



“Slow and Steady Wins The Race” ...Aesop, The Tortoise And The Hare

Many investors use one of two investing techniques in an effort to increase their assets: *buy-and-hold* or *market timing*. Of the two, buy-and-hold has proved more reliable for people with long investment time horizons, such as those saving for retirement.

Buy-and-hold ... your first choice is often the best

Investing continually in the stock market best assures you of meeting your performance objectives. The buy-and-hold strategy emphasizes giving time, compounding, and the market the power to do the earning. It also accommodates changing investments and contribution levels as well as rebalancing occasionally.

TWA pilots can decide how much retirement financing their DAP/401(k) Plan will cover. They can choose from any or all of the ten available investment options, each offering unique return and risk characteristics designed to accommodate most investment strategies. Once these choices are made, DAP/401(k) participants may watch their tax-deferred contributions and the earnings compound over time.

Market timing: know when to get out and when to get back in Market timers try to anticipate when the value of different investments will go up or down. They endeavor to time their transactions to move money out of one investment at its peak and into another about to make a new climb, or into the safety of a fixed income fund. The results can be dazzling or disappointing,

depending how they guess. Large movements often come and go in a matter of days, and no one knows in advance exactly when those movements will occur.

Unfortunately, because of the unpredictability of the market, most market timers act too late and end up buying high and selling low—the opposite of what they’re trying to do. Very few are successful with a market timing strategy.

Which strategy should work best for you?

A buy-and-hold strategy is probably the best course for meeting performance objectives for your retirement savings. Additionally, this strategy makes the

market’s fluctuations work for you because of regular contributions and the tax-deferred nature of the DAP/401(k) Plan. When you invest regular contributions over time, you are using a technique known as dollar cost averaging. The contributions buy more shares when the market is down, and these shares are worth more as the market gains value over time.

Why not market time with the Plan?

Statistically, more than 90% of your return comes from asset allocation and less than 10% comes from successful market timing. As well, keeping the majority of your assets in fixed income may, over a long period of time, cost you much more than riding out the inevitable stock market corrections. Additionally, being out of the market at the wrong time is risky (see table). **HU**

Being out of the Market is Risky

Annualized returns of the S&P 500 stock index from 1983 through 1992



Source: Nicholas-Applegate Capital Management

New Investment Option

The DAP has added a tenth investment option enabling participants to invest in mutual funds offered by Fidelity Institutional Retirement Services Company. Known as the Fidelity Funds Window, this new option allows participants to allocate between 1% and 100% of their money from the basic DAP options into a variety of Fidelity mutual funds. While offering pilots another alternative for investing their DAP money, this option may not be suitable for all participants.

Peering through the window?

Your freedom to move money back and forth between the DAP investment options and the Fidelity mutual funds is limited. Presently, you may transfer money through the Window only on a monthly basis. Transfers will be subject to a 1-to-3 day delay as they pass between the DAP trustee (Mellon Bank) and Fidelity. However, you may transfer daily within the DAP options, and daily within the Fidelity mutual funds.

You must call Benefits Express when you transfer through the Window. You must also call Fidelity for fund selection each time you transfer money from the DAP side. Otherwise, Fidelity will default the money into their Retirement Government Money Market Portfolio.

Investment performance is available from many sources. **Heads Up** will continue to publish DAP fund results. Fidelity will send their performance information directly to the Fidelity Funds Window investors. Performance is also available via the following toll-free numbers:

Fidelity Funds 1-800-881-4015

DAP/401(k) NAV 1-800-892-2017

Fees

All DAP participants share Plan expenses based on Plan assets. Presently, these expenses are deducted daily from the DAP option NAV and do not appear on monthly statements. Participants in the Fidelity option will be charged 10 basis

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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 November 30, 1994. Performance since inception runs from July 1, 1993, when all six funds and three model portfolios became available to participants, through November 30, 1994. Component weightings within each fund are listed below. You'll also find a table with the value of the funds.

FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of November 30, 1994.

Fixed Income Fund

	Weighting
	Liq 10%/Core 40%
Wellington	
PRIMCO GIC	45%
Cash	5%

Conservative Equity Fund

Federated Stock Trust	21%
Morgan Core	21%
Neuberger/Berman Guardian	21%
USAA Mutual Income Stock	16%
Wells Fargo TAA	21%

Equity Index Fund

Wells Fargo US Equity	100%
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Growth Stock Fund

Fidelity Contrafund	25%
Janus Fund	25%
20th Century Growth	25%
Vanguard World US Growth	25%

International Stock Fund

EuroPacific Growth	38%
Templeton Foreign	38%
20th Century Intl Equity	10%
Morgan Stanley Instl Asian	7%
Morgan Stanley Instl Emerg Mkts	7%

Aggressive Growth Stock Fund

AIM Constellation	18%
Fidelity OTC	18%
Fidelity Select	18%
Monetta	10%
Thompson Oppty "A"	18%
20th Century Vista	18%

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

	401(k)	DAP
Fixed Income Fund	\$24.3	\$116.6
Conservative Equity Fund	18.1	21.7
Equity Index Funds	0.7	7.1
Growth Stock Fund	2.1	17.2
International Stock Fund	17.6	82.8
Aggressive Growth Stock Fund	20.8	41.7
Conservative Portfolio	0.3	7.3
Moderate Portfolio	6.7	458.6
Aggressive Portfolio	2.4	14.7
Fidelity Funds Window	—	29.0

New Investment Option

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points (1/10 of one percent) per year on their assets in that option. These basis points are the Fidelity participants' share of total plan expenses. This is NOT an additional expense for using the Fidelity Funds Window.

What about the float?

The 1-to-3 day delay, or float, between assets subtracted from your DAP option and credited to your Fidelity option is a necessary system requirement. Interest earned, if any, on transferred assets will be credited to the Plan and will be used to reduce Plan expenses. This benefits all Plan participants.

Is the Window Option for you?

Investing through the Window could potentially increase the size of your account at retirement.

If you use the Fidelity Funds Window, you should be aware of the need for diversification. Although Fidelity's mutual funds are diversified, they tend to be either heavily or exclusively in one type of asset class. To moderate this risk, you may want to consider using a number of mutual funds. In comparison, each of the basic DAP options already offers diversification through their multi-managed portfolios, reducing the chance for potential loss. Carefully read the Fidelity Funds Window Option Guide and evaluate your tolerance for risk. Remember, you are responsible for your investment choices. **HU**

Age 70½ Minimum Distribution

Those participants affected by this IRS rule and who have not withdrawn enough in 1994 will receive their minimum distribution by the end of December. A withholding tax of 10% will be applied to your distribution. Remember, the DAP is not an IRA. DAP distributions cannot be counted toward your IRA minimum distribution, nor can IRA minimum distributions be counted as a DAP minimum distribution. Benefits Express will calculate and distribute your DAP minimum distribution in December of each year if you have not withdrawn enough during the year.

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, and may wish to consult with a financial planner.

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. 1-708-883-0471 (not toll free) from rotary telephone or outside the U.S. Use company I.D. 6662 followed by the # sign.

Additional comments and suggestions may be sent to:

TWA Pilots' DAP 401(k) Investment Committee
3221 McKelvey Road, Suite 105
Bridgeton, MO 63044-2551

