

Heads Up



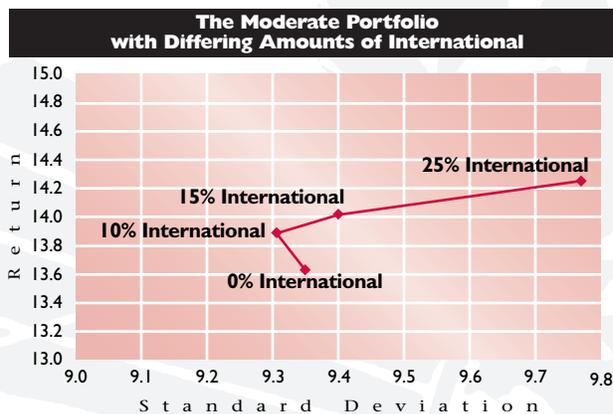
AS THE WORLD TURNS

Many financial experts suggest that differences between U.S. and foreign markets are rapidly diminishing. They point to virtually instantaneous communications and the fact that some offshore markets are beginning to approach the efficiency of U.S. markets.

Still, non-U.S. markets often "zig" when U.S. markets "zag." Regional economics, business conditions, or inefficiencies in non-U.S. markets often cause these fluctuations.

The differences make international equities useful to long-term investors who seek to lower overall risk with more diversification. Having a "shock absorber" like a well-diversified international stock fund in your portfolio may offset U.S. market downturns, lower your portfolio's volatility, and may add to the portfolio's return when both funds are on the rise. (See chart)

To date, the U.S. stock market has performed at or near record highs. In 1995 and 1996, for example, U.S. equities far outpaced international equities. Nevertheless, international markets can and have outperformed U.S. stocks. Some of last year's U.S. stock market growth was provided by offshore



The chart above shows the hypothetical return/risk ratios of the TWA Moderate Portfolio over 15 years with various percentages of the International Stock Fund added. Note that the actual 10% proportion of international in the Moderate Portfolio would have produced a higher return at a lower level of risk than a portfolio with no international. Adding more of the International Stock Fund (15% or 25%) would have increased return but at slightly higher risk levels.

investors who liked U.S. profitability. They will likely reinvest overseas when foreign markets offer the most potential to make money. As a result, offshore markets will likely perform better.

Each country has its own fiscal and monetary rhythm. Local economic developments cause unique fluctuations within national financial markets, creating a variety of opportunities at any given time. Through the years, international investments have generated competitive returns. Since 1969, they have provided an average annual return approximately 2% higher than U.S. stocks—but with greater fluctuations year-to-year.

The Investments

The types of companies held in the

DAP/401(k) News

\$100 Fee for Excess Transfers

The Investment Committee recently adopted a new MEC-endorsed fee policy in an attempt to distribute costs more fairly for all plan participants.

Buying or selling financial assets involves transaction costs. These costs are shared by all the DAP/401(k) participants in a fund whether they are active or not. The costs are taken out of the fund, resulting in lower performance. For example, the costs of transfer activity in the Aggressive Growth option lowered its performance about 1.1% in 1996.

Last year, more than half of the participants didn't make any transfers. Another third made 12 or less. But 300 participants made more than 13,000 transfers—an average of 43 each.

Effective May 1, 1997, participants will be allowed 12 transfers per year in the DAP and another 12 in the 401(k) without a transfer fee. A \$100 fee will be applied to each additional DAP or 401(k) transfer over 12, to be deducted from the account of the participant making the transfer.

A day's activity generates one transfer confirmation letter regardless of the number of options involved. A transfer confirmation letter counts as one transfer. Activity to, from, or within the Fidelity Funds Window will not be affected by the new transfer fee policy.

Benefits Express Telephone Fees

In an ongoing effort to direct costs to those participants responsible, Benefits Express usage over 20 minutes per month will continue to be charged. The charges are \$1.45 per minute for Benefits Center (live operator) time and/or 55 cents per minute for the excess telephone voice response system time. There are no charges for the daily NAV line.

"Heads Up" Recognized for Excellence Again

"Heads Up" captured first place for excellence in ongoing investment education in the 1997 Defined Contribution Investment Education Awards sponsored by *Pensions & Investments* magazine. It won the same award in 1995.

The newsletter was praised for its effective communication of Plan news and investment concepts.

Winners were selected from more than 100 entries representing companies across the nation.

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Performance



See printed newsletter for performance

How To Read Performance: The graphic display above shows fund performance as arrows and market performance, represented by the benchmarks, as bars. Fund and market performance YTD runs through February 28, 1997. Fund performance is reported net of all expenses. One year performance runs from March 1, 1996 through February 28, 1997. Three year annualized performance runs from March 1, 1994 through February 28, 1997.

FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of February 28, 1997. Weighting percentage does not include index fund target of \$20 million.

Stable Value Fund	Weighting
Wellington Bonds	Liq 10%/Core 40%
PRIMCO GIC	45%
Cash/BGI Money Market	5%

Conservative Equity Fund

Federated Stock Trust	20%
Morgan Core	20%
Neuberger/Berman Guardian	20%
USAA Income Stock	20%
BGI Global TAA	20%

Equity Index Fund

BGI Global US Equity	100%
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Growth Stock Fund

Fidelity Contrafund	20%
Fidelity OTC	20%
Janus Fund	20%
MFS Research	20%
Vanguard US Growth	20%
BGI Growth Index	

International Stock Fund

Templeton Foreign	38%
EuroPacific Growth	32%
Janus Overseas	20%
Am Century - 20th International GR	10%

Aggressive Growth Stock Fund

AIM Constellation	16.7%
DFA 9-10 US Small Co.	16.6%
Heartland Value	16.7%
PIMCO Adv. Oppty "A"	16.7%
Am Century - 20th Vista	16.7%
BGI Aggressive Market Index	16.6%

Net Value of Funds (Millions) 401(k) DAP

(February 28, 1997)	401(k)	DAP
Stable Value Fund	\$26.4	\$149.1
Conservative Equity Fund	31.7	73.1
Equity Index Fund	11.6	61.9
Growth Stock Fund	12.1	57.0
International Stock Fund	15.0	50.5
Aggressive Growth Stock Fund	25.1	52.1
Conservative Portfolio	2.1	25.3
Moderate Portfolio	14.0	475.3
Aggressive Portfolio	5.6	25.0
Fidelity Funds Window	—	109.6
TWA Company Stock	2.8	—
Total	146.4	1078.9

As the World Turns cont. from front

International Stock Fund are similar to those in large company U.S. funds. Most are multi-national concerns, like Nestlé, Shell Oil, Bank of Shanghai, Sony, and Toyota. Many buy resources and sell their products and services in the U.S. However, they operate under foreign laws and customs. Their stocks trade in local markets, under local rules, and largely in local currency. These differences can present risks not usually associated with U.S. investments, and can make trading more difficult and costly than on the U.S. markets.

Exchange rates between foreign currencies and the dollar also influence the value of international stocks to U.S. investors. When the dollar is strong versus foreign currencies, international equity returns are lower. When the dollar is weaker, returns are higher. In some years, like 1994, the weaker dollar actually supported international returns for U.S. investors despite weak performance locally.

It's Your Call

Many investors like to include international stocks in their portfolios for diversification and potentially higher returns. The percentage may range from 25% for

someone with many years to invest down to five percent or less for people trying to preserve principal. The DAP/401(k)'s International Stock Fund offers a great way to invest in a diversified portfolio of international investments. The Moderate Model Portfolio contains 10% International Stock Fund and the Aggressive Model Portfolio contains 15%. **HU**

Snapshot of the International Stock Fund Managers and Fund Weighting

Templeton Foreign	38%
EuroPacific Growth	32%
Janus Overseas	20%
Am Century - 20th International GR	10%

Historical Performance

	July - Dec. 1993	1994	1995	1996
TWA DAP International Stock Fund	22.25%	-.079%	9.34%	14.86%
MSCI EAFE Index	7.55%	7.63%	11.21%	6.05%

The intent of this communication is to provide useful information, not investment advice. Each participant in the TWA Pilots' DAP/401(k) Plan is ultimately responsible to make his or her own investment decisions.

More Information and Interacting with the Plan:

To get account balance information, or to make transfers, call 1-800-828-8100 between 8 am and 5 pm, CST Monday through Friday. 1-847-883-0471 (not toll-free) from rotary telephone or outside the U.S. Use company I.D. 6662 followed by the # sign. Daily NAV, call 1-800-TWA-2017 (toll-free). Fidelity Funds 1-800-881-4015.

Other Information:

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