall give notice that this Declaration of Trust is on file with the Secretary of the Commonwealth of Massachusetts and shall recite that the same was executed or made by or on behalf of the Trust or by them as Trustees or Trustee or as officers or officer and not individually and that the obligations of such instrument are not binding upon any of them or the Shareholders individually but are binding only upon the assets and property of the Trust, and may contain such further recital as he and she or they may deem appropriate, but the omission thereof shall not operate to bind any Trustees or Trustee or officers or officer or Shareholders or Shareholder individually.

IN WITNESS WHEREOF, the undersigned, being the sole initial Trustee of American Eagle Funds, has executed this instrument.

1/14/87	/s/William F. Quinn//
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DATE	William F. Quinn Trustee

STATE OF TEXAS
COUNTY OF TARRANT

I, the undersigned authority, hereby certify that the foregoing is a true and correct copy of the instrument presented to me by William F. Quinn as the original of such instrument.

[Notary]

/s/Carol C. Zimmerman

Carol C. Zimmerman
Notary Public - Tarrant County, Texas

Resident Agent:
James E. Howard
Kirkpatrick & Lockhart
Exchange Place, 53 State Street
Boston, MA 02109
(617) 227-6000

Exhibit 99.b.2

AMERICAN EAGLE FUNDS
BY LAWS

These Bylaws of the American Eagle Funds (the "Trust"), a Massachusetts business trust, are subject to the Trust's Declaration of Trust as from time to time amended.

ARTICLE I
OFFICERS AND THEIR ELECTION

Officers

Section 1. The officers of the Trust shall be a President, a Treasurer, a Secretary, and such other officers as the Trustees may from time to time elect. It shall not be necessary for any Trustee or other officer to be a holder of shares in the Trust.

Election of Officers

Section 2. The President, Treasurer and Secretary shall be chosen annually by the Trustees. Two or mor offices may be held by a single person except the officers shall hold office until their successors are chosen and qualified.

Resignations and Removals

Section 3. Any officer of the Trust may resign by filing a written resignation with the President, the Trustees or the Secretary, which resignation shall take effect on being so filed or at such time as may be therein specified. The Trustees may at any meeting remove any officer by a majority vote of the voting Trustees.

ARTICLE II
POWERS AND DUTIES OF OFFICERS AND TRUSTEES

Management Of The Trust-General

Section 1. The business and affairs of the Trust shall be managed by the Trustees, and they shall have all powers necessary and desirable to carry out their responsibilities, so far as such powers are not inconsistent with the laws of the Commonwealth of Massachusetts, the Declaration of Trust, or with these Bylaws.

Executive and Other Committees

Section 2. The Trustees may elect from their own number an executive committee to consist of not less than three nor more than five members, which shall have the power and duty to conduct the current and ordinary business of the Trust, including the purchase and sale of securities, while the Trustees are not in session, and such other powers and duties as the Trustees may from time to time delegate to such committee. The Trustees may also elect from their own number other committees from time to time. The number composing such committees and the powers conferred upon the same are to be determined by vote of the Trustees.

Chairman Of The Trustees

Section 3. The Trustees may, but need not, appoint from among their number a Chairman. He shall perform such duties as the Trustees may from time to time designate.

President

Section 4. The President shall be the chief executive officer of the Trust and, subject to the Trustees shall have general supervision over the business and policies of the Trust. When present, he shall preside at all meetings of the Shareholders and the Trustees, and he may, subject to the approval of the Trustees, appoint a Trustee to preside at such meetings in his absence. The President shall perform such duties additional to all of the foregoing as the Trustees may from time to time designate.

Treasurer

Section 5. The Treasurer shall be the principal financial and accounting officer of the Trust. He or she shall deliver all funds and securities of the Trust which may came into his or her hands to such bank or trust company as the Trustees shall employ as Custodian in accordance with Article IX of the Declaration of Trust. He or she shall have the custody of the seal of the Trust. He or she shall make annual reports regarding the business and condition of the Trust, which reports shall be preserved in Trust records, and he or she shall furnish such other reports regarding the business and condition of the Trust as the Trustees may from time to time require. The Treasurer shall perform such additional duties as the Trustees may from time to time designate.

Secretary

Section 6. The Secretary shall record in books kept for the purpose all votes and proceedings of the Trustees and the Shareholders at their respective meetings. The Secretary shall perform such additional duties as the Trustees may from time to time designate.

Vice President

Section 7. Any Vice President of the Trust shall perform such duties as the Trustees may from time to time designate.

Assistant Treasurer

Section 8. Any Assistant Treasurer of the Trust shall perform such duties as the Trustees may from time to time designate.

Assistant Secretary

Section 9. Any Assistant Secretary of the Trust shall perform such duties as the Trustees may from time to time designate.

ARTICLE III
SHAREHOLDERS' MEETINGS

Special Meetings

Section 1. A special meeting of the Shareholders shall be called by the Secretary whenever (i) ordered by the Trustees or (ii) requested, for the purpose of removing a Trustee from office, in writing by the holder or holders of at least 10% of the outstanding Shares entitled to vote. If the Secretary, when so ordered or requested, refuses or neglects for more than 30 days to call such special meeting, the Trustees or the shareholders so requesting may, in the name of the Secretary, call the meeting by giving notice thereof in the manner required when notice is given by the Secretary. If the meeting is a meeting of the shareholders of one or more series of shares, but not a meeting of all shareholders of the Trust, then only the shareholders of such one or more series shall be entitled to notice of and to vote at such meeting.

Notices

Section 2 Except as above provided, notices of any special meeting of the Shareholders shall be given by the Secretary by

delivering or mailing, postage prepaid, to each Shareholder entitled to vote at said meeting, a Written or printed notification of such meeting, at least 10 days before the meeting, to such address as may be registered with the Trust by the Shareholder.

Place Of Meeting

Section 3. All special meetings of the Shareholders shall be held at the principal place of business or the Trust or at such other place in the United States as the Trustees may designate.

ARTICLE IV
TRUSTEES' MEETINGS

Special Meetings

Section 1. Special meetings of the Trustees shall be called by the Secretary at the written request of the President, the Treasurer, or any two Trustees, and if the Secretary, when so requested , refuses or fails for more than 24 hours to call such meeting, the President, the Treasurer, or such two Trustees may, in the name of the Secretary, call such meeting by giving due notice in the manner required when notice is to be given by the Secretary.

Regular Meetings

Section 2. Regular meetings of the Trustees may be held without call or notice at such places and at such times as the Trustees may from time to time determine, provided that any Trustee who is absent when such determination is made shall be given notice of the determination.

Quorum

Section 3. A majority of the Trustees shall constitute a quorum for the transaction of business.

Notice

Section 4. Except as otherwise provided, notice of any special meeting of the Trustees shall be given by the Secretary to each Trustee orally or by mail, hand delivery or telegram. A notice may be mailed, postage prepaid, addressed to him at his address as registered on the books of the Trust or, if not so registered, at his last known address at least three days before the meeting or delivered to him at least two days before the meeting, provided orally by telephone at least 24 hours before the meeting or sent to him at least 24 hours before the meeting, by prepaid telegram addressed to him at said registered address, if any, or if he has no such registered address, at his last known address.

Place Of Meeting

Section 5. All special meetings of the Trustees shall be held at the principal place of business of the Trustees or such other place in the United States as the person or persons requesting said meeting to be called may designate, but any meeting may adjourn to any other place.

Special Action

Section 6. When all the Trustees shall be present at any meeting, however called or wherever held, or shall assent to the holding of the meeting without notice, or after the meeting shall sign a written assent thereto on the record of such meeting, the acts of such meeting shall be valid as if such meeting had been regularly held.

Action By Consent

Section 7. Any action by the Trustees may be taken without a meeting if a written consent thereto is signed by all the Trustees and

filed with the records of the Trustees' meeting, or by telephone consent provided a quorum of Trustees participate in any such telephone meeting. Such consent shall be treated as a vote of the Trustees far all purposes.

ARTICLE V
SHARES OF BENEFICIAL INTEREST

Beneficial Interest

Section 1. The beneficial interest in the Trust shall at all times be divided into an unlimited number of transferable Shares without par value each of which shall represent an equal proportionate interest in the class with each other Share of the class outstanding, none having priority or preference over another.

Transfer Of Shares

Section 2. The Shares of the Trust shall be transferable, so as to affect the rights of the Trust, only by transfer recorded on the books of the Trust, in person or by attorney.

Equitable Interest Not Recognized

Section 3. The Trust shall be entitled to treat the holder of record of any Share or Shares of stock as the holder in fact thereof, and shall not be bound to recognize any equitable or other claim or interest in such Share or Shares on the part of any other person except as may be otherwise expressly provided by law.

ARTICLE VI
INSPECTION OF BOOKS

The Trustees shall from time to time determine whether and to what extent, and at what times and places, and under what conditions and regulations the accounts and books of the Trust or any of them shall be open to the inspection of the Shareholders; and no Shareholder shall have any right to inspect any account or book or document of the Trust except as conferred by law or otherwise by the Trustees or by resolution of the Shareholders.

ARTICLE VII
PROVISIONS RELATING TO THE CONDUCT OF THE TRUST'S BUSINESS

Dealings with Affiliates

Section 1. The Trust shall not purchase or retain securities issued by any issuer if one or more of the holders of the securities of such issuer or one or more of the officers or directors of such issuer is an officer or

Trustee of the Trust or officer or director of any organization, association or corporation with which the Trust has an investment advisory or management contract ("investment adviser" or manager"), if to the knowledge of the Trust one or more of such officers or Trustees of the Trust or such officers or directors of such investment adviser or manager who own beneficially more than one-half of one percent of the shares or securities together own beneficially more than five percent of such outstanding shares or securities. Each Trustee and officer of the Trust shall give notice to the President or Treasurer of the Trust of the identity of all issuers whose securities are held by the Trust of which such officer or Trustee owns as much as one-half of one percent of the outstanding securities and the Trust shall not be charged with the knowledge of such holdings in the absence of receiving such notice if the Trust has requested such information not less often than quarterly.

Subject to the provisions of the preceding paragraph, no officer, Trustee or agent of the Trust and no officer, director or agent of any investment adviser or manager shall deal for or on behalf of the Trust

with himself as principal or agent, or with any partnership, association or corporation in which he has a material financial interest; provided that the foregoing provisions shall not prevent (a) officers and Trustees of the Trust from buying, holding or selling shares in the Trust, or from being partners, officers or directors of or financially interested in any investment adviser or manager to the Trust or in any corporation, firm or association which may at any time have a distributor's or principal underwriter's contract with the Trust; (b) purchases or sales of securities or other property if such transaction is permitted by or is exempt or exempted from the provisions of the Investment Company Act of 1940 or any rule or regulation thereunder and if such transaction does not involve any commission or profit to any security dealer who is, or one of more of whose partners, shareholders officers or directors is, an officer or Trustee of the Trust or an officer or director of the investment adviser, manager or principal underwriter of the Trust; (c) employment of legal counsel, registrar, transfer agent, shareholder services agent, dividend disbursing agent or custodian who is, or has a partner, stockholder, officer or director who is, an officer or Trustee of the Trust; (d) sharing statistical, research and management expenses, including personnel and services, with any other company in which an officer or Trustee of the Trust is an officer or director or financially interested.

Right to Engage in Business

Section 2. Any officer or Trustee of the Trust, the investment adviser, the manager, and any officers or directors of the investment adviser or manager may have personal business interests and may engage in personal business activities.

Dealings in Securities of the Trust

Section 3. The Trust, the investment adviser, the manager, any corporation, firm or association which may at any time have an exclusive distributor's or principal underwriter's contract with the Trust (the "distributor") and the officers and Trustees of the Trust and officers and directors of every investment adviser, manager and distributor, shall not take long or short positions in the securities of the Trust, except that:

(a) the distributor may place orders with the Trust for its shares equivalent to orders received by the distributor;

(b) shares of the Trust may be purchased at not less than net asset value for investment by the investment adviser, manager, and officers and directors of the distributor, profit-sharing or other benefit plan for such persons, no such purchase to be in contravention of any applicable state or federal requirements.

Limitation on Certain Loans

Section 4. The Trust shall not make loans to any officer, Trustee or employee of the Trust or any investment adviser, manager or distributor or their respective officers directors or partners or employees.

Custodian

Section 5. All securities and cash owned by the Trust shall be maintained in the custody of one or more banks or trust companies having (according to its last published report) not less than two million dollars ($2,000,000) aggregate capital, surplus and undivided profits or eligible foreign custodians in accordance with Rule 17f-5 under the Investment Company Act of 1940 (hereinafter, collectively referred to as the "custodian"); provided, however, the custodian may deliver securities as collateral on borrowings effected by the Trust, provided, that such delivery shall be conditioned upon receipt of the borrowed funds by the custodian except where additional collateral is being

pledged on an outstanding loan and the custodian may deliver securities lent by the Trust against receipt of initial collateral specified by the Trust. Subject to such rules, regulations and orders, if any, as the Securities and Exchange Commission (the "Commission") may adopt, the Trust may or may permit any custodian to, deposit all or any part of the securities owned by the Trust in a system for the central handling of securities operated by the Federal Reserve Banks, or established by a national securities exchange or national securities association registered with the Commission under the Securities Exchange Act of 1934, or such other person as may be permitted by the Commission, pursuant to which system all securities of any particular class or series of any issue deposited with the system are treated as fungible and may be transferred or pledged by bookkeeping entry, without physical delivery of such securities.

The Trust shall upon the resignation or inability to serve of its custodian or upon change of the custodian: (a) use its best efforts to obtain a successor custodian; (b) require that the cash and securities owned by this Trust be delivered directly to the successor custodian; and (c) in the event that no successor custodian can be found, submit to the shareholders, before permitting delivery of the cash and securities owned by this Trust otherwise than to a successor custodian the question whether or not this Trust shall be liquidated or shall function without a custodian.

ARTICLE VIII
SEAL

The seal of the Trust shall be circular in form and shall bear an appropriate inscription.

ARTICLE IX
FISCAL YEAR

The fiscal year of the Trust shall end on such date as the Trustees shall from time to time determine.

ARTICLE X
AMENDMENTS

These Bylaws may be amended at any meeting of the Trustees of the Trust by a majority vote.

ARTICLE XI
REPORTS TO SHAREHOLDERS

The Trustees shall at least semi-annually submit to the Shareholders a written financial report of the transactions of the Trust including financial statements which shall be certified at least annually by independent certified public accountants.

Exhibit 99.b.5.a.i

AMERICAN AADVANTAGE FUNDS
MANAGEMENT AGREEMENT

AGREEMENT made this 3rd day of April, 1987, by and between AMERICAN AADVANTAGE FUNDS (the "Trust"), and AMR INVESTMENT SERVICES, INC. (the "Manager");

WHEREAS the Trust, a Massachusetts Business Trust, is an open-end, diversified management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), consisting of several series (portfolios) of shares, each having its own investment policies; and

WHEREAS, the Trust desires to avail itself of the services, information, advice, assistance and facilities of a fund manager and to have a fund manager provide or: perform for it various administrative, management, advisory, statistical, research, asset allocation, portfolio manager selection and other services;and

WHEREAS, the Manager, an investment adviser registered under the Investment Advisers Act of 1940, as amended, is willing to furnish such services to the Trust with respect to its existing portfolios and such other portfolios as the Trust and the Manager shall agree upon (collectively, the "Portfolios") on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the Trust and Manager agree as follows:

1. Appointment of the Manager. The Trust hereby appoints the Manager to provide management services to the Trust in the manner set forth in Section 2 of this Agreement, subject to the direction of the Trust's Board of Trustees and officers, for the period in the manner and in the terms hereinafter set forth. The Manager hereby accepts such appointment and agrees during such period to render the services and assume the obligations herein set forth. The Manager shall for all purposes herein be deemed to be an independent contractor and shall, except as expressly provided or authorized (whether herein or otherwise), have no authority to act for or represent the Trust in any way or otherwise be deemed an agent of the Trust.

2. Duties of and Services to be Provided by the Manager. The Manager undertakes to provide the services hereinafter set forth and to assume the following obligations:

A. Corporate Management and Administrative Services.

(a) The Manager shall furnish to the Trust adequate (i) office space, which may be space within the offices of the Manager or in such other place as may be agreed upon from time-to-time, and (ii) office furnishings, facilities and

equipment as may be reasonably required for managing and administering the operations and conducting the business of the Trust.

(b) The Manager shall take all necessary steps to assist the Trust in complying with the securities, tax and other laws and regulations of the United States and the various states and other jurisdictions in which the Trust does business, conducting correspondence and other communications with the shareholders of the Trust, and maintaining or supervising the maintenance of all internal bookkeeping, accounting and auditing services and records in connection with the Trust's investment and business activities. In compliance with the requirements of Rule 31a-3 under the 1940 Act, the Manager hereby agrees that all records which it maintains for the Trust are the property of the Trust and further agrees to surrender promptly to the Trust any such records upon the Trust's request. The Manager further agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act the records required to be maintained by Rule 31a-1 under the 1940 Act.

(c) The Manager shall employ or provide and compensate the executive, administrative, secretarial and clerical personnel necessary to supervise the provision of the services set forth in Subparagraph 2(A)(b), and shall bear the expense of providing such services, except as may otherwise be provided in Paragraph 4 of this Agreement. The Manager shall also compensate all Trustees, officers or employees of the Trust who are directors, officers or employees of the Manager or any of its affiliates.

B. Investment Management Services.

(a) The Manager shall have responsibility for the management and investment of the assets and portfolio securities of each Portfolio, subject to and in accordance with the Declaration of Trust and By-Laws of the Trust as currently in effect, the current investment objectives and policies of each Portfolio, and any directions which the Trust's Board of Trustees may issue to the Manager from time-to-time.

(b) The Manager shall provide a continuous investment program for each Portfolio, shall revise each such program as necessary, and shall monitor implementation of the program.

(c) The Manager shall oversee the maintenance of all books and records with respect to the securities transactions of each Portfolio and the keeping of each Portfolio's books of account, and shall provide to the Trust's Board of Trustees such periodic and special reports as the Board may request.

(d) The Manager may delegate any or all of its duties under this Paragraph 2(B) and Paragraph 3 with respect to any Portfolio to one or more persons or companies ("Advisers"),

pursuant to an agreement between the Manager and each such Adviser providing such services to a Portfolio ("Investment Advisory Agreement"). Each Investment Advisory Agreement may provide that the Adviser which is a party thereto, subject to the control and supervision of the Trust's Board of Trustees and the Manager, shall have full investment discretion for the affected Portfolio and shall make all determinations with respect to the investment of that Portfolio's assets or any portion thereof specified by the Manager and the purchase and sale of portfolio securities for that Portfolio. Any delegation of duties pursuant to this Paragraph shall comply with any applicable provisions of Section 15 of the 1940 Act, except to the extent permitted by any exemptive order of the Securities and Exchange Commission or similar relief.

(e) The Manager shall evaluate Advisers and shall advise the Trustees of the Trust of the Advisers which the Manager believes are best suited to invest the assets of each Portfolio; shall monitor and evaluate the investment performance of each Adviser employed by the Manager which manages any portion of a Portfolio's assets; shall allocate the portion of each Portfolio's assets to be managed by each Adviser; shall recommend changes of or additional Advisers when appropriate; shall coordinate the investment activities of the Advisers; and shall compensate the Advisers in the manner specified in each Investment Advisory Agreement.

(f) The Trust shall provide the Manager with a statement of the investment objectives and policies of each Portfolio and any specific investment restrictions applicable thereto as established by the Trust. The Trust will promptly notify the Manager of any modifications to such objectives, policies or restrictions or of any specific instructions which the Trust's Board of Trustees may adopt.

C. Provision of Information Necessary for Preparation of Securities Registration, Statements, Amendments and Other Materials. The Manager will make available and provide to the Trust: (i) financial, accounting and statistical information required by the Trust in the preparation of registration statements, reports and other documents required by federal securities laws and the securities laws of the states and other jurisdictions in which the Trust's shares are sold; (ii) such information as the Trust may reasonably request for use in the preparation of registration statements, reports and other documents required by federal securities laws and the securities laws of the states and other jurisdictions in which the Trust's shares are sold; and (iii) such information as the Trust may reasonably request for use in the preparation of such documents or of other materials necessary or helpful for the distribution of the Trust's shares.

D. Other Obligations and Services. The Manager shall make available its officers and employees to the Trustees and officers of the Trust for consultation and discussions regarding the administration and management of the Trust and its investment activities.

3. Execution and Allocation of Portfolio Transactions.

A. The Manager, subject to the control and direction of the Trust's Board of Trustees, shall have authority and discretion to select brokers and dealers to execute portfolio transactions for each Portfolio, and for the selection of the markets on or in which the transactions will be executed.

B. In acting pursuant to Subparagraph 3(A) of this Agreement, the primary objective of the Manager shall be to obtain the best net price and most favorable execution of its orders for the Trust. However, this responsibility shall not be deemed to obligate the Manager to solicit competitive bids for each transaction, and the Manager shall have no obligation to seek the lowest available commission cost to the Trust, so long as the Manager determines that the broker or dealer is able to obtain the best price on a particular transaction and that the commission cost is reasonable in relation to the total quality and reliability of the brokerage and research services made available by the broker to the Manager viewed in terms of either that particular transaction or of the Manager's overall responsibility to the Trust or its other clients. Accordingly, the Trust and the Manager agree that the Manager and the Advisers may select brokers and dealers for the execution of the Trust's portfolio transactions from among:

(a) Those brokers and dealers who provide brokerage and research services or statistical quotations and other information to the Trust, including the quotations necessary to determine the value of each Portfolio's net assets, in such amount as may reasonably be required in light of such services; and

(b) Those brokers and dealers who supply brokerage and research services to the Manager or the Advisers of any Portfolio which relate directly to the portfolio securities, actual or potential, of the Portfolio, or which place the Manager or Advisers in a better position to make decisions in connection with the management of the Portfolio's assets, whether or not such data may also be useful to the Manager and its affiliates, or the Advisers and their affiliates, in managing other Portfolios or advising other clients, in such amount as may reasonably be required.

C. The Manager shall provide such reports to the Trust as may reasonably be requested by the Trust's Board of Trustees of the total brokerage business placed and the manner in which the allocation of brokerage transactions has been accomplished.

D. The Manager agrees that no investment decision will be made or influenced by a desire to provide brokerage for allocation in accordance with the foregoing, and that the right to make such allocation of brokerage shall not interfere with the Manager's primary duty to obtain the best net price and execution for the Trust.

E. The Manager agrees that no securities of any Portfolio will be purchased from or sold to the Manager or any of its affiliates except in accordance with the 1940 Act and rules thereunder.

4. Expenses of the Trust. It is understood that the Trust will pay all of its expenses other than those expressly assumed by the Manager herein, which expenses payable by the Trust shall include: expenses of all audits by independent public accountants; expenses of each transfer agent, registrar, dividend disbursing agent, shareholder recordkeeping agent and custodian (including recordkeeping services provided by each custodian); expenses of obtaining quotations for calculating the value of each Portfolio's net assets; salaries and other compensation of any of the Trust's officers and employees, who are not officers, directors or employees of the Manager or its affiliates; taxes and the preparation of the Fund's tax returns; brokerage fees and commissions in connection with the purchase and sale of portfolio securities for each Portfolio; costs, including the interest expense, of borrowing money; costs and/or fees incident to meetings of the Trust's shareholders, Board of Trustees and any committees thereof, the preparation and mailing of prospectuses and reports of the Trust to its shareholders, the filing of reports with regulatory bodies, the maintenance of the Trust's existence as a Massachusetts business trust, and the registration of Trust shares with federal and other securities authorities as required; legal fees, including the legal fees related to the registration and continued qualification of the Trust's shares for sale and fees of separate counsel; for the Trust's independent Trustees, costs of printing any stock certificates representing shares of the Trust, trustees' fees and expenses of Trustees who are not directors, officers or employees of the Manager or any of its affiliates; costs of the fidelity bond required by Section 17(g) of the 1940 Act and any other insurance premiums; and any extraordinary expenses of a non-recurring nature.

5. Activities and Affiliates of the Manager. The services of the Manager hereunder are not to be deemed exclusive, and the Manager and any of its affiliates shall be free to render similar services to others so long as its services under this Agreement are not impaired thereby. Subject to and in accordance with the Declaration of Trust and By-Laws of the Trust as currently in effect and the 1940 Act and the rules thereunder, it is understood that the Trustees, officers, agents and shareholders of the Trust are or may be interested in the Manager or its affiliates as directors, officers, agents or

stockholders of the Manager or its affiliates; directors, officers, agents and stockholders of the Manager or its affiliates are or may be interested in the Trust as Trustees, officers, agents,

shareholders or otherwise; the Manager or its affiliates may be interested in the Trust as shareholders or otherwise; and the effect of any such interests shall be governed by said Declaration of Trust, By-Laws and the 1940 Act and the rules thereunder.

6. Compensation of the Manager. In consideration of the Manager's services as specified in this Agreement, the Manager shall receive a fee as specified in the Schedule(s) attached hereto. Such fee constitutes the Manager's compensation solely with respect to the investment advisory and portfolio allocation services performed pursuant Paragraphs 2(B) and 3 of this Agreement. In addition, the Trust acknowledges that the Manager will charge, and expressly authorizes the Manager to charge, a Shareholder Fee to each investor in Trust pursuant to Shareholder Service Agreements entered into between the Manager and each Investor. The shareholder Fee represents the Manager's compensation for all services performed under this Agreement other than investment advisory and portfolio allocation services specified in Paragraphs 2(B) and 3.

7. Liabilities of the Manager. In the absence of willful misfeasance or bad faith, gross negligence or reckless disregard of its obligations and duties hereunder, the Manager shall not be subject to liability to the Trust or to any shareholder of the Trust for any act or omission in the course of or connected with rendering services hereunder. Any person, even though also an officer, director, employee or agent of Manager, who may be or become a Trustee, officer, employee or agent of the Trust shall be deemed, when rendering services to the Trust or acting with respect to any business of the Trust, to be rendering such services to or acting solely for the Trust and not as an officer, director, employee or agent or one under the control of the Manager even though paid by it.

8. Renewal and Termination. This Agreement shall become effective on the date written above and, unless sooner terminated as provided herein, shall continue in effect for two years. This Agreement may be continued annually thereafter for successive one year periods, provided that such continuance is specifically approved at least annually with respect to any Portfolio, (a) by a vote of a majority of the outstanding voting securities of that Portfolio, or (b) by a vote of a majority of the Trustees of the Trust, and, in either case by a majority of the Trustees who are not parties to this Agreement or interested persons of any parties to this Agreement (other than as Trustees of the Trust) cast in person at a meeting called for the purpose of voting on this Agreement. Notwithstanding the foregoing, this Agreement may be

terminated at any time with respect to any Portfolio by either party hereto, without payment of any penalty, on sixty (60) days' written notice, by vote of the Trust's Board of Trustees or by vote of a majority of the outstanding voting securities of that Portfolio and will terminate automatically in the event of its assignment. Any notice under this Agreement shall be given in writing addressed and delivered or mailed postpaid to the other

party to this Agreement at its principal place of business. As used in this Agreement the terms "assignment," "interested person," and "vote of a majority of the outstanding voting securities" shall have the meanings set forth in the 1940 Act.

9. Severability. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby.

10. Governing Law. To the extent that state Law has not been preempted by the provisions of any law of the United States heretofore or hereafter enacted, as the same may be amended from time to time, this Agreement shall be administered, construed and enforced according to the laws of The State of Texas.

11. Notice. Notice hereby is given that the Trust's Declaration of Trust is on file with the Secretary of State of the Commonwealth of Massachusetts and that the Declaration of Trust and this Agreement are executed by the Trust's Trustees and/or officers in their capacities as Trustees and/or officers, and the obligations of the Declaration of Trust and this Agreement are not binding upon any of them or the Shareholders individually; rather, they are binding only upon the assets and property of the Trust.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

AMERICAN AADVANTAGE FUNDS

By /s/ William F. Quinn

William F. Quinn
Title President

AMR INVESTMENT SERVICES, INC.

By /s/ M. E. Devine

Matthew E. Devine
Title Vice President & Treasurer

Schedule A
to the
Management Agreement
between
AMR Investment Services, Inc.
and
American AAdvantage Funds

As compensation pursuant to section 6 of the Management Agreement between AMR Investment Services, Inc. and American AAdvantage Funds, American AAdvantage Funds shall pay to AMR Investment Services, Inc. an annualized fee equal to the sum of (i) .15% of the net assets of the American AAdvantage Money Market Fund; and (ii) .05% of the net assets of the American AAdvantage Balanced, Equity and Fixed Income Funds, plus all fees payable by the Manager with respect to such Funds pursuant to any Investment Advisory Agreement entered into pursuant to Paragraph 2(B)(d) of said Management Agreement. The above described compensation shall be calculated and accrued daily and be payable monthly.

Exhibit 99.b.5.a.ii

Supplemental Terms and Conditions
of
Management Agreement between
American AAdvantage Funds
and
AMR Investment Services, Inc.

The following terms and conditions hereby are incorporated into the Management Agreement (the "Agreement") dated April 3, 1987 between American AAdvantage Funds (the "Trust") and AMR Investment Services, Inc. (the "Manager") with respect to the American AAdvantage Money Market Fund and such other portfolios of the Trust as the Trust and the Manager may hereafter agree upon (collectively, the "Funds"). To the extent that there is any conflict between the terms of the Agreement and these Supplemental Terms and Conditions ("Supplement"), this supplement shall govern.

1. The Trust and the Manager hereby acknowledge that the Manager will henceforth provide administrative services to the Trust, with respect to the Funds, pursuant to a separate Administrative Services Agreement dated October 1, 1990, between the Trust and the Manager (the "Administrative Services Agreement"). These administrative services shall include all services currently provided by the Manager to the Trust other than those specified in paragraphs 2(B) and 3 of the Management Agreement.

2. Paragraph 6 of the Management Agreement is hereby amended to read, in its entirety, as follows:

> 6. Compensation of the Manager. In consideration of the Manager's services as specified in this Agreement, the Manager shall receive a fee as specified in the Schedule(s) attached hereto. This fee constitutes the Manager's compensation solely with respect to the investment advisory and portfolio allocation services performed pursuant to Paragraphs 2(B) and 3 of this Agreement. In addition, the Trust agrees to pay to the Manager a fee pursuant to the Administrative Services Agreement. The Trust and the Manager each acknowledge that this fee represents the Manager's compensation for all services performed under this Agreement other than the investment advisory and portfolio allocation services specified in Paragraphs 2(B) and 3.

3. Notice is hereby given that the Management Agreement and this supplement are executed on behalf of the Trustees of the Trust and not individually and that the obligations of the Agreement and Supplement are not binding upon any of the Trustees, officers, or shareholders of the Trust individually, but are binding only upon the assets and property of the Fund to which the Agreement and this Supplement relate.

Dated: October 1, 1990

American AAdvantage Funds

By: /s/ M.W. Fields

Title: Vice President

AMR Investment Services, Inc.

By: /s/ William F. Quinn

Title: President

Exhibit 99.b.5.a.iii

Supplemental Terms and Conditions
of
Management Agreement between
American AAdvantage Funds
and

AMR Investment Services, Inc.
with respect to the American AAdvantage Balanced,
Growth and Income, International Equity and
Limited-Term Income Funds

The following terms and conditions hereby are incorporated into the Management Agreement (the "Agreement") dated April 3, 1987 between American AAdvantage Funds (the "Trust") and AMR Investment Services, Inc. (the "Manager") with respect to 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 and such other portfolios of the Trust as the Trust and the Manager may hereafter agree upon (collectively, the "Funds"). To the extent that there is any conflict between the terms of the Agreement and these Supplemental Terms and Conditions ("Supplement"), this Supplement shall govern.

1. The Trust and the Manager hereby acknowledge that the Manager will henceforth provide administrative services to the Trust, with respect to the Funds, pursuant to a separate Administrative Services Agreement dated August 1, 1994, between the Trust and the Manager (the "Administrative Services Agreement"). These administrative services shall include all services currently provided by the Manager to the Trust other than those specified in Paragraphs 2(B) and 3 of the Management Agreement.

2. Paragraph 6 of the Management Agreement is hereby amended to read, with respect to the Funds, in its entirety, as follows:

> 6. Compensation of the Manager. In consideration of the Manager's services as specified in this Agreement, the Manager shall receive a fee as specified in the Schedule(s) attached hereto. This fee constitutes the Manager's compensation solely with respect to the investment advisory and portfolio allocation services performed pursuant to Paragraphs 2(B) and 3 of this Agreement. In addition, the Trust agrees to pay the Manager a fee pursuant to the Administrative Services Agreement. The Trust and the Manager each acknowledge that this fee represents the Manager's compensation for all services performed under this Agreement other than the investment advisory and portfolio allocation services specified in Paragraphs 2(B) and 3.

3. Notice is hereby given that the Management Agreement and this

Supplement are executed on behalf of the Trustees of the Trust and not individually and that the obligations of the Agreement and Supplement are not binding upon any of the Trustees, officers, or shareholders of the Trust individually, but are binding only upon the assets and property of the Fund to which the Agreement and this Supplement relate.

Dated: August 1, 1994

AMR INVESTMENT SERVICES, INC.

By: /s/ W.F. Quinn

Title: President

AMERICAN AADVANTAGE FUNDS

By: /s/ Nancy Eckl

Title: Vice President, Treasurer and Assistant Secretary

Exhibit 99.b.5.a.iv

SUPPLEMENTAL TERMS AND CONDITIONS OF
THE MANAGEMENT AGREEMENT BETWEEN
THE AMERICAN AADVANTAGE FUNDS
AND
AMR INVESTMENT SERVICES, INC.

The following terms and conditions hereby are incorporated into the Management Agreement dated April 3, 1987, as supplemented August 1, 1994 ("Agreement") between American AAdvantage Funds (the "Trust") and AMR Investment Services, Inc. (the "Manager") on behalf of 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 U.S. Treasury Money Market Fund and such other portfolios of the Trust as the Trust and the Manager may hereafter agree upon (each a "Fund" and collectively, the "Funds"). To the extent that there is any conflict between the terms of the Agreement and these Supplemental Terms and Conditions ("Supplement"), this Supplement shall govern.

1. Paragraph 6 of the Management Agreement is hereby amended, in its entirety, by replacing paragraph 6 with the following:

> 6. Compensation of the Manager. In consideration of the Manager's services as specified in this Agreement, the Manager shall receive a fee as specified in the Schedule(s) attached hereto. This fee constitutes the Manager's compensation solely with respect to the investment advisory and portfolio allocation services performed pursuant to Paragraphs 2(B) and 3 of this Agreement. In addition, the Trust agrees to pay the Manager a fee pursuant to the Administrative Services Agreement. To the extent that a Fund invests all of its investable assets (i.e., securities and cash) in another registered investment company, however, no portion of the advisory fee attributable to that Fund as specified in the Schedule(s) attached hereto shall be paid for the period that such Fund's assets are so invested. In addition, the Trust agrees to pay to the Manager an administrative fee pursuant to the Administrative Services Agreement. The Trust and the Manager each acknowledge that this fee represents the Manager's compensation for all services performed under this Agreement other than the investment advisory and portfolio allocation services specified in Paragraphs 2(B) and 3.

3. Notice is hereby given that the Management Agreement and this Supplement are executed on behalf of the Trustees of the Trust and not individually and that the obligations of the Agreement and Supplement are not binding upon any of the Trustees, officers, or shareholders of the Trust individually, but are binding only upon the assets and property of the Fund to

which the Agreement and this Supplement relate.

Dated: August 1, 1995

AMR INVESTMENT SERVICES, INC.

By: /s/ W.F. Quinn

Title: President

AMERICAN AADVANTAGE FUNDS

By: /s/ Nancy Eckl

Title: Vice President, Treasurer and Assistant Secretary

Exhibit 99.b.5.b.i

AMERICAN AADVANTAGE FUNDS
INVESTMENT ADVISORY AGREEMENT

AGREEMENT made this 1 day of November , 1995 by and between AMR Investment Services, Inc., a Delaware Corporation, (the "Manager") and Independence Investment Associates, Inc. (the "Adviser");

WHEREAS, American AAdvantage Funds (the "Trust"), a Massachusetts Business Trust, is an open-end, diversified management investment company registered under the Investment Company Act of 1940, as amended, consisting of several series (portfolios) of shares, each having its own investment policies; and

WHEREAS, the Trust has retained the Manager to provide the Trust with business and asset management services, subject to the control of the Board of Trustees;

WHEREAS, the Trust's agreement with the Manager permits the Manager to delegate to other parties certain of its asset management responsibilities; and

WHEREAS, the Manager desires to retain the Adviser to render investment management services to the Trust with respect to certain of its investment portfolios and such other investment portfolios as the Trust and the Adviser may agree upon and so specify in the Schedule(s) attached hereto (collectively the "Portfolios") and as described in the Trust's registration statement on Form N-1A as amended from time to time, and the Adviser is willing to render such services;

NOW, THEREFORE, in consideration of mutual covenants herein contained, the parties hereto agree as follows:

1. DUTIES OF THE ADVISER. The Manager employs the Adviser to manage the investment and reinvestment of such portion, if any, of the Portfolios' assets as is designated by the Manager from time to time, and with respect to such assets, to continuously review, supervise and administer the investment program of the Portfolios, to determine in the Advisers discretion the securities to be purchased or sold, to provide the Manager and the Trust with records concerning the Adviser's activities which the Trust is required to maintain, and to render regular reports to the Manager and to the Trust's officers and Trustees concerning the Adviser's discharge of the foregoing responsibilities. The Adviser shall discharge the foregoing

responsibilities subject to the Manager's oversight and the control of the officers and the Trustees of the Trust and in compliance with such policies as the Trustees may from time to time establish, and in compliance with the

objectives, policies, and limitations for each such Portfolio set forth in the Trust's current registration statement as amended from time to time and applicable laws and regulations. The Adviser accepts such employment and agrees to render the services for the compensation specified herein and to provide at its own expense the office space, furnishings and equipment and the personnel required by it to perform the services on the terms and for the compensation provided herein. The Manager will instruct the Trust's Custodian(s) to hold and/or transfer the Portfolios' assets in accordance with Proper Instructions received from the Adviser. (For this purpose the term "Proper Instructions" shall have the meaning(s) specified in the applicable agreements(s) between the Trust and its Custodian(s).) The Adviser will not be responsible for the cost of securities or brokerage commissions or any other Trust expenses except as specified in this Agreement.

2. PORTFOLIO TRANSACTIONS. The Adviser is authorized to select the brokers or dealers (including, to the extent permitted by law and applicable Trust guidelines, the Adviser or any of its affiliates) that will execute the purchases and sales of portfolio securities for the Portfolios and is directed to use its best efforts to obtain the best net results with respect to brokers' commissions and discounts as described in the Trust's current registration statement as amended from time to time. In selecting brokers or dealers, the Adviser may give consideration to factors other than price, including, but not limited to, research services and market information. Any such services or information which the Adviser receives in connection with activities for the Trust may also be used for the benefit of other clients and customers of the Adviser or any of its affiliates. The Adviser will promptly communicate to the Manager and to the officers and the Trustees of the Trust such information relating to portfolio transactions as they may reasonably request.

3. COMPENSATION OF THE ADVISER. For the services to be rendered by the Adviser as provided in Sections 1 and 2 of this Agreement, the Manager shall pay to the Adviser compensation at the rate specified in Schedule(s) attached hereto and made a part of this Agreement. Such compensation shall be paid to the Adviser quarterly in arrears, and shall be calculated by applying the annual percentage rate(s) as specified in the attached Schedule(s) to the average month- end assets of the specified portfolios during the relevant quarter. Solely for the purpose of calculating the applicable annual percentage rates specified

in the attached Schedule(s), there shall be included such other assets as are specified in said Schedule(s).

4. OTHER SERVICES. At the request of the Trust or the Manager, the Adviser in its discretion may make available to the Trust office facilities, equipment, personnel, and other services. Such office facilities, equipment, personnel and services shall be provided for or rendered by the Adviser and billed to the Trust or the Manager at a price to be agreed upon by the Adviser and the Trust or the Manager.

5. REPORTS. The Manager (on behalf of the Trust) and the Adviser agree

to furnish to each other, if applicable, current prospectuses, proxy statements, reports to shareholders, certified copies of their financial statements, and such other information with regard to their affairs as each may reasonably request.

6. STATUS OF ADVISER. The services of the Adviser to the Trust are not to be deemed exclusive, and the Adviser and its directors, officers, employees and affiliates shall be free to render similar services to others so long as its services to the Trust are not impaired thereby. The Adviser shall be deemed to be an independent contractor and shall, unless otherwise expressly provided or authorized, have no authority to act for or represent the Manager or the Trust in any way or otherwise be deemed an agent to the Manager or the Trust.

7. CERTAIN RECORDS. Any records required to be maintained and preserved pursuant to the provisions of Rule 31a- 1 and Rule 31a-2 promulgated under the Investment Company Act of 1940 which are prepared or maintained by the Adviser on behalf of the Manager or the Trust are the property of the Manager or the Trust and will be surrendered promptly to the Manager or Trust on request.

8. LIABILITY OF ADVISER. No provision of this Agreement shall be deemed to protect the Adviser against any liability to the Trust or its shareholders to which it might otherwise be subject by reason of any willful misfeasance, bad faith, or gross negligence in the performance of its duties or the reckless disregard of its obligations under this Agreement.

9. PERMISSIBLE INTERESTS. To the extent permitted by law, Trustees, agents, and shareholders of the Trust are or may be interested in the Adviser (or any successor thereof) as directors, partners, officers, or shareholders, or otherwise; directors, partners, officers, agents, and shareholders of the Adviser are or may be interested in the Trust as Trustees, shareholders or otherwise; and the Adviser (or any successor

thereof) is or may be interested in the Trust as a shareholder or otherwise; provided that all such interests shall be fully disclosed between the parties on an ongoing basis and in the Trust's registration statement as required by law.

10. DURATION AND TERMINATION. This Agreement, unless sooner terminated as provided herein, shall continue for two years after its initial approval as to each Portfolio and thereafter for periods of one year for so long as such continuance thereafter is specifically approved at least annually (a) by the vote of a majority of those Trustees of the Trust who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Trustees of the Trust or by vote of a majority of the outstanding voting securities of each Portfolio; provided, however, that if the shareholders of any Portfolio fail to approve the Agreement as provided herein, the Adviser may continue to serve hereunder in the manner and to the extent permitted by the Investment Company

Act of 1940 and rules thereunder. The foregoing requirement that continuance of this Agreement be "specifically approved at least annually" shall be construed in a manner consistent with the Investment Company Act of 1940 and the rules and regulations thereunder. This Agreement may be terminated as to any Portfolio at any time, without the payment of any penalty, by the Manager, by vote of a majority of the Trustees of the Trust or by vote of a majority of the outstanding voting securities of the Portfolio on not less than 30 days nor more than 60 days written notice to the Adviser, or by the Adviser at any time without the payment of any penalty, on 60 days written notice to the Trust. This Agreement will automatically and immediately terminate in the event of its assignment. Any notice under this Agreement shall be given in writing, addressed and delivered, or mailed postpaid, to the other party at the primary office of such party, unless such party has previously designated another address.

As used in this Section 10, the terms "assignment", "interested persons", and a "vote of a majority of the outstanding voting securities" shall have the respective meanings set forth in the Investment company Act of 1940 and the rules and regulations thereunder, subject to such exemptions as may be granted by the Securities and Exchange Commission under said Act.

11. SEVERABILITY. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby.

A copy of the Declaration of Trust of the Trust is on file with the Secretary of the Commonwealth of Massachusetts, and

notice is hereby given that this instrument is not binding upon any of the Trustees, officers, or shareholders of the Trust individually.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

Independence Investment Associates Inc.	AMR INVESTMENT SERVICES INC.
By /s/Mark C. Lapman	By /s/ W.F. Quinn William F. Quinn
Its Executive Vice President	Its President

Schedule A
to the
American AAdvantage Funds

Investment Advisory Agreement
between
AMR Investment Services, Inc.
and
Independence Investment Associates, Inc.

AMR Investment Services, Inc. shall pay compensation to Independence Investment Associates, Inc. pursuant to section 3 of the Investment Advisory Agreement between said parties in accordance with the following annual percentage rates:

0.50% per annum on the first $30 million
0.25% per annum on the next $70 million
0.20% per annum on all excess assets

In calculating the amount of assets under management solely for the purposes of determining the applicable percentage rate, there should be included all American Airlines Trust Funds under management by the Adviser.

DATED: November 1, 1995

Exhibit 99.b.5.b.ii

AMERICAN AADVANTAGE FUNDS
INVESTMENT ADVISORY AGREEMENT

AGREEMENT made this 1 day of November , 1995 by and between AMR Investment Services, Inc., a Delaware Corporation, (the "Manager") and Morgan Stanley Asset Management Inc. (the "Adviser");

WHEREAS, American AAdvantage Funds (the "Trust"), a Massachusetts Business Trust, is an open-end, diversified management investment company registered under the Investment Company Act of 1940, as amended, consisting of several series (portfolios) of shares, each having its own investment policies; and

WHEREAS, the Trust has retained the Manager to provide the Trust with business and asset management services, subject to the control of the Board of Trustees;

WHEREAS, the Trust's agreement with the Manager permits the Manager to delegate to other parties certain of its asset management responsibilities; and

WHEREAS, the Manager desires to retain the Adviser to render investment management services to the Trust with respect to certain of its investment portfolios and such other investment portfolios as the Trust and the Adviser may agree upon and so specify in the Schedule(s) attached hereto (collectively the "Portfolios") and as described in the Trust's registration statement on Form N-1A as amended from time to time, and the Adviser is willing to render such services;

NOW, THEREFORE, in consideration of mutual covenants herein contained, the parties hereto agree as follows:

1. DUTIES OF THE ADVISER. The Manager employs the Adviser to manage the investment and reinvestment of such portion, if any, of the Portfolios' assets as is designated by the Manager from time to time, and with respect to such assets, to continuously review, supervise and administer the investment program of the Portfolios, to determine in the Advisers discretion the securities to be purchased or sold, to provide the Manager and the Trust with records concerning the Adviser's activities which the Trust is required to maintain, and to render regular reports to the Manager and to the Trust's officers and Trustees concerning the Adviser's discharge of the foregoing responsibilities. The Adviser shall discharge the foregoing

responsibilities subject to the Manager's oversight and the control of the officers and the Trustees of the Trust and in compliance with such policies as the Trustees may from time to time establish, and in compliance with the

objectives, policies, and limitations for each such Portfolio set forth in the Trust's current registration statement as amended from time to time and applicable laws and regulations. The Adviser accepts such employment and agrees to render the services for the compensation specified herein and to provide at its own expense the office space, furnishings and equipment and the personnel required by it to perform the services on the terms and for the compensation provided herein. The Manager will instruct the Trust's Custodian(s) to hold and/or transfer the Portfolios' assets in accordance with Proper Instructions received from the Adviser. (For this purpose the term "Proper Instructions" shall have the meaning(s) specified in the applicable agreements(s) between the Trust and its Custodian(s).) The Adviser will not be responsible for the cost of securities or brokerage commissions or any other Trust expenses except as specified in this Agreement.

2. PORTFOLIO TRANSACTIONS. The Adviser is authorized to select the brokers or dealers (including, to the extent permitted by law and applicable Trust guidelines, the Adviser or any of its affiliates) that will execute the purchases and sales of portfolio securities for the Portfolios and is directed to use its best efforts to obtain the best net results with respect to brokers' commissions and discounts as described in the Trust's current registration statement as amended from time to time. In selecting brokers or dealers, the Adviser may give consideration to factors other than price, including, but not limited to, research services and market information. Any such services or information which the Adviser receives in connection with activities for the Trust may also be used for the benefit of other clients and customers of the Adviser or any of its affiliates. The Adviser will promptly communicate to the Manager and to the officers and the Trustees of the Trust such information relating to portfolio transactions as they may reasonably request.

3. COMPENSATION OF THE ADVISER. For the services to be rendered by the Adviser as provided in Sections 1 and 2 of this Agreement, the Manager shall pay to the Adviser compensation at the rate specified in Schedule(s) attached hereto and made a part of this Agreement. Such compensation shall be paid to the Adviser quarterly in arrears, and shall be calculated by applying the annual percentage rate(s) as specified in the attached Schedule(s) to the average month- end assets of the specified portfolios during the relevant quarter. Solely for the purpose of calculating the applicable annual percentage rates specified

in the attached Schedule(s), there shall be included such other assets as are specified in said Schedule(s).

The Adviser agrees that the fee charged to the Manager will be no more than that charged for any other client of similar size receiving comparable services. Furthermore, the Adviser agrees to notify the Manager on a timely basis of any fee schedule it enters into with any other client of similar size which is lower than the fee paid by the Manager.

4. OTHER SERVICES. At the request of the Trust or the Manager, the Adviser in its discretion may make available to the Trust office facilities,

equipment, personnel, and other services. Such office facilities, equipment, personnel and services shall be provided for or rendered by the Adviser and billed to the Trust or the Manager at a price to be agreed upon by the Adviser and the Trust or the Manager.

5. REPORTS. The Manager (on behalf of the Trust) and the Adviser agree to furnish to each other, if applicable, current prospectuses, proxy statements, reports to shareholders, certified copies of their financial statements, and such other information with regard to their affairs as each may reasonably request.

6. STATUS OF ADVISER. The services of the Adviser to the Trust are not to be deemed exclusive, and the Adviser and its directors, officers, employees and affiliates shall be free to render similar services to others so long as its services to the Trust are not impaired thereby. The Adviser shall be deemed to be an independent contractor and shall, unless otherwise expressly provided or authorized, have no authority to act for or represent the Manager or the Trust in any way or otherwise be deemed an agent to the Manager or the Trust.

7. CERTAIN RECORDS. Any records required to be maintained and preserved pursuant to the provisions of Rule 31a- 1 and Rule 31a-2 promulgated under the Investment Company Act of 1940 which are prepared or maintained by the Adviser on behalf of the Manager or the Trust are the property of the Manager or the Trust and will be surrendered promptly to the Manager or Trust on request.

8. LIABILITY OF ADVISER. No provision of this Agreement shall be deemed to protect the Adviser against any liability to the Trust or its shareholders to which it might otherwise be subject by reason of any willful misfeasance, bad faith, or gross negligence in the performance of its duties or the reckless disregard of its obligations under this Agreement.

9. PERMISSIBLE INTERESTS. To the extent permitted by law, Trustees, agents, and shareholders of the Trust are or may be interested in the Adviser (or any successor thereof) as directors, partners, officers, or shareholders, or otherwise; directors, partners, officers, agents, and shareholders of the Adviser are or may be interested in the Trust as Trustees, shareholders or otherwise; and the Adviser (or any successor thereof) is or may be interested in the Trust as a shareholder or otherwise; provided that all such interests shall be fully disclosed between the parties on an ongoing basis and in the Trust's registration statement as required by law.

10. DURATION AND TERMINATION. This Agreement, unless sooner terminated as provided herein, shall continue for two years after its initial approval as to each Portfolio and thereafter for periods of one year for so long as such continuance thereafter is specifically approved at least annually (a) by the vote of a majority of those Trustees of the Trust who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Trustees of the Trust or by vote of a majority of the outstanding voting securities of each

Portfolio; provided, however, that if the shareholders of any Portfolio fail to approve the Agreement as provided herein, the Adviser may continue to serve hereunder in the manner and to the extent permitted by the Investment Company Act of 1940 and rules thereunder. The foregoing requirement that continuance of this Agreement be "specifically approved at least annually" shall be construed in a manner consistent with the Investment Company Act of 1940 and the rules and regulations thereunder. This Agreement may be terminated as to any Portfolio at any time, without the payment of any penalty, by the Manager, by vote of a majority of the Trustees of the Trust or by vote of a majority of the outstanding voting securities of the Portfolio on not less than 30 days nor more than 60 days written notice to the Adviser, or by the Adviser at any time without the payment of any penalty, on 60 days written notice to the Trust. This Agreement will automatically and immediately terminate in the event of its assignment. Any notice under this Agreement shall be given in writing, addressed and delivered, or mailed postpaid, to the other party at the primary office of such party, unless such party has previously designated another address.

As used in this Section 10, the terms "assignment", "interested persons", and a "vote of a majority of the outstanding voting securities" shall have the respective meanings set forth in the Investment company Act of 1940 and the rules and regulations thereunder, subject to such exemptions as may be granted by the Securities and Exchange Commission under said Act.

11. SEVERABILITY. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby.

A copy of the Declaration of Trust of the Trust is on file with the Secretary of the Commonwealth of Massachusetts, and notice is hereby given that this instrument is not binding upon any of the Trustees, officers, or shareholders of the Trust individually.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

Morgan Stanley Asset Management Inc.	AMR INVESTMENT SERVICES INC.
By /s/ A. MACDONALD CAPUTO	By /s/ W.F. Quinn
	William F. Quinn
Its Managing Director	Its President

Schedule A
to the

American AAdvantage Funds
Investment Advisory Agreement
between
AMR Investment Services, Inc.
and
Morgan Stanley Asset Management Inc.

AMR Investment Services, Inc. shall pay compensation to Morgan Stanley Asset Management Inc. pursuant to section 3 of the Investment Advisory Agreement between said parties in accordance with the following annual percentage rates:

0.80% per annum on the first $25 million
0.60% per annum on the next $25 million
0.50% per annum on the next $25 million
0.40% per annum on all excess assets

In calculating the amount of assets under management solely for the purposes of determining the applicable percentage rate, there should be included all American Airlines Trust Funds under management by the Adviser.

DATED: November 1, 1995

Exhibit 99.b.5.b.iii

AMERICAN AADVANTAGE FUNDS
INVESTMENT ADVISORY AGREEMENT

AGREEMENT made this 1 day of November , 1995 by and between AMR Investment Services, Inc., a Delaware Corporation, (the "Manager") and Templeton Investment Counsel, Inc. (the "Adviser");

WHEREAS, American AAdvantage Funds (the "Trust"), a Massachusetts Business Trust, is an open-end, diversified management investment company registered under the Investment Company Act of 1940, as amended, consisting of several series (portfolios) of shares, each having its own investment policies; and

WHEREAS, the Trust has retained the Manager to provide the Trust with business and asset management services, subject to the control of the Board of Trustees;

WHEREAS, the Trust's agreement with the Manager permits the Manager to delegate to other parties certain of its asset management responsibilities; and

WHEREAS, the Manager desires to retain the Adviser to render investment management services to the Trust with respect to certain of its investment portfolios and such other investment portfolios as the Trust and the Adviser may agree upon and so specify in the Schedule(s) attached hereto (collectively the "Portfolios") and as described in the Trust's registration statement on Form N-1A as amended from time to time, and the Adviser is willing to render such services;

NOW, THEREFORE, in consideration of mutual covenants herein contained, the parties hereto agree as follows:

1. DUTIES OF THE ADVISER. The Manager employs the Adviser to manage the investment and reinvestment of such portion, if any, of the Portfolios' assets as is designated by the Manager from time to time, and with respect to such assets, to continuously review, supervise and administer the investment program of the Portfolios, to determine in the Advisers discretion the securities to be purchased or sold, to provide the Manager and the Trust with records concerning the Adviser's activities which the Trust is required to maintain, and to render regular reports to the Manager and to the Trust's officers and Trustees concerning the Adviser's discharge of the foregoing responsibilities. The Adviser shall discharge the foregoing

responsibilities subject to the Manager's oversight and the control of the officers and the Trustees of the Trust and in compliance with such policies as the Trustees may from time to time establish, and in compliance with the

objectives, policies, and limitations for each such Portfolio set forth in the Trust's current registration statement as amended from time to time and applicable laws and regulations. The Adviser accepts such employment and agrees to render the services for the compensation specified herein and to provide at its own expense the office space, furnishings and equipment and the personnel required by it to perform the services on the terms and for the compensation provided herein. The Manager will instruct the Trust's Custodian(s) to hold and/or transfer the Portfolios' assets in accordance with Proper Instructions received from the Adviser. (For this purpose the term "Proper Instructions" shall have the meaning(s) specified in the applicable agreements(s) between the Trust and its Custodian(s).) The Adviser will not be responsible for the cost of securities or brokerage commissions or any other Trust expenses except as specified in this Agreement.

2. PORTFOLIO TRANSACTIONS. The Adviser is authorized to select the brokers or dealers (including, to the extent permitted by law and applicable Trust guidelines, the Adviser or any of its affiliates) that will execute the purchases and sales of portfolio securities for the Portfolios and is directed to use its best efforts to obtain the best net results with respect to brokers' commissions and discounts as described in the Trust's current registration statement as amended from time to time. In selecting brokers or dealers, the Adviser may give consideration to factors other than price, including, but not limited to, research services and market information. Any such services or information which the Adviser receives in connection with activities for the Trust may also be used for the benefit of other clients and customers of the Adviser or any of its affiliates. The Adviser will promptly communicate to the Manager and to the officers and the Trustees of the Trust such information relating to portfolio transactions as they may reasonably request.

3. COMPENSATION OF THE ADVISER. For the services to be rendered by the Adviser as provided in Sections 1 and 2 of this Agreement, the Manager shall pay to the Adviser compensation at the rate specified in Schedule(s) attached hereto and made a part of this Agreement. Such compensation shall be paid to the Adviser quarterly in arrears, and shall be calculated by applying the annual percentage rate(s) as specified in the attached Schedule(s) to the average month- end assets of the specified portfolios during the relevant quarter. Solely for the purpose of calculating the applicable annual percentage rates specified

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in the attached Schedule(s), there shall be included such other assets as are specified in said Schedule(s).

The Adviser shall be paid as its fee and as its compensation for services rendered under this Agreement an amount computed and billed in accordance with the billing procedure attached hereto as "Appendix A" and made a part hereof. The Adviser agrees that the fee charged to the Manager will be no more than that charged for any other client of similar size regardless of type except that the Adviser's clients before November 1, 1995 are excluded from this provision. Furthermore, the Adviser agrees to notify the Manager on a timely basis of any fee schedule it enters into with any other client of similar size which is lower than the fee paid by the Manager.

4. OTHER SERVICES. At the request of the Trust or the Manager, the Adviser in its discretion may make available to the Trust office facilities, equipment, personnel, and other services. Such office facilities, equipment, personnel and services shall be provided for or rendered by the Adviser and billed to the Trust or the Manager at a price to be agreed upon by the Adviser and the Trust or the Manager.

5. REPORTS. The Manager (on behalf of the Trust) and the Adviser agree to furnish to each other, if applicable, current prospectuses, proxy statements, reports to shareholders, certified copies of their financial statements, and such other information with regard to their affairs as each may reasonably request.

6. STATUS OF ADVISER. The services of the Adviser to the Trust are not to be deemed exclusive, and the Adviser and its directors, officers, employees and affiliates shall be free to render similar services to others so long as its services to the Trust are not impaired thereby. The Adviser shall be deemed to be an independent contractor and shall, unless otherwise expressly provided or authorized, have no authority to act for or represent the Manager or the Trust in any way or otherwise be deemed an agent to the Manager or the Trust.

7. CERTAIN RECORDS. Any records required to be maintained and preserved pursuant to the provisions of Rule 31a- 1 and Rule 31a-2 promulgated under the Investment Company Act of 1940 which are prepared or maintained by the Adviser on behalf of the Manager or the Trust are the property of the Manager or the Trust and will be surrendered promptly to the Manager or Trust on request.

8. LIABILITY OF ADVISER. No provision of this Agreement shall be deemed to protect the Adviser against any liability to

the Trust or its shareholders to which it might otherwise be subject by reason of any willful misfeasance, bad faith, or gross negligence in the performance of its duties or the reckless disregard of its obligations under this Agreement.

9. PERMISSIBLE INTERESTS. To the extent permitted by law, Trustees, agents, and shareholders of the Trust are or may be interested in the Adviser (or any successor thereof) as directors, partners, officers, or shareholders, or otherwise; directors, partners, officers, agents, and shareholders of the Adviser are or may be interested in the Trust as Trustees, shareholders or otherwise; and the Adviser (or any successor thereof) is or may be interested in the Trust as a shareholder or otherwise; provided that all such interests shall be fully disclosed between the parties on an ongoing basis and in the Trust's registration statement as required by law.

10. DURATION AND TERMINATION. This Agreement, unless sooner terminated as provided herein, shall continue for two years after its initial approval as

to each Portfolio and thereafter for periods of one year for so long as such continuance thereafter is specifically approved at least annually (a) by the vote of a majority of those Trustees of the Trust who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Trustees of the Trust or by vote of a majority of the outstanding voting securities of each Portfolio; provided, however, that if the shareholders of any Portfolio fail to approve the Agreement as provided herein, the Adviser may continue to serve hereunder in the manner and to the extent permitted by the Investment Company Act of 1940 and rules thereunder. The foregoing requirement that continuance of this Agreement be "specifically approved at least annually" shall be construed in a manner consistent with the Investment Company Act of 1940 and the rules and regulations thereunder. This Agreement may be terminated as to any Portfolio at any time, without the payment of any penalty, by the Manager, by vote of a majority of the Trustees of the Trust or by vote of a majority of the outstanding voting securities of the Portfolio on not less than 30 days nor more than 60 days written notice to the Adviser, or by the Adviser at any time without the payment of any penalty, on 60 days written notice to the Trust. This Agreement will automatically and immediately terminate in the event of its assignment. Any notice under this Agreement shall be given in writing, addressed and delivered, or mailed postpaid, to the other party at the primary office of such party, unless such party has previously designated another address.

As used in this Section 10, the terms "assignment", "interested persons", and a "vote of a majority of the

outstanding voting securities" shall have the respective meanings set forth in the Investment company Act of 1940 and the rules and regulations thereunder, subject to such exemptions as may be granted by the Securities and Exchange Commission under said Act.

11. SEVERABILITY. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby.

A copy of the Declaration of Trust of the Trust is on file with the Secretary of the Commonwealth of Massachusetts, and notice is hereby given that this instrument is not binding upon any of the Trustees, officers, or shareholders of the Trust individually.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

Templeton Investment Counsel	AMR INVESTMENT SERVICES INC.
By /s/Gary P. Motyl	By /s/ W.F. Quinn

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Gary P. Moyl   William F. Quinn

Executive Vice President & Its Director   President

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Schedule A
to the
American AAdvantage Funds
Investment Advisory Agreement
between
AMR Investment Services, Inc.
and
Templeton Investment Counsel, Inc.

AMR Investment Services, Inc. shall pay compensation to Templeton Investment Counsel, Inc. pursuant to section 3 of the Investment Advisory Agreement between said parties in accordance with the following annual percentage rates:

0.50% per annum on the first $100 million
0.35% per annum on the next $50 million
0.30% per annum on the next $250 million
0.25% per annum on the excess over $400 million

In calculating the amount of assets under management solely for the purposes of determining the applicable percentage rate, there should be included all American Airlines Trust Funds under management by the Adviser.

DATED: November 1, 1995

Exhibit 99.b.5.b.iv

AMERICAN AADVANTAGE FUNDS
INVESTMENT ADVISORY AGREEMENT

AGREEMENT made this 1 day of November , 1995 by and between AMR Investment Services, Inc., a Delaware Corporation, (the "Manager") and Barrow, Hanley, Mewhinney & Strauss, Inc. (the "Adviser");

WHEREAS, American AAdvantage Funds (the "Trust"), a Massachusetts Business Trust, is an open-end, diversified management investment company registered under the Investment Company Act of 1940, as amended, consisting of several series (portfolios) of shares, each having its own investment policies; and

WHEREAS, the Trust has retained the Manager to provide the Trust with business and asset management services, subject to the control of the Board of Trustees;

WHEREAS, the Trust's agreement with the Manager permits the Manager to delegate to other parties certain of its asset management responsibilities; and

WHEREAS, the Manager desires to retain the Adviser to render investment management services to the Trust with respect to certain of its investment portfolios and such other investment portfolios as the Trust and the Adviser may agree upon and so specify in the Schedule(s) attached hereto (collectively the "Portfolios") and as described in the Trust's registration statement on Form N-1A as amended from time to time, and the Adviser is willing to render such services;

NOW, THEREFORE, in consideration of mutual covenants herein contained, the parties hereto agree as follows:

1. DUTIES OF THE ADVISER. The Manager employs the Adviser to manage the investment and reinvestment of such portion, if any, of the Portfolios' assets as is designated by the Manager from time to time, and with respect to such assets, to continuously review, supervise and administer the investment program of the Portfolios, to determine in the Advisers discretion the securities to be purchased or sold, to provide the Manager and the Trust with records concerning the Adviser's activities which the Trust is required to maintain, and to render regular reports to the Manager and to the Trust's officers and Trustees concerning the Adviser's discharge of the foregoing responsibilities. The Adviser shall discharge the foregoing

responsibilities subject to the Manager's oversight and the control of the officers and the Trustees of the Trust and in compliance with such policies as the Trustees may from time to time establish, and in compliance with the

objectives, policies, and limitations for each such Portfolio set forth in the Trust's current registration statement as amended from time to time and applicable laws and regulations. The Adviser accepts such employment and agrees to render the services for the compensation specified herein and to provide at its own expense the office space, furnishings and equipment and the personnel required by it to perform the services on the terms and for the compensation provided herein. The Manager will instruct the Trust's Custodian(s) to hold and/or transfer the Portfolios' assets in accordance with Proper Instructions received from the Adviser. (For this purpose the term "Proper Instructions" shall have the meaning(s) specified in the applicable agreements(s) between the Trust and its Custodian(s).) The Adviser will not be responsible for the cost of securities or brokerage commissions or any other Trust expenses except as specified in this Agreement.

2. PORTFOLIO TRANSACTIONS. The Adviser is authorized to select the brokers or dealers (including, to the extent permitted by law and applicable Trust guidelines, the Adviser or any of its affiliates) that will execute the purchases and sales of portfolio securities for the Portfolios and is directed to use its best efforts to obtain the best net results with respect to brokers' commissions and discounts as described in the Trust's current registration statement as amended from time to time. In selecting brokers or dealers, the Adviser may give consideration to factors other than price, including, but not limited to, research services and market information. Any such services or information which the Adviser receives in connection with activities for the Trust may also be used for the benefit of other clients and customers of the Adviser or any of its affiliates. The Adviser will promptly communicate to the Manager and to the officers and the Trustees of the Trust such information relating to portfolio transactions as they may reasonably request.

3. COMPENSATION OF THE ADVISER. For the services to be rendered by the Adviser as provided in Sections 1 and 2 of this Agreement, the Manager shall pay to the Adviser compensation at the rate specified in Schedule(s) attached hereto and made a part of this Agreement. Such compensation shall be paid to the Adviser quarterly in arrears, and shall be calculated by applying the annual percentage rate(s) as specified in the attached Schedule(s) to the average month- end assets of the specified portfolios during the relevant quarter. Solely for the purpose of calculating the applicable annual percentage rates specified

in the attached Schedule(s), there shall be included such other assets as are specified in said Schedule(s).

4. OTHER SERVICES. At the request of the Trust or the Manager, the Adviser in its discretion may make available to the Trust office facilities, equipment, personnel, and other services. Such office facilities, equipment, personnel and services shall be provided for or rendered by the Adviser and billed to the Trust or the Manager at a price to be agreed upon by the Adviser and the Trust or the Manager.

5. REPORTS. The Manager (on behalf of the Trust) and the Adviser agree

to furnish to each other, if applicable, current prospectuses, proxy statements, reports to shareholders, certified copies of their financial statements, and such other information with regard to their affairs as each may reasonably request.

6. STATUS OF ADVISER. The services of the Adviser to the Trust are not to be deemed exclusive, and the Adviser and its directors, officers, employees and affiliates shall be free to render similar services to others so long as its services to the Trust are not impaired thereby. The Adviser shall be deemed to be an independent contractor and shall, unless otherwise expressly provided or authorized, have no authority to act for or represent the Manager or the Trust in any way or otherwise be deemed an agent to the Manager or the Trust.

7. CERTAIN RECORDS. Any records required to be maintained and preserved pursuant to the provisions of Rule 31a- 1 and Rule 31a-2 promulgated under the Investment Company Act of 1940 which are prepared or maintained by the Adviser on behalf of the Manager or the Trust are the property of the Manager or the Trust and will be surrendered promptly to the Manager or Trust on request.

8. LIABILITY OF ADVISER. No provision of this Agreement shall be deemed to protect the Adviser against any liability to the Trust or its shareholders to which it might otherwise be subject by reason of any willful misfeasance, bad faith, or gross negligence in the performance of its duties or the reckless disregard of its obligations under this Agreement.

9. PERMISSIBLE INTERESTS. To the extent permitted by law, Trustees, agents, and shareholders of the Trust are or may be interested in the Adviser (or any successor thereof) as directors, partners, officers, or shareholders, or otherwise; directors, partners, officers, agents, and shareholders of the Adviser are or may be interested in the Trust as Trustees, shareholders or otherwise; and the Adviser (or any successor

thereof) is or may be interested in the Trust as a shareholder or otherwise; provided that all such interests shall be fully disclosed between the parties on an ongoing basis and in the Trust's registration statement as required by law.

10. DURATION AND TERMINATION. This Agreement, unless sooner terminated as provided herein, shall continue for two years after its initial approval as to each Portfolio and thereafter for periods of one year for so long as such continuance thereafter is specifically approved at least annually (a) by the vote of a majority of those Trustees of the Trust who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Trustees of the Trust or by vote of a majority of the outstanding voting securities of each Portfolio; provided, however, that if the shareholders of any Portfolio fail to approve the Agreement as provided herein, the Adviser may continue to serve hereunder in the manner and to the extent permitted by the Investment Company Act of 1940 and rules thereunder. The foregoing requirement that continuance of

this Agreement be "specifically approved at least annually" shall be construed in a manner consistent with the Investment Company Act of 1940 and the rules and regulations thereunder. This Agreement may be terminated as to any Portfolio at any time, without the payment of any penalty, by the Manager, by vote of a majority of the Trustees of the Trust or by vote of a majority of the outstanding voting securities of the Portfolio on not less than 30 days nor more than 60 days written notice to the Adviser, or by the Adviser at any time without the payment of any penalty, on 60 days written notice to the Trust. This Agreement will automatically and immediately terminate in the event of its assignment. Any notice under this Agreement shall be given in writing, addressed and delivered, or mailed postpaid, to the other party at the primary office of such party, unless such party has previously designated another address.

As used in this Section 10, the terms "assignment", "interested persons", and a "vote of a majority of the outstanding voting securities" shall have the respective meanings set forth in the Investment company Act of 1940 and the rules and regulations thereunder, subject to such exemptions as may be granted by the Securities and Exchange Commission under said Act.

11. SEVERABILITY. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby.

A copy of the Declaration of Trust of the Trust is on file with the Secretary of the Commonwealth of Massachusetts, and

notice is hereby given that this instrument is not binding upon any of the Trustees, officers, or shareholders of the Trust individually.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

Barrow, Hanley, Mewhinney & Strauss, Inc.	AMR INVESTMENT SERVICES INC.
By /s/Bryant M. Hanley -------------------------	By /s/ W.F. Quinn ------------------------- William F. Quinn
Its President ------------------------	Its President ------------------------

Schedule A
to the
American AAdvantage Funds
Investment Advisory Agreement
between

AMR Investment Services, Inc.
and
Barrow, Hanley, Mewhinney & Strauss, Inc.

AMR Investment Services, Inc. shall pay compensation to Barrow, Hanley, Mewhinney & Strauss, Inc. pursuant to section 3 of the Investment Advisory Agreement between said parties in accordance with the following annual percentage rates:

0.30% per annum on the first $200 million
0.20% per annum on the next $300 million
0.15% per annum on the next $500 million
0.125% per annum on all excess over $1 billion

In calculating the amount of assets under management solely for the purposes of determining the applicable percentage rate, there should be included all American Airlines Trust Funds under management by the Adviser.

DATED: November 1, 1995

Exhibit 99.b.5.b.v

AMERICAN AADVANTAGE FUNDS
INVESTMENT ADVISORY AGREEMENT

AGREEMENT made this 1 day of November , 1995 by and between AMR Investment Services, Inc., a Delaware Corporation, (the "Manager") and GSB Investment Management, Inc. (the "Adviser");

WHEREAS, American AAdvantage Funds (the "Trust"), a Massachusetts Business Trust, is an open-end, diversified management investment company registered under the Investment Company Act of 1940, as amended, consisting of several series (portfolios) of shares, each having its own investment policies; and

WHEREAS, the Trust has retained the Manager to provide the Trust with business and asset management services, subject to the control of the Board of Trustees;

WHEREAS, the Trust's agreement with the Manager permits the Manager to delegate to other parties certain of its asset management responsibilities; and

WHEREAS, the Manager desires to retain the Adviser to render investment management services to the Trust with respect to certain of its investment portfolios and such other investment portfolios as the Trust and the Adviser may agree upon and so specify in the Schedule(s) attached hereto (collectively the "Portfolios") and as described in the Trust's registration statement on Form N-1A as amended from time to time, and the Adviser is willing to render such services;

NOW, THEREFORE, in consideration of mutual covenants herein contained, the parties hereto agree as follows:

1. DUTIES OF THE ADVISER. The Manager employs the Adviser to manage the investment and reinvestment of such portion, if any, of the Portfolios' assets as is designated by the Manager from time to time, and with respect to such assets, to continuously review, supervise and administer the investment program of the Portfolios, to determine in the Advisers discretion the securities to be purchased or sold, to provide the Manager and the Trust with records concerning the Adviser's activities which the Trust is required to maintain, and to render regular reports to the Manager and to the Trust's officers and Trustees concerning the Adviser's discharge of the foregoing responsibilities. The Adviser shall discharge the foregoing

responsibilities subject to the Manager's oversight and the control of the officers and the Trustees of the Trust and in compliance with such policies as the Trustees may from time to time establish, and in compliance with the

objectives, policies, and limitations for each such Portfolio set forth in the Trust's current registration statement as amended from time to time and applicable laws and regulations. The Adviser accepts such employment and agrees to render the services for the compensation specified herein and to provide at its own expense the office space, furnishings and equipment and the personnel required by it to perform the services on the terms and for the compensation provided herein. The Manager will instruct the Trust's Custodian(s) to hold and/or transfer the Portfolios' assets in accordance with Proper Instructions received from the Adviser. (For this purpose the term "Proper Instructions" shall have the meaning(s) specified in the applicable agreements(s) between the Trust and its Custodian(s).) The Adviser will not be responsible for the cost of securities or brokerage commissions or any other Trust expenses except as specified in this Agreement.

2. PORTFOLIO TRANSACTIONS. The Adviser is authorized to select the brokers or dealers (including, to the extent permitted by law and applicable Trust guidelines, the Adviser or any of its affiliates) that will execute the purchases and sales of portfolio securities for the Portfolios and is directed to use its best efforts to obtain the best net results with respect to brokers' commissions and discounts as described in the Trust's current registration statement as amended from time to time. In selecting brokers or dealers, the Adviser may give consideration to factors other than price, including, but not limited to, research services and market information. Any such services or information which the Adviser receives in connection with activities for the Trust may also be used for the benefit of other clients and customers of the Adviser or any of its affiliates. The Adviser will promptly communicate to the Manager and to the officers and the Trustees of the Trust such information relating to portfolio transactions as they may reasonably request.

3. COMPENSATION OF THE ADVISER. For the services to be rendered by the Adviser as provided in Sections 1 and 2 of this Agreement, the Manager shall pay to the Adviser compensation at the rate specified in Schedule(s) attached hereto and made a part of this Agreement. Such compensation shall be paid to the Adviser quarterly in arrears, and shall be calculated by applying the annual percentage rate(s) as specified in the attached Schedule(s) to the average month- end assets of the specified portfolios during the relevant quarter. Solely for the purpose of calculating the applicable annual percentage rates specified

in the attached Schedule(s), there shall be included such other assets as are specified in said Schedule(s).

4. OTHER SERVICES. At the request of the Trust or the Manager, the Adviser in its discretion may make available to the Trust office facilities, equipment, personnel, and other services. Such office facilities, equipment, personnel and services shall be provided for or rendered by the Adviser and billed to the Trust or the Manager at a price to be agreed upon by the Adviser and the Trust or the Manager.

5. REPORTS. The Manager (on behalf of the Trust) and the Adviser agree

to furnish to each other, if applicable, current prospectuses, proxy statements, reports to shareholders, certified copies of their financial statements, and such other information with regard to their affairs as each may reasonably request.

6. STATUS OF ADVISER. The services of the Adviser to the Trust are not to be deemed exclusive, and the Adviser and its directors, officers, employees and affiliates shall be free to render similar services to others so long as its services to the Trust are not impaired thereby. The Adviser shall be deemed to be an independent contractor and shall, unless otherwise expressly provided or authorized, have no authority to act for or represent the Manager or the Trust in any way or otherwise be deemed an agent to the Manager or the Trust.

7. CERTAIN RECORDS. Any records required to be maintained and preserved pursuant to the provisions of Rule 31a- 1 and Rule 31a-2 promulgated under the Investment Company Act of 1940 which are prepared or maintained by the Adviser on behalf of the Manager or the Trust are the property of the Manager or the Trust and will be surrendered promptly to the Manager or Trust on request.

8. LIABILITY OF ADVISER. No provision of this Agreement shall be deemed to protect the Adviser against any liability to the Trust or its shareholders to which it might otherwise be subject by reason of any willful misfeasance, bad faith, or gross negligence in the performance of its duties or the reckless disregard of its obligations under this Agreement.

9. PERMISSIBLE INTERESTS. To the extent permitted by law, Trustees, agents, and shareholders of the Trust are or may be interested in the Adviser (or any successor thereof) as directors, partners, officers, or shareholders, or otherwise; directors, partners, officers, agents, and shareholders of the Adviser are or may be interested in the Trust as Trustees, shareholders or otherwise; and the Adviser (or any successor

thereof) is or may be interested in the Trust as a shareholder or otherwise; provided that all such interests shall be fully disclosed between the parties on an ongoing basis and in the Trust's registration statement as required by law.

10. DURATION AND TERMINATION. This Agreement, unless sooner terminated as provided herein, shall continue for two years after its initial approval as to each Portfolio and thereafter for periods of one year for so long as such continuance thereafter is specifically approved at least annually (a) by the vote of a majority of those Trustees of the Trust who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Trustees of the Trust or by vote of a majority of the outstanding voting securities of each Portfolio; provided, however, that if the shareholders of any Portfolio fail to approve the Agreement as provided herein, the Adviser may continue to serve hereunder in the manner and to the extent permitted by the Investment Company Act of 1940 and rules thereunder. The foregoing requirement that continuance of

this Agreement be "specifically approved at least annually" shall be construed in a manner consistent with the Investment Company Act of 1940 and the rules and regulations thereunder. This Agreement may be terminated as to any Portfolio at any time, without the payment of any penalty, by the Manager, by vote of a majority of the Trustees of the Trust or by vote of a majority of the outstanding voting securities of the Portfolio on not less than 30 days nor more than 60 days written notice to the Adviser, or by the Adviser at any time without the payment of any penalty, on 60 days written notice to the Trust. This Agreement will automatically and immediately terminate in the event of its assignment. Any notice under this Agreement shall be given in writing, addressed and delivered, or mailed postpaid, to the other party at the primary office of such party, unless such party has previously designated another address.

As used in this Section 10, the terms "assignment", "interested persons", and a "vote of a majority of the outstanding voting securities" shall have the respective meanings set forth in the Investment company Act of 1940 and the rules and regulations thereunder, subject to such exemptions as may be granted by the Securities and Exchange Commission under said Act.

11. SEVERABILITY. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby.

A copy of the Declaration of Trust of the Trust is on file with the Secretary of the Commonwealth of Massachusetts, and

notice is hereby given that this instrument is not binding upon any of the Trustees, officers, or shareholders of the Trust individually.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

GSB Investment Management, Inc.	AMR INVESTMENT SERVICES INC.
By /s/Frank P. Ganucheau III	By /s/ W.F. Quinn
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	William F. Quinn
Its President	Its President
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Schedule A
to the
American AAdvantage Funds
Investment Advisory Agreement
between
AMR Investment Services, Inc.

and
GSB Investment Management, Inc.

AMR Investment Services, Inc. shall pay compensation to GSB Investment Management, Inc. pursuant to section 3 of the Investment Advisory Agreement between said parties in accordance with the following annual percentage rates:

0.30% per annum on the first $100 million
0.25% per annum on the next $100 million
0.20% per annum on the next $100 million
0.15% per annum on all excess over $300 million

In calculating the amount of assets under management solely for the purposes of determining the applicable percentage rate, there should be included all American Airlines Trust Funds under management by the Adviser.

DATED: November 1, 1995

Exhibit 99.b.5.c

SUPPLEMENTAL TERMS AND CONDITIONS TO
THE ADMINISTRATIVE SERVICES AGREEMENT BETWEEN THE
AMERICAN AADVANTAGE FUNDS
AND
AMR INVESTMENT SERVICES, INC.

The following terms and conditions hereby are incorporated into the Administrative Services Agreement ("Agreement") dated November 1, 1995 as supplemented July 25, 1997, between the American AAdvantage Funds ("Trust") and AMR Investment Services, Inc. ("Manager") as they relate to the American AAdvantage S&P 500 Index Fund. To the extent that there is any conflict between the terms and conditions of the Agreement and these Supplemental Terms and conditions ("Supplement"), this Supplement shall govern.

1. Paragraph 3 of the Agreement is hereby amended to read, in its entirety, as follows:

3. Fees for Administrative Services. As compensation for its administrative services pursuant to Section 2 of this Agreement, the Trust shall pay AMR an annualized fee equal as follows:

a. If a Fund manages its assets directly or invests all of its investable assets (i.e., securities and cash) in another registered investment company where AMR does not act as Manager and Administrator, the Trust shall pay AMR an annualized fee equal to: (1) 0.05% of the net assets of the AMR Class of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, the Intermediate Bond Fund, the Limited-Term Income Fund, and the S&P 500 Index Fund and 0.30% of the net assets of all other classes of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, the Intermediate Bond Fund the Limited-Term Income Fund and the S&P 500 Index Fund; (2) 0.05% of the net assets of the Money Market Fund, the Municipal Money Market Fund and the U.S. Government Money Market Fund; and (3) such percentage of any other class or Fund encompassed by this Agreement as specified by one or more schedules attached hereto.

b. If a Fund invests all of its investable assets (i.e., securities and cash) in another registered investment company for which AMR acts as Manager and Administrator, the Trust shall pay AMR an annualized fee equal to: (1) 0.00% of the net assets of the AMR Class and 0.25% of the net assets of all other classes of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, the Intermediate Bond Fund, the Limited-Term Income Fund and the S&P 500

Index Fund; (2) 0.05% of the net assets of the Money Market Fund, the Municipal Money Market Fund and the U.S. Government Money Market Fund; and (3) such percentage of any other class or Fund encompassed by this Agreement as specified by one or more schedules attached hereto.

The above-described compensation shall be calculated and accrued daily and be payable quarterly. The Trust acknowledges that none of the compensation paid pursuant to this Agreement is compensation for portfolio allocation or investment advisory functions performed by AMR pursuant to its separate Management Agreement with the Trust; rather, AMR is compensated for those services pursuant to a separate Management Agreement between the Trust and AMR.

2. Notice is hereby given that the Agreement and this Supplement are executed on behalf of the Trustees of the Trust and not individually and that the obligations of the Agreement and the Supplement are not binding upon any of the Trustees, officers, or shareholders of the Trust, but are binding only upon the assets and property of the Fund to which the Agreement and this Supplement relate.

Dated: November 21, 1997

AMERICAN AADVANTAGE FUNDS

By: /s/ Barry Y. Greenberg

Barry Y. Greenberg
Vice President and Assistant Secretary

AMR INVESTMENT SERVICES, INC.

By: /s/ William F. Quinn

William F. Quinn
President

Exhibit 99.b.5.d

AMERICAN AADVANTAGE FUNDS - PLATINUM CLASS
ADMINISTRATIVE SERVICES AGREEMENT

AGREEMENT made this 1st day of November , 1995, by and between AMERICAN AADVANTAGE FUNDS (the "Trust") and AMR INVESTMENT SERVICES, INC. ("AMR").

WHEREAS, the Trust is a Massachusetts business trust and an open-end, management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), consisting of several series (portfolios) of shares (collectively the "Funds", individually a "Fund"), each having its own investment policies;

WHEREAS, the Trust's Board of Trustees ("Board") has authorized each of the Funds to issue multiple classes of shares, including a class to be designated as the Platinum Class, and in the future may authorize new Funds to issue multiple classes, including such Platinum Class;

WHEREAS, the Trust desires to adopt an Administrative Services Plan ("Plan") with respect to the Platinum Class;

NOW, THEREFORE, the Trust hereby adopts this Plan with respect to the Platinum Class.

1. A Fund is authorized to pay to AMR Investment Services, Inc. ("AMR"), or to such other entities as approved by the Board, as compensation for administrative services provided by such entities to Platinum Class shareholders, an aggregate fee at the rate of up to 0.45% on an annualized basis of the average daily net assets of the Platinum Class of each such Fund which has approved this Plan in accordance with the conditions of approval set forth herein. Such fee shall be calculated and accrued daily and paid quarterly or at such other intervals as the Board shall determine.

2. AMR or any other entity approved by the Board may spend such amounts as it deems appropriate on any activities or expenses primarily intended to result in or relate to the administration of a participating Fund's Platinum Class shares, including, but not limited to, the payment of fees for the purposes of record maintenance, forwarding Fund and shareholder communications, and expenses related to aggregating and processing orders for the purchase and redemption of shares.

3. This Plan shall not take effect with respect to the Platinum Class of a Fund unless it first has been approved, together with any related agreements, by votes of a majority of both (a) the Board and (b) those Trustees of the Trust who are not "interested persons" of the Trust and have no direct

or indirect financial interest in the operation of this Plan or any agreements related thereto ("Independent Trustees"), cast in person or at a meeting (or meetings) called for the purpose of voting on such approval.

4. After approval as set forth in paragraph 3, this Plan shall take effect and continue in full force and effect with respect to the Platinum Class of a Fund for so long as such continuance is specifically approved at least annually in the manner provided for approval of this Plan in paragraph 3.

5. AMR and any other recipient of payments hereunder shall provide to the Board and the Board shall review, at least quarterly, a written report of the amounts expended with respect to the Platinum Class of each applicable Fund under this Plan and the purposes for which such expenditures were made.

6. This Plan may be terminated with respect to the Platinum Class of any Fund at any time by vote of the Board, or by vote of a majority of the Independent Trustees.

7. This Plan may not be amended to increase materially the amount of fees provided for in paragraph 1 hereof unless such amendment is approved in the manner provided for initial approval in paragraph 3 hereof, and no material amendment to the Plan shall be made unless approved in the manner provided for approval and annual renewal in paragraph 4 hereof.

8. The amount of the fees payable by a Fund to AMR or any other authorized entity under paragraph 1 hereof is not related directly to expenses incurred by such entities on behalf of such Fund in providing shareholder services hereunder, and paragraph 2 hereof does not obligate such Fund to reimburse any such entity for such expenses. The fees set forth in paragraph 1 hereof will be paid by such Fund to such entities until the Plan is either terminated or not renewed. If the Plan is terminated or not renewed with respect to a Fund, any shareholder servicing expenses incurred by such entities on behalf of such Fund in excess of payments of the fees specified in paragraph 1 hereof which have been received and accrued through the termination date are the sole responsibility and liability of the entity incurring the expenses, and are not obligations of such Fund.

9. While this Plan is in effect, the selection and nomination of the Independent Trustees shall be committed to the discretion of the Independent Trustees.

10. As used in this Plan, the term "interested person" shall have the same meaning as that term has in the 1940 Act.

11. The Trust shall preserve copies of this Plan (including any amendments thereto) and any related agreements and all reports made pursuant of

paragraph 5 hereof for a period of not less than six years from the date of this Plan, the first two years in an easily accessible place.

12. The Trustees of the Trust and the shareholders of the Funds shall not be liable for an obligations of the Trust or the Fund under this Plan, and AMR or any other person, in asserting any rights or claims under this Plan, shall look only to the assets and property of the Trust or the Funds in settlement of such right or claim, and not to such Trustees or shareholders.

Exhibit 99.b.5.e

SUPPLEMENTAL TERMS AND CONDITIONS TO
THE ADMINISTRATIVE SERVICES AGREEMENT BETWEEN THE
AMERICAN AADVANTAGE FUNDS
AND
AMR INVESTMENT SERVICES, INC.
WITH RESPECT TO THE
S&P 500 INDEX FUND

The following terms and conditions hereby are incorporated into the Administrative Services Agreement ("Agreement") dated November 1, 1995 between the American AAdvantage Funds ("Trust") and AMR Investment Services, Inc. ("Manager") as they relate to the American AAdvantage S&P 500 Index Fund. To the extent that there is any conflict between the terms and conditions of the Agreement and these Supplemental Terms and conditions ("Supplement"), this Supplement shall govern.

1. Paragraph 3 of the Agreement is hereby amended to read, in its entirety, as follows:

3. Fees for Administrative Services. As compensation for its administrative services pursuant to Section 2 of this Agreement, the Trust shall pay AMR an annualized fee equal as follows:

a. If a Fund manages its assets directly or invests all of its investable assets (i.e., securities and cash) in another registered investment company where AMR does not act as Manager and Administrator, the Trust shall pay AMR an annualized fee equal to: (1) 0.05% of the net assets of the AMR Class of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, the Limited-Term Income Fund, and the S&P 500 Index Fund and 0.30% of the net assets of all other classes of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, and the Limited-Term Income Fund; (2) 0.05% of the net assets of the Money Market Fund, the Municipal Money Market Fund and the U.S. Government Money Market Fund and (3) such percentage of any other class or Fund encompassed by this Agreement as specified by one or more schedules attached hereto.

b. If a Fund invests all of its investable assets (i.e., securities and cash) in another registered investment company for which AMR acts as Manager and Administrator, the Trust shall pay AMR an annualized fee equal to: (1) 0.00% of the net assets of the AMR Class and 0.25% of the net assets of all other classes of the Balanced Fund, the Growth and Income Fund, the International Equity Fund, and the Limited-Term Income Fund; (2) 0.05% of the net assets of the Money

Market Fund, the Municipal Money Market Fund and the U.S. Government Money Market Fund and (3) such percentage of any other class or Fund encompassed by this Agreement as specified by one or more schedules attached hereto.

The above-described compensation shall be calculated and accrued daily and be payable quarterly. The Trust acknowledges that none of the compensation paid pursuant to this Agreement is compensation for portfolio allocation or investment advisory functions performed by AMR pursuant to its separate Management Agreement with the Trust; rather, AMR is compensated for those services pursuant to a separate Management Agreement between the Trust and AMR.

2. Notice is hereby given that the Agreement and this Supplement are executed on behalf of the Trustees of the Trust and not individually and that the obligations of the Agreement and the Supplement are not binding upon any of the Trustees, officers, or shareholders of the Trust, but are binding only upon the assets and property of the Fund to which the Agreement and this Supplement relate.

Dated: January 1, 1997

AMERICAN AADVANTAGE FUNDS

By:/s/ BARRY Y. GREENBERG

Barry Y. Greenberg
Vice President and
Assistant Secretary

AMR INVESTMENT SERVICES, INC.

By:/s/ WILLIAM F. QUINN

William F. Quinn
President

Exhibit 99.b.6

DISTRIBUTION AGREEMENT

This Distribution Agreement is made this 1st day of September, 1995, by and among American AAdvantage Funds and American AAdvantage Mileage Funds, both Massachusetts business trusts (the "Trusts"), Brokers Transaction Services, Inc. ("BTS" or the "Distributor"), a Texas corporation, and AMR Investment Services, Inc. ("AMR"), a Delaware corporation.

WHEREAS, the Trusts are registered as open-end, diversified management investment companies under the Investment Company Act of 1940, as amended (the "1940 Act"), and have registered and intend to continue to register their shares of beneficial interest (the "Shares") for sale to the public under the Securities Act of 1933, as amended (the "1933 Act"), and various state securities laws; and

WHEREAS, the Trusts offer for public sale one or more distinct series of shares of beneficial interest, each corresponding to a distinct portfolio ("Portfolio"); and

WHEREAS, the Trusts wish to retain BTS as the Trust's Distributor in connection with the offering and sale of the Shares of each current Portfolio and such other Portfolios as agreed upon between the Trusts and BTS from time to time and to furnish certain other services to the Trusts as specified in this Agreement;

WHEREAS, this Agreement has been approved by a vote of the Board of Trustees of each Trust in conformity with Paragraph (b)(2) of Rule l2b-1 under the 1940 Act;

WHEREAS, AMR is the Manager of each Trust; and

WHEREAS, BTS is willing to act as Distributor and to furnish such services on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is agreed between the parties hereto as follows:

1. APPOINTMENT OF BTS. The Trusts hereby appoints BTS as Distributor of their Shares. As such, BTS agrees to act as agent for the Trusts and, subject to applicable federal and state laws and the Declaration of Trust, By-Laws and current Prospectus and Statement of Additional Information of each Trust, (a) to solicit orders for the purchase of the Shares, subject to such terms and conditions as each Trust may specify, (b) to hold itself available to receive orders for the purchase and redemption of the Shares, and to accept such orders on behalf of each Trust as of the time of receipt of such orders and promptly transmit such orders as are accepted to the Trust and its

transfer agents, and (c) to make Shares available through the National Securities Clearing Corporation's FundServ system. Orders shall be deemed effective at the time and in the manner set forth in the Registration Statement. BTS shall offer the Shares of each Portfolio on an agency or "best efforts" basis under which each Trust shall only issue such Shares as are actually sold. The public offering price of the Shares of each Portfolio shall be the net asset value per share (as determined by each Trust) of the outstanding Shares of the Portfolio as set forth in the Registration Statement. The Trusts reserve the right at any time to withdraw all offerings of the Shares of any or all Portfolios by notice to BTS.

2. TRUST OBLIGATIONS. Each Trust shall keep BTS fully informed of its affairs and shall make available to BTS copies of all information, financial statements and other papers that BTS may reasonably request for use

in connection with the distribution of shares, including, without limitation, such reasonable number of copies of the most current prospectus, statement of additional information, and annual and interim reports of a Portfolio as BTS may request, and each Trust shall cooperate fully in the efforts of BTS to sell and arrange for the sale of the Shares.

3. SALES TO DEALERS. BTS, with the consent of the Trusts or AMR, may enter into agreements to sell shares to registered and qualified retail dealers.

4. SALES MATERIALS. BTS shall provide to investors and potential investors only such information regarding the Trusts as is permitted by applicable law. To the extent reasonably requested by AMR, BTS will file proposed advertisements and sales literature with appropriate regulators and consult with AMR regarding any comments provided by regulators with respect to such materials.

5. COMPENSATION. As compensation for providing services under this agreement, AMR (and not the Trusts) shall pay to BTS the sum of (a) $50,000 annually, payable monthly in arrears, (b) the ongoing licensing fees and incidental costs of those employees of AMR who are designated by AMR to become registered representatives of BTS, (c) the compensation paid by BTS to such registered representatives in accordance with compensation schedules, as agreed upon by BTS and AMR from time to time; (d) the reasonable fees associated with listing and maintaining shares on the National Securities Clearing Corporation's FundServ system, as agreed upon by BTS and AMR; and (e) incidental expenses associated with printing and distributing advertising and sales literature.

6. TRUST EXPENSES. Each Trust agrees, at its own expense, to register Shares with the Securities and Exchange Commission ("SEC"), state and other regulatory bodies, and to prepare and file from time to time such

registration statements, amendments, reports and other documents as may be necessary to offer and sell Shares. Each Portfolio shall bear all expenses related to preparing and typesetting Prospectuses, Statements of Additional Information and other materials required by law and such other expenses, including printing and mailing expenses, related to the Portfolio's communications with persons who are shareholders of that Portfolio. Except as specifically provided in this Agreement, the Trusts and the Portfolios shall bear none of the expenses of BTS in connection with its offer and sale of the Shares.

7. INDEMNIFICATION BY THE TRUSTS AND AMR. The Trusts and AMR will indemnify, defend and hold harmless BTS, its officers and directors, and any person who controls BTS within the meaning of Section 15 of the 1933 Act (collectively, "BTS Indemnified Persons") from and against any and all claims, demands, liabilities and expenses (including the reasonable cost of investigating or defending such claims, demands or liabilities) that any BTS Indemnified Person may incur under the 1933 Act, common law or otherwise arising out of or based upon any (a) untrue statement of a material fact in the Registration Statement, (b) omission to state a material fact in the Registration Statement, or (c) failure by the Trusts or AMR to comply with the terms of this Agreement, provided that this Agreement shall not protect any BTS Indemnified Person from liability to which such person otherwise would be subject by reason of willful misfeasance, bad faith, or gross negligence in the performance of its duties, or by reason of its reckless disregard of its duties under this Agreement.

8. INDEMNIFICATION BY BTS. BTS will indemnify, defend and hold harmless the Trusts and their Portfolios, AMR, their several officers, directors and Trustees, and any person who controls the Trusts or AMR within the meaning of Section 15 of the 1933 Act (collectively, "AMR Indemnified Persons") from and against any and all claims, demands, liabilities and

expenses (including the reasonable cost of investigating or defending such claims, demands or liabilities) that any AMR Indemnified Person may incur under the 1933 Act, common law or otherwise arising out of or based upon any (a) untrue statement of a material fact furnished by a BTS Indemnified Person for use in the Registration Statement, (b) failure by such a person to state a material fact therein as necessary to make the statements therein not misleading, or (c) failure by BTS to comply with the terms of this Agreement or applicable law, provided that this Agreement shall not protect any AMR Indemnified Person from liability to which such person otherwise would be subject by reason of willful misfeasance, bad faith, or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations and duties under this Agreement.

9. SHARE CERTIFICATES. The Trusts shall not issue certificates representing Shares unless requested to do so by a shareholder. If such request is transmitted through BTS, the Trusts will cause certificates evidencing the Shares owned to be issued in such names and denominations as BTS shall from time to time direct.

10. STATUS OF BTS. BTS is an independent contractor and shall be agent for the Trusts only with respect to the sale and redemption of Shares.

11. NON-EXCLUSIVE SERVICES. The services of BTS to the Trusts under this Agreement are not to be deemed exclusive, and BTS shall be free to render similar services or other services to others so long as its services hereunder are not impaired thereby.

12. REPORTS BY BTS. BTS shall prepare reports for the Trustees regarding its activities under this Agreement as from time to time shall be reasonably requested by the Trustees.

13. DEFINITIONS. As used herein: the term "Registration Statement" shall mean the registration statement filed by the Trust with the SEC and effective under the 1933 Act, as such Registration Statement is amended or supplemented from time to time; the terms "Prospectus" and "Statement of Additional Information" shall mean the current form of prospectus(es) and statement(s) of additional information filed by the Trusts as part of the Registration Statement; the term "net asset value" shall have the meaning ascribed to it in each Trust's Declaration of Trust; the term "Trustees" shall refer to the Board of Trustees of each Trust; and the terms "affiliated person," "assignment," "interested person," and "majority of the outstanding voting securities" shall have the meanings given to them by Section 2(a) of the 1940 Act, subject to such exemptions as may be granted by the SEC by any rule, regulation or order.

14. EFFECTIVENESS OF AGREEMENT. This Agreement shall become effective upon the date hereinabove written, provided that, with respect to a Portfolio, this Agreement shall not take effect unless such action has first been approved by vote of a majority of the Trustees of each Trust and by vote of a majority of those Trustees who are not interested persons of the Trusts or BTS (all such Trustees collectively being referred to herein as the "Independent Trustees"), cast in person at a meeting called for the purpose of voting on such action.

15. TERMINATION OF AGREEMENT. Unless sooner terminated as provided herein, this Agreement shall continue in effect for one year from the above written date. Thereafter, if not terminated, this Agreement shall continue automatically for successive periods of twelve months each, provided that such continuance is approved at least annually (a) by a vote of a majority of the Independent Trustees, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Board of Trustees of each Trust or, with respect to any given series, by vote of a majority of the outstanding voting securities of such Portfolio. Notwithstanding the foregoing, with

respect to any Portfolio, this Agreement may be terminated at any time, without the payment of any penalty, by vote of the Board of Trustees of a Trust, by vote of a majority of the Independent Trustees of a Trust or by vote of a majority of the outstanding voting securities of such Portfolio on 180 days' written notice to BTS or by BTS at any time, without the payment of any penalty, on 180 days' written notice to the Trust or such Portfolio. Termination of this Agreement with respect to any given Portfolio shall not affect the continued validity of this Agreement or the performance thereunder with respect to any other Portfolio. This Agreement automatically will terminate in the event of its assignment.

16. AMENDMENTS. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

17. GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas, without giving effect to the conflicts of laws principles thereof, and the 1940 Act. To the extent that the applicable laws of the State of Texas conflict with the applicable provisions of the 1940 Act, however, the 1940 Act shall control.

18. REPRESENTATIONS. BTS represents and warrants that it (a) is duly authorized to enter into this Agreement, (b) is duly registered and licensed as a broker-dealer and in good standing with the National Association of Securities Dealers, Inc. and all applicable state securities regulators and that it is duly authorized and qualified to perform the services set forth in this Agreement, and (c) promptly will notify AMR and each Trust if BTS or any of its affiliated persons become subject to a legal proceeding which, if adversely decided, could impair BTS's ability to satisfy its obligations under this Agreement.

19. NOTICE. Any notice required or permitted to be given by either party to the other shall be deemed sufficient upon receipt in writing at the other party's principal offices.

20. MISCELLANEOUS. The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

21. MASSACHUSETTS BUSINESS TRUST. The Trusts are Massachusetts business trusts. A copy of each Trust's Declaration of Trust of the Trust is on file with the Secretary of the Commonwealth of Massachusetts. This

Agreement is not binding upon any of the Trustees, officers or shareholders of the Trusts individually, and no such person shall be individually liable with respect to any action or inaction resulting from this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their officers thereunto duly authorized.

Attest: AMERICAN AADVANTAGE FUNDS

By: /s/Barry Y. Greeneberg By: /s/ William F. Quinn

Title: President

Attest: AMERICAN AADVANTAGE MILEAGE FUNDS

By: /s/Barry Y. Greeneberg By: /s/ William F. Quinn

Title: President

Attest: BROKERS TRANSACTION SERVICES, INC.

By:/s/ Dana Prentice By: /s/ Sue H. Peden

Title: Sr. Vice President

Attest: AMR INVESTMENT SERVICES, INC.

By: /s/Barry Y. Greeneberg By: /s/ William F. Quinn

Title: President

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Exhibit 99.b.8

CUSTODIAN CONTRACT

Between

AMERICAN AADVANTAGE FUNDS
and

FIRST REPUBLICBANK DALLAS, N.A.

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CUSTODIAN CONTRACT

AGREEMENT made as of the 3rd day of April, 1987, between American AAdvantage Funds, a Massachusetts business trust, having its principal place of business at 4200 American Boulevard, Fort Worth, Texas 76155, hereinafter called the

"Trust", and First RepublicBank Dallas, N.A., a national banking association, having its principal place of business at 350 North St. Paul Street, Dallas, Texas 75201, hereinafter called the "Custodian",

WITNESSETH: That in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. Employment of Custodian and Property to be Held by It

The Trust hereby employs the Custodian as the custodian of the assets of each of the Trust's series of shares of beneficial interest. The term "Fund" as used hereinafter shall mean each and all such series in existence as of the date hereof and, if mutually agreed by the Trust and the Custodian at such time, each such series hereafter designated by the Trust.

The Fund agrees to deliver to the Custodian all securities and cash owned by it, and all payments of income, payments of principal or capital distributions received by it with respect to all securities owned by the Fund from time to time, and the cash consideration received by it for such shares of beneficial interest ("Shares") of the Fund as may be issued or sold from time to time. The Custodian shall not be responsible for any property of the Fund held or received by the Fund and not delivered to the Custodian.

Upon receipt of "Proper Instructions" (within the meaning of Article 3), the Custodian shall from time to time employ one or more sub-custodians located in the United States, provided that the Custodian shall have no more or less responsibility or liability to the Fund on account of any actions or omissions of any sub-custodian so employed than any such sub-custodian has to the Custodian.

2. Duties of the Custodian with Respect to Property of the Fund Held By the Custodian.

2.1 Holding Securities. The Custodian shall hold and physically segregate for the account of the Fund all non-cash property, to be held by it in the United States, including all domestic securities owned by the Fund, other than securities which are maintained pursuant to Section 2.10 in a clearing agency which acts as a securities depository or in a book-entry system authorized by the U. S. Department of the Treasury, collectively referred to herein as "Securities System."

2.2 Delivery of Securities. The Custodian shall release and deliver domestic securities owned by the Fund held by the Custodian or in a Securities System account of the Custodian only upon receipt of Proper Instructions, which may be continuing

instructions when deemed appropriate by the parties, and only in the following cases:

1) Upon sale of such securities for the account of the Fund and receipt of payment therefor;
2) Upon the receipt of payment in connection with any repurchase agreement related to such securities entered into by the Fund;
3) In the case of a sale effected through a Securities System, in accordance with the provisions of Section 2.10 hereof;
4) To the depository agent in connection with tender or other similar offers for portfolio securities of the Fund;
5) To the issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable; provided that, in any such case, the cash or other consideration is to be delivered to the Custodian;
6) To the issuer thereof, or its agent, for transfer into the name of the Fund or into the name of any nominee or nominees of the Custodian or into the name or nominee name of any agent appointed Pursuant to Section 2.9 or into the name or nominee name of any sub-custodian appointed pursuant to Article 1; or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units; provided that, in any such case, the new securities are to be delivered to the Custodian;
7) To the broker selling the same or its clearing agent, for examination in accordance with the "street delivery" custom;
8) For exchange or conversion pursuant to any plan of merger, consolidation, recapitalization, reorganization or readjustment of the securities of the issuer of such securities, or pursuant to provisions for conversion contained in such securities, or pursuant to any deposit agreement, provided that, in any such case, the new securities and cash, if any, are to be delivered to the Custodian;

9) In the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities for definitive securities; provided that, in any such case, the new securities and cash, if any, are to be delivered to the Custodian;

10) For delivery in connection with any loans of securities made by the Fund, but only against receipt of adequate collateral as agreed upon from time to time by the Custodian and the Fund, which may be in the form of cash or obligations issued by the United States government, its agencies or instrumentalities, except that in connection with any loans for which collateral is to be credited to the Custodian's account in the book-entry system authorized by the U. S. Department of the Treasury, the Custodian will not be held liable or

responsible for the delivery of securities owned by the Fund prior to the receipt of such collateral;

11) For delivery as security in connection with any borrowings by the Fund requiring a pledge of assets by the Fund, but only against receipt of amounts borrowed;

12) For delivery in accordance with the provisions of any agreement among the Fund, the Custodian and a broker-dealer registered under the Securities Exchange Act of 1934 (the "Exchange Act") and a member of The National Association of Securities Dealers, Inc. ("NASD"), relating to compliance with the rules of The Options Clearing Corporation and of any registered national securities exchange, or of any similar organizations, regarding escrow or other arrangements in connection with transactions by the Fund;

13) For delivery in accordance with the provisions of any agreement among the Fund, the Custodian, and a Futures Commission Merchant registered under the Commodity Exchange Act, relating to compliance with the rules of the Commodity Futures Trading Commission and/or any Contract Market, or any similar organization or organizations, regarding account deposits in connection with transactions by the Fund;

14) Upon receipt of instructions from the transfer agent ("Transfer Agent") for the Fund, for delivery to such Transfer Agent or to the holders of shares in connection with distributions in kind, as may be described from time to time in the Fund's currently effective prospectus and statement of additional information I "prospectus"), in satisfaction of requests by holders of Shares for repurchase or redemption; and

15) For any other proper corporate purpose, but only upon receipt of, in addition to Proper Instructions, a properly executed copy of a resolution of the Trustees of the Trust, specifying the securities to be delivered, setting forth the purpose for which such delivery is to be made, declaring such purposes to be proper Fund purposes, and naming the person or persons to whom delivery of such securities shall be made.

2.3 Registration of Securities. Domestic securities held by the Custodian (other than bearer securities) shall be registered in the name of the Fund or in the name of any nominee of the Fund or of any nominee of the Custodian (such nominee may be used in common with other Funds and other registered investment companies having the same investment adviser as the Fund), or in the name or nominee name of any agent appointed pursuant to Section 2.9 or in the name or nominee name of any sub-custodian appointed pursuant to Article 1. All securities accepted by the Custodian on behalf of the Fund under the terms of this Contract shall be in "street name" or other good delivery form.

2.4 Bank Accounts. The Custodian shall open and maintain a separate bank account or accounts in the United States in the name of the Fund, subject only to draft or order by the Custodian

acting pursuant to the terms of this Contract, and shall hold in such account or accounts, subject to the provisions hereof, all cash received by it from or for the account of the Fund, other than cash maintained by the Fund in a bank account established and used in accordance with Rule 17f-3 under the Investment Company Act of 1940. Funds held by the Custodian for the Fund may be deposited by it to its credit as Custodian in the Banking Department of the Custodian or in such other banks or trust companies as it may in its discretion deem necessary or desirable; provided, however, that every such bank or trust company shall be qualified to act as a custodian under the Investment Company Act of 1940 and that each such bank or trust company and the funds to be deposited with each such bank or trust company shall be approved by the Trustees of the Trust. Such funds shall be deposited by the Custodian in its capacity as Custodian and shall be withdrawable by the Custodian only in that capacity.

2.5 Investment and Availability of Federal Funds. Upon mutual agreement between the Fund and the Custodian, the Custodian shall, upon the receipt of Proper Instructions,

1) invest in such instruments as may be set forth in such instructions on the same day as received all federal funds received after a time agreed upon between the Custodian and the Fund; and
2) make federal funds available to the Fund as of specified times agreed upon from time to time by the Fund and the Custodian in the amount of checks received in payment for Shares of the Fund which are deposited into the Fund's account.

2.6 Collection of Income. The Custodian shall collect on a timely basis all income and other payments with respect to United States registered securities held hereunder to which the Fund shall be entitled either by law or pursuant to custom in the securities business, and shall collect on a timely basis all income and other payments with respect to United States bearer securities if, on the date of payment by the issuer, such securities are held by the Custodian or agent thereof and shall credit such income, as collected, to the Fund's custodian account. Without limiting the generality of the foregoing, the Custodian shall detach and present for payment all coupons and other income items requiring presentation as and when they become due and shall collect interest when due on securities held hereunder. Income due the Fund on United States securities loaned pursuant to the provisions of Section 2.2 (10) shall be the responsibility of the Fund. The Custodian will have no duty or responsibility in connection therewith, other than to provide the Fund with such information or data as may be necessary to assist the Fund in arranging for the timely delivery to the Custodian of the income to which the Fund is properly entitled.

2.7 Payment of Fund Moneys. Upon receipt of Proper Instructions which may be continuing instructions when deemed appropriate by the parties, the Custodian shall pay out moneys of the Fund in the following cases only:

1) Upon the purchase of domestic securities, futures contracts or options on futures contracts for the account of the Fund but only (a) against the delivery of such securities, or evidence of title to futures contracts or options on futures contracts, to the Custodian (or any bank, banking firm or trust company doing business in the United States or abroad which is qualified under the Investment Company Act of 1940, as amended, to act as a custodian and has been designated by the Custodian as its agent for this purpose) registered in the name of the Fund or in the name of a nominee of the Custodian referred to in Section 2.3 hereof or in proper form for transfer; (b) in the case of a purchase effected through a Securities System, in accordance with the conditions set forth in Section 2.10 hereof or (c) in the case of repurchase agreements entered into between the Fund and the Custodian, or another bank, or a broker dealer which is a member of NASD, (i) against delivery of the securities either in certificate form or through an entry crediting the Custodian's account at the Federal Reserve Bank with such securities (notwithstanding that: the written confirmation of such repurchase transaction will be received subsequently) or (ii) against delivery of the receipt evidencing purchase by the Fund of securities owned by the Custodian along with written evidence of the agreement by the Custodian to repurchase such securities from the Fund;
2) In connection with conversion, exchange or surrender of securities owned by the Fund as set forth in Section 2.2 hereof;
3) For the redemption or repurchase of Shares issued by the Fund as set forth in Article 4 hereof;
4) For the payment of any expense or liability incurred by the Fund, including but not limited to the following payments for the account of the Fund: interest, taxes, management, accounting, transfer agent and legal fees, and operating expenses of the Fund whether or not such expenses are to be

in whole or part capitalized or treated as deferred expenses;

5) For the payment of any dividends declared pursuant to the governing documents of the Fund;

6) For payment of the amount of dividends received in respect of securities sold short;

7) For any other proper purpose, but only upon receipt of, in addition to Proper Instructions, a properly executed copy of a resolution of the Trustees of the Trust, specifying the amount of such payment, setting forth the purpose for which such payment is to be made, declaring such purpose to be a proper purpose, and naming the person or persons to whom such payment is to be made.

2.8 Liability for Payment in Advance of Receipt of Securities Purchased. In any and every case where payment for purchase of domestic securities for the account of the Fund is made by the

Custodian in advance of receipt of the securities purchased in the absence of specific written instructions from the Fund to so pay in advance, the Custodian shall be absolutely liable to the Fund for such securities to the same extent as if the securities had been received by the Custodian.

2.9 Appointment of Agents. The Custodian may at any time or times in its discretion appoint (and may at any time remove) any other bank or trust company which is itself qualified under the Investment Company Act of 1940, as amended, to act as a custodian, as its agent to carry out such of the provisions of this Article 2 as the Custodian may from time to time direct; provided, however, that the appointment of any agent shall not relieve the Custodian of its responsibilities or liabilities hereunder.

2.10 Deposit of Securities in Securities Systems. The Custodian may deposit and/or maintain domestic securities owned by the Fund in a clearing agency registered with the Securities and Exchange Commission under Section 17A of the Securities Exchange Act of 1934, which acts as a securities depository, or in the book-entry system authorized by the U. S. Department of the Treasury and certain federal agencies, collectively referred to herein as "Securities System" in accordance with applicable Federal Reserve Board and Securities and Exchange Commission rules and regulations, if any, and subject to the following provisions:

1) The Custodian may keep domestic securities of the Fund in a Securities System provided that such securities are represented in an account ("Account") of the Custodian in the Securities System which shall not include any assets of the Custodian other than assets held as a fiduciary custodian or otherwise for customers;

2) The records of the Custodian with respect to domestic securities of the Fund which are maintained in a Securities System shall identify by book-entry those securities belonging to the Fund;

3) The Custodian shall pay for domestic securities purchased for the account of the Fund upon (i) receipt of advice from the Securities System that such securities have been transferred to the Account, and (ii) the making of an entry on the records of the Custodian to reflect such payment and transfer for the account of the Fund. The Custodian shall transfer domestic securities sold for the account of the Fund upon (i) receipt of advice from the Securities System that payment for such securities has been transferred to the Account, and (ii) the making of an entry on the records of the Custodian to reflect such transfer and payment for the account of the Fund. Copies of all advises from the Securities System of transfers of domestic securities for the account of the Fund shall identify the Fund, be maintained for the Fund by the Custodian and be provided to the Fund at its request. Upon request, the Custodian shall furnish the Fund

confirmation of each transfer to or from the account of the Fund in the form of a written advice or notice and shall furnish to the Fund copies of daily transaction sheets reflecting each day's transactions in the Securities System for the account of the Fund.

(4) The Custodian shall provide the Fund with any report obtained by the Custodian on the Securities System's accounting system, internal accounting control and procedures for safeguarding domestic securities deposited in the Securities System;

5) The Custodian shall have received the initial or annual certificate, as the case may be, required by Article 11 hereof;

6) Anything to the contrary in this Contract notwithstanding, the Custodian shall be liable to the Fund for any loss or damage to the Fund resulting from use of the Securities System by reason of any negligence, misfeasance or misconduct of the Custodian or any of its agents or of any of its or their employees or from failure of the Custodian or any such agent to enforce effectively such rights as it may have against the Securities System; at the election of the Fund, it shall be entitled to be subrogated to the rights of the Custodian with respect to any claim against the Securities System or any other person which the Custodian may have as a consequence of any such loss or damage if and to the extent that the Fund has not been made whole for any such loss or damage.

2.11 Segregated Account. The Custodian shall upon receipt of Proper Instructions establish and maintain a segregated account or accounts for and on behalf of the Fund, into which account or accounts may be transferred cash and/or securities, including securities maintained in an account by the Custodian pursuant to Section 2.10 hereof, (i) in accordance with the provisions of any agreement among the Fund, the Custodian and a broker-dealer registered under the Exchange Act and a member of the NASD (or any futures commission merchant registered under the Commodity Exchange Act), relating to compliance with the rules of The Options Clearing Corporation and of any registered national securities exchange (or the Commodity Futures Trading Commission or any registered contract market), or of any similar organization or organizations, regarding escrow or other arrangements in connection with transactions by the Fund, (ii) for purposes of segregating cash or government securities in connection with options purchased, sold or written by the Fund or commodity futures contracts or options thereon purchased or sold by the Fund, (iii) for the purposes of compliance by the Fund with the procedures required by Investment Company Act Release No. 10666, or any subsequent release or releases of the Securities and Exchange Commission relating to the maintenance of segregated accounts by registered investment companies and (iv) for other proper corporate purposes, but only, in the case of clause (iv), upon receipt of, in addition to Proper Instructions, a properly executed copy of a resolution of the Trustees of the Trust, setting forth the purpose or purposes of such segregated

account and declaring such purposes to be proper corporate purposes.

2.12 Ownership Certificates for Tax Purposes. The Custodian shall execute ownership and other certificates and affidavits for all federal and state tax purposes in connection with receipt of income or other payments with respect to domestic securities of the Fund held by it and in connection with transfers of such securities.

2.13 Proxies. The Custodian shall, with respect to the domestic securities held hereunder, cause to be promptly executed by the registered holder of such securities, if the securities are registered otherwise than in the name of the Fund or a nominee of the Fund, all proxies, without indication of the manner in which such proxies are to be voted, and shall Promptly deliver to the Fund such proxies, all proxy soliciting materials and all notices relating to such securities.

2.14 Communications Relating to Fund Portfolio Securities. The Custodian shall transmit promptly to the Fund all written information (including, without limitation, pendency of calls and maturities of domestic securities and expirations of rights in connection therewith and notices of exercise of call and put options written by the Fund and the maturity of futures contracts purchased or sold by the Fund) received by the Custodian from issuers of the domestic securities being held for the Fund. With respect to tender or exchange offers, the Custodian shall transmit promptly to the Fund all written information received by the Custodian from issuers of the domestic securities whose tender or exchange is sought and from the party (or his agents making the tender or exchange offer. If the Fund desires to take action with respect to any tender offer, exchange offer or any other similar transaction, the Fund shall notify the Custodian at least three business days prior to the date on which the Custodian is to take such action.

2.15 Reports to Fund by Independent Public Accountants. Custodian shall provide the Fund, at such times as the Fund may reasonably require, with reports by independent public accountants on the accounting system, internal accounting control and procedures for safeguarding securities, futures contracts and options on futures contracts, including domestic securities deposited and/or maintained in a Securities System, relating to the services provided by the Custodian under this Contract; such reports, which shall be of sufficient scope and in sufficient detail, as may reasonably be required by the Fund, to provide reasonable assurance that any material inadequacies would be disclosed by such examination, and, if there are no such inadequacies, shall so state.

3. Proper Instructions

Proper Instructions as used herein means a writing signed or initialed by one or more person or persons as the Trustees of the Trust shall have from time to time authorized. Each such writing shall set forth the specific transaction or type of transaction

involved, including a specific statement of the purpose for which such action is requested. Oral instructions will be considered Proper Instructions if the Custodian reasonably believes them to have been given by a person authorized to give such instructions with respect to the transaction involved. The Fund shall cause all oral instructions to be confirmed in writing. Upon receipt of a certificate of the Trustees of the Trust as to the authorization by the Trust's Trustees accompanied by a detailed description of procedures approved by the Trust's Trustees, Proper Instructions may include communications effected directly between electro-mechanical or electronic devices provided that the Trustees of the Trust and the Custodian are satisfied that such procedures afford adequate safeguards for the Fund's assets.

4. Actions Permitted without Express Authority

The Custodian may in its discretion, without express authority from the Fund:

1) make payments to itself or others for minor expenses of handling securities or other similar items relating to its duties under this Contract, provided that all such payments shall be accounted for to the Fund;
2) surrender securities in temporary form for securities in definitive form;
3) endorse for collection, in the name of the Fund, checks, drafts and other negotiable instruments; and
4) in general, attend to all non-discretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the Fund except as otherwise directed by the Trustees of the Fund.

5. Evidence of Authority

The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate or other instrument or paper believed by it to be genuine and to have been properly executed by or on behalf of the Fund. The Custodian may receive and accept a properly executed copy of a document evidencing action taken by the Trustees of the Trust as conclusive evidence (a) of the authority of any person to act in accordance with such action or (b) of any determination or of any action by the Trustees pursuant to the governing instrument of the Trust, and such action may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary.

6. Duties of Custodian with Respect to the Books of Account and Calculation of Net Asset Value and Net Income

The Custodian shall cooperate with and supply necessary information to the entity or entities appointed by the Trustees of the Trust to keep the books of account of the Fund and/or compute the net asset value per share of the outstanding shares of the Fund or, if directed in writing to do so by the Fund, shall itself keep such books of account and/or compute such net asset value per share. If so directed, the Custodian shall also calculate daily the net income of the Fund as described in the Fund's currently effective prospectus and shall advise the Fund and the Transfer Agent daily of the total amounts of such net

income and, if instructed in writing by an officer of the Trust to do so, shall advise the Transfer Agent periodically of the division of such net income among its various components. The calculations of the net asset value per share and the daily income of the Fund shall be made at the time or times described from time to time in the Fund's currently effective prospectus.

7. Records

The Custodian shall create and maintain all records relating to its activities and obligations under this Contract in such manner as will meet the obligations of the Fund under the Investment Company Act of 1940, with particular attention to Section 31 thereof and Rules 31a-1 and 31a-2 thereunder, applicable federal and state tax laws and any other law or administrative rules or procedures which may be applicable to the Fund. All such records shall be the property of the Fund and shall at all times during the regular business hours of the Custodian be open for inspection by duly authorized employees or agents of the Fund and employees and agents of the Securities and Exchange Commission. The Custodian shall, at the Fund's request, supply the Fund with a tabulation of securities owned by the Fund and held by the Custodian and shall, when requested to do so by the Fund and for such compensation as shall be agreed upon between the Fund and the Custodian, include certificate numbers in such tabulations.

8. Opinion of Fund's Independent Accountant

The Custodian shall take all reasonable action, as the Fund may from time to time request, to obtain from year to year favorable opinions from the Fund's independent accountants with respect to its activities hereunder in connection with the preparation of the Fund's Form N-lA, and Form N-SAR or other annual reports to the Securities and Exchange Commission and with respect to any other requirements of such Commission.

9. Compensation of Custodian

The Custodian shall be entitled to reasonable compensation for its services and expenses as Custodian, as agreed upon from time to time between the Fund and the Custodian.

10. Responsibility of Custodian

So long as and to the extent that it is in the exercise of reasonable care, the Custodian shall not be responsible for the title, validity or genuineness of any property or evidence of title thereto received by it or delivered by it pursuant to this Contract and shall be held harmless in acting upon any notice, request, consent, certificate or other instrument reasonably believed by it to be genuine and to be signed by the proper party or parties . The Custodian shall be held to the exercise of reasonable care in carrying out the provisions of this Contract, but shall be kept indemnified by and shall be without liability to the Fund for any action taken or omitted by it in good faith without negligence. It shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the Fund) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice.

If the Fund requires the Custodian to take any action with respect to securities, which action involves the payment of money or which action may, in the opinion of the Custodian, result in the Custodian or its nominee assigned to the Fund being liable for the payment of money or incurring liability of some other form, the Fund, as a prerequisite to requiring the Custodian to take such action, shall provide indemnity to the Custodian in an amount and form satisfactory to it.

If the Fund requires the Custodian to advance cash or securities for any purpose or in the event that the Custodian or its nominee shall incur or be assessed any taxes, charges, expenses, assessments, claims or liabilities in connection with the performance of this Contract, except such as may arise from its or its nominee's own negligent action, negligent failure to act or willful misconduct, any property at any time held for the account of the Fund shall be security therefor and should the Fund fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to dispose of the Fund assets to the extent necessary to obtain reimbursement.

11. Effective Period, Termination and Amendment

This Contract shall become effective as of its execution, shall continue in full force and effect until terminated as hereinafter provided, may be amended at any time by mutual agreement of the parties hereto and may be terminated by either party by an instrument in writing delivered or mailed, postage prepaid to the other party, such termination to take effect not sooner than thirty (30) days after the date of such delivery or mailing; provided, however that the Custodian shall not act under Section 2.10 hereof in the absence of receipt of an initial certificate of the Trustees of the Trust that the Trustees of the Trust have approved the initial use of a particular Securities System and the receipt of an annual certificate of the Trustees of the Trust that the Trustees have reviewed the use by the Fund of such Securities System, as required in each case by Rule 17f-4 under the Investment Company Act of 1940, as amended; provided further, however, that the Fund shall not amend or terminate this Contract in contravention of any applicable federal or state regulations, or any provision of the governing instrument of the Fund, and further provided, that the Fund may at any time by action of the Trustees substitute another bank or trust company for the Custodian by giving notice as described above to the Custodian, or (ii) immediately terminate this Contract in the event of the appointment of a conservator or receiver for the Custodian by the Comptroller of the Currency or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction.

Upon termination of the Contract, the Fund shall pay to the Custodian such compensation as may be due as of the date of such termination and shall likewise reimburse the Custodian for its costs, expenses and disbursements.

12. Successor Custodian

If a successor custodian shall be appointed by the Trustees of the Trust, the Custodian shall, upon termination, deliver to such successor custodian at the office of the Custodian, duly endorsed and in the form for transfer, all securities then held by it hereunder and shall transfer to an account of the successor custodian all of the Fund's securities held in a Securities System.

If no such successor custodian shall be appointed, the Custodian shall, in like manner, upon receipt of a properly executed copy of a document evidencing action taken by the Trustees of the Trust, deliver at the office of the Custodian and transfer such securities, funds and other properties in accordance with such action.

In the event that no written order designating a successor custodian or properly executed copy of a document evidencing action taken by the Trustees of the Trust shall have been delivered to the Custodian on or before the date when such termination shall become effective, then the Custodian shall have the right to deliver to a bank or trust company, which is a "bank" as defined in the Investment Company Act of 1940, of its own selection, having an aggregate capital, surplus, and undivided profits, as shown by its last published report, of not less than $25,000,000, all securities, funds and other properties held by the Custodian and all instruments held by the Custodian relative thereto and all other property held by it under this Contract and to transfer to an account of such successor custodian all of the Fund's securities held in any Securities System. Thereafter, such bank or trust company shall be the successor of the Custodian under this Contract.

In the event that securities, funds and other properties remain in the possession of the Custodian after the date of termination hereof owing to failure of the Fund to procure the properly executed Copy of a document evidencing action taken by the Trustees of the Trust or of the Trustees to appoint a successor custodian, the Custodian shall be entitled to fair compensation for its services during such period as the Custodian retains possession of such securities, funds and other properties and the provisions of this Contract relating to the duties and obligations of the Custodian shall remain in full force and effect.

13. Interpretive and Additional Provisions

In connection with the operation of this Contract, the Custodian and the Fund may from time to time agree on such provisions interpretive of or in addition to the provisions of this Contract as may in their joint opinion be consistent with the general tenor of this Contract. Any such interpretive or additional provisions shall be in a writing signed by both parties and shall be annexed hereto, provided that no such interpretive or additional provisions shall contravene any applicable federal or state regulations or any provision of the governing instrument of the Fund. No interpretive or additional provisions made as

provided in the preceding sentence shall be deemed to be an amendment of this Contract.

The Custodian agrees that any claims by it against the Trust under this Contract may be satisfied only from the assets of the Trust; that the person executing this Contract on behalf of the Trust has executed it in his capacity as an officer of the Trust and not individually, and that the obligations of the Trust arising out of this Contract are not binding upon such person or the Trust's shareholders individually but are binding only upon the assets and property of the Trust; and that no shareholders, trustees or officers of the Trust may be held personally liable or responsible for any obligations of the Trust arising out of this Contract.

The Trust agrees that the person executing this Contract on behalf of the Custodian has executed it in his capacity as an officer of the Custodian and not individually, and that the obligations of the Custodian arising out of this Contract are not binding on such person or the Custodian's officers, directors, employees or shareholders individually but are binding only upon the Custodian; and that no officer, director, employee or shareholder of the Custodian may be held personally liable or responsible for any obligations of the Custodian arising out of this Contract.

14. Texas Law to Apply

This Contract shall be construed and the provisions thereof interpreted under and in accordance with laws of the State of Texas.

15. Prior Contracts

This Contract supersedes and terminates, as of the date hereof, all prior contracts between the Fund and the Custodian relating to the custody of the Fund's assets.

IN WITNESS WHEREOF, each of the parties has caused this instrument to be executed in its name and behalf by its duly authorized representative and its seal to be hereunder affixed as of the ______day of ______ , 1987.

ATTEST	AMERICAN AADVANTAGE FUNDS
/s/ Thomas M. Stawicki	/s/ William F. Quinn
Authorized Employee	By: William F. Quinn
ATTEST	FIRST REPUBLICBANK DALLAS, N.A.
/s/ Paula M. Burford	/s/ M.J. Weeland
Authorized Officer	By: Sr. Vice President and Trust Officer

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Exhibit 99.b.9.a

REGISTRAR,

TRANSFER AGENCY AND SERVICE AGREEMENT

between

AMERICAN AADVANTAGE FUNDS

and

FIRST REPUBLICBANK DALLAS, N.A.

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TRANSFER AGENCY AND SERVICE AGREEMENT
between
AMERICAN AADVANTAGE FUNDS
and
FIRST REPUBLICBANK DALLAS, N.A.

REGISTRAR, TRANSFER AGENCY AND SERVICE AGREEMENT

AGREEMENT made as of the 3rd day of April,1987, by and between AMERICAN AADVANTAGE FUNDS, a Massachusetts business trust, having its principal office and place of business at 4200 American Boulevard, Fort Worth, Texas 76155 (the "Trust"), and FIRST REPUBLICBANK DALLAS, N.A., a national banking association, having its principal office and place of business at 350 North St. Paul Street, Dallas, Texas 75201 (the "Bank").

WHEREAS, the Trust desires to appoint the Bank as its registrar, transfer agent, dividend disbursing agent and agent in connection with certain other activities and the Bank desires to accept such appointment;

NOW, THEREFORE, in consideration of the mutual convenants herein contained, the parties hereto agree as follows:

Article 1 Terms of Appointment; Duties of the Bank

1.01 Subject to the terms and conditions set forth in this Agreement, the Trust hereby employs and appoints the Bank to act as, and the Bank agrees to act as, registrar of each of the Trust's series of units of beneficial interest ("Shares '') , transfer agent for the Shares, dividend disbursing agent and agent for the shareholders of the Fund (the "Shareholders") in connection with any dividend reinvestment plan as set out in the prospectus and statement of additional information of the Fund. The term "Fund" as used herein shall mean each and all such series of shares in existence as of the date hereof, and, if mutually agreed by the Trust and the Bank at such time, each such series of shares hereafter designated by the Trust.

1.02 The Bank agrees that it will perform the following services:

(a) In accordance with the Fund's then current prospectus and statement of additional information, and procedures established from time to time by agreement between the Fund and the Bank, the Bank shall:

(i) enter on the records of the Bank on behalf of the Fund the appropriate number of Shares, as authorized by the Shareholders, and hold such Shares in the appropriate Shareholder account;

(ii) effect transfers of Shares by the registered owners thereof upon receipt of appropriate documentation;

(iii) prepare and transmit payments for dividends and distributions declared by the Fund; and

(iv) act as agent for Shareholders in connection with any dividend reinvestment plan of the Fund as agreed between the Fund and the Bank from time to time.

(b) In addition to and not in lieu of the services set forth in the above paragraph (a), the Bank shall: (i) perform all of the customary services of a registrar, transfer agent, dividend disbursing agent and agent for the Shareholders of the Fund in connection with any dividend reinvestment plan of the Fund as consistent with all applicable regulations in effect as of the date of this Agreement as more fully described in the attached fee schedule, including but not limited to: maintaining all Shareholder accounts, preparing Shareholder meeting lists, mailing proxies, receiving and tabulating proxies and mailing Shareholder reports to current Shareholders, withholding taxes on U. S. resident and non-resident alien accounts where applicable, preparing and filing U. S. Treasury Department Forms 1099 and other appropriate forms

required with respect to dividends and distributions by federal authorities for all registered Shareholders, preparing and mailing confirmation forms and statements of account to Share- holders for all confirmable transactions in Shareholder accounts, and providing Shareholder account information; and the Bank shall provide a system which will enable the Fund to monitor the total number of Shares sold in each State. The Fund shall (i) identify to the Bank in writing those transactions and assets to be treated as exempt from blue sky reporting for each State and (ii) verify the establishment of transactions for each State on the system prior to activation and thereafter monitor the daily activity for each State. The responsibility of the Bank for the Fund's blue sky State registration status is solely limited to the initial establishment of transactions subject to blue sky compliance by the Fund and the reporting of such transactions to the Fund as provided above. Procedures applicable to certain of these services described in paragraphs (a) and (b) may be established from time to time by agreement between the Fund and the Bank and shall be subject to the review and approval of the Fund. The failure of the Fund to establish such procedures with respect to any service shall not in any way diminish the duty and obligation of the Bank to perform such service described in paragraph (a) and (b).

Article 2 Fees and Expenses

2.01 For the performance by the Bank of the provisions of this Agreement, the Fund agrees to pay the Bank an annual maintenance fee as set out in the initial fee schedule attached hereto. Such fee and out-of-pocket expenses and advances identified under Section 2.02 below may be changed from time to time subject to mutual written agreement between the Fund and the Bank.

2.02 In addition to the fee paid under Section 2.01 above, the Fund agrees promptly to reimburse the Bank for reasonable out-of-pocket expenses or advances incurred by the Bank for the items set out in the fee schedule attached hereto. In addition, any other expenses incurred by the Bank at the request of or with the consent of the Fund which are not properly borne by the Bank as part of its duties and obligations under this Agreement will be promptly reimbursed by the Fund. Postage and the cost of materials for mailing of dividends, proxies, Fund reports and other mailings to all Shareholder accounts shall be advanced to the Bank by the Fund at least seven (7) days prior to the mailing date of such materials.

Article 3 Representations and Warranties of` the Bank

The Bank represents and warrants to the Fund that:

3.01 It is a national banking association duly organized and existing and in good standing under the laws of the United States of America.

3.02 It is duly qualified to carry on its business in the State of Texas.

3.03 It is empowered under applicable laws and by its charter and by-laws to enter into and perform this Agreement.

3.04 All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement.

3.05 It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

Article 4 Representations and Warranties of the Fund

The Fund represents and warrants to the Bank that:

4.01 It is a duly organized Massachusetts business trust.

4.02 It is empowered under applicable laws and by governing instrument to enter into and perform this Agreement.

4.03 All necessary actions required by its governing instrument have been taken to authorize it to enter into and perform this Agreement.

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4.04 It is an open-end management investment company registered under the Investment Company Act of 1940.

4.05 A registration statement under the Securities Act of 1933 is currently effective and will remain effective and appropriate state securities law filings have been made and will continue to be made with respect to all Shares of the Fund being offered for sale; information to the contrary will result in immediate notification to the Bank.

4.06 To assist the Bank in the performance of its duties hereunder, the Trust will provide the Bank on a timely basis with the Trust's current effective prospectus and statement of additional information immediately upon effectiveness of each post-effective amendment to the Trust's registration statement.

Article 5 Indemnification

5.01 The Bank shall not be responsible for, and the Fund shall indemnify and hold the Bank harmless from and against, any and all losses, damages, costs, charges, counsel fees, payments, expenses and liability arising out of or attributable to:

(a) All actions of the Bank or its agents or subcontractors required to be taken pursuant to this Agreement, provided that such actions are taken in good faith and without negligence or willful misconduct.

(b) The Fund's refusal or failure to comply with the terms of this Agreement, or which arise out of the Fund's lack of good faith, negligence or willful misconduct or which arise out of the breach of any representation or warranty of the Fund hereunder.

(c) The reliance on or use by the Bank or its agents or subcontractors of information, records and documents which (i) are received by the Bank or its agents or subcontractors and furnished to it by or on behalf of the Fund, and (ii) have been prepared and/or maintained by the Fund or any other person or firm on behalf of the Fund.

(d) The reliance on, or the carrying out by the Bank or its agents or subcontractors of any written instructions or requests of the Fund's representative . "Written instructions" means written instructions delivered by mail, tested telegram, cable, telex or facsimile sending device and received by the Bank, or its agents or subcontractors, signed by Authorized Persons as defined in paragraph 5.03.

(e) The offer or sale of shares of Common Stock or of Shares in violation of any requirement under the federal securities laws or regulations or the securities laws or regulations of any state that such Shares be registered in such state or in violation of any stop order or other determination or ruling by any federal agency or any state with respect to the offer or sale of such shares of Common Stock or Shares in such state.

(f) Any action or inaction taken by the Bank pursuant to written instructions given to the Bank by an investment advisor of the Fund.

5.02 The Fund shall not be responsible for, and the Bank shall indemnify and hold the Fund harmless from and against any and all losses, damages, costs, charges, counsel fees, expenses and liability arising out of or attributable to the Bank's failure to comply with the terms of this Agreement or any action or failure or omission to act by the Bank as a result of the Bank's lack of good faith, negligence or willful misconduct or which arise out of the breach of any representation or warranty of the Bank hereunder.

5.03 At any time the Bank may apply to any authorized officer of the Fund for instructions, and may consult with legal counsel experienced in securities matters (including counsel to the Fund with respect to any matter arising in connection with the services to be performed by the Bank under this Agreement, and the Bank and its agents or subcontractors shall not be liable and shall be indemnified by the Fund for any action reasonably taken or omitted by it in reliance upon such instructions or upon the opinion of such counsel. The Bank, its

agents and subcontractors shall be protected and indemnified in acting upon any paper or document furnished by or on behalf of the Fund, reasonably believed to be genuine and to have been signed by the Proper person or persons authorized by the Fund, as to which notice has been given to the Bank ("Authorized Persons"), or upon any instruction, information, data, records or documents provided by Authorized Persons to the Bank or its agents or subcontractors by telephone, in person, machine readable input, telex, CRT data entry or other similar means authorized by the Fund, and shall not be held to have notice of any change of authority of any Authorized Person, until receipt of written notice thereof from the Fund.

5.04 In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, equipment or transmission failure or damage reasonably beyond its control, or other causes reasonably beyond its control, such party shall not be liable for damages to the other for any losses, damages, costs, charges, counsel fees, payments, expenses or liability resulting from such failure to perform or otherwise from such causes. In addition, the Bank shall use reasonable care to minimize the likelihood of such damage, loss of data, delays and/or errors and should such damage, loss of data, delays and/or errors occur, the Bank shall use its best efforts to mitigate the effects of such occurrence.

5.05 Neither party to this Agreement shall be liable to the other party for consequential damages under any provision of this Agreement or for any act or failure to act hereunder.

5.06 In order that the indemnification provisions contained in this Article 5 shall apply, upon the assertion of a claim or the institution of any action or investigation for which either party may be required to indemnify the other, the party seeking indemnification shall promptly notify the other party of such assertion or institution, and shall keep the other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim. The party seeking indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required to indemnify it except with the other party's prior written consent.

Article 6 Covenants of the Fund and the Bank

6.01 The Fund shall promptly furnish to the Bank the following:

(a) A certified copy of the documentation reflecting the action taken by the Fund's authorizing the appointment of the Bank and the execution and delivery of this Agreement.

(b) A copy of the governing instrument of the Fund and all amendments thereto. The Bank represents and warrants that to the best of its knowledge, the various procedures and systems which the Bank has implemented with regard to safeguarding from loss or damage the share certificates, check forms, facsimile signature imprinting devices, and other property used in the performance of its obligations hereunder are adequate and will enable the Bank to perform satisfactorily its obligations hereunder and that the Bank will make such changes therein from time to time as in its judgment are required for the secure performance of its obligations hereunder.

6.02 The Bank shall keep records relating to the services to be performed hereunder, in the form and manner as it may deem advisable. To the extent required by Section 31 of the Investment Company Act of 1940, as amended, and the Rules thereunder, the Bank agrees that all such records prepared or maintained by the Bank relating to the services to be performed by the Bank hereunder are the property of the Fund and will be preserved, maintained and made available in accordance with such Section and Rules, and will be surrendered promptly to the Fund on and in accordance with its request.

6.03 The Bank and the Fund agree that all books, records, information and data pertaining to the business of the other party

which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed to any other person, except as may be required by law.

6.04 In case of any requests or demands for the inspection of the Shareholder records of the Fund, the Bank will endeavor to notify the Fund and to secure instructions from an authorized officer of the Fund as to such inspection. The Bank reserves the right, however, to exhibit the Shareholder records to any person whenever it is advised by its counsel that it may be held liable for the failure to exhibit the Shareholder records to such person.

6.05 The Fund shall make all required filings under federal and state securities laws.

Article 7 Termination of Agreement

7.01 This Agreement may be terminated by either party upon one hundred twenty (120) days written notice to the other. Any such termination shall not effect the rights and obligations of the parties under Article 5 hereof.

7.02 Should the Fund exercise its right to terminate, all out-of-pocket expenses associated with the movement of records and material will be borne by the Fund. Additionally, the Bank reserves the right to charge for any other reasonable expenses and for its time at its customary rate associated with such termination. In the event that the Fund designates a successor to any of the Bank's obligations hereunder, the Bank shall, at the expense and direction of the Fund, transfer to such successor a certified list of the Shareholders of the Fund, a complete record of the account of each Shareholder, and all other relevant books, records and other data established or maintained by the Bank hereunder.

Article 8 Assignment

8.01. Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the written consent of the other party.

8.02 This Agreement shall inure to the benefit of and be binding upon the parties and their respective permitted successors and assigns. The Bank agrees that any claims by it against the Trust under this Agreement may be satisfied only from the assets of the Trust; that the person executing this Agreement on behalf of the Trust has executed it in his capacity as an officer of the Trust and not individually, and that the obligations of the Trust arising out of this Agreement are not binding upon such person or the Trust's shareholders individually but are binding only upon the assets and property of the Trust; and that no shareholders, trustees or officers of the Trust may be held personally liable or responsible for any obligations of the Trust arising out of this Agreement.

The Trust agrees that the person executing this Agreement on behalf of the Bank has executed it in his capacity as an officer of the Bank and not individually, and that the obligations of the Bank arising out of this Agreement are not binding on such person or the Bank's officers, directors, employees or shareholders individually but are binding only upon the Bank; and that no officer, director, employee or shareholder of the Bank may beheld personally liable or responsible for any obligations of the Bank arising out of this Agreement.

Article 9 Amendment

9.01 This Agreement may be amended or modified by a written agreement executed by both parties and authorized or approved by a resolution of the Board of Trustees of the Trust.

Article 10 Texas Law to Apply

10.01 This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the State of Texas.

Article 11 Merger of Agreement

11.01 This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject hereof whether oral or written.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf under their seals by and through their duly authorized officers, as of the day and year first above written.

AMERICAN AADVANTAGE FUNDS

BY:/s/ William F. Quinn

ATTEST:

/s/ Thomas M. Stawicki

Authorized Employee

FIRST REPUBLICBANK DALLAS, N.A.

BY: /s/ M. Weiland

Senior Vice President and Trust Officer

ATTEST:

/s/ Paula M. Burford

Authorized Officer

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FEE SCHEDULE

Shareholder Accounting

$16.00 per year per shareholder account for a money market fund, plus .75c. for each non-dividend transaction, e.g., purchases and sales of shares.

$6.00 per year per shareholder account for a regular mutual fund.

Plus $10.00 for each wire transfer of funds in or out.

Minimum fees -

$1,000 per month on a money market fund.
500 per month on a regular mutual fund.

Fund Accounting

A flat fee of $250 per month per manager of first 50 security positions per manager; 51 to 100 security positions per manager per month, $4.25 each; over 100 security positions per manager per month, $3.50 each will be charged for providing fund accounting services (including daily pricing).

Out-of-Pocket Expenses

The cost of stationery and supplies, checks, ledgers, postage, taxes, insurance, courier, fee incurred for legal and auditing services and other expenses incurred in performing the above services will be billed separately at cost in addition to the service fee.

Additional Services Requested

1. Writing programs for P.C.'s to provide communications between AMRISI and RBD for purchases and sales of fund shares.

   One time cost $2,500 to $3,000

2. Writing and modifying trust accounting system programs to systematically generate a 30-60-90 day turnover report for each manager who invests in fixed income securities.

   One time cost   To be provided

3. For processing and recordkeeping services associated with the short term investment fund within each mutual fund.

$250 per month per fund

$35 per purchase, sale or maturity

4. Manual preparation of the 30-60-90 day turnover report (applicable until report can be systematically generated, at which time the fee may be re-negotiated) .

$175 per month per manager

5. Weekly market valuation of the Money Market Find and comparison with amortized cost valuation.

$450 per month

Exhibit 99.b.9.b.i

TRANSFER AGENCY AND REGISTRAR AGREEMENT

AGREEMENT, dated as of June 7, 1993, among American AAdvantage Funds, (the "Trust"), a Massachusetts business trust having its principal place of business at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, AMR Investment Services, Inc. ("AMR Investments"), the Manager of the Trust, a Delaware corporation having its principal place of business at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155 and Goldman, Sachs & Co., a New York limited partnership (the "Transfer Agent"), with offices at 4900 Sears Tower, Chicago, Illinois 60606,

WITNESSETH

That for and in consideration of the mutual covenants and promises hereinafter set forth, the Trust, AMR Investments and the Transfer Agent agree as follows:

1. Definitions. Whenever used in this Agreement or the Schedules hereto, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

(a) "Authorized Person" includes any person, whether or not such person is an officer or employee of the Trust or AMR Investments, duly authorized to give Oral Instructions or Written Instructions on behalf of the Trust or AMR Investments as indicated in a certificate furnished from time to time to the Transfer Agent in accordance with Section 4(c) hereof.

(b) "Board of Trustees" means the Board of Trustees, Board of Directors or other governing body, as the case may be, of the Trust.

(c) "Commission" means the Securities and Exchange Commission.

(d) "Custodian" refers to any custodian or sub-custodian of securities and other property which the Trust may from time to time deposit, or cause to be deposited or held under the name or account of such a custodian pursuant to a Custodian Agreement.

(e) "Declaration of Trust" means the Articles of Incorporation, Declaration of Trust, By-laws or similar organizational documents as the case may be, of the Trust as the same may be amended from time to time.

(f) "1933 Act" means the Securities Act of 1933, as amended.

(g) "1934 Act" means the Securities Exchange Act of 1934, as amended.

(h) "1940 Act" means the Investment Company Act of 1940, as amended.

(i) "Oral Instructions" means instructions, other than Written Instructions, actually received by the Transfer Agent from a person reasonably believed by the Transfer Agent to be an Authorized Person;

(j) "Prospectus" means the most recently dated Prospectus and Statement of Additional Information, including any supplements thereto if any, contained in the Trust's registration statement which has been filed with, and declared effective by, the Commission under the 1933 Act and the 1940 Act.

(k) "Shares" refers collectively to such shares of capital stock, beneficial interest or limited partnership interests, as the case may be, of the Trust as may be issued from time to time; provided, however, that if the Shares of the Trust may be issued in more than one series or class, "Shares" shall refer to the shares of capital stock, beneficial interest or limited partnership interest in such class or series.

(l) "Shareholder" means a holder of record of Shares.

(m) "Trust" means the investment company executing this Agreement, and if it is a series fund, as such term is used in the 1940 Act and/or multiple class fund, such term shall include each series and/or class of the Trust hereafter created, except that such series and/or class shall be listed on Schedule A before this Agreement shall become effective with respect to each such series and/or class.

(n) "Written Instructions" means a written communication signed by a person reasonably believed by the Transfer Agent to be an Authorized Person and actually received by the Transfer Agent. Written Instructions shall include manually executed originals and authorized electronic transmissions, including telefacsimile of a manually executed original or other process.

2. Appointment of the Transfer Agent. The Trust and AMR Investments hereby appoint and constitute the Transfer Agent as transfer agent, registrar and dividend disbursing agent for Shares and as shareholder servicing agent for the Trust. The Transfer Agent accepts such appointments and, subject to the terms and conditions hereof, agrees to perform the duties hereinafter set forth. In addition, the Trust and AMR Investments authorize the Transfer Agent to take such actions as are necessary, including opening of bank accounts for the Trust, in order to effectuate the obligations of the Transfer Agent under this Agreement.

3. Compensation

(a) AMR Investments or the Trust will compensate or cause the

Transfer Agent to be compensated for the performance of its obligations hereunder with respect to the Trust in accordance with the fees set forth in the written schedule of fees annexed hereto as Schedule A and incorporated herein. The Transfer Agent will transmit an invoice to AMR Investments as soon as practicable after the end of each calendar month which will be detailed in accordance with Schedule A and AMR Investments or the Trust will pay to the Transfer Agent the amount of such invoice within thirty (30) days after AMR Investments' receipt of the invoice.

(b) Any compensation agreed to hereunder may be adjusted from time to time by attaching to Schedule A a revised fee schedule executed and dated by the parties hereto.

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4. Documents. In connection with the appointment of the Transfer Agent, the Trust shall deliver or cause to be delivered to the Transfer Agent the following documents on or before the date this Agreement goes into effect but in any case within a reasonable period of time for the Transfer Agent to prepare to perform its duties hereunder:

(a) If the Shares are issuable in certificate form, an adequate supply of certificates for the Shares executed on behalf of the Trust by the persons specified in the Declaration of Trust and, if required by the Declaration of Trust, bearing the seal of the Trust.

(b) All account application forms and other documents relating to Shareholder accounts or to any plan, program or service offered by the Trust;

(c) A signature card bearing the signatures of any officer of the Trust or AMR Investments or other Authorized Person who is authorized to sign Written Instructions or is authorized to give Oral Instructions.

(d) A certified copy of the Declaration of Trust;

(e) A copy of the resolution of the Board of Trustees authorizing the execution and delivery of this Agreement;

(f) If applicable, a certified list of Shareholders of the Trust with the name, address and taxpayer identification number of each Shareholder, and the number of Shares of the Trust (or of each series or class thereof, as applicable held by each Shareholder, certificate numbers and number of Shares represented thereby (if any certificates have been issued), lists of any accounts against which stop transfer orders have been placed, together with the reasons therefore, the number of Shares redeemed by the Trust, the information specified in Paragraph I of Schedule B and any other information reasonably requested by the Transfer Agent with respect to the Trust or Shareholder accounts that have been opened or Shares outstanding on or before the date this Agreement becomes effective; and

(g) An opinion of counsel for the Trust with respect to the validity of the Shares and this Agreement and the status of such Shares under the 1933 Act, which may be the opinion filed by the Trust with the Commission pursuant to Rule 24f-2 under the 1940 Act if accompanied by a letter authorizing the Transfer Agent to rely upon such opinion.

5. Further Documentation. The Trust will also furnish the Transfer Agent with copies of the following documents promptly after the same shall become available:

(a) each resolution of the Board of Trustees authorizing the issuance of Shares;

(b) any post-effective amendments to the registration statements filed on behalf of the Trust with the Commission;

(c) a certified copy of each amendment to the Declaration of Trust;

(d) certified copies of each resolution of the Board of Trustees or other authorization designating Authorized Persons (or authorization of AMR Investments designating Authorized Persons); and

(e) such other certificates, documents or opinions as the Transfer Agent may reasonably request in connection with the performance of its duties hereunder.

6. Representations of the Trust. The Trust represents to the Transfer Agent that all outstanding Shares are validly issued, fully paid and non-assessable. When Shares are hereafter issued, such Shares shall be validly issued, fully paid and nonassessable,

7. Distributions Payable in Shares. In the event that the Board of Trustees of the Trust shall declare a distribution Payable in Shares with respect to a series or class designated in Schedule A, the Trust shall deliver or cause to be delivered to the Transfer Agent written notice of such declaration signed on behalf of the Trust by an Authorized Person, upon which notice the Transfer Agent shall be entitled to rely for all purposes. Such Notice shall certify (i) the identity of the Shares involved, (ii) the number of Shares involved, (iii) that all appropriate action has been taken and any other information reasonably requested by the Transfer Agent.

8. Duties of the Transfer Agent. The Transfer Agent shall be responsible for administering and or performing those functions typically performed by a transfer agent; for providing clerical and ministerial assistance to the Trust and AMR Investments in connection with the processing of orders to purchase Shares; for acting as service agent in connection with dividend and distribution functions; and for performing shareholder account and administrative agent functions in connection with the issuance, transfer and redemption (including coordination with the Custodian) of shares in accordance with the terms of the Prospectus and applicable law. The operating standards

and procedures to be followed shall be determined from time to time by agreement between the Trust and the Transfer Agent. In addition, the Trust shall deliver to the Transfer Agent all notices issued by the Trust with respect to the Shares and shall perform such other specific duties as are set forth in the Declaration of Trust including the giving of notice of any special or annual meetings of shareholders and any other notices required thereby.

9. Record Keeping and Other Information. The Transfer Agent shall create and maintain all records required of it pursuant to its duties hereunder in accordance with all applicable laws, rules and regulations, including records required by Section 31(a) of the 1940 Act. All records shall be available upon reasonable notice during regular business hours for inspection and use by the Trust and AMR Investments. Where applicable, such records shall be maintained by the Transfer Agent for the periods and in the places required by Rule 31a-2 under the 1940 Act. The Transfer Agent agrees that all such records prepared or maintained by the Transfer Agent relating to the services to be performed hereunder are the property of the Trust.

Upon reasonable notice by the Trust, the Transfer Agent shall make available during regular business hours such of its facilities and premises employed in connection with the performance of its duties under this Agreement for reasonable visitation by the Trust or any person retained by the Trust or AMR Investments as may be necessary for the Trust or AMR Investments to evaluate the quality of the services performed by the Transfer Agent pursuant hereto.

10. Other Duties. In addition to the duties set forth in Section 8 hereof and in Schedule B, the Transfer Agent shall perform such other duties and functions, and shall be paid such amounts therefor, as may from time to time be agreed upon in writing among the Trust, AMR Investments and the Transfer Agent. The compensation for such other duties and functions shall be reflected in a written amendment to Schedule A or B and the duties and functions shall be reflected in an amendment to Schedule B, both dated and signed by authorized persons of each of the parties hereto.

11. Reliance by Transfer Agent; Instructions,

(a) The Transfer Agent will have no liability when acting upon Written or Oral Instructions reasonably believed to have been executed or communicated by an Authorized Person and will not be held to have any notice of any change of authority of any person until receipt of a Written Instruction thereof from the Trust or AMR Investments as applicable pursuant to Section 4(c). The Transfer Agent will also have no liability when processing Share certificates which it reasonably believes to bear the proper manual or facsimile signatures of the officers of the Trust and the proper counter-signature of the Transfer Agent.

(b) At any time, the Transfer Agent may apply to any Authorized Person of the Trust for Written Instructions and may, at the expense of the Transfer Agent, seek advice from legal counsel for the Trust, or its own legal counsel, with respect to any matter arising in connection with this Agreement, and it shall not be liable and shall be indemnified by the Trust for any action taken or omitted by it in reliance upon such Written Instructions or opinion of counsel to the Trust; provided that nothing in this Subsection shall excuse the Transfer Agent when an action or omission by it constitutes willful misfeasance, bad faith, gross negligence or reckless disregard of its duties hereunder. Written Instructions requested by the Transfer Agent shall be provided by the Trust within a reasonable period of time and the Transfer Agent shall not be required to take any action under this Agreement that is the subject of a request for Written instructions Until Written Instructions responding to the satisfaction of the Transfer Agent to such request are received by the Transfer Agent. The Transfer Agent, its officers, agents or employees, shall accept Oral Instructions or Written Instructions given to them by any person representing or acting on behalf of the Trust only if the Transfer Agent reasonably believes said representative is an Authorized Person. The Trust agrees that all Oral Instructions shall be followed within one business day by confirming Written Instructions. The Trust's failure to so confirm shall not impair in any respect the Transfer Agent's right to rely on Oral Instructions. The Transfer Agent shall have no duty or obligation to inquire into, nor shall the Transfer Agent be responsible for, the legality of any act done by it upon the request or direction of a person reasonably believed by the Transfer Agent to be an Authorized Person.

(c) Notwithstanding any of the foregoing provisions of this Agreement, the Transfer Agent shall be under no duty or obligation to inquire into, and shall not be liable for and shall be indemnified with respect to any liability with respect to: (i) the legality of the issuance or sale of any Shares or the sufficiency of the amount to be received therefor; (ii) the legality of the redemption of any Shares, or the propriety of the amount to be paid therefor; (iii) the legality of the declaration of any dividend by the Board of Trustees, or the

legality of the issuance of any Shares in payment of any dividend; or (iv) the legality of any recapitalization or readjustment of the Shares.

12. Acts of God, etc. The Transfer Agent will not be liable or responsible for delays or errors by acts of God or by reason of circumstances beyond its control, including acts of civil or military authority, national emergencies, labor difficulties, equipment failure, mechanical breakdown, insurrection, war, riots, or failure or unavailability of transportation, communication or power supply, fire, flood or other catastrophe.

13. Duty of Care and Indemnification.

(a) The Transfer Agent, in the performance of its duties hereunder, shall use the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims and shall act in conformity with the Trust's Declaration of Trust and Prospectus and any Written or Oral Instructions, and shall, subject to the standard set forth above, comply with and conform to the requirements of the 1940 Act, the 1934 Act, particularly Section 17A thereof, and all other applicable federal and state laws, regulations and rulings.

(b) AMR Investments and the Trust hereby agree to indemnify and hold harmless the Transfer Agent, its officers, partners and employees and each person, if any, who controls the Transfer Agent against any and all losses, claims, damages Of liabilities, joint or several, to which any such person may become subject under the 1940 Act, the 1933 Act, the 1934 Act or other federal or state statutory law or regulation, at common law or otherwise insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon the Transfer Agent's actions and duties hereunder. It is understood, however, that nothing in this Section 13 shall protect the Transfer Agent, its officers, partners and employees and each person, if any, who controls the Transfer Agent against any liability to AMR Investments, the Trust or its shareholders and their officers, directors, trustees and employees and each person, if any, who controls AMR Investments or the Trust to which such person would otherwise be subject by reason of willful misfeasance, bad faith, or negligence, in the performance of his duties, or by reason of his reckless disregard of his obligations and duties under this Agreement.

(c) The Transfer Agent hereby agrees to indemnify and hold harmless AMR Investments and the Trust and their officers, directors, trustees and employees and each person, if any, who controls AMR Investments or the Trust against any and all losses, claims, damages or liabilities, joint or several, to which such person may become subject under the 1940 Act, the 1933 Act, the 1934 Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon the Transfer Agent's willful misfeasance, bad faith, or gross negligence in the performance of its duties or by reason of its reckless disregard of its obligations and duties under this Agreement.

(d) The indemnifying party shall reimburse each indemnified party for any reasonable legal or other expenses incurred by such indemnified party in connection with investigating defending any such loss, claim, damages, liability or action. In the case that any such action may be brought against any indemnified party and such indemnified

party shall notify the indemnifying party, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to the indemnified party, and after notice from the indemnifying party to such indemnified party of its election to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal expense of other counsel, or any other expenses, in each case subsequently incurred by such indemnified party in connection with the defense of such action other than the reasonable costs of investigation.

14. Consequential Damages. In no event and under no circumstances shall any party under this Agreement be liable to any other party for consequential or indirect loss of profits, reputation or business or any other special damages under any provision of this Agreement or for any act or failure to act hereunder.

15. Term and Termination.

(a) This Agreement shall be effective on the date first written above and shall continue thereafter until terminated in accordance with this Agreement. This Agreement may be terminated by any party upon written notice given to each of the other parties at least 150 days prior to the termination date. In addition, this Agreement may be terminated at any time upon 30 days' written notice in the event of a material breach of the terms of this contract by such other party, provided that such breach is not cured within a reasonable period of time.

(b) In the event a termination notice is given by the Trust, it shall be accompanied by a resolution of the Board of Trustees, certified by the Secretary of the Trust. Upon such termination and at the expense of the Trust, the Transfer Agent will deliver to the successor transfer agent designated by the Trust a certified list of shareholders of the Trust (with names and addresses), and all other relevant books, records, correspondence and other Trust records or data in the possession of the Transfer Agent, and the Transfer Agent will cooperate with the Trust and any successor transfer agent or agents in the substitution process.

(c) In the event a termination notice is given by the Transfer Agent and upon selection of one or more successor transfer agent(s) by the Trust, the Transfer Agent shall deliver to such successor(s), at the Transfer Agent's cost, a certified list of Shareholders of the Trust (with names and addresses) and all other relevant books, records, correspondence and other Trust records or data in the possession of the Transfer Agent, and the Transfer Agent shall cooperate with the Trust and any successor transfer agent(s) in the substitution process.

16. Confidentiality. All parties hereto agree that any nonpublic information obtained hereunder concerning each of the other parties is confidential and may not be disclosed to any other person without the consent of such other party, except as may be required by applicable law or at the request of the Commission or other governmental agency. The parties further agree that a breach of this provision would irreparably damage such other party and accordingly agree that each of them is entitled, without bond or other security, to an injunction or injunctions to prevent breaches of this provision.

17. Amendment. This Agreement may only be amended or modified by a written instrument executed by all the parties hereto.

18. Subcontracting. The Trust and AMR Investments agree that the

Transfer Agent may, in its discretion, subcontract for certain of the services described under this Agreement or the Schedules hereto; provided that any such subcontracting shall not relieve the Transfer Agent of its responsibilities hereunder; and provided, further, that the Transfer Agent shall notify the Trust and AMR Investments of any such subcontracting agreement.

19. Miscellaneous.

(a) Notices. Any notice or other instrument authorized or required by this agreement to be given in writing to the Trust, AMR Investments or the Transfer Agent, shall be sufficiently given if addressed to that party and received by it at its office set forth below or at such other place as it may from time to time designate in writing.

To the Trust:

American AAdvantage Funds
4333 Amon Carter Blvd., MD5645
Fort Worth, Texas 76155
Attn.: W. F. Quinn, President

To AMR Investments:

AMR Investment Services, Inc.
4333 Amon Carter Blvd., MD5645
Fort Worth, Texas 76155
Attn.: W.F. Quinn, President

To the Transfer Agent:

Goldman, Sachs & Co.
4900 Sears Tower
Chicago Illinois 60606
Attn.: Pauline Taylor

(b) Successors. This Agreement shall extend to and shall be binding upon the parties hereto, and their respective successors and assigns, provided, however, that this Agreement shall not be assigned to any person other than a person controlling, controlled by or under common control with the assignor without the written consent of each of the other parties, which consent shall not be unreasonably withheld.

(c) Governing Law. This Agreement shall be governed exclusively by the laws of the State of New York without reference to the choice of law provisions thereof.

(d) Counterparts. This Agreement may be executed in any number of or counterparts, each of which shall be deemed to be an original; but such counterparts shall, together, constitute only one instrument.

(e) Captions. The captions of this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

(f) Use of Transfer Agent's Name. The Trust and AMR Investments shall not use the name of the Transfer Agent in any prospectus, statement of additional information, shareholders' report, sales literature or other material relating to the Trust in a manner not approved by the Transfer Agent prior thereto in writing; provided, that the Transfer Agent need only receive notice of all reasonable uses of its name which merely refer in accurate terms to its appointment hereunder or which are required by any government agency or applicable law or rule.

(g) Use of Trust's Name or AMR Investments' Name The Transfer Agent shall not use the name of the Trust or AMR or Investments or material relating to the Trust or AMR Investments on any documents or forms for other than internal use in a manner not approved by the Transfer Agent prior thereto by the Trust or AMR Investments in writing; provided, that the Trust or AMR Investments need only receive notice of all reasonable uses of its name which merely refer in accurate terms to the appointment of the Transfer Agent or which are required by any government agency or applicable law or rule.

(h) Independent Contractors. The parties agree that they are independent contractors and not partners or co-venturers.

(i) Entire Agreement; Severability. This Agreement and the Schedules attached hereto constitute the entire agreement of the parties hereto relating to the matters covered hereby and supersede any previous agreements. if any provision is held to be illegal, unenforceable or invalid for any reason, the remaining provisions shall not be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers, as of the day and year first above written.

AMERICAN AADVANTAGE FUNDS

By: /s/ Nancy Eckl

Title: Vice President & Treasurer

AMR INVESTMENT SERVICES, INC..

By: /s/ William F. Quinn

Title: President

GOLDMAN SACHS & CO.

By: /s/ Pauline Taylor

Title: Vice President

Schedule A

Fee Schedule for American AAdvantage Money Market Fund - Mileage Class

0 - 2,000 accounts	All accounts @ $62.50 per year up to a maximum of $100,000
2,001 - 4,000 accounts	All accounts @ $50.00 per year up to a maximum of $150,000
4,001 - 12, 000 accounts	All accounts @ $37.50 per year up to a maximum of $300,000
over 12,000 accounts	All accounts @ $25.00 per year

Balance credits will be used to offset the above fees. There is no minimum annual charge and the fee is all inclusive with no additional costs for out of pocket or other expenses incurred by the Transfer Agent.

Schedule B

DUTIES OF THE TRANSFER AGENT

1. Shareholder Information. The Transfer Agent or its agent shall maintain a record of the number of Shares held by each holder of record which shall include name, address, taxpayer identification number, the American AAdvantage number, class of Shares (if applicable), balance of Shares in an account, beneficial owner code (i.e., male, female, joint tenant, etc.), dividend code (i.e., reinvestment) and indicate whether such Shares are held in certificates or uncertificated form.

2. Shareholder Services. The Transfer Agent or its agent shall investigate all reasonable inquiries from shareholders of the Trust relating to their Shareholder accounts and shall respond to all communications from Shareholders and other persons designated by the Trust relating to the Transfer Agent's duties hereunder and such other correspondence as may from time to time be mutually agreed upon between the Transfer Agent and the Trust.

3. Share Certificates.

(a) If the Shares are issuable in certificated form, the Trust shall provide, at the Trust's expense, an adequate supply of certificates for the Shares executed on behalf of the Trust by the persons specified in the Declaration of Trust and, if required by the Declaration of Trust, bearing the seal of the Trust. The Trust agrees that notwithstanding the death, resignation, or removal of any officer of the Trust whose signature appears on such certificates, the Transfer Agent or its agent may continue to countersign certificates which bear such signatures until otherwise directed by Written Instructions.

(b) The Transfer Agent or its agent shall issue replacement Share certificates in lieu of certificates which have been lost, stolen or destroyed, upon receipt by the Transfer Agent or its agent of properly executed affidavits and lost certificate bonds, in form satisfactory to the Transfer Agent or its agent, with the Trust and the Transfer Agent or its agent as obligees under the bond.

(c) The Transfer Agent or its agent shall also maintain a record of each certificate issued, the number of Shares represented thereby and the holder of record. With respect to Shares held in open accounts or uncertificated form (i.e., no certificate being issued with respect thereto), the Transfer Agent or its agent shall maintain comparable records of the record holders thereof, including their names, addresses and taxpayer identification. The Transfer Agent or its agent shall further maintain a stop transfer record on lost and/or replaced certificates.

4. Mailing Communications to Shareholders; Proxy Materials. The Transfer Agent or its agent shall address and mail to Shareholders of the Trust, all reports to Shareholders, dividend and distribution notices and such prospectuses, statements of additional information (upon request), annual reports, semi-annual reports, proxy and related material for the Trust's meetings of Shareholders and any other enclosures requested by the Trust, as are provided to the Transfer Agent by the Trust. In connection with meetings of Shareholders, the Transfer Agent or its agent will prepare certified Shareholder lists, mail and certify as to the mailing of proxy materials, process and tabulate

returned proxy cards, report on proxies voted prior to meetings, act as inspector of election at meetings and certify Shares voted at meetings.

5. Sale of Shares.

(a) Suspension of Sale of Shares. The Transfer Agent or its agent shall not be required to issue any Shares of the Trust if it has received a Written Instruction from the Trust or official notice from any appropriate federal or state regulatory authority that the sale of the Shares has been suspended or discontinued. The existence of such Written Instructions or such official notice shall be conclusive evidence of the right of the Transfer Agent or its agent to rely on such Written Instructions or official notice.

(b) Returned Checks. In the event that any check or other order for the payment of money is returned unpaid for any reason, the Transfer Agent or its agent shall: (i) give prompt notice of such return to the Trust or its designee; (ii) place a stop transfer order against all Shares issued as a result of such check or order; and (iii) take such actions as the Transfer Agent may from time to time deem appropriate.

6. Purchase, Transfer or Redemption of Shares.

(a) Requirements for Purchase, Transfer or Redemption of Shares. The Transfer Agent or its agent shall process all requests to purchase, transfer or redeem Shares in accordance with the purchase, transfer or redemption procedures set forth in the Trust's Prospectus.

The Transfer Agent or its agent shall purchase, transfer or redeem Shares upon receipt of Oral or Written Instructions or such other means of communication as shall be specified in the Prospectus and agreed to by the Transfer Agent requesting such purchase, transfer or redemption. In the case of any request for transfer or redemption of Shares in certificated form, the Transfer Agent shall be entitled to require that the certificate representing such Shares be surrendered in connection with such transfer or redemption and shall be properly endorsed for transfer or redemption, accompanied by such documents as the Transfer Agent or its agent reasonably may deem necessary.

The Transfer Agent or its agent reserves the right to refuse to transfer or redeem Shares until it is satisfied that the endorsement on the instructions is valid and genuine. The Transfer Agent or its agent also reserves the right to refuse to transfer or redeem Shares until it is satisfied that the requested transfer or redemption is legally authorized, and it shall incur no liability for the refusal, in good faith, to make transfers or redemptions which the Transfer Agent or its agent, in its good judgment, deems improper or unauthorized, or until it is reasonably satisfied that there is no basis to any claims adverse to such transfer or redemption.

(b) Notice to Custodian and Trust. When Shares are purchased or redeemed, the Transfer Agent or its agent shall deliver to the Custodian and the Trust or its designee a notification setting forth the number of Shares purchased or redeemed. Such purchased or redeemed shares shall be reflected on appropriate accounts maintained by the Transfer Agent or its agent reflecting outstanding Shares and Shares attributed to individual accounts.

(c) Payment of Redemption Proceeds. The Transfer Agent or its agent shall, upon receipt of the moneys paid to it by the Custodian

for the redemption of Shares, pay such moneys as are received from the Custodian, all in accordance with the procedures described in the written instruction received by the Transfer Agent or its agent from the Trust. The Transfer Agent will upon receipt of moneys from shareholders for the purchase of shares, pay such moneys to the Custodian.

The Transfer Agent or its agent shall not process or effect any redemption with respect to Shares of the Trust after receipt by the Transfer Agent or its agent of notification of the suspension of the determination of the net asset value of the Trust. The Transfer Agent shall identify redemption requests made with respect to accounts in which Shares have been purchased within a time period agreed upon between the Transfer Agent and the Trust for determining whether funds have been collected with respect to such purchases. Unless otherwise directed by the Trust or AMR Investments, the Transfer Agent shall not process any redemption so identified unless funds for the purchase of such Shares have been received.

7. Dividends.

(a) Notice to Agent and Custodian. Upon the declaration of each dividend, other than dividends declared on a daily basis, and each capital gains distribution by the Board of Trustees with respect to Shares, the Trust shall furnish or cause to be furnished to the Transfer Agent or its agent a copy of a resolution of the Board of Trustees certified by the Secretary of the Trust setting forth the date of the declaration of such dividend or distribution, the ex-dividend date, the date of payment thereof, the record date as of which Shareholders entitled to payment shall be determined, the amount payable per Share to the Shareholders of record as of that date, the total amount payable to the Transfer Agent or its agent on the payment date and whether such dividend or distribution is to be paid in Shares of such class at net asset value.

(b) Daily Dividend Funds. For daily dividend funds, which shall be identified by the Trust to the Transfer Agent, the Trust directs the Transfer Agent to (i) accept the daily dividend accrual rate from the Custodian and to apply that rate to the outstanding Shares for that day, and (ii) to pay or reinvest the accumulated daily dividend in accordance with the Prospectus or, if applicable, written instructions from the Shareholder. On or before the payment date specified in such resolution of the Board of Trustees, the Custodian will pay to the Transfer Agent sufficient cash to make payment to the Shareholders of record as of such payment date.

(c) Insufficient Funds for Payments. If the Transfer Agent or its agent does not receive sufficient cash from the Custodian to make total dividend and/or distribution payments to all Shareholders as of the record date, the Transfer Agent or its agent shall, upon notifying the Trust, withhold payment to all Shareholders of record as of the record date until sufficient cash is provided to the Transfer Agent or its agent.

(d) Reports. The Transfer Agent shall compute, prepare and mail all necessary reports with respect to dividend payments to Shareholders or authorities as requested by the Trust. The Transfer Agent shall report to the Trust Purchases of Shares under a dividend reinvestment plan.

8. Customer Service.

The Transfer Agent shall respond to all telephone and written inquiries received by the Transfer Agent. In response to telephone inquiries, the Transfer Agent shall provide general, limited information, as agreed to in writing between the Transfer Agent and the Trust, but shall provide no investment advice. Notwithstanding anything in this Paragraph 8 to the contrary, it is agreed that the Transfer Agent shall be acting solely in an administrative capacity in connection with its duties under this Paragraph 8 and shall not be required to take any action that it reasonably believes could be deemed to involve the distribution of the Shares. It is also agreed that the Transfer Agent shall refer all questions regarding the Trust's portfolio management to the Trust.

9. Blue Sky.

The Transfer Agent will maintain records of Trust sales by state and provide such reports to the Trust as agreed to by the Trust and the Transfer Agent, including Blue Sky warning reports.

10. Communication with American Airlines' AAdvantage Travel Awards Program Department ("AAdvantage")

Using a formula which (a) allocates "miles" to a Shareholders' investment position, and (b) is provided to the Transfer Agent by the foremost, the Transfer Agent will provide AAdvantage by the fourth day of each month an electronic report detailing the miles earned by each Trust Shareholder during the prior month. For new Shareholders who are not yet members of the AAdvantage Program, the Transfer Agent and AAdvantage shall communicate in order to enroll the Shareholder in the AAdvantage Program.

11. Communications to Shareholders Regarding Account Information.

The Transfer Agent will mail a monthly client statement to all shareholders reflecting their holdings in the Trust, any transaction activity during the period, and AAdvantage miles accumulated during that month. Transaction confirmations shall be provided to Shareholders as required by applicable law.

12. Tax Reports.

The Transfer Agent shall maintain records throughout the year to enable Transfer Agent to report all necessary information, including but not limited to Internal Revenue Service filings, total distributions, taxes withheld and retirement account record keeping and reports. Reports will be filed with the Internal Revenue Service via magnetic tape and paper reports mailed to individual shareholders. Transfer Agent's tax reporting responsibilities are applicable to Shares only and not to AAdvantage Program miles.

Transfer Agent shall conduct an annual test of the disaster recovery of the system and operations used to support the Trust, and shall provide the Trust with results of that test.

13. Disaster Recovery.

The Transfer Agent shall maintain a disaster recovery plan reasonably designed to keep the records and adequate systems available to the Trust.

14. Compliance.

The Transfer Agent shall maintain and provide to the Trust such account records and perform all services in connection therewith in order that such records are in conformity with all legal requirements applicable to its services hereunder.

15. Taping of Communications with Shareholders.

The Transfer Agent shall, unless otherwise directed by the Trust, make an audio tape recording of each telephone call from a Shareholder regarding its account or requesting the purchase, transfer or redemption of Shares.

16. Reconciliation of Bank Accounts.

The Transfer Agent shall provide the Trust and AMR Investments with a reconciliation of all the Trust's bank accounts employed by the Transfer Agent in connection with its services hereunder.

17. Management Reports.

The Transfer Agent shall provide the Trust and AMR Investments with such management reports as the Trust or AMR Investments may reasonably request.

Exhibit 99.b.9.c

SERVICE PLAN FOR THE
AMERICAN AADVANTAGE FUNDS SERVICE CLASS

WHEREAS, the American AAdvantage Funds (the "Trust") is registered under the Investment Company Act of 1940, as amended ("1940 Act"), as an open-end management investment company, and offers for public sale distinct series of shares of beneficial interest, each corresponding to a distinct portfolio (a "Fund"); and

WHEREAS, the Trust's Board of Trustees has authorized each of the Funds to issue multiple classes of shares, including a class to be designated as the Service Class, and in the future may authorize new Funds to issue multiple classes, including such Service Class; and

WHEREAS, the Trust desires to adopt a Service Plan ("Plan") with respect to the Service Class;

NOW, THEREFORE, the Trust hereby adopts this Plan with respect to the Service Class.

1. A Fund is authorized to pay to AMR Investment Services, Inc. ("AMR"), or to such other entities as approved by the Board, as compensation for shareholder services provided by such entities to Service Class shareholders, an aggregate fee at the rate of up to 0.25% on an annualized basis of the average daily net assets of the Service Class of each such Fund which has approved this Plan in accordance with the conditions of approval set forth herein. Such fee shall be calculated and accrued daily and paid quarterly or at such other intervals as the Board shall determine.

2. AMR or any other entity approved by the Board may spend such amounts as it deems appropriate on any activities or expenses primarily intended to result in or relate to the servicing of a participating Fund's Service Class shares, including, but not limited to, the payment of service fees and transfer agency or subtransfer agency expenses.

3. This Plan shall not take effect with respect to the Service Class of a Fund unless it first has been approved, together with any related agreements, by votes of a majority of both (a) the Board and (b) those Trustees of the Trust who are not "interested persons" of the Trust and have no direct or indirect financial interest in the operation of this Plan or any agreements related thereto ("Independent Trustees"), cast in person at a meeting (or meetings) called for the purpose of voting on such approval; and until the Trustees who approve the Plan's taking effect with respect to such Fund have reached the conclusion required by Rule 12b-1(e) under the 1940 Act.

4. After approval as set forth in paragraph 3, this Plan shall

take effect and continue in full force and effect with respect to a Service Class of a Fund for so long as such continuance is specifically approved at least annually in the manner provided for approval of this Plan in paragraph 3.

5. AMR and any other recipient of payments hereunder shall provide to the Board and the Board shall review, at least quarterly, a written report of the amounts expended with respect to the Service Class of each applicable Fund under this Plan and the purposes for which such expenditures were made.

6. This Plan may be terminated with respect to the Service Class of any Fund at any time by vote of the Board, or by vote of a majority of the Independent Trustees.

7. This Plan may not be amended to increase materially the amount of fees provided for in paragraph 1 hereof unless such amendment is approved in the manner provided for initial approval in paragraph 3 hereof, and no material amendment to the Plan shall be made unless approved in the manner provided for approval and annual renewal in paragraph 4 hereof.

8. The amount of the fees payable by a Fund to AMR or any other authorized entity under paragraph 1 hereof is not related directly to expenses incurred by such entities on behalf of such Fund in providing shareholder services hereunder, and paragraph 2 hereof does not obligate such Fund to

reimburse any such entity for such expenses. The fees set forth in paragraph 1 hereof will be paid by such Fund to such entities until the Plan is either terminated or not renewed. If the Plan is terminated or not renewed with respect to a Fund, any shareholder servicing expenses incurred by such entities on behalf of such Fund in excess of payments of the fees specified in paragraph 1 hereof which have been received or accrued through the termination date are the sole responsibility and liability of the entity incurring the expenses, and are not obligations of such Fund.

9. While this Plan is in effect, the selection and nomination of the Trustees who are not interested persons of the Trust shall be committed to the discretion of the Trustees who are not interested persons of the Trust.

10. As used in this Plan, the term "interested person" shall have the same meaning as that term has in the 1940 Act.

11. The Trust shall preserve copies of this Plan (including any amendments thereto) and any related agreements and all reports made pursuant to paragraph 5 hereof for a period of not less than six years from the date of this Plan, the first two years in an easily accessible place.

12. The Trustees of the Trust and the shareholders of the Funds shall not be liable for any obligations of the Trust or the Fund under this Plan, and AMR or any other person, in asserting any rights or claims under this Plan, shall look only to the assets and property of the Trust or the Funds in

settlement of such right or claim, and not to such Trustees or shareholders.

IN WITNESS WHEREOF, the Trust has executed this Plan on the day and year set forth below.

DATE	AMERICAN AADVANTAGE FUNDS
August 1, 1994	By: /s/ William F. Quinn

Exhibit 99.b.10

December 18, 1997

American AAdvantage Funds
4333 Amon Carter Boulevard MD 5645
Fort Worth, Texas 76155

Ladies and Gentlemen:

You have requested our opinion as to certain matters regarding the issuance by American AAdvantage Funds (the "Trust") of shares of beneficial interest (collectively, the "Shares"). The Trust is about to file Post-Effective Amendment No. 23 to its Registration Statement on Form N-1A ("PEA No. 23") for the purpose of (1) adding PlanAhead Class shares to the Intermediate Bond Fund, (2) adding Institutional Class and PlanAhead Class shares to the S&P 500 Index Fund, (3) changing the name of the Limited-Term Income Fund to the Short-Term Bond Fund, and (4) amending such other information as appropriate.

We have, as counsel, participated in various business and other matters relating to the Trust. We have examined copies, either certified or otherwise proved to be genuine, of the Trust's Declaration of Trust and By-Laws and such other documents relating to the authorization and issuance of the Shares as we have deemed relevant, and we generally are familiar with the Trust's business affairs. Based on the foregoing, it is our opinion that the Shares to be issued pursuant to PEA No. 23 may be issued in accordance with the Trust's Declaration of Trust and By-Laws, subject to compliance with the Securities Act of 1933, as amended, the Investment Company Act of 1940 Act, as amended, and applicable federal and state laws regulating the distribution of securities, and when so issued, those Shares will be legally issued, fully paid and non-assessable.

The Trust is an entity of the type commonly known as a "Massachusetts business trust." Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Trust. The Declaration of Trust states that creditors of, contractors with and claimants against the Trust shall look only to the assets of the Trust for payment. It also requires that notice of such disclaimer be given in each contract or instrument made or issued by the officers or the Trustees of the Trust on behalf of the Trust. The Declaration of Trust further

provides: (1) for the Trust to indemnify and hold each shareholder harmless from Trust assets for all loss and expense of any shareholder held personally liable for the obligations of the Trust by virtue of ownership of Shares of the Trust; and (2) for the Trust to assume the defense of any claim against the shareholder for any act or obligation of the Trust. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Trust would be unable to meet its obligations.

We hereby consent to this opinion accompanying the Registration Statement that you are about to file with the Securities and Exchange Commission. We also consent to the reference to our firm in the statement of additional information filed as part of PEA No. 23.

Very truly yours,

KIRKPATRICK & LOCKHART LLP

By

Robert J. Zutz

Exhibit 99.b.10

December 18, 1997

American AAdvantage Funds
4333 Amon Carter Boulevard MD 5645
Fort Worth, Texas 76155

Ladies and Gentlemen:

You have requested our opinion as to certain matters regarding the issuance by American AAdvantage Funds (the "Trust") of shares of beneficial interest (collectively, the "Shares"). The Trust is about to file Post-Effective Amendment No. 23 to its Registration Statement on Form N-1A ("PEA No. 23") for the purpose of (1) adding PlanAhead Class shares to the Intermediate Bond Fund, (2) adding Institutional Class and PlanAhead Class shares to the S&P 500 Index Fund, (3) changing the name of the Limited-Term Income Fund to the Short-Term Bond Fund, and (4) amending such other information as appropriate.

We have, as counsel, participated in various business and other matters relating to the Trust. We have examined copies, either certified or otherwise proved to be genuine, of the Trust's Declaration of Trust and By-Laws and such other documents relating to the authorization and issuance of the Shares as we have deemed relevant, and we generally are familiar with the Trust's business affairs. Based on the foregoing, it is our opinion that the Shares to be issued pursuant to PEA No. 23 may be issued in accordance with the Trust's Declaration of Trust and By-Laws, subject to compliance with the Securities Act of 1933, as amended, the Investment Company Act of 1940 Act, as amended, and applicable federal and state laws regulating the distribution of securities, and when so issued, those Shares will be legally issued, fully paid and non-assessable.

The Trust is an entity of the type commonly known as a "Massachusetts business trust." Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Trust. The Declaration of Trust states that creditors of, contractors with and claimants against the Trust shall look only to the assets of the Trust for payment. It also requires that notice of such disclaimer be given in each contract or instrument made or issued by the officers or the Trustees of the Trust on behalf of the Trust. The Declaration of Trust further provides: (1) for the Trust to indemnify and hold each shareholder harmless from Trust assets for all loss and expense of any shareholder held personally liable for the obligations of the Trust by virtue of ownership of Shares of the Trust; and (2) for the Trust to assume the defense of any claim against the shareholder for any act or obligation of the Trust. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Trust would be unable to meet its obligations.

We hereby consent to this opinion accompanying the Registration Statement that you are about to file with the Securities and Exchange Commission. We also consent to the reference to our firm in the statement of additional information filed as part of PEA No. 23.

Very truly yours,

KIRKPATRICK & LOCKHART LLP

By

Robert J. Zutz

Exhibit 99.b.13

AMR Investment Services, Inc.

March 30, 1987

Anne H. McNamara
Secretary
American AAdvantage Funds
4200 American Boulevard
Fort Worth, TX 76155

RE: Letter of Investment Intent

Dear Sirs:

Please be advised that the $100,000 investment in American AAdvantage Funds being made on this date by AMR Investment Services, Inc. is being made as an investment with no present intention of redeeming or reselling such shares.

The investment should be distributed as follows:

Fund	Amount	Account Number
American AAdvantage Balanced Fund	$45,000	#12892
American AAdvantage Equity Fund	$45,000	#12891
American AAdvantage Fixed Income Fund	$ 5,000	#12890
American AAdvantage Money Market Fund	$ 5,000	#12560

Very truly yours,

AMR INVESTMENT SERVICES. INC.

By: /s/ William F. Quinn
William F. Quinn
President

WFQ/bls

cc: R. Zutz - Kirkpatrick & Lockhart

Exhibit 99.b.15.a

AMERICAN AADVANTAGE FUNDS
DISTRIBUTION PLAN

1. This Distribution Plan (the "Plan"), when effective in accordance with its terms, shall be the written plan contemplated by Rule 12b-1 under the Investment Company Act of 1940 (the "Act") of American AAdvantage Funds (the "Fund").

2. The Fund will not make separate payments as a result of this Plan to its Manager, Investment Advisers or any other party. To the extent that any payments made by the Fund to its Manager, Investment Advisers, including payment of advisory and administrative fees, should be deemed to be indirect financing of any activity primarily intended to result in the sale of shares issued by the Fund within the context of Rule 12b-1 under the Act, then such payments shall be deemed to be authorized by this Plan.

3. This Plan shall become effective upon approval by a vote of at least a "majority of the outstanding voting securities of the Fund" (as defined in the Act), and upon approval by a vote of a majority of the Board of Trustees who are not "interested persons" of the Fund (as defined in the Act) and who have no direct or indirect financial interest in the operation of this Plan or in any agreements related to this Plan (the "Independent Trustees"), cast in person at a meeting called for the purpose of voting on this Plan.

4. This Plan shall, unless terminated as hereinafter provided, remain in effect for one year from the date of shareholder approval specified above, and from year to year thereafter, provided, however that such continuance is subject to approval annually by a vote of a majority of the Trustees of the Fund, including a majority of the Independent Trustees, cast in person at a meeting called for the purpose of voting on this Plan. This Plan may be amended at any time by the Independent Trustees, provided that (a) any amendment to authorize direct payments by the Fund to finance any activity primarily intended to result in the sale of shares issued by the Fund, and (b) any material amendments of this Plan shall be effective only upon approval in the manner provided in the first sentence of this paragraph.

5. This Plan may be terminated at any time, without the payment of any penalty, by vote of a majority of Independent Trustees or by a vote of a majority of the outstanding voting securities of the Fund.

6. During the existence of this Plan, the Fund shall require its Manager and/or Investment Advisers to provide the Fund, for review by the Fund's Trustees and the Trustees shall review, at least quarterly, a written report of the amounts expended in

connection with financing any activity primarily intended to result in the sale of shares issued by the Fund (making estimates of such costs where necessary or desirable) and the purpose for which such expenditures were made.

7. This Plan does not require the Trust's Manager, Investment Advisers or any other third party to perform any specific type of level of distribution activities or to incur any specific level of expenses for activities primarily intended to result in the sale of shares issued by the Fund.

8. If any provision of this Plan shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of the Plan shall not be affected thereby.

Exhibit 99.b.15.b

AMERICAN AADVANTAGE FUNDS
PLATINUM CLASS
DISTRIBUTION PLAN

WHEREAS, the American AAdvantage Funds (the "Trust") is registered under the Investment Company Act of 1940, as amended ("1940 Act"), as an open-end management investment company, and offers for public sale distinct series of shares of beneficial interest, each corresponding to a distinct portfolio (a "Fund"); and

WHEREAS, the Trust, on behalf of the Platinum Class of its one or more designated portfolios presently existing or hereafter established (hereinafter referred to as "Portfolios"), desires to adopt a Distribution Plan pursuant to Rule l2b-1 under the 1940 Act and the Board of Trustees of the Trust ("Board") has determined that there is a reasonable likelihood that adoption of this Distribution Plan will benefit the Platinum Class and its shareholders; and

WHEREAS, the Trust presently intends to retain a registered broker-dealer ("Distributor") as distributor of the securities of which it is the issuer;

NOW, THEREFORE, the Platinum Class hereby adopts this Distribution Plan (the "Plan") in accordance with Rule l2b-1 under the 1940 Act on the following terms and conditions:

1. A Fund is authorized to pay to the Distributor or to AMR Investment Services, Inc. ("AMR"), or to such other entities as approved by the Board, as compensation for the distribution-related and/or shareholder services provided by such entities, an aggregate fee at the rate of up to 0.25% on an annualized basis of the average daily net assets of the Platinum Class of each such Fund which has approved this Plan in accordance with the conditions of approval set forth herein. Such fee shall be calculated and accrued daily and paid quarterly or at such other intervals as the Board shall determine.

2. The Distributor, AMR or any other entity approved by the Board pursuant to paragraph 1 may spend such amounts as it deems appropriate on any activities or expenses primarily intended to result in or relate to the sale or servicing of a participating Fund's shares or shareholders, including, but not limited to, advertising, shareholder servicing fees, transfer agency or subtransfer agency expenses and distribution and preparation of advertising materials and sales literature, sales seminars.

3. This Plan shall not take effect with respect to a Fund, unless it first has been approved by a vote of the then existing shareholder(s) of such Fund.

4. This Plan shall not take effect with respect to a Fund unless it first has been approved, together with any related agreements, by votes of a majority of both (a) the Board and (b) those Trustees of the Trust who are not "interested persons" of the Trust and have no direct or indirect financial interest in the operation of this Plan or any agreements related thereto ("Independent Trustees"), cast in person at a meeting (or meetings) called for the purpose of voting on such approval; and until the Trustees who approve the Plan's taking effect with respect to such Fund have reached the conclusion required by Rule 12b-1(e) under the 1940 Act.

5. After approval as set forth in paragraphs 3 and 4, this Plan shall take effect and continue in full force and effect with respect to a Fund for so long as such continuance is specifically approved at least annually in the manner provided for approval of this Plan in paragraph 4.

6. The Distributor, AMR and any other recipient of payments hereunder shall provide to the Board and the Board shall review, at least quarterly, a written report of the amounts expended with respect to the Platinum Class of each applicable Fund by such recipient under this Plan and the purposes for which such expenditures were made.

7. This Plan may be terminated with respect to the Platinum Class of any Fund at any time by vote of the Board, by vote of a majority of the Independent Trustees, or by vote of a majority of the outstanding voting securities of such Platinum Class.

8. This Plan may not be amended to increase materially the amount of fees provided for in paragraph 1 hereof unless such amendment is approved in the manner provided for initial approval in paragraphs 3 and 4 hereof, and no material amendment to the Plan shall be made unless approved in the manner provided for approval and annual renewal in paragraph 5 hereof.

9. The amount of the fees payable by a Fund to the Distributor or to AMR or any other authorized entity under paragraph 1 hereof is not related directly to expenses incurred by such entities hereunder on behalf of such Fund in providing distribution-related and/or shareholder services hereunder, and paragraph 2 hereof does not obligate such Fund to reimburse any such entity for such expenses. The fees set forth in paragraph 1 hereof will be paid by such Fund to such entities until the Plan is either terminated or not renewed. If the Plan is terminated or not renewed with respect to a Fund, any distribution-related or shareholder servicing expenses incurred by such entities on behalf of such Fund in excess of payments of the fees specified in paragraph 1 hereof which have been received or accrued through the termination date are the sole responsibility and liability of the entity incurring such expenses, and are not obligations of such Fund.

10. While this Plan is in effect, the selection and nomination of

the Trustees who are not interested persons of the Trust shall be committed to the discretion of the Trustees who are not interested persons of the Trust.

11. As used in this Plan, the terms "majority of the outstanding voting securities" and "interested person" shall have the same meaning as those terms have in the 1940 Act.

12. The Trust shall preserve copies of this Plan (including any amendments thereto) and any related agreements and all reports made pursuant to paragraph 6 hereof for a period of not less than six years from the date of this Plan, the first two years in an easily accessible place.

13. The Trustees of the Trust and the shareholders of the Funds shall not be liable for any obligations of the Trust or the Fund under this Plan, and AMR or any other person, in asserting any rights or claims under this Plan, shall look only to the assets and property of the Trust or the Funds in settlement of such right or claim, and not to such Trustees or shareholders.

Date: November 1, 1995

EXHIBIT 99.b.16

SCHEDULE OF COMPUTATION OF PERFORMANCE QUOTATIONS

P (1+T)(n) = ERV

Where: P = Hypothetical Initial Payment of $1000
T = Average Annual Total Return
n = Number of Years
ERV = Ending Redeemable Value of Hypothetical $1000 Investment Made at the Beginning of the Year

<TABLE>
<CAPTION>

AMR CLASS	ONE YEAR PERIOD (11/1/96 - 10/31/97)	FIVE YEAR PERIOD (11/1/92 - 10/31/97)	TEN YEAR PERIOD (11/1/87 - 10/31/97)
<S>	<C>	<C>	<C>
BALANCED FUND Inception date (7/1/87)	1000 (1+ .203600)= 1203.600 (20.36%)	1000 (1+ .149249)(5)= 2004.798 (14.92%)	1000 (1+ .131129)(10)= 3428.636 (13.11%)
GROWTH AND INCOME FUND Inception date (7/1/87)	1000 (1+ .284000)= 1284.000 (28.40%)	1000 (1+ .192812)(5)= 2414.682 (19.28%)	1000 (1+ .163429)(10)= 4543.587 (16.34%)
INTERNATIONAL EQUITY FUND Inception date (8/7/91)	1000 (1+ .193900)= 1193.900 (19.39%)	1000 (1+ .183380)(5)= 2320.711 (18.34%)	N/A
LIMITED-TERM INCOME FUND Inception date (12/3/87)	1000 (1+ .065730)= 1065.730 (6.57%)	1000 (1+ .055595)(5)= 1310.650 (5.56%)	N/A
S & P 500 INDEX FUND Inception date (12/31/96)	N/A	N/A	N/A

<CAPTION>

AMR CLASS	SINCE INCEPTION TO 10/31/97
<S>	<C>
BALANCED FUND Inception date (7/1/87)	(10.2932) 1000 (1+ .116593) = 3111.658 (11.66%)
GROWTH AND INCOME FUND Inception date (7/1/87)	(10.2881) 1000 (1+ .137726) = 3771.562 (13.77%)
INTERNATIONAL EQUITY FUND Inception date (8/7/91)	(6.2329) 1000 (1+ .123610) = 2067.673 (12.36%)
LIMITED-TERM INCOME FUND Inception date (12/3/87)	(9.9123) 1000 (1+ .069894) = 1953.594 (6.99%)
S & P 500 INDEX FUND Inception date (12/31/96)	1000 (1+ .251899) = 1251.899 (25.19%)

INSTITUTIONAL CLASS

BALANCED FUND Inception date (7/1/87)	1000 (1+.200400)= 1200.400 (20.04%)	1000 (1+ .147299)(5)= 1987.848 (14.73%)	1000 (1+ .130169)(10)= 3399.648 (13.02%)
BALANCED FUND Inception date (7/1/87)	(10.2904) 1000 (1+ .115705) = 3085.334 (11.57%)		

</TABLE>

	ONE YEAR PERIOD (11/1/96 - 10/31/97)	FIVE YEAR PERIOD (11/1/92 - 10/31/97)	TEN YEAR PERIOD (11/1/87 - 10/31/97)
GROWTH AND INCOME FUND Inception date (7/1/87)	1000 (1+ .280500)= 1280.500 (28.05%)	1000 (1+ .190771)(5)= 2394.094 (19.08%)	1000 (1+ .162433)(10)= 4504.839 (16.34%)
INTERNATIONAL EQUITY FUND Inception date (8/7/91)	1000 (1+ .190800)= 1190.800 (19.08%)	1000 (1+ .181255)(5)= 2299.949 (18.13%)	N/A
LIMITED-TERM INCOME FUND Inception date (12/3/87)	1000 (1+ .062876)= 1062.876 (6.29%)	1000 (1+ .054022)(5)= 1300.913 (5.40%)	N/A
INTERMEDIATE BOND FUND Inception date (9/15/97)	N/A	N/A	N/A

	SINCE INCEPTION TO 10/31/97
GROWTH AND INCOME FUND Inception date (7/1/87)	(10.2904) 1000 (1+ .136748) = 3739.443 (13.67%)
INTERNATIONAL EQUITY FUND Inception date (8/7/91)	(6.2329) 1000 (1+ .121991) = 2049.174 (12.20%)
LIMITED-TERM INCOME FUND Inception date (12/3/87)	(9.9123) 1000 (1+ .069089) = 1939.073 (6.91%)
INTERMEDIATE BOND FUND Inception date (9/15/97)	1000 (1+ .024129) = 1024.129 (2.41%)

SCHEDULE OF COMPUTATION OF PERFORMANCE QUOTATIONS

	ONE YEAR PERIOD (11/1/96 - 10/31/97)	FIVE YEAR PERIOD (11/1/92 - 10/31/97)	TEN YEAR PERIOD (11/1/87 - 10/31/97)
MONEY MARKET FUND Inception date (9/1/87)	1000 (1+ .056046)= 1056.046 (5.60%)	1000 (1+ .048524)(5)= 1267.336 (4.85%)	1000 (1+ .061193)(10)= 1811.106 (6.12%)
MUNICIPAL MONEY MARKET FUND Inception date (11/10/93)	1000 (1+ .035213)= 1035.213 (3.52%)	N/A	N/A
U.S. GOVERNMENT MONEY MARKET FUND Inception date (3/2/92)	1000 (1+.053639)= 1044.647 (5.36%)	1000 (1+ .046144)(5)= 1253.018 (4.61%)	N/A

	SINCE INCEPTION TO 10/31/97
MONEY MARKET FUND Inception date (9/1/87)	(10.1648) 1000 (1+ .061333)= 1831.374 (6.13%)
MUNICIPAL MONEY MARKET FUND Inception date (11/10/93)	(3.9731) 1000 (1+ .033308)= 1139.033 (3.33%)
U.S. GOVERNMENT MONEY	

MARKET FUND Inception date (3/2/92)	(5.6662) 1000 (1+ .044999)= 1283.259 (4.50%)

</TABLE>

SCHEDULE OF COMPUTATION OF PERFORMANCE QUOTATIONS

<TABLE>
<CAPTION>

PLANAHEAD CLASS	ONE YEAR PERIOD (11/1/96 - 10/31/97)	FIVE YEAR PERIOD (11/1/92 - 10/31/97)	SINCE INCEPTION TO 10/31/97
<S>	<C>	<C>	<C>
BALANCED FUND Inception date (8/1/94)	1000 (1+ .197500)= 1197.500 (19.75%)	1000 (1+ .145037)(5)= 1968.329 (14.50%)	(10.2932) 1000 (1+ .114603) = 3055.046 (11.46%)
GROWTH AND INCOME FUND Inception date (8/1/94)	1000 (1+ .276400)= 1276.400 (27.64%)	1000 (1+ .187838)(5)= 2364.755 (18.78%)	(10.2881) 1000 (1+ .135418) = 3693.585 (13.54%)
INTERNATIONAL EQUITY FUND Inception date (8/194)	1000 (1+ .187100)= 1187.100 (18.71%)	1000 (1+ .178333)(5)= 2271.644 (17.83%)	(6.2306) 1000 (1+ .119811) = 2023.956 (11.98%)
LIMITED-TERM INCOME FUND Inception date (8/1/94)	1000 (1+ .060142)= 1060.142 (6.01%)	1000 (1+ .052325)(5)= 1290.475 (5.23%)	(9.9123) 1000 (1+ .068222) = 1923.542 (6.82%)
MONEY MARKET FUND Inception date (8/1/94)	1000 (1+ .052787)= 1052.787 (5.28%)	1000 (1+ .046203)(5)= 1253.371 (4.62%)	(10.1699) 1000 (1+ .060146) = 1811.200 (6.01%)
MUNICIPAL MONEY MARKET FUND Inception date (8/1/94)	1000 (1+ .032355)= 1032.355 (3.24%)	N/A	(3.9753) 1000 (1+ .030667) = 1127.585 (3.07%)
U.S. GOVERNMENT MONEY MARKET FUND Inception date (8/1/94)	1000 (1+.050813)= 1050.813 (5.08%)	1000 (1+ .043675)(5)= 1238.302 (4.37%)	(5.6685) 1000 (1+ .042805) = 1268.190 (4.28%)

</TABLE>

<TABLE>
<CAPTION>

PLANAHEAD CLASS	TEN YEAR PERIOD (11/1/87 - 10/31/97)
<S>	<C>
BALANCED FUND Inception date (8/1/94)	10 1000 (1+.129054) = 3366.256 (12.91%)
GROWTH AND INCOME FUND Inception date (8/1/94)	10 1000 (1+.161001) =4449.651 (16.10%)
INTERNATIONAL EQUITY FUND Inception date (8/1/94)	N/A
LIMITED-TERM INCOME FUND Inception date (8/1/94)	N/A
MONEY MARKET FUND Inception date (8/1/94)	10 1000 (1+.060017) =1791.135 (6.00%)
MUNICIPAL MONEY MARKET FUND Inception date (8/1/94)	N/A
U.S. GOVERNMENT MONEY	

MARKET FUND N/A
Inception date (8/1/94)
</TABLE>

SCHEDULE FOR COMPUTATION OF PERFORMANCE QUOTATIONS

<TABLE>
<CAPTION>

MONEY MARKET FUNDS - FOR THE 7 DAY PERIOD ENDED 10/31/97

INSTITUTIONAL CLASS	CURRENT YIELD	EFFECTIVE YIELD
<S>	<C>	<C>
MONEY MARKET FUND	(.0010617024 x (365/7)) = 5.54%	((.0010617024 + 1)(365/7) -1) = 5.69%
MUNICIPAL MONEY MARKET FUND	(.0006552450 x (365/7)) = 3.42%	((.0006552450 + 1)(365/7) -1) = 3.47%
U.S GOVERNMENT MONEY MARKET FUND	(.0010283781 x (365/7)) = 5.36%	((.0010283781 + 1)(365/7) -1) = 5.51%
PLANAHEAD CLASS		
MONEY MARKET FUND	(.0010010652 x (365/7)) = 5.22%	((.0010010652 + 1)(365/7) -1) = 5.36%
MUNICIPAL MONEY MARKET FUND	(.0006036741 x (365/7)) = 3.15%	((.0006036741 + 1)(365/7) -1) = 3.20%
U.S GOVERNMENT MONEY MARKET FUND	(.0009707610 x (365/7)) = 5.06%	((.0009707610 + 1)(365/7) -1) = 5.19%

</TABLE>

<TABLE>
<CAPTION>

MUNICIPAL MONEY MARKET FUND - FOR THE 7 DAY PERIOD ENDED 10/31/97

	CURRENT TAX EQUIVALENT YIELD	EFFECTIVE TAX EQUIVALENT YIELD
<S>	<C>	<C>
INSTITUTIONAL CLASS	(.0006552450 x (365/7))/(1-.35) = 5.66%	((.0006552450 + 1)(365/7) -1)/(1-.35) = 5.75%
PLANAHEAD CLASS	(.0006036741 x (365/7))/(1-.396) = 5.21%	((.0006036741 + 1)(365/7) -1)/(1-.396) = 5.29%

</TABLE>

LIMITED - TERM INCOME FUND - 30 DAY S.E.C. YIELD FOR THE PERIOD ENDING 10/31/97

$$30 \text{ day yield} = 2 \times \left\{ \left(\frac{a-b}{cd} + 1\right)^{(6)} - 1 \right\}$$

Where: a = Dividends and interest earned during the period.

b = Expenses accrued for the period (net of reimbursements)

c = The average daily number of shares outstanding during the period that entitled to receive dividends

d = The maximum offering price per share on the last day of the period.

AMR CLASS
$$2 \times \left\{ \left(\frac{340,957.140 - 21,961.270}{6,640,692.580 \times 9.62} + 1\right)(6) - 1 \right\} = 6.070\%$$

INSTITUTIONAL CLASS
$$2 \times \left\{ \left(\frac{118,501.700 - 14,126.560}{2,419,694.070 \times 9.63} + 1\right)(6) - 1 \right\} = 5.440\%$$

PLANAHEAD CLASS
$$2 \times \left\{ \left(\frac{25,015.810 - 3,510.680}{521,645.520 \times 9.63} + 1\right)(6) - 1 \right\} = 5.190\%$$

LIMITED - TERM INCOME FUND MONTHLY DISTRIBUTION RATE FROM 10/1/97 TO 10/31/97

Monthly Dividend Rate = A/P*(365/n)

Where: A = Dividend accrual per share during the month (income distributions)

P = Share price at the end of month

AMR CLASS	.0531723281 / 9.62 x (365 / 31) = 6.51%
INSTITUTIONAL CLASS	.0506051203 / 9.63 x (365 / 31) = 6.19%
PLANAHEAD CLASS	.0496992300 / 9.63 x (365 / 31) = 6.08%

LIMITED TERM INCOME FUND DISTRIBUTION RATE (INCLUDING CAPITAL GAINS) FROM 11/1/96 TO 10/31/97

Distribution Rate = D/P

Where: D = Distributions per share over a 12 month period (income and capital gain distributions)

P = Share price at the end of 12 month period

AMR CLASS	.669760 / 9.62 = 6.96%
INSTITUTIONAL CLASS	.644606 / 9.63 = 6.69%
PLANAHEAD CLASS	.618765 / 9.63 = 6.43%

INTERMEDIATE BOND FUND - 30 DAY S.E.C. YIELD FOR THE PERIOD ENDING 10/31/97

$$30 \text{ day yield} = 2 \times \left\{ \left(\frac{a-b}{cd} + 1\right)^{6} - 1 \right\}$$

Where: a = Dividends and interest earned during the period.

b = Expenses accrued for the period (net of reimbursements)

c = The average daily number of shares outstanding during the period that entitled to receive dividends

d = The maximum offering price per share on the last day of the period.

INSTITUTIONAL CLASS $2 \times \left\{ \left(\frac{1,001,033.630 - 52,103.900}{21,327,604.660 \times 10.17} + 1\right)^{6} - 1 \right\} = 5.310\%$

SCHEDULE FOR COMPUTATION OF PERFORMANCE QUOTATIONS

INTERMEDIATE BOND FUND MONTHLY DISTRIBUTION RATE FROM 10/1/97 TO 10/31/97

Monthly Dividend Rate = A/P*(365/n)

Where: A = Dividend accrual per share during the month (income distributions)

P = Share price at the end of month

INSTITUTIONAL CLASS .0484615322 / 10.17 x (365 / 31) = 5.61%

Exhibit 99.b.18

AMERICAN AADVANTAGE FUNDS

AMENDED AND RESTATED
PLAN PURSUANT TO RULE 18F-3

The American AAdvantage Funds (the "Funds") hereby adopt this Amended and Restated Plan pursuant to Rule 18f-3 under the Investment Company Act of 1940, as amended (the "1940 Act"), to address the differing requirements and preferences of potential investors.

A. CLASSES OFFERED. The Funds offer the following classes of shares:

1. INSTITUTIONAL CLASS. Institutional Class shares are offered primarily to large institutional investors. The Institutional Class generally requires an initial investment of at least $2 million (although this minimum investment requirement may be waived) and are sold without the imposition of any sales charges. Institutional Class shareholders incur no fees pursuant to a plan of distribution pursuant to Rule 12b-1 under the 1940 Act ("12b-1 fees").

2. MILEAGE CLASS. Mileage Class shares are sold to individuals and certain grantor trusts. Mileage Class shares require an initial investment of $10,000, except for accounts opened by employees or retirees of AMR Corporation or one of its subsidiaries for which a $5,000 minimum applies, and are sold without the imposition of any sales charges. Share of the Mileage Class, however, do incur charges of up to 0.25% of average daily Mileage Class net assets under a distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act ("12b-1 Plan"). Theses 12b-1 fees are paid to AMR Investment Services, Inc. ("AMR") as compensation for distribution -related expenses or shareholder services. The primary expenses incurred under the 12b-1 Plan are advertising and the purchase of American Airlines AAdvantage travel award miles. Due to a recent change in interpretation by the Internal Revenue Service, AMR no longer will offer AAdvantage miles after October 31, 1995. It is expected that the Funds will cease to offer the Mileage Class for sale to the public effective October 31, 1995. In addition, AMR expects to recommend to the Board that each Fund's Mileage Class be liquidated on that same date or shortly thereafter.

3. PLANAHEAD CLASS. PlanAhead Class shares are offered to all investors, including smaller institutional investors, investors using intermediary organizations such as discount brokers or plan sponsors, individual retirement accounts and self-employed individual retirement accounts. PlanAhead Class shares require an

initial investment of $10,000, except for accounts opened by employees or retirees of AMR Corporation or one of its subsidiaries for which a $5,000 minimum applies, and are sold without the imposition of any sales charges. PlanAhead Class shareholders incur no 12b-1 fees but do incur a fee of 0.25% of average daily net assets for the servicing of shareholder accounts ("PlanAhead Service Fee").

4. AMR CLASS. AMR Class shares are offered to tax-exempt retirement and benefit plans of AMR Corporation and its affiliates. AMR Class shares require no minimum initial investment and are sold without the imposition of any sales charges. AMR Class shareholders incur no 12b-1 fees.

5. PLATINUM CLASS. Platinum Class shares are offered to certain broker-dealers on behalf of their clients. Platinum Class shares require an initial investment of $1,000 by an individual client and are sold without the imposition of any sales charges. Shares of the Platinum Class, however, do incur charges of up to 0.25% of average daily Platinum Class net assets under a Rule 12b-1 Plan. These 12b-1 fees are paid to AMR as compensation for distribution-related expenses or shareholder services. Platinum Class shares also are subject to an Administrative Services Plan, pursuant to which AMR is obligated to provide or oversee the provision of administrative services to the Platinum Class including, but not limited to, payments of fees for record maintenance, forwarding shareholder and Fund communications to the applicable broker-dealer firm, and aggregating and processing orders for the purchase and redemption of Platinum Class shares. As compensation for these services, AMR receives a fee of up to 0.45% on an annualized basis of the average daily net assets of the Platinum Class of the Funds.

B. EXPENSES. The expenses of the Funds that cannot be attributed to any one Fund generally are allocated to each Fund based on the relative net assets of the Funds. Certain expenses that may be attributable to a particular Fund, but not a particular Class, are allocated based on the relative daily net assets of that Class. Finally, certain expenses may be attributable to a particular Class of shares of a Fund ("Class Expenses"). Class Expenses are charged directly to the net

assets of the particular Class and, thus, are borne on a pro rata basis by the outstanding shares of that Class.

Examples of Class Expenses may include: (1) 12b-1 fees, (2) transfer agent fees identified as being attributable to a specific Class, (3) stationery, printing, postage, and delivery expenses related to preparing and distributing materials such as shareholder reports, prospectuses, and proxy statements to current shareholders of a Class, (4) Blue Sky registration fees incurred by a Class, (5) Securities and Exchange Commission registration fees incurred by a Class, (6) expenses of Administrative Services Agreements or Administrative Services Plans and other administrative personnel and services as required to support the shareholders of a Class, (7) trustees' fees or expenses incurred as a result of issues relating to one Class, (8) accounting expenses relating solely to one Class, (9) auditors' fees, litigation expenses, and legal fees and expenses relating to a Class, and (10) expenses incurred in connection with shareholders meetings as a result of issues relating to one Class.

C. CLASS DIFFERENCES. Other than the differences as a result of the Mileage Class and Platinum Class 12b-1 Plans, the Platinum Class Administrative Services Plan and the PlanAhead Service Fee (as discussed above), there are no material differences in the services offered each Class.

D. EXCHANGE FEATURES. Exchanges are not permitted between different Classes. However, the Mileage and PlanAhead Classes offer exchange privileges within the Class, subject to a minimum of $1,000 exchanged. The various broker-dealer firms offering Platinum Class shares may choose to offer exchange privileges within the Class. The Institutional and AMR Classes do not offer shareholders an exchange privilege.

Dated: April 3, 1995, as amended and restated on August 21, 1995.