Heads Up

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

November 1999

Market Volatility – the Sky *isn't* Falling

Because of the U.S. stock market's phenomenal ride the past few years, it's easy to expect double-digit returns and feel disappointed if they don't materialize. Combined with concern surrounding the shift to the year 2000, some investors may now be ultra-sensitive to even minor downturns – fearing they are warnings of worse times to come.

We can't deny that major market dips can prompt pangs of alarm, but we also should remember that frequently jumping in and out of the stock market at every bump could ultimately damage a retirement account balance. Here's a look at market volatility and a reminder of the importance of diversification and maintaining a long-term outlook when investing for retirement.

What causes market volatility?

Future volatility makes up much of the risk of stock investing. It is an unknown entity; no one knows for sure how much or when a security's value – or the entire market for that matter – will fluctuate. In simple terms, the overall market gains value when demand exceeds supply. It loses value when the opposite is true.

Each individual stock has its own volatility pattern. Some stocks' prices remain relatively stable over long periods of time, rarely fluctuating in value. Others fluctuate wildly day to day. Together, they create the stock market's overall volatility. Much of the time, however, the overall market is less volatile than its individual components. This happens because many of the stocks fluctuate in opposite directions. These are joined by others that fluctuate less frequently.

The economy, politics, investing trends, interest rates, different industrial sectors, individual investors' saving and spending patterns, and even natural disasters can contribute to the market's movements. However, it is difficult, if not impossible, to predict how financial markets will react to any specific situation or event – Y2K included.

Financial markets, as a rule, are cyclical. However, although they go up and down to different degrees, the markets have historically always rebounded. Since 1920, U.S. stocks have averaged an annual 12.9% gain, roughly twice that of what bonds have provided.*

Keep market movements in perspective

Declines and climbs of more than 100 points for the Dow Jones Industrial Average seem to be in the news more and more. Does this mean the market is more volatile than in previous years? Not really. For perspective, look at the percentage change, rather than the total

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DAP/401(k) Plan News

- New Benefits Express telephone number: 1-877-4TWADAP (1-877-489-2327)
- New web address: **www.4twadap.com**
- See fund component weighting on page two for recent manager additions.

October DAP/401(k) Statement

This month's statement reflects two 401(k) contributions made on October 1 and October 29. Future statements will reflect the 401(k) contributions in the same month in which the money was withheld from your pay. Company DAP contributions will continue to be reported in the month the money is received.

Upcoming seminars

Investment seminar – January 12, 2000 in St. Louis. Open to pilots and spouses with more than five years until retirement.

Retirement seminars – February 26, 2000 in St. Louis. May/August/November – times and places TBA.

Call 314-739-7373 for reservations.

*Source: Frank Russell Company Capital Market History, stocks – S&P 500 Stock Composite; bonds – S&P High-Grade Corporate Bond Index (1900-1973) and the Lehman Brothers Long-Term High Quality Government/Corporate Bond Index (1973 forward).

The Millennium Looms – "What Should I do with My Retirement Investments?"

When you established your retirement savings portfolio, you likely considered your time horizon, risk tolerance, and other personal factors to develop a long-term strategy. Don't lose sight of this.

It's difficult to predict how financial markets will react to a specific situation. Y2K could negatively, positively, or neutrally impact the stock and bond markets. Treat Y2K as you would treat any market uncertainty: try to keep your long-term goals in mind and follow a disciplined, consistent strategy.

One of the best strategies to deal with the Y2K issue is to learn all you can about it. Beware of the hype that often clouds the issue. Ask questions. Many public and private organizations and government agencies offer Internet Web sites dedicated to Y2K information. For example, the Securities and Exchange Commission (**www.sec.gov**) provides access to practical information as well as access to Y2K readiness reports filed by brokerage firms, mutual funds and other financial companies. The Federal Trade Commission (**www.ftc.gov**) also provides consumer information. The President's Council on Year 2000 Conversion Web site (**www.y2k.gov**) is another government resource with many links to more information. For global Y2K information and an extensive listing of other Web site links, another resource is the Global 2000 Co-ordinating Group (**www.global2k.com**). HU

Performance

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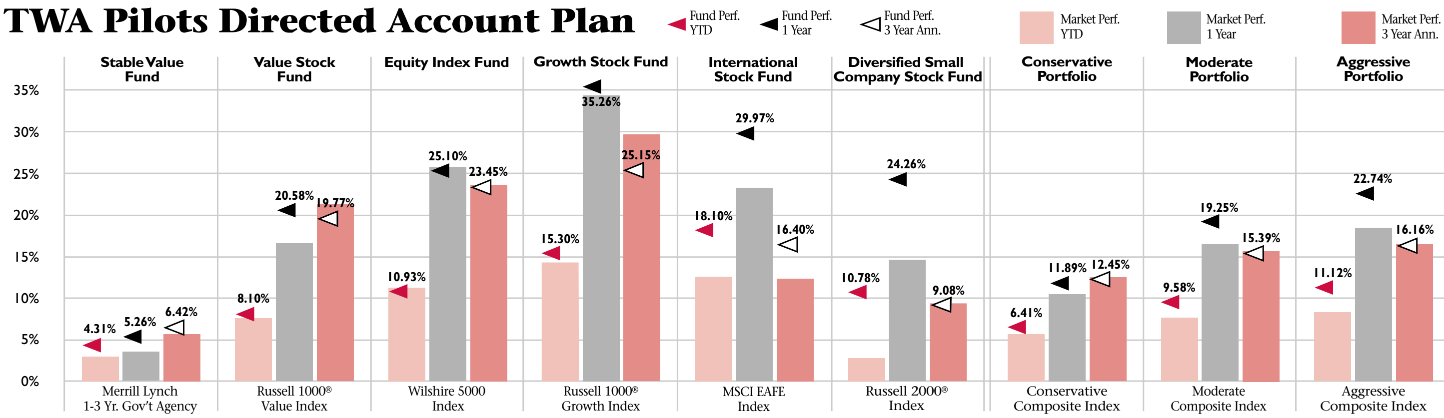
TWA Pilots Directed Account Plan



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, 1999. Fund performance is reported net of all expenses. One-year performance runs from November 1, 1998 through October 31, 1999. Three-year annualized performance runs from November 1, 1996 through October 31, 1999.

FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of October 31, 1999. Bolded names are new fund managers.

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

Value Stock Fund	
BGI Value Index	20%
Federated Stock Trust	20%
Legg Mason Spec. Inv. Trust	**10%**
Morgan Core	20%
Neuberger/Berman Focus	10%
Neuberger/Berman Regency	**10%**
T. Rowe Price Value	**10%**

Equity Index Fund	
BGI US Equity Index	100%

Growth Stock Fund	
Fidelity Contrafund	16%
Janus Fund	16%
Marsico Focus	16%
MFS Research	16%
Vanguard US Growth	16%
BGI Growth Index	20%

International Stock Fund	
Am Century Instl. International Growth	25%
Am Century Instl. International Discovery	20%
Janus Overseas	25%
Templeton Instl. Foreign	30%

Diversified Small Company Stock Fund	
Berger Small Cap Value	**12%**
BGI Small Company Index	20%
DFA 9-10 US Small Co.	12%
Eclipse Small Cap Value	**12%**
Franklin Small Cap Growth	16%
Heartland Value	12%
MFS Instl Emerging Equities	16%

Net Value of Funds (Millions) (October 31, 1999)	401(k)	DAP
Stable Value Fund	$44.9	$305.4
Value Stock Fund	37.0	85.3
Equity Index Fund	21.9	87.4
Growth Stock Fund	23.7	99.7
International Stock Fund	15.8	52.0
Diversified Sm. Co. Stock Fund	19.8	29.4
Conservative Portfolio	4.2	52.1
Moderate Portfolio	21.2	505.0
Aggressive Portfolio	7.4	24.0
Fidelity Funds Window	——	153.0
TWA Company Stock	7.5	——
Total	$203.4	$1,393.4

Social Security to Provide Benefit Statements

Ever wonder what your Social Security benefits might be? Wonder no more. The Social Security Administration will automatically provide earnings and benefit estimate statements to all workers age 25 and over who are not yet receiving benefits. Workers will receive their statements about three months before their birth month every year.

For more information about these statements and Social Security, call the toll-free number (1-800-772-1213) or visit the Social Security Web site at **www.ssa.gov**. HU

Market Volatility *continued from front*

points. With the Dow closing around 11,000 recently, a drop of 100 points means a loss of less than 1%. However, ten years ago, a drop of 100 points would have represented about a 4% loss (based on the last trading day of 1989 when the Dow closed at 2753). The bottom line is that a triple-digit dip in the market today is less significant than a similar decline even ten years ago. And, it's certainly not a sole reason to jump out of the stock market.

Riding the wave by diversifying and thinking long-term

One of the best ways to cope with swings in the market is to ignore them as best you can. As a retirement investor, you're generally in it for the long haul, even if you are nearing retirement. Some investors try to time the market, or jump out on a downswing and jump back in on an upswing in order to avoid losses and garner bigger gains. Market timing is very difficult to do successfully, even for the pros. You have to be right twice, when you sell and when you buy. Upward moves come and go unexpectedly; they're easy to miss.

Try to face any market uncertainty by keeping your goals in mind and following a disciplined, consistent, and diversified strategy. Try not to toss your carefully allocated portfolio out the window just because of a calendar change or a dip in the market. If you feel you need to review your asset allocation, now is a good time to do it before you are tempted to make rash, emotional changes in response to anticipated or actual market movements. 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 1-877-4TWADAP (1-877-489-2327) 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 Social Security number and PIN to access your account. Daily NAV, call 1-800-TWA-2017 (toll-free). Fidelity Funds 1-800-881-4015.

Web Site: www.4twadap.com

Other Information:

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