Heads Up

TWA Pilots' DAP/401(k) Plan Quarterly Review — November 1998

THE RETURN OF VOLATILITY

Using International Stocks to Diversify

Recent movements in the US stock market surely confirm the volatility of stocks. Prior to last Spring, the market had grown steadily for several years. Then the Asian crisis contributed to some sizable corrections—from a Dow Jones high of 9338 in mid-July to 7400 on September 1.

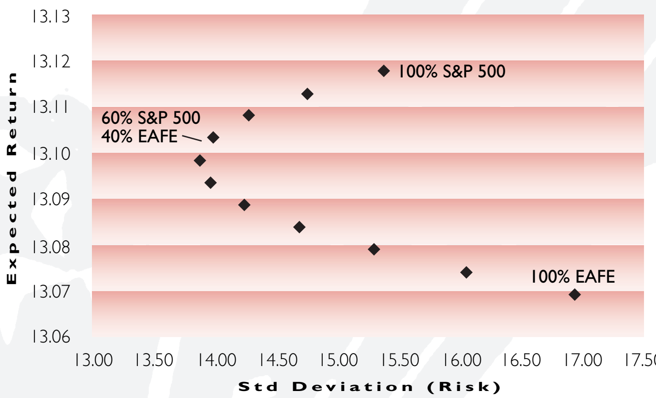
A couple of points to bear in mind. First, ten years from now, all the headlines and dire sound bites may only be a dip in a chart of many ups and downs, and the recent fluctuations may not be the biggest. As history marches on and if the US economy continues its successes, the overall pattern will be continued growth over time despite these interim setbacks.

Enter International— "Where the *boeuf* is"

Second, non-US markets, such as those represented by the Morgan Stanley Capital International Europe, Australia, Far East Index, (MSCI EAFE) often go up and down at different times and to differing degrees than the US market. The chart below illustrates the point. These two different classes of stocks went up and down at different times and to differing degrees between April and mid-September of this year. That's because they are not highly correlated. The influence of the US stock market on foreign markets (and vice versa) is limited. If perfect correlation is 1.0 and zero represents no correlation, the S&P 500 and the MSCI EAFE have about a 0.49 correlation for the past 28 years.

Assumptions: Chart to the right shows mixed portfolios of S&P 500 Index (Large US stocks) and MSCI EAFE (Large non-US stocks) prepared in 10% increments from 100% S&P/0% MSCI EAFE to 0% S&P/100% MSCI EAFE. Returns and standard deviations are averaged annual returns for a 28-year period—January 1, 1970 to December 31, 1997. One standard deviation includes a mean variance that encompasses 2/3 of all possible observations above and below the average annual return. Past returns do not guarantee future performance of any investment.

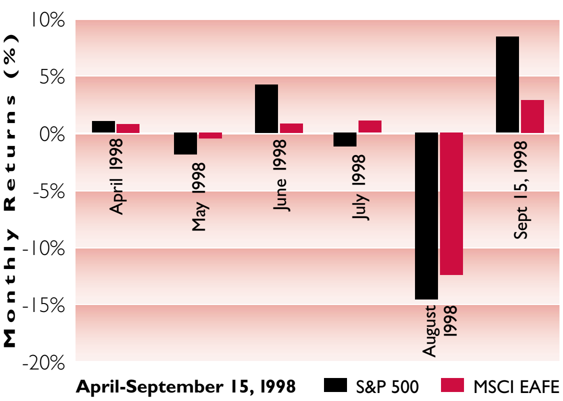
Risk Return (S&P 500-EAFE Allocation)



Over longer periods of time, US and international stocks combine to reduce volatility significantly. You can see the effect in the efficient frontier chart above. The annualized rates of return for both the S&P 500 and the MSCI EAFE have been virtually identical over the past 28 years. Mixing these markets together reduces volatility (shown historically as standard deviation, the range above and below the average).

Although investors who diversify between US and international markets might have foregone some short-term upside growth, they also would have minimized annual downside risk. For example, the difference between standard deviation and return is slight, less than one percent for a portfolio containing 60% S&P 500/40% EAFE. This power to reduce downside loss is why you will find percentages of the International Stock Fund in the Moderate and Aggressive Model Portfolios. If you allocate your own assets—in or outside the DAP/401(k) Plan—consider diversifying to reduce risk with some international equity exposure. HU

Short-Term Performance - US vs. Non-US Stock Markets



DAP/401(k) News

1999 Seminars

Six retirement and two investment seminars will be held throughout 1999. A detailed schedule will be provided with your December statements.

The first retirement seminar will be held January 20 in St. Louis. If you are within five years of retiring, mark your calendar!

Manager Change

In the International Stock Fund, the American Funds EuroPacific Growth Fund has been replaced by the American Century-20th Century International Discovery Fund. Call American Century at 1-800-345-2021 for a prospectus or call Benefits Express for a fact sheet.

Retirees' Monthly Distributions

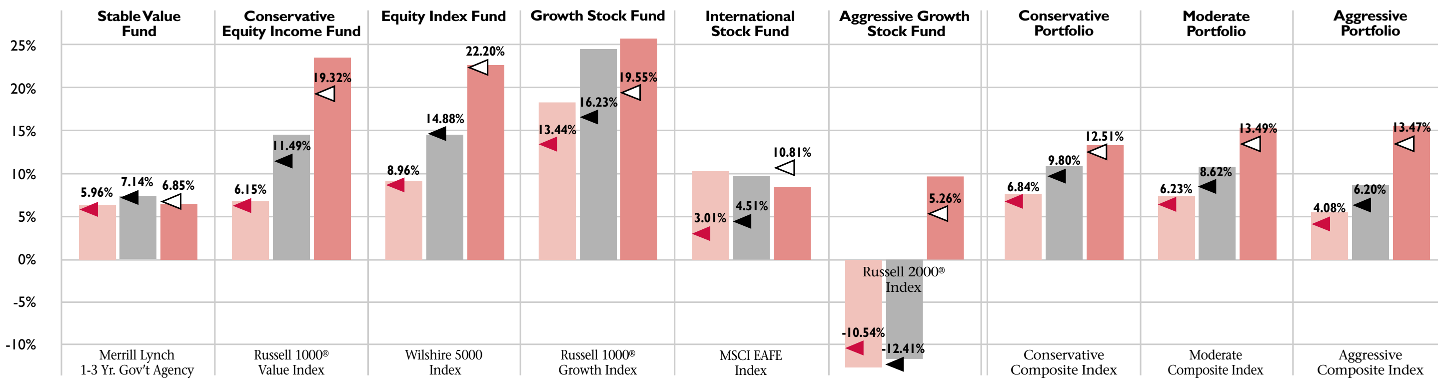
Beginning in January, the money will be taken out of your account the third Friday of the month. The check will be mailed, or the money will be wired, the following Thursday.

Age 70 ½ Minimum Distribution

Retirees, if you are affected by the age 70½ minimum distribution, and have not withdrawn the minimum for 1998, it will be sent to you in late December.

Performance

TWA Pilots Directed Account Plan



How To Read Performance: The graphic display above shows fund performance as arrows and shows market performance, represented by the benchmarks, as bars. Fund and market performance YTD runs through October 31, 1998. Fund performance is reported net of all expenses. One-year performance runs from November 1, 1997, through October 31, 1998. Three-year annualized performance runs from November 1, 1995, through October 31, 1998.

FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of October 31, 1998.

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

Conservative Equity Fund	
BGI 100/0 U.S. TAA	20%
Federated Stock Trust	20%
Morgan Core	20%
Neuberger/Berman Focus	20%
USAA Income Stock	20%

Equity Index Fund	
BGI US Equity Index	100%

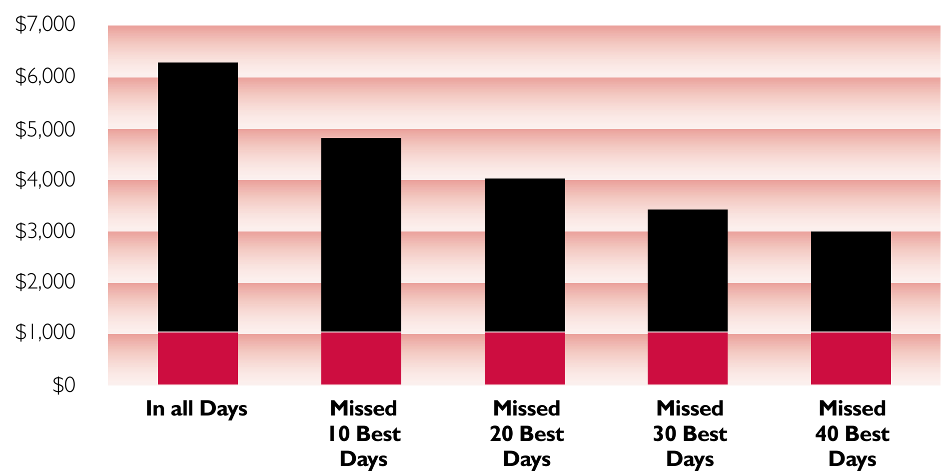
Growth Stock Fund	
Fidelity Contrafund	20%
Janus Fund	20%
MFS Research	20%
Vanguard US Growth	20%
BGI Growth Index	20%

International Stock Fund	
Am Century - 20th International GR	25%
Am Century - 20th - Int Discovery	20%
Janus Overseas	25%
Templeton Foreign	30%

Aggressive Growth Stock Fund	
BGI Aggressive Market Index	20%
DFA 9-10 US Small Co.	20%
Franklin Small Cap Growth	20%
Heartland Value	20%
MFS Instl Emerging Equities	20%

Net Value of Funds (Millions) **(October 31, 1998)**	401(k)	DAP
Stable Value Fund	$41.8	$253.2
Conservative Equity Fund	33.4	76.5
Equity Index Fund	17.9	78.5
Growth Stock Fund	14.9	68.4
International Stock Fund	13.0	55.6
Aggressive Growth Stock Fund	18.9	35.3
Conservative Portfolio	3.8	47.6
Moderate Portfolio	17.4	458.6
Aggressive Portfolio	5.8	23.0
Fidelity Funds Window	——	132.1
TWA Company Stock	7.3	——
Total	$174.2	$1,228.8

Growth of $1,000-Impact of Missing the Best Days, 1987-1997



MARKET TIMERS' ALERT

Since the US stock market has lost value, many investors are sitting on the sidelines, licking their chops, waiting to buy low and make a killing. If it's new money you're putting in, it probably won't make much difference long-term whether you invest today, try to hit the market at another low, or miss by a little and get in after the rebound starts. Face it, unless you bought in on October 8, you already missed the most recent "best" time, as of this newsletter's publish date.

Those who stayed invested all along have enjoyed the recovery to date. Moreover, they stand the best chance of experiencing all the market's best days to come by staying the course. Missing the big run-ups can really reduce return and sap a portfolio's value. Suppose you invested $1,000 in the S&P 500 10 years ago. Consider the impact of missing a few key "up" days (see chart above). HU

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.

Web Site: www.twalpa.org/dap/

Other Information:

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